

FSC HOLDS EMERGENCY MEETING ON FINANCIAL MARKETS

FSC Chairman Yim Jong-Yong convened an emergency meeting with top officials from the FSS and other relevant financial organizations to respond to recent uncertainties in financial markets at home and abroad.

Followings are key messages from his opening remark:

- ✓ The Korean economy is now facing internal and external challenges with slump in exports; slow recovery in domestic consumption; and household and corporate debt risks. However, our economy has sound fiscal health and strong fundamentals to weather these challenges. The government maintains fiscal soundness with its debt-to-GDP ratio of 35.5% at the end of 2015, which is the 4th lowest among 31 OECD countries. South Korea has the world's 7th largest foreign currency reserve. Its short-term external debt accounts for only 29% of the foreign currency reserve, as of the 2nd quarter of 2016, which is much lower than 74% at the end of 2008. The financial system is resilient enough in terms with capital adequacy and asset soundness of financial institutions.
- ✓ The government will stay alert to internal and external uncertainties and take bold and preemptive measures, if necessary, to prevent any of risk factors from spilling over into a wider financial system to threaten our economy. Starting from today, the FSC and the FSS go into an emergency operation mode with a 24-hour monitoring on financial markets, in a close cooperation with the Ministry of Strategy and Finance, and the Bank of Korea. If necessary, we will take market stabilizing measures in accordance with contingency plans in a timely manner.
- ✓ We will continue to respond to household and corporate debt risks in a preemptive manner. For household debt, the government will continue our effort to improve soundness of household debt by holding the principle of 'debt should be borrowed within repayment ability and paid back in installments.' We will also closely monitor and respond to rapid growth of household debt in non-banking sectors. For ongoing corporate restructuring, the government will maintain its principles that require a company's self-help effort and burden sharing.

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