

Korea's Fiscal Response to COVID-19

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Budget Office
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Background



What Happened?

✔ Urgent care needed upon COVID-19 outbreak

('15) MERS → 186 infected in 1.5 months (38 deaths)

('20) COVID-19 → 3,736 infected in 1 month (18 deaths)

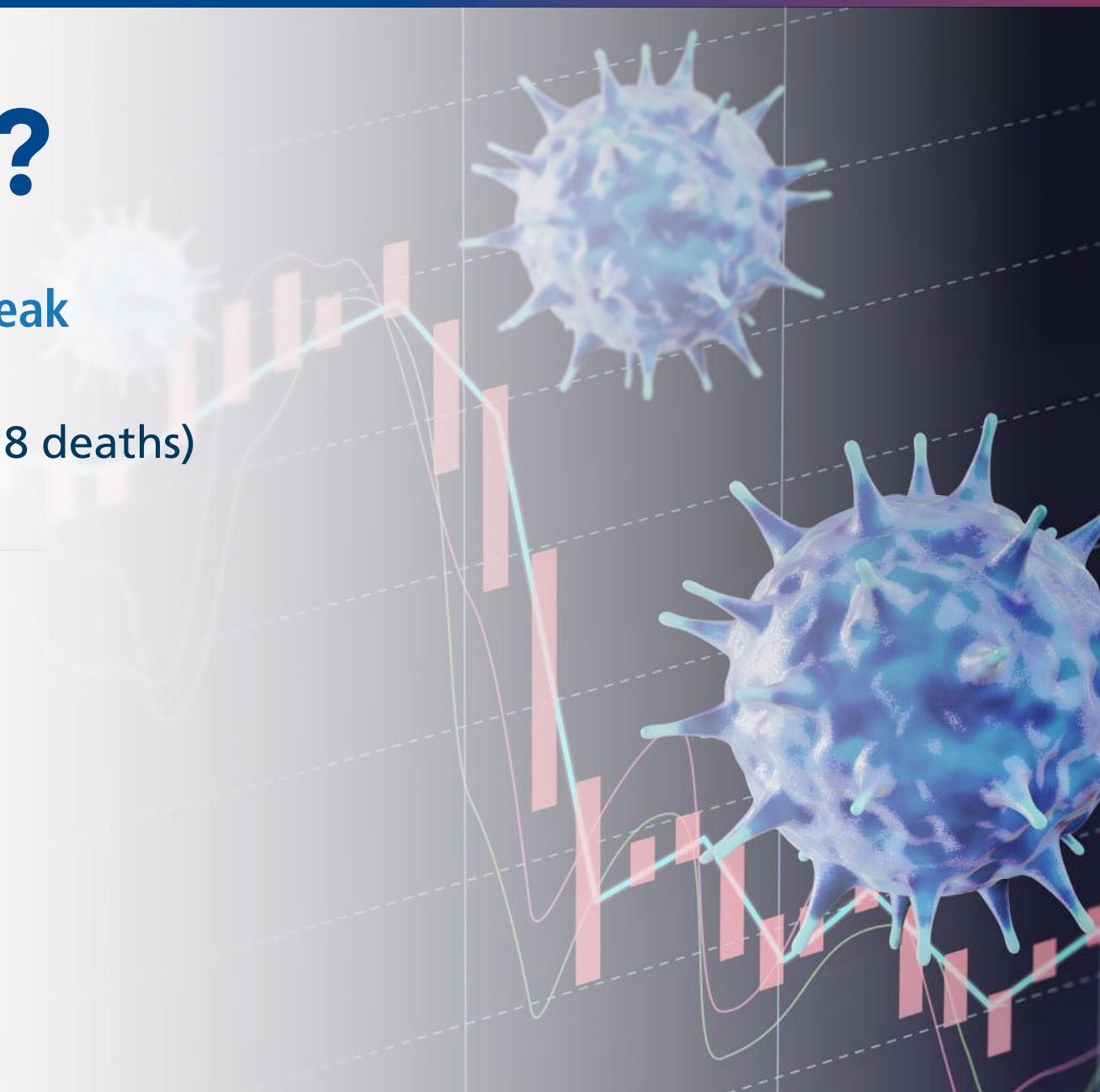
✔ Risk of Depression

(CSI) Jan. 2020: 104.2 → Feb. 2020: 96.9

△7.3p Largest decline since MERS (Jun. 2015)

(BSI) Jan. 2020: 76 → Feb. 2020: 65

△11p Largest decline since EU financial crisis (Jul. 2012)



