

VICE CHAIRMAN DISCUSSES IMPORTANCE OF ADDRESSING ECONOMIC POLARIZATION AND CORPORATE DEBT

Vice Chairman Sohn Byungdoo presided over the 16th financial risk assessment meeting on August 11 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.

(RELIEF FOR TORRENTIAL RAIN VICTIMS) Amid a protracted pandemic crisis, damages inflicted by torrential rains brought about additional hardship to businesses and households. The FSC will work to provide financial relief programs through policy banks, such as deferment of repayments and maturity extensions to the affected businesses. In addition, the government will work to ensure prompt insurance payouts and provide support through special guarantees for SMEs and farming and fishing industries.

(FINANCIAL MARKET STABILITY) The domestic financial markets quickly recovered¹ backed by a series of market stabilization measures implemented by the government. Corporate earnings in the second quarter exceeded market expectations, and their future earnings forecasts also remain more optimistic compared to other countries. Industrial output in June rose 4.2 percent, showing signs of a recovery trend. In the meantime, rising corporate debt and widening income gap pose risks to the economy. In this regard, it is necessary to effectively manage enhanced liquidity in the market as well as corporate debt to minimize risks in preparation for a post-pandemic era.

(ECONOMIC POLARIZATION & CORPORATE DEBT) In order to prevent a further widening of wealth gap during the recovery process, the government will work to strengthen financial inclusiveness through debt adjustment programs. In addition, the government has been providing support to vulnerable businesses through the low-rated corporate bond and CP purchase program and the program to support auto part suppliers and subcontractors. Additional support through P-CBOs in the amount of KRW200 billion is also expected in August for the pandemic-hit businesses.

With regard to corporate debt, the government will help improve the financial structure of businesses through the corporate asset purchase program and corporate restructuring innovation fund. With the pandemic-induced changes taking place, businesses will need to repurpose their products and services to create new frontiers and prepare for a post-pandemic era.

¹ KOSPI and KOSDAQ rose