EXCHANGE RATES

Korea's economy grew more slowly, not faster, when the won weakened against the dollar

Since 1998, with the won floating, Korea's GDP grew 2.0% a year on average in quarters when the won was weaker than a year earlier, against 5.1% when it was stronger, while Hyun Song Shin's research shows how a weaker currency can also hurt through finance.

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KEY NUMBERS

2.0% [1,2]

average real GDP growth in quarters when the won was weaker against the dollar than a year earlier, 1998–2026 (5.1% when it was stronger)

–0.7% [2,3]

average change in real investment in those weak-won quarters (+5.2% when the won was stronger)

8 [1,2]

quarters in which the won was weaker against the dollar than a year before, out of the 10 quarters since 1981 in which GDP shrank

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The data behind each chart can be downloaded as CSV from the online version.

KEY FINDINGS

01 Since 1998, Korea's GDP grew 2.0% a year on average in quarters when the won was weaker against the dollar than a year earlier, against 5.1% when it was stronger; exports and investment followed the same pattern, and the gaps mostly closed a year later [1,2,3,4].

02 Most quarters in which GDP shrank came with a weaker won: eight of the 10 quarters since 1981 came when the won was weaker against the dollar than a year before. The won's biggest falls came mostly in crises, when the same shock hit both the won and growth, so the comparison shows timing, not the won's effect [1,2].

03 In 1997–98 and 2008–09 Korea owed the world more than it owned, and the falling won came with soaring corporate bond spreads over government bonds, up to roughly 935bp (approximate, as the government rate was then managed), and falling investment [2,3,5,6,7,8]. That is consistent with the financial channel, which Shin's BIS research links to a sharp drop in investment [9]. In 1997–98, small firms with more short-term foreign debt fared worse [10].

04 From 1981 to 1997 exports grew faster a year after a weaker won (15.4% against 8.5%), but not since 1998 (6.7% against 8.5%)[2,4]. From February 1985 to April 1987, around the Plaza Accord, the yen came to cost 82.7% more won, while won per dollar, after weakening in 1985, ended about where it started (+0.5%)[2,11]. In 2025, 84.2% of exports were settled in dollars[12,13]. From October 1997 to January 1998 and from December 2021 to October 2022, a weaker won showed up mostly as higher won prices, not lower prices abroad[14,15].

05 Korea has been a net creditor since Q3 2014, which Bank of Korea economists, using data to mid-2025, say has weakened the old channel[2,5,6,16]. By mid-2026 the overall position had shrunk to 3.1% of GDP as foreign-held Korean shares rose in value, though debt claims still exceeded foreign debts by 18.0% of GDP (preliminary figures)[2,5,6,17,18]. In 2022 margin calls on currency hedges tightened Korean money markets, and in September 2022 banks paid far more of them than usual[16,19]. Over 2022 the corporate spread over government bonds also rose, from 61bp in December 2021 to 167bp in December 2022[7,8].

THE QUESTION

The question we answered

Since 1980, did Korea's exports and economy really grow faster when the won weakened against the dollar and all trading partners, and what do Hyun Song Shin's financial-channel studies and Korea's currency episodes say about how a weaker won can also hurt?

What we looked at

How Korea's exports and economy grew when the won was weakening and when it was strengthening from 1981 to mid-2026, and what Hyun Song Shin's and other BIS research says about why a weaker currency can tighten a country's financial conditions.

A note on the question. History does not show a stronger economy when the won was weak: since 1998 GDP grew 2.0% a year on average in quarters when the won was weaker than a year before, against 5.1% when it was stronger. Most quarters in which GDP shrank came with a weaker won, but the won's biggest falls came mostly in crises, when the same shock hit both the won and growth, so this shows timing, not the won's effect.

1 Five episodes of a weak won

The won's history since 1980 is a handful of big swings, each with its own cause. We measure it as won per dollar, so a rise means a weaker won; a dollar cost 552.0 won in January 1980[2]. The rate was managed until the Asian financial crisis: in March 1990 a 'market average rate' system replaced a peg to a basket of currencies[13]. Since that crisis the won has floated.

