

## FSC HOLDS SYMPOSIUM ON COVID-19 FINANCIAL POLICY

The FSC and the Korea Institute of Finance co-hosted a policy symposium on the effectiveness of COVID-19 financial policy on July 6. FSC Chairman Eun Sung-soo attended the symposium and delivered a keynote address highlighting the progress of policy implementation and future policy direction. The following is a summary of Chairman Eun's remarks.

**(COVID-19 CRISIS & POLICY RESPONSE)** In the wake of the COVID-19 pandemic, the government rolled out policies focusing on the prevention of risk transfer channels, provision of an exhaustive level of support and setting up firewalls in financial markets to help remove market anxieties. The authorities worked on stock market and bond market stabilization measures while prioritizing support for small-scale businesses. Financial support was extended to businesses of all sizes that have been hit by the pandemic. The KRW175 trillion-plus COVID-19 financial support programs were introduced to contain fear and anxiety in markets. This unprecedented level of financial support by the government helped to quickly stabilize the financial system, provide liquidity to small merchants and SMEs while preventing large-scale bankruptcies or job losses in key industries. As a result, the Korean economy saw the smallest negative growth last year while stock markets continue to set new record highs. In March this year, the IMF stated that Korea's "decisive policy response" has helped the country "navigate the COVID-19 shock."

**(FUTURE POLICY DIRECTION)** In order to overcome the pandemic-induced crisis and be prepared for potential aftershocks, an orderly process for policy normalization is necessary. First, the government will maintain close monitoring on the status of virus prevention, real economy and financial market conditions as there still exist uncertainties, such as the spread of COVID variants. Second, the government will work to ensure financial stability by preemptively managing potential risk factors, such as an excessive accumulation of debt. While stably managing the growth of household debt, the FSC will closely coordinate with the relevant ministries in stamping out speculative demand in housing markets. Third, the government will make sure that financial support is available for small merchants and SMEs until there is sufficient evidence for improvements. Policy normalization should also prepare for the next step. To help prepare for a post-pandemic era, the government will help channel abundant market liquidities into new growth industries, such as the Digital and Green New Deal sectors and efforts for industrial restructuring. At the same time, the government will work to strengthen measures for financial inclusion to prevent a lagging pace of recovery for vulnerable groups while continuing to pursue innovative drives to boost financial dynamism.

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