1. Background: Supplementary Budgets

FY 2020

FY 2020

FY 2021

1st Supplementary Budget

KRW 11.7 trillion



New Spending

KRW 10.9 trillion

Revenue Adjustment

KRW 0.8 trillion

3rd Supplementary Budget

KRW 35.1 trillion

4th Supplementary Budget

KRW 7.8 trillion

1st Supplementary Budget

KRW 14.9 trillion



8.2 million beneficiaries

2nd Supplementary Budget

KRW 12.2 trillion



Beneficiaries:

entire population
(22,740,000 households)

Customized Relief Package

KRW 9.3 trillion

2nd Supplementary Budget

KRW 34.9 trillion

- remuneration for damages
- employment and welfare
- vaccine purchase
- local economy

2

Korea's Response: COVID-19 Prevention and Control

COVID-19



2. Korea's Response: COVID-19 Prevention and Control



Mask supply

Eased regulations on mask production facilities to ensure stable supply

Five-day rotation system for mask distribution until June 2020

* mask purchases were limited to two masks per person on designated days



4T+ α Strategy

Screening centers to conduct 360,000 diagnostic tests per day

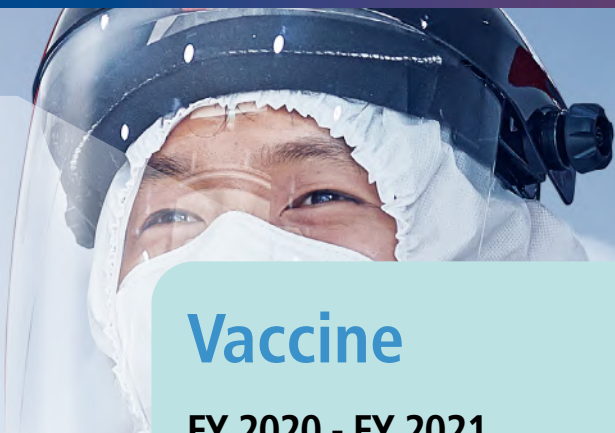
* Individuals tracked based on credit card transaction history and mobile phone usage

National briefings held twice a day for updates



ICT

Self-Quarantine Safety Protection App & drive-through testing centers



Vaccine

FY 2020 - FY 2021

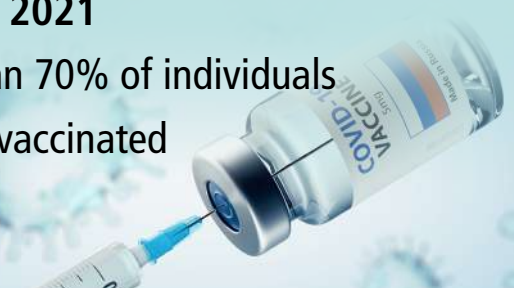
KRW 1.2 trillion for 56 million individuals

FY 2022

KRW 5.8 trillion for vaccine and disease prevention and control

October 2021

More than 70% of individuals are fully vaccinated





3

Korea's Economic and Fiscal Policy: Supplementary Budgets for FY 2020

3. Korea's Economic and Fiscal Policy: Supplementary Budgets

1st Supplementary Budget
(March 17, 2020)

KRW 11.7 trillion



11 million + α beneficiaries

Prioritized disease control and minimizing impact on small businesses were the priorities

* Beneficiaries: small merchants, low-income families, families with children, unemployed individuals, hospitals, and the local economy

2nd Supplementary Budget
(April 30, 2020)

KRW 12.2 trillion



Emergency Relief Payment

Universal payment (no one left behind)
22.7 million households

3. Korea's Economic and Fiscal Policy: Supplementary Budgets

3rd Supplementary Budget (July 3, 2020)

KRW 35.1 trillion

① Revenue Adjustment :

KRW 11.4 trillion

- Due to COVID-19, the growth rate declined in comparison with the original forecast
- Tax reduction upon COVID-19 outbreak

② Financial support to protect jobs and businesses :

KRW 5 trillion

- Emergency financial support for small merchants and SMEs: KRW 1.9 trillion
- Emergency cash flow support for key industries and enterprises: KRW 3.1 trillion

③ Employment, social protection & stimulus package :

KRW 18.7 trillion

4th Supplementary Budget (September 22, 2020)

KRW 7.8 trillion

Small merchants, SMEs

KRW 3.9 trillion

- Subsidy: 3.4 trillion
- Cash flow: 0.5 trillion



Employment

KRW 1.5 trillion

- Subsidy: 1.1 trillion
- Job support program: 0.1
- For unemployed - workers: 0.3



Low-income households

KRW 0.4 trillion

- Emergency livelihood support



Emergency childcare

KRW 1.8 trillion

- Extra childcare subsidy: 1.3
- Interim payment for family leave: 0.1, etc.