From October 1997 to January 1998, won per dollar rose 85.1%, to 1,706.8 won, still the weakest monthly average on record[2]. It rose 43.5% from July 2008 to March 2009 and 20.5% from December 2021 to October 2022. In June 2026 it reached 1,527.3 won, the weakest since February 1998, then fell back 11.0% to 1,359.0 won in September[2]. The chart below marks five big episodes; in the first, 1985–87, the won ended weaker in real terms against its trading partners, not against the dollar.

FIGURE 1

The won's sharpest falls against the dollar came in 1997–98 and 2008–09; in June 2026, at 1,527.3 won per dollar, it was at its weakest since February 1998

Won per US dollar since 1980 · Won per dollar, monthly averages, Jan 1980–Sep 2026



How to read this chart. Higher means a weaker won: more won are needed to buy one dollar. Shaded periods are the five episodes compared in the table further down.

Shaded: Plaza Accord and the yen's rise (Feb 1985–Apr 1987); Asian financial crisis (Oct 1997–Jan 1998); global financial crisis (Jul 2008–Mar 2009); strong dollar (Dec 2021–Oct 2022); weak won (Jan 2024–Jun 2026). Each runs from its start month to the won's weakest month in the episode (1985–87: to the end of the won's real effective fall).

From 1980 to 1997 the rate was managed: first a currency-basket peg, then, from March 1990, a market-average rate system; the won has floated since the Asian financial crisis. Monthly averages; daily extremes were wider.

Left out: the won's real effective value (an index against all trading partners, a different unit; never a second axis) is compared in the text and the episodes table; won per 100 yen is in the exports section.

Source: Source: Bank of Korea, ECOS · Data to Sep 2026[2,13,19]

Weak against the dollar is not always weak against everyone, as the real effective exchange rate shows: it measures the won against all trading partners at once, allowing for differences in inflation. From February 1985 to April 1987 won per dollar weakened 6.6% by October 1985 and then came back, ending about where it started (+0.5%)[2]. Over the same period the won's real effective value fell 28.0% as the yen soared, so in real terms the won fell far more against its main trading partners taken together than it did against the dollar[20]. From December 2021 to October 2022, while won per dollar rose 20.5%, the real effective value fell only 6.6%[2,21]. Irwin and Obstfeld note that at the time the won's real effective value was not far below its 2010–12 average, years that were not crisis years for the Korean economy[13].

2 Weak-won quarters were slower quarters

Since 1998, with the won floating, a weaker won has gone with slower, not faster, growth. We call a quarter weak-won when a dollar cost more won, on average, than a year earlier, and strong-won otherwise. From 1998 to mid-2026, 52 quarters were weak-won and 62 quarters strong-won[2].

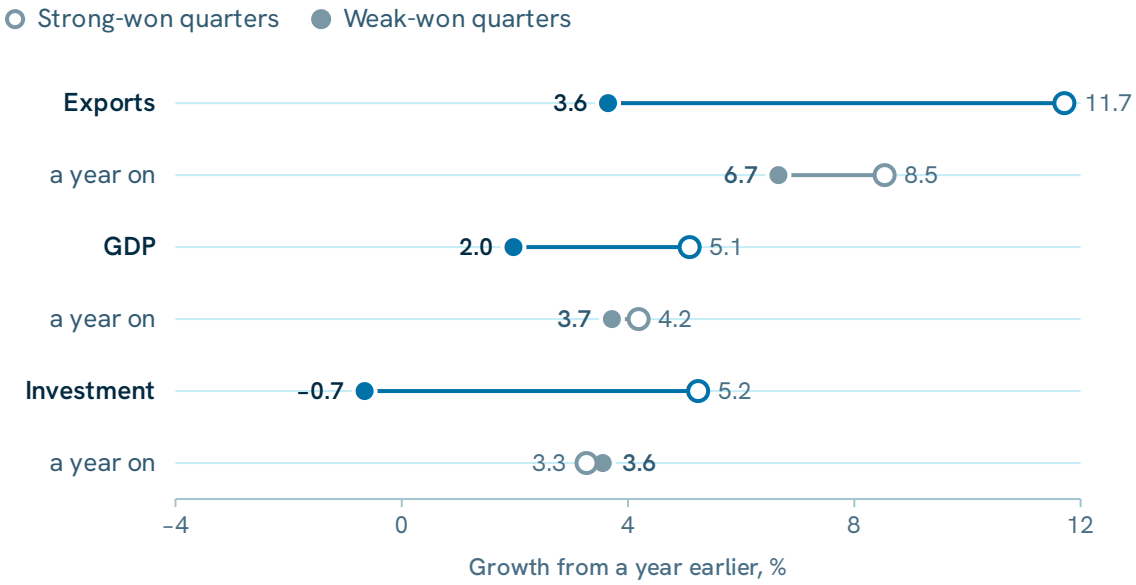
In weak-won quarters real GDP grew 2.0% from a year earlier on average, against 5.1% in strong-won quarters[1,2]. Real goods exports grew 3.6%, against 11.7%[4]. Investment, meaning spending on buildings, machinery, equipment and intellectual property such as software, shrank 0.7%, against growth of 5.2%[3].

