

VICE CHAIRMAN UNDERSCORES SUPPORT FOR REAL ECONOMY SECTORS

FSC Vice Chairman Sohn Byungdoo held the 8th financial risk assessment meeting on June 16 to assess the financial market conditions and check the implementation status of the COVID-19 financial support.

The following is a summary of Vice Chairman's remarks.

(CURRENT SITUATION) Last week, the OECD released its forecasts for global economic growth based on the "single-hit" and "double-hit" scenarios of the spread of the infection. Compared to its announcement in March, the 2020 and 2021 forecasts were largely revised down. Meanwhile, the OECD indicated Korea as a "notable outlier" as the country's effective quarantine measures and prompt financial assistance led to the slightest fall in the expected growth forecast.

Despite signs of stability in the financial markets, the real economy sectors continue to struggle, with exports and employment showing continuous declines. This discrepancy exists because the sufficient level of liquidity in the markets cannot reach the businesses with unfavorable credit histories. As such, the government will work to reduce this discrepancy between the financial markets and the real economy sectors.

(SUPPORT FOR SMEs AND REAL ECONOMY SECTORS) From January to May, SME loans increased KRW48.6 trillion, and according to an FSS review, small-scale businesses and SMEs with lower credit backgrounds were also able to access loans. However, the government's financial support is not being felt by many businesses. To address their needs, financial companies should utilize their know-hows in risk-pooling, capital raising and risk management to more readily assist the businesses struggling with liquidity problems.

The government will continue to work on providing supports to the real economy sectors through a range of financial assistance programs including a lower-rated corporate bond and CP purchase program, a special loan guarantee program for auto industry, a corporate asset purchase program and an expansion of P-CBO issuance. The government will also work to ensure that its temporary deregulatory measures in financial regulations are running smoothly.

FINANCIAL SUPPORT PROVIDED

Between February 7 and June 12, a total of KRW130.9 trillion (1.59 million cases) in loans and guarantees as well as loan and guarantee extensions were provided to the SMEs and small-scale businesses that have been hit by the COVID-19 pandemic.

- ▶ **FINANCING BY TYPE:** KRW66.5 trillion (1.27 million cases) in new loans and guarantees, KRW64.4 trillion (326,000 cases) in maturity extensions and deferred payments
- ▶ **FINANCING BY INDUSTRY:** KRW19.8 trillion (80,000 cases) to machinery & metal manufacturing, KRW16.5 trillion (181,000 cases) to wholesale businesses, KRW10 trillion (323,000 cases) to restaurant businesses and KRW10.4 trillion (270,000 cases) to retail businesses
- ▶ **FINANCING BY PROVIDER:** KRW68.7 trillion (960,000 cases) by policy banks and KRW61.4 trillion (612,000 cases) by private sector financial institutions¹

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¹ Local banks, insurance companies, credit card companies, credit finance businesses and savings banks