

## GOVERNMENT ANNOUNCES KRW2 TRILLION-PLUS FINANCIAL SUPPORT FOR AUTO PARTS SECTOR

The government introduced plans to provide KRW2 trillion-plus financial support for the auto parts industry at the 7<sup>th</sup> Meeting of Central Economic Response Headquarters held on June 19.

### **BACKGROUND**

The auto parts sector relies heavily on facilities investment and external factors. The proportion of financially vulnerable parts makers with shallow credit records remains high. Especially with the COVID-19 pandemic, the parts makers face deterioration of financial soundness and difficulties in raising capital.

The government has been in close discussion with the auto industry and the financial sector including policy banks to come up with the below support package for the auto parts businesses struggling from the pandemic.

### **KEY MEASURES**

The KRW2 trillion-plus financial support package<sup>1</sup> includes six loan and guarantee programs as well as extensions for existing loans or guarantees. This package is aimed at supporting auto parts businesses with middle market enterprise standing and those with mid to low credit ratings, the ones that have not been covered by the previously introduced support measures.

#### **I. KRW300 BILLION IN GUARANTEES BY KOREA CREDIT GUARANTEE FUND**

- KRW270 billion in guarantees linked to loans issued by KDB (*End of June*)
- KRW30 billion in a project joint guarantee (*In July*)

Additional capital injection from the industry and local governments is currently in discussion.

#### **II. KRW1.65 TRILLION IN LOANS BY POLICY BANKS**

- KRW175 billion in loans by KDB and IBK each for parts makers with SME or middle market enterprise standing and weak credit records (*End of June*)
- KRW300 billion private debt fund (PDF) created at KAMCO to support first-tier subcontractors based on their accounts receivable (*End of June*)

---

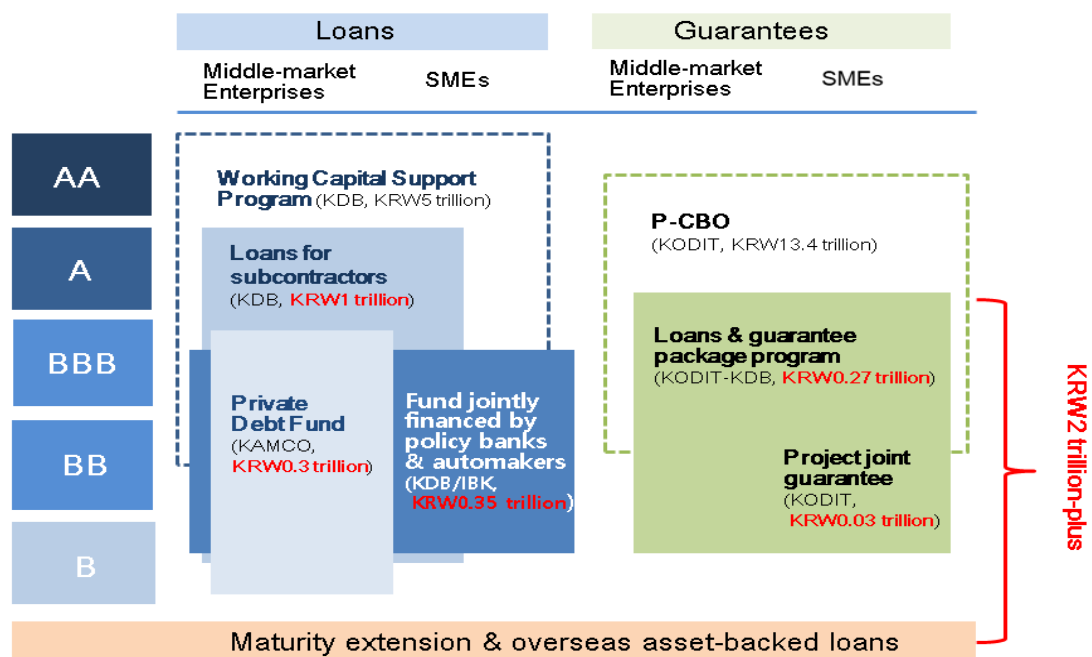
<sup>1</sup> Sources of funding from the government, policy banks and auto industry

- KRW1 trillion in working capital loans with preferential interest rates by KDB for subcontractors with previous records of supplying parts to automakers  
(Immediately)

### III. OTHER SUPPORT MEASURES

- Overseas loans expected to be available for auto parts factories located abroad through Export-Import Bank of Korea (When requested)
- Loan and guarantee extensions by local banks currently offered to SMEs and small-scale businesses in non-auto parts industry to be expanded to auto parts businesses with middle market enterprise standing (Immediately)

### SUPPORT FOR AUTO PARTS SECTOR



### EXPECTATION

The government expects that the additional financial support package targeting middle market enterprises and financially vulnerable businesses will provide a denser web of support measures covering the auto parts sector along with the existing measures, such as P-CBOs. The additional support will help stabilize the industry's ecosystem and supply chain, and help remove uncertainties in business management for many parts makers.

The government will continue to maintain close communication and cooperation with policy banks and the auto industry to help parts makers recover from this temporary slowdown.

# # #

For any inquiry, please contact Foreign Press & Relations Team at [fsc\\_media@korea.kr](mailto:fsc_media@korea.kr).