A year later most of the gaps had closed: four quarters on, GDP grew 3.7% after weak-won quarters against 4.2% after strong ones[1]. Exports grew 6.7% against 8.5%, and investment growth was about even[3,4]. The chart below shows all six comparisons.

FIGURE 2

Since 1998, exports, GDP and investment all grew more slowly in quarters when the won was weaker than a year before; a year later the gaps had mostly closed

Average growth in weak-won and strong-won quarters, 1998–2026 · Real growth from a year earlier, %, average over Q1 1998–Q2 2026; in the same quarter and four quarters later



How to read this chart. Each row compares average growth in quarters when the won was weaker against the dollar than a year earlier (filled dot) with quarters when it was stronger (hollow dot). Each 'a year on' row, under its measure, shows growth four quarters later. A filled dot to the left means slower growth in weak-won quarters.

52 weak-won and 62 strong-won quarters in the same-quarter rows; 48 and 62 in the 'a year on' rows, because the last four quarters have no growth figure four quarters later yet.

These are descriptive averages, not the won's effect: weak-won quarters include the 1998 and 2008–09 crises. Before the float (1981–97) exports grew faster in the year after a weak-won quarter; that period is in the text, to keep one exchange-rate regime per chart.

Exports are real goods exports; investment is real gross fixed capital formation.

Source: Source: Bank of Korea, ECOS; datasteg calculation · Data to Q2 2026 [1,2,3,4]

Before the float, exports grew faster a year after a weak-won quarter: from 1981 to 1997 they grew 15.4% a year later, against 8.5% a year after a strong-won quarter[2,4]. But in the weak-won quarters themselves GDP grew more slowly, 8.9% against 10.6%[1]. So did investment, 9.8% against 15.0%[3].

Measured against all trading partners, the pattern since 1998 is the same: GDP grew 2.2% in weak quarters against 5.0% in strong ones[1,21]. Since 1998, in the 11 quarters when won per dollar rose more than fifteen per cent over the year, GDP shrank 0.6% on average and investment 6.4%[1,2,3]. Since 1998, in the 28 quarters when it fell more than five per cent, GDP grew 6.5%[1,2]. These averages pool very different shocks, which the next sections take apart.

3 What Shin's research says

Hyun Song Shin and his co-authors at the Bank for International Settlements (BIS) argue that a weaker currency against the dollar can hurt an economy through finance, the opposite way to trade[9]. Shin, now Governor of the Bank of Korea[22], made this case in BIS studies and speeches before taking office[9,23].

A chipmaker selling in dollars earns more won when the won weakens, so it can cut prices abroad or keep a fatter margin. That is the trade channel. A firm that borrowed in dollars owes more in won, so lenders see it as riskier and lend less. That is the financial channel.

In a 2015 speech in Seoul, Shin described how the links that ease credit when the dollar weakens work in reverse when it strengthens[23]:

> *"However, when the dollar strengthens, these same relationships go into reverse and conspire to tighten financial conditions."*
>
> — BIS, 2015[23]

The rate that matters for this channel, he argued, is the one against the dollar, the main borrowing currency, not a currency's average against trading partners[23].

