

VICE CHAIRMAN UNDERSCORES IMPORTANT ROLE OF FINANCE FOR NEW DEAL INITIATIVE

Vice Chairman Sohn Byungdoo presided over the 14th financial risk assessment meeting on July 28 to review market conditions and monitor the progress in implementing the COVID-19 financial support.

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

(RECOVERY EFFORTS AND SUPPORT FOR REAL ECONOMY) The government has worked to curve the spread of COVID-19 and minimize economic shocks amid continuing uncertainties about a second wave and economic lockdowns throughout the world. With the government's rapid response in initiating market stabilization measures and the financial institutions' active support, corporate lending has increased significantly compared to the pre-pandemic period. Domestic demand began to show signs of a recovery, setting the stage for a continuing recovery trend into the third quarter. The government will closely monitor and effectively manage risk factors while bolstering the role of finance to ensure that the government's new deal initiative can serve as an impetus of the recovery.

(FINANCIAL SUPPORT FOR EXPORT SECTORS) The lockdowns and economic downturns have caused a disruption for export sectors. The government has been strengthening support for export-dependent companies through preferential guarantees and emergency financing programs. For instance, the auto part suppliers and subcontractors support program which began in early July made available about KRW157.6 billion and KRW111.1 billion through KDB and IBK, respectively. The working capital support program for key industry suppliers is also expected to begin its operation within next week.

(REINSTATEMENT OF FINANCIAL MARKET REGULATIONS) As the financial markets quickly recovered and continue to maintain stability, the temporary easing of regulations on the maximum call money for securities firms and call loans for asset managers will return to the pre-crisis level beginning in August. The temporary easing of liquid asset holding requirement for repo sellers (borrowers) will also be put back to normal levels beginning in August. The government will respond to market volatility in a flexible manner and work to maintain stability in the capital markets.

Meanwhile, the government has expanded support for low-rated and vulnerable sectors. The low-rated corporate bond and CP purchase program launched on July 24 has already purchased KRW552 billion worth of corporate bonds and CP.

(NEW DEAL INITIATIVE) The government's new deal initiative in digital and green sectors demands synergetic effects from the private sector and the financial industry

to make most out of the total KRW160 trillion in investment. The risks arising from new growth areas should be spread around and shared among the new deal fund, venture capitals and public investment. In addition, sufficient liquidity created in the markets should be used to propel the new deal initiative and directed toward productive sectors.

To prepare for a post-pandemic era, the government will also support new growth sectors and reshoring businesses. The government-backed start-up incubating space 'Mapo Front 1' will begin to offer one-stop support program to innovative start-ups, while about 200 innovative businesses in bio-health, 'untact' and other new growth industries will be selected for targeted support.

FINANCIAL SUPPORT PROVIDED

Between February 7 and July 24, a total of KRW165.3 trillion (1.82 million cases) in loans and guarantees as well as loan and guarantee extensions were provided to the SMEs, small merchants and middle market enterprises that have been hit by the COVID-19 pandemic.

- ▶ **FINANCING BY TYPE:** KRW76.3 trillion (1.38 million cases) in new loans and guarantees, KRW88.9 trillion (441,000 cases) in maturity extensions and deferred payments
- ▶ **FINANCING BY INDUSTRY:** KRW26.5 trillion (99,000 cases) to machinery & metal manufacturing, KRW21.4 trillion (212,000 cases) to wholesale businesses, KRW12.3 trillion (303,000 cases) to retail businesses and KRW11.2 trillion (354,000 cases) to restaurant businesses
- ▶ **FINANCING BY PROVIDER:** KRW85 trillion (1.1 million cases) by policy banks and KRW79.4 trillion (738,000 cases) by private sector financial institutions

#

For press inquiry, please contact Foreign Media Relations Team at fsc_media@korea.kr.