3. Korea's Economic and Fiscal Policy: Customized Relief

KRW 9.3 trillion → 8.2 million beneficiaries

Emergency relief (KRW 5.6 trillion)

- 3.1 million beneficiaries
- Direct & indirect support for small merchants (KRW 5.1 trillion)
- Income support for vulnerable employees (KRW 0.5 trillion)



Disease control and prevention (KRW 0.5 trillion)

- public health infrastructure for infectious diseases
- remuneration for health service institutions



Customized relief package (KRW 2.9 trillion)

- Reopening support for small merchants and SMEs
- Emergency employment support
- Social safety net for vulnerable groups



3. Korea's Response: New Deal - KRW 33.7 Trillion(USD 28.7 billion)

✔ Digital New Deal

Digital Transformation + Ultra-Connection New Industries - KRW 9.3 trillion(USD 7.9 billion)

- Data + Network + AI, etc.
- Contactless Infrastructure Improvement
- Digitalization of SOC



✔ Green New Deal

Net-Zero Society + New! "Climate Response Fund" - KRW 13.3 trillion(USD 11.3 billion)

- Support for Transformation of Businesses
- Contactless Infrastructure Improvement
- Digitalization of SOC



✔ Human New Deal

Policy for the Young Generation + Narrowing the Gap - KRW 11.1 trillion(USD 9.5 trillion)

- Asset + Housing + Education for the Young
- Human Investment: AI, SW Job Training
- Narrowing the Education and Care Gap
- Safety Net: Interim Paid Sick Leave, etc.



A top-down view of a group of business professionals in a circle, with their hands stacked in the center. The image is in shades of blue and grey, with a soft, out-of-focus background. The text '4 Lessons Learned' is overlaid on the left side of the image.

4

Lessons Learned

4. Lessons Learned

Communicate clearly with the public



Design a comprehensive, phased economic response package



Deliver adequate and timely delivery of funding



Prepare for social and economic changes while responding to the economic and health crisis



Find the right balance between disease control and economic stability



5 Conclusion



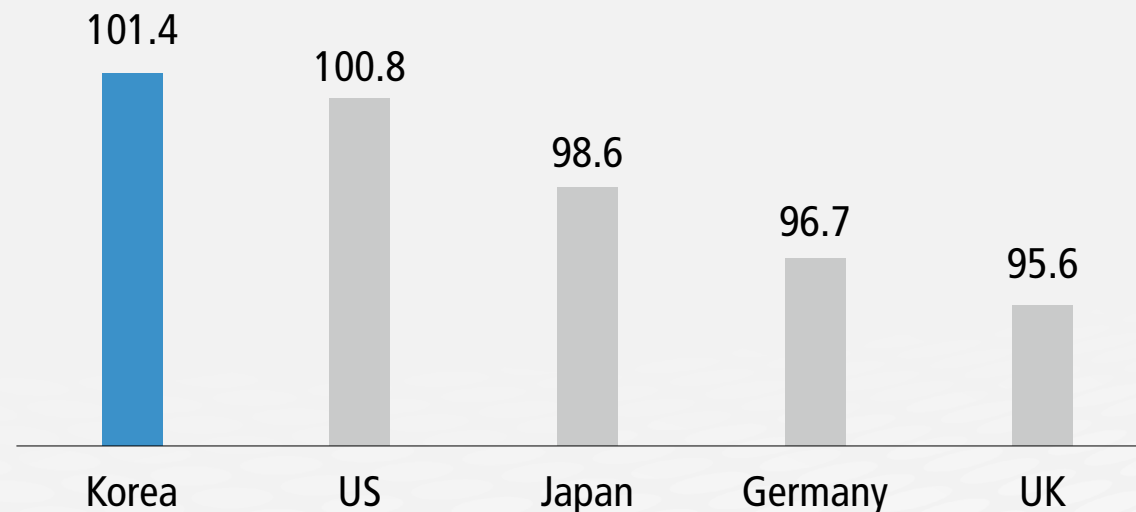
5. Conclusion

Fastest to Recover to Pre-Pandemic GDP

4 supplementary budgets + α

Fastest to Recover to Pre-Pandemic GDP

(quarterly GDP as of 2Q 2021, rebased to 100 as of 4Q 2019)



Korea was the only developed country to recover to pre-pandemic GDP levels in the first quarter of 2021 and has maintained the highest level of recovery in the second quarter of 2021.

5. Conclusion

Fastest to Recover to Pre-Pandemic GDP

Distribution Index



Income Quintile Share Ratio

	'19.1/4	2/4	3/4	4/4	'20.1/4	2/4	3/4	4/4	'21.1/4
Income(A)	13.97	11.25	11.24	10.56	14.77	14.38	13.08	11.85	16.20
Disposable Income(B)	6.74	5.74	5.76	5.83	6.89	5.03	5.92	5.78	6.30
Redistributive Effect(A-B)	7.23	5.51	5.48	4.73	7.88	9.35	7.16	6.07	9.90

Household income continuously increased and the redistributive effect of government policies expanded significantly.



Thank You



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