The core study, a 2018 BIS working paper by Avdjiev, Bruno, Koch and Shin, covers dozens of emerging economies, Korea among them[9]. It finds that a large rise in the dollar, of one standard deviation, is followed by investment growth about five percentage points lower the next quarter[9]. Among firms that rely on outside finance, the extra fall in investment is large and significant in emerging Asia but not in emerging Europe[9]. GDP growth contracts too[9], and the broad dollar, the dollar against many currencies at once, is the most relevant exchange rate for investment[9].

The research has limits. The core paper says that in additional tests, which it does not show, the financial channel outweighs the trade channel overall[9], but its conclusion says only that the hit to investment may temper the gains from trade[9]. Firms in tradable sectors invest more after the dollar rises, which is consistent with the trade channel[9]. Another BIS study finds the financial channel only partly offsets the trade channel[24]. No study we read estimates both channels together for Korea alone[24,25], and Shin himself urged care about causation[23].

4 When the won fell hardest, debt was part of the story

Korea's own crises look like the financial channel at work, though they cannot prove it. Of the 10 quarters since 1981 in which GDP shrank from a year earlier, eight came when the won was weaker against the dollar than a year before[1,2]. The deepest, −7.1% in Q2 1998, came in the Asian crisis; the list also includes the pandemic, and the worst quarter of 2008–09 ranks only 6th lowest[1].

In the third quarter of 1997 Korea's net international investment position, what it owns abroad minus what it owes, was −12.5% of GDP[2,5,6]. In the second quarter of 1997, foreign debt due within a year equalled 12.4% of GDP, 48% of the total[2,6,26,27]. As the won collapsed, the overnight rate between banks reached 25.3%, and the spread of corporate over government bonds, measured in basis points, hit about 935bp[7,8,28]. The three-year government bond rate moved in steps and stood still for months at a time, so it appears to have been administered and that gap is approximate[8]. At its worst, in the third quarter of 1998, investment was 23.1% lower than a year earlier[3].

Firm data show this balance-sheet effect: small firms with more short-term foreign debt before the crisis saw their sales grow more slowly during it[10]. Exports cushioned mainly the largest firms[10].

In mid-2008 Korea was still a net debtor, at −11.4% of GDP, though counting debt alone its debt claims abroad had exceeded its foreign debts since Q1 2000[2,5,6,17]. The weak spot was short-term foreign debt, which in the third quarter of 2008 reached USD 188bn, 52% of the total[26,27]. At 15.5% of GDP, that was the highest share in data back to 1994[2,6,26]. This time the dollar itself surged: the broad dollar rose 17.9% between July 2008 and March 2009[29].

Foreign investors sold a net USD 29bn of Korean shares and bonds between July 2008 and March 2009[30]. Even as government bond rates fell, the corporate spread widened from 103bp in July 2008 to a peak of 438bp in December 2008[7,8]. Exports did not rescue growth: real goods

exports fell 4.5% from a year earlier in Q1 2009, and dollar export values fell 15.9% in 2009 as a whole[4,31]. The table below sets the five episodes side by side.

FIGURE 3

In 1997–98 and 2008–09 corporate bond spreads soared and investment fell; from February 1985 to April 1987 the won fell 28.0% in real terms against its main trading partners, not against the dollar, and exports boomed

Five episodes of a weak won, side by side · Changes in % from each episode's start month to the won's weakest month; growth in % from a year earlier; foreign purchases in USD bn; spread in basis points

Episode	Won per $, %	Real effective, %	Broad $, %	Lowest GDP, %	Lowest investment, %	Best exports, %	Foreign buying, USD bn	Widest spread, bp
Plaza Accord, Feb 1985–Apr 1987	0.5	−28.0	–	6.8	−2.7	52.4	–	–
Asian crisis, Oct 1997–Jan 1998	85.1	−39.2	8.5	−7.1	−23.1	27.6	−1.4	935
Global crisis, Jul 2008–Mar 2009	43.5	−22.9	17.9	−2.1	−6.9	9.3	−29.0	438
Strong dollar, Dec 2021–Oct 2022	20.5	−6.6	11.2	0.7	−2.5	10.8	27.6	167
Weak won, Jan 2024–Jun 2026	15.4	−14.5	−0.9	0.2	−4.2	12.6	−14.9	75

