Korea's Policy Experience in Responding to COVID-19

Ministry of Economy and Finance
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- Financing for SPV to purchase Corporate bonds · CPs
Introduction

Flattening the COVID-19 Curve in Korea (as of June 3)

[Graph showing new cases and discharged cases over time]
Flattening the COVID-19 Curve in Korea (as of June 3)

Introduction

Log scale of cumulative cases

- **Global**
- **Republic of Korea**

*Days since the 100th confirmed case occurred*
Adopting Special Entry Procedure

All entrants

With symptoms → Testing in airport

Positive → hospital or community treatment center

Negative → self-quarantine for 14 days

Without symptoms

Foreigner

Korean

Long-term stay

Self-quarantine for 14 days

Short-term stay

Test if symptoms are expressed

✓ Return-Home Process (e.g. Seoul):

(Objective) Complete isolation from the public on the way home

(Implementation) Special taxi/airport bus → Testing all → Self-owned car/ Designated car → Home
Economic Measures

Fiscal policy: 3P (Protecting · Promoting · Preparing)
## Korean Economic Measures: Fiscal Policy

### Summary

<table>
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<tr>
<th>Phase</th>
<th>Description</th>
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<td>Early Phase</td>
<td>Three Rounds of Financial Stimulus Packages&lt;br&gt;Five consumption coupons &amp; emergency financing support for SMEs</td>
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<td>Middle Phase</td>
<td>Step-by-step Large-scale Measures&lt;br&gt;Key Policies</td>
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<td>Current Phase</td>
<td>Process of Specifying Details&lt;br&gt;Creating financing methods and implementation of specific policies</td>
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### I. Three Rounds of Financial Stimulus Packages – **Early Phase**
- Five consumption coupons & emergency financing support for SMEs

### II. Step-by-step Large-scale Measures – **Middle Phase**

<table>
<thead>
<tr>
<th>Step</th>
<th>Key Policies</th>
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<tbody>
<tr>
<td>1&lt;sup&gt;st&lt;/sup&gt;</td>
<td>Introduce Emergency Financial Package 1</td>
</tr>
<tr>
<td>2&lt;sup&gt;nd&lt;/sup&gt;</td>
<td>Announce Emergency Financial Package 2</td>
</tr>
<tr>
<td>3&lt;sup&gt;rd&lt;/sup&gt;</td>
<td>Provide Emergency Relief Payments</td>
</tr>
<tr>
<td>4&lt;sup&gt;th&lt;/sup&gt;</td>
<td>Finance Venture and Startup</td>
</tr>
<tr>
<td>5&lt;sup&gt;th&lt;/sup&gt;</td>
<td>Establish Key Industry Protection Fund&lt;br&gt;Increase Financial Support Amount</td>
</tr>
</tbody>
</table>

### III. Process of Specifying Details – **Current Phase**
- Creating financing methods and implementation of specific policies

**Total $210 billion**<br>(13% of GDP)
Korean Economic Measures: Fiscal Policy

3P (Protecting, Promoting, Preparing)

- Protecting: Safeguarding jobs, vulnerable groups, and businesses
- Promoting: Supporting each industry, Boosting consumption
- Preparing: Improving business regulations, Performing Korean New Deal
Korean Economic Measures: Fiscal Policy

Protect Jobs, Vulnerable Groups, and Businesses

**Jobs**
- Supported wage for SMEs
- Created Public Jobs (Including non-face-to-face Jobs)

**COVID-19 Relief Payments**
- Issued consumption coupons for vulnerable groups
- Cut and deferred social security contributions

**Provide Liquidity to Businesses**
- Provided low interest rate loans for small businesses
- Granted to Special guarantees & Maturity extensions for SMEs

**Help to Stabilize the Markets**
- Established Bond & Stock market Stabilization fund
- Stabilized short-term money market
- Supported for corporate bond issuance
**Korean Economic Measures: Fiscal Policy**

**Promote economic recovery**

<table>
<thead>
<tr>
<th>Industry-specific Support</th>
<th>Measures to Boost Consumption</th>
</tr>
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<tbody>
<tr>
<td><strong>Airlines</strong></td>
<td>✓ Provide emergency relief payments to all households</td>
</tr>
<tr>
<td>✓ Emergency financing for low cost airlines &amp; landing fee cuts + Establishing Key Industry Fund</td>
<td>✓ Double the income tax deduction rates for credit or debit card use</td>
</tr>
<tr>
<td><strong>Tourism</strong></td>
<td>✓ Expand local governments’ gift certificate issuance</td>
</tr>
<tr>
<td>✓ Deferring loan repayment, extending maturity, &amp; introducing new collateral-free loans</td>
<td>✓ Issue leisure and tourism coupons, as well as maternal healthcare coupons</td>
</tr>
<tr>
<td><strong>Shipping lines</strong></td>
<td></td>
</tr>
<tr>
<td>✓ Emergency financing &amp; reducing port charges</td>
<td></td>
</tr>
<tr>
<td><strong>Arts</strong></td>
<td></td>
</tr>
<tr>
<td>✓ Supporting production costs &amp; admission fees</td>
<td></td>
</tr>
</tbody>
</table>
Korean Economic Measures: Fiscal Policy