How to read this chart. One row per episode. A positive change in won per dollar means a weaker won; a negative change in the won's real effective value (against all trading partners) also means a weaker won. 'Broad $' is the dollar against many currencies. Growth columns show the worst (or, for exports, the best) real growth from a year earlier, from the start of the episode to four quarters after it. 'Foreign buying' is foreign investors' net purchases of Korean shares and bonds; a negative value is a net sale. 'Widest spread' is the corporate bond spread over government bonds.

Episodes: Feb 1985–Apr 1987, Oct 1997–Jan 1998, Jul 2008–Mar 2009, Dec 2021–Oct 2022 and Jan 2024–Jun 2026. Changes run from the start month to the won's weakest month (1985–87: to the end of the won's real effective fall, Apr 1987). Foreign purchases are sums of monthly balance-of-payments flows into Korean shares and bonds over the same months.

The broad dollar index starts in 1994, the foreign-purchase comparison is shown from 1997 and the corporate spread series starts in 1995, so those cells are blank for the Plaza Accord. Real effective value: BIS narrow index for the Plaza Accord, broad index from 1997.

Background, as set out in the text: 1985–87, the yen's rise against the dollar; 1997–98, heavy short-term foreign debt and an overnight call rate of up to 25.3% (Jan 1998 monthly average); 2008–09, a surging dollar and short-term foreign debt at its highest share of GDP in data back to 1994; 2022, a strong dollar and margin calls on currency hedges; 2024–26, political uncertainty, an oil price jump and a chip-export boom.

In 1997–98 the three-year government bond yield looks administered: it stood at 11.65% from July to October 1997 and at about 15.0% from December 1997 to February 1998, and the spread over it was at times negative in 1996–97. The Asian-crisis widest spread, 935bp (Oct 1997–Dec 1998), is therefore approximate.

The weak-won episode's widest spread, 74.7bp, is the window's first month (Jan 2024); spreads were lower at the end of the period than at its start, though they widened again in 2026, so it is no spike.

Korean government bond yields are left out: they fell in 2008–09 and rose with US yields in 2022, so they are a poor gauge of Korea-specific stress here.

Source: Sources: Bank of Korea, ECOS; BIS via FRED, Federal Reserve Bank of St. Louis; datasteg calculation · Data to Sep 2026 [1,2,3,4,7,8,11,19,20,21,22,26,28,29,30,32,33]

5 Why a cheaper won lifts exports less than expected

Before the 1997 float a cheaper won went with faster export growth a year later, but not since[2,4]. From 1986 to 1988 real goods exports grew 25.2% a year on average, peaking at 52.4% in Q4 1986[4]. The current account, Korea's balance of trade and income with the world, swung from a deficit of 2.1% of GDP in 1985 to a surplus of 6.2% in 1988[34,35].

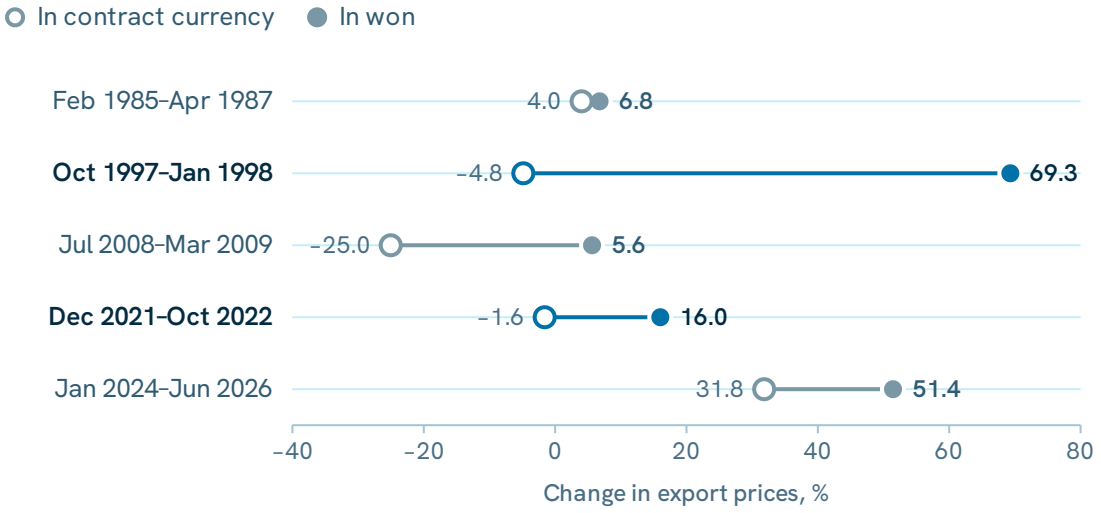
From February 1985 to April 1987, around the Plaza Accord, won per dollar weakened in 1985 and then came back, ending about where it started (+0.5%)[2]. Over the same period the yen came to cost 82.7% more won[11]. Exports then kept growing fast into early 1988 even as the won strengthened against the dollar[2,4].

In 2025, 84.2% of Korean exports were settled in dollars, a practice called dollar invoicing[12], and big exporters set prices market by market[13]. Research across many countries finds that the relative prices of goods traded between two countries, other than commodities, barely move with the exchange rate between their currencies[36]. From October 1997 to January 1998 export prices rose 69.3% in won but fell only 4.8% in the currencies buyers paid[14,15]. From December 2021 to October 2022 they rose 16.0% in won and fell just 1.6%, as the chart below shows[14,15]. From July 2008 to March 2009, amid the global slump, prices in buyers' currencies fell 25.0%, so that episode does not isolate exporters' pricing choices[15].

FIGURE 4

From October 1997 to January 1998 and from December 2021 to October 2022, Korean export prices jumped in won but barely fell in the currencies buyers pay: up 69.3% against down 4.8%, and up 16.0% against down 1.6%

Change in Korea's export prices in won and in contract currency, by episode · Export price index, % change from each episode's start month to the won's weakest month against the dollar (1985–87: to the end of the won's real effective fall, Apr 1987)



How to read this chart. The filled dot is the change in export prices measured in won, the hollow dot the change in the currency of the contract, mostly dollars. The gap between them is roughly the won's fall: the wider it is, the more of the weaker won exporters kept as higher won revenue instead of cutting prices abroad.

Contract-currency prices also move with world prices: they fell from July 2008 to March 2009 with the global slump and rose from January 2024 to June 2026, so those rows don't isolate pricing choices. From February 1985 to April 1987 won per dollar ended about where it started, so the dots sit close.

Episodes run from the start month to the won's weakest monthly average against the dollar (1985–87: to the end of the won's real effective fall): Feb 1985–Apr 1987, Oct 1997–Jan 1998, Jul 2008–Mar 2009, Dec 2021–Oct 2022 and Jan 2024–Jun 2026. The change in won per dollar over each episode is in the table view.

Source: Source: Bank of Korea, ECOS; datasteg calculation · Data to Jun 2026[2,14,15]

Volumes respond slowly: Korea's export volumes react little to the exchange rate in the short run[37]. The yen's price in won fell 40% between October 2011 and June 2015; an IMF study of the move up to early 2015 found exporters had passed little of it into prices and volumes barely responded[11,37].

Another BIS study finds that how much a country invoices in dollars makes little difference to the damage a stronger dollar does[38]. In 2025 Chang Yong Rhee, then Governor of the Bank of Korea, said a weaker won now brings Korea smaller export gains[19].