Prepare for Post-COVID-19

Improve business regulations

- Innovate business regulations in 10 sectors
  (① Data·AI, ② Future Cars·Mobility, ③ Healthcare, ④ Fintech, ⑤ Medical technologies, ⑥ Recycling, ⑦ Venture Startups, ⑧ Industrial complexes, ⑨ Tourism, ⑩ E-commerce)

- Especially, remote healthcare & remote education & online businesses

Korean New Deal

- Preemptive investments for the future to establish digital infrastructure and create new jobs
Emergency Funds to Micro-Enterprise Owners

**The 1st low interest-rate emergency relief fund**

**<Sources of loans>**
1. Low rate loans (1.5%) (Commercial banks)
2. Low rate loans (1.5%) (Government-financed banks)
3. Low rate loans (1.5%) (Micro-Enterprise Support Fund)

**<Targets>**
- High credit group (1~3 grade)
- Middle credit group (4~6 grade)
- Low credit group (under 7 grade)

**The 2nd emergency relief fund**

**<Sources of loans>**
- Loans (3~4%) ($8.5 billion)
- Contribution of guarantee funds

**<Targets>**
- Commercial banks
- Micro-enterprise owners
- Consignment guarantees

Providing emergency Liquidity for Micro-Enterprise Owners

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Supporting for Key Industries

Korean Key Industry Fund

Companies affected by COVID-19

Already insolvent companies before the COVID-19 outbreak

Temporary Shortage of liquidity

Financial packages

Programs for corporate rehabilitation centered around main credit banks (under the condition that companies make an effort to get back on their feet)

Systems for corporate stability

Financial packages

Fund for Key industries

Key industries who have temporary shortage of liquidity & need for capital complement


✓ Financing($33 billion): Issuance of bonds on funds government guarantee
✓ Targets: The aviation and shipping industries
✓ Loan application conditions:
  a. (Employment stability) Must retain 90% of their employees
  b. (Profit sharing) Supply More than 10% of the total amount of support in the form of CBs, BWs
  c. (Preventing moral hazard) Prohibitions on bonus dividends and treasury stock purchases
  d. (Mutual benefits) Must submit a plan to benefit both management and labor to the KDB
Providing Emergency Relief Payments (to All Households)

Outline

✓ (Objective) ① Support for the Korean public in response to disasters + ② Promoting consumption and ③ benefiting local economies

✓ (Use Period) Around 100 days (between May and August)

✓ (Eligible stores) Small and medium-sized stores in neighborhoods where the recipients live
  * Cannot be used in department stores, discount stores, and bars

✓ (Amount) Up to $860 based on the number of family members

<table>
<thead>
<tr>
<th>Number of family members</th>
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<th>Amount</th>
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<tbody>
<tr>
<td>1</td>
<td>$350</td>
<td>3</td>
<td>$690</td>
</tr>
<tr>
<td>2</td>
<td>$520</td>
<td>At or above 4</td>
<td>$860</td>
</tr>
</tbody>
</table>

Financial sources

✓ (Total amount) $12 billion

✓ (Financial sources) Total supplementary budget for emergency relief payments

✓ (Securing soundness)

1. (Allowing charity) Donations made from disaster relief funds will be incorporated into the Employment Insurance Fund

2. (Expenditure restructuring) Minimizing the amount of sovereign-bonds issued through expenditure restructuring

Employment Insurance Fund
Economic Measures

Monetary policy: 3E (Easing, Expanding, Ensuring)
Korean Economic Measures: Monetary policy

3E (Easing, Expanding, Ensuring)

- Easing regulations for foreign currencies
- Expanding the supply of liquidity
- Ensuring the market’s confidence
Korean Economic Measures: Monetary policy

01 Ease the regulations for foreign currency

- **LCR***: 80% → 70%
- **Levy on FIs’ FX liabilities**: 0.1% → Exemption
- **Ceilings on the FX derivatives positions**
  - Domestic banks: 40% → 50%
  - Domestic branches of foreign banks: 200% → 250%

* Liquidity coverage ratio

02 Expand the supply of liquidity

- Purchasing sovereign bonds ($2.5 billion)
- Raising Ceiling on the Bank Intermediated Lending support Facility ($8.5 billion)
- Reducing the proportion of collateral securities ($8.5 billion)
- Introducing a standing lending facility system ($8.5 billion)
- Financing for SPV purchasing corporate bonds with low credit ratings and CPs ($8.5 billion → $17 billion if necessary)

03 Ensure the market’s confidence

- Declaring limitless supply of liquidity
  - Unlimited regular RP transactions (once per week)
- Interest rate reductions
  - (1.25% → 0.75% → 0.5%)
- Currency swap with the U.S
  - ($60 billion)
Moving Forward
Thinks to Consider : Q&A

Policy Objective
- Helping the economy recover
- Normalization of business, job, consumption,

Funding method for each policy
- Supplementary budget
- Reserve Fund, change the operation plan of fund

Support measures for vulnerable groups
- Consumption Coupons
- Support for informal sector employees

Policy Implementation
- 5 cases
- Other cases
THANK YOU