6 A creditor Korea, with a new weak spot

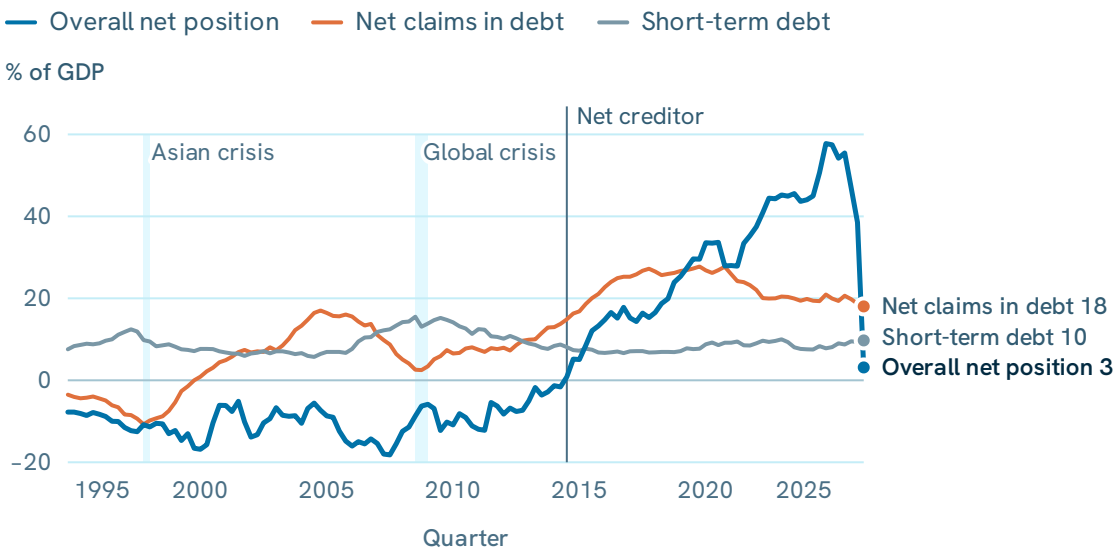
Korea's foreign debt is now less short-term and more than covered by its debt claims abroad, but a falling won can still tighten its finances. It became a net creditor, owning more abroad than it owes, in Q3 2014[2,5,6]. Counting debt alone, its debt claims on the rest of the world exceeded its foreign debts by 18.0% of GDP in mid-2026. At the end of 1997 its foreign debts exceeded those claims by 10.7% of GDP[2,6,17]. Its gross foreign debt is 39.9% of GDP, but less of it is due within a year: 24%, against 48% in the second quarter of 1997[6,26,27].

The wider net position, which includes shares, peaked at 57.8% of GDP at the end of 2024 and was 54.2% in mid-2025, in line with Bank of Korea economists' estimate[2,5,6,16]. It fell to 3.1% by mid-2026, most of it in the second quarter of 2026, from 38.5% at the end of March (preliminary figures)[2,5,6]. The reason is that foreign-owned Korean shares, which count as what Korea owes, rose in value: by 82% in that quarter alone, to 4.2 times their end-2024 level, a rise that more than accounts for the fall[18]. That is a paper effect of rising share prices, not new borrowing: in the chart below, net claims in debt barely move while the overall position falls.

FIGURE 5

Korea's net international investment position was negative in the 1997 and 2008 crises, turned positive in 2014 and fell to 3.1% of GDP in mid-2026 (preliminary) as foreign-held Korean shares rose in value

Korea's external position and short-term foreign debt · % of GDP, end of quarter, Q4 1994–Q2 2026



How to read this chart. Above zero, Korea's claims on the rest of the world exceed what it owes. The overall net position counts shares as well as debt; net claims in debt leave shares out. The short-term debt line is foreign debt due within a year.

The overall net position fell from 57.8% of GDP at end-2024 to 3.1% in mid-2026 (preliminary) because Korean shares held by foreigners rose in market value (a liability at market prices), a rise that more than accounts for the fall, not because Korea borrowed more.

GDP is the sum of the last four quarters, converted to dollars at each quarter's average won-dollar rate. Gross external debt (39.9% of GDP in mid-2026) is in the text; foreign exchange reserves are not in this chart.

Source: Source: Bank of Korea, ECOS; datasteg calculation · Data to Q2 2026[2,5,6,16,17,26]

Bank of Korea economists conclude that the old channel has weakened since Korea became a creditor[16]:

> *"With this structural shift, the traditional transmission channel of external shocks observed during the net debtor period has notably attenuated."*
>
> — BIS, 2026[16]

Korean finance remains highly sensitive to global conditions, they add[16]. From December 2021 to October 2022, won per dollar rose 20.5% as the broad dollar climbed 11.2%[2,29]. Yet Korea's 10-year government bond rate rose less than America's, 208bp against 251bp, and foreigners bought a net USD 32bn of Korean bonds over those months[39,40,41].

Part of the strain came through currency hedges: when the won falls fast, holders of currency hedges that lose value must post extra cash, a margin call, and in September 2022 Korean banks paid far more than usual[16,19]. To raise it they sold won securities and issued bonds, adding upward pressure on market interest rates[16]. The corporate spread, which nets out government bond rates, also widened over the year, from 61bp in December 2021 to 167bp in December 2022[7,8]. The sources we read do not measure how much of that rise the margin calls caused.

The weak won from January 2024 to June 2026 was different again: over those months the broad dollar ended almost where it started (−0.9%), while won per dollar rose 15.4%[2,29]. The won fell amid political uncertainty around the turn of 2025[19]. The period also saw an oil price jump of 88% from December 2025 to April 2026[33]. Growth was 3.7% in Q2 2026, alongside a 186% rise in chip export values from a year earlier[1,32]. In June 2026 Governor Shin tied the recent pick-up in growth to chip exports driven by AI demand, so the won's own part cannot be separated[22].

OUR READ

Korea's record does not show that a weak won made the economy strong: most quarters of falling GDP came with a weaker won. In the two sharpest falls of the won, heavy short-term foreign debts[2,6,26] went with soaring corporate bond spreads[7,8], the tightening of financial conditions Shin describes[23]; in 1997–98 small firms with more short-term foreign debt fared worse[10]. Exports grew faster a year after a weaker won only before 1998. From February 1985 to April 1987 the yen came to cost 82.7% more won while won per dollar, after weakening in 1985, ended about where it started (+0.5%)[2,4,11]. Bank of Korea economists found, with data to mid-2025, that being a creditor had blunted the old channel[16], though the overall net position had shrunk to 3.1% of GDP by mid-2026 (preliminary figures)[2,5,6]. Yet 2022 showed a fast fall in the won can still tighten Korean finance through hedging[16], and no study we read estimates both channels together for Korea alone[24,25].

Terms in this article

spread
The extra interest one borrower pays over a benchmark borrower on debt of the same maturity, usually measured in basis points. Here: mostly what Korean companies pay over the Korean government on bonds of the same maturity.

real effective exchange rate
A currency's value against a basket of trading partners' currencies, weighted by trade and adjusted for differences in inflation. A fall means the currency has become cheaper against partners as a whole.

trade channel
The way a weaker currency can help an economy through trade: exporters earn more in local currency or can cut their prices abroad, and imports become dearer.

financial channel
The way a weaker currency against the dollar can hurt an economy through finance: borrowers with dollar debts look less creditworthy, so lenders lend less and financial conditions tighten.

broad dollar index
The US dollar's value against the currencies of many trading partners at once. A rise means the dollar has strengthened against the world as a whole.

net international investment position
What a country's residents own abroad minus what foreigners own in that country. A negative position means foreigners own more of the country than it owns of the rest of the world. Here: Korean shares held by foreigners count as a liability at market value, so rising share prices lower the position without new borrowing.

basis point
A hundredth of a percentage point, the usual unit for small gaps and changes in interest rates.

balance-sheet effect
When a currency falls, debts owed in foreign currency grow in local-currency terms while income may not, weakening borrowers' finances and their ability to borrow and invest.

dollar invoicing
Setting the price of traded goods in US dollars, even when neither trading partner is the United States. Prices abroad then move little when the exporter's own currency changes.

margin call
A broker's demand for more cash or collateral when shares bought with borrowed money have fallen too far in value. If the investor cannot pay, the broker sells the shares, a forced sale. Here: extra cash owed on currency hedges, such as forwards and swaps, that lose value when the won falls, as for Korean banks in 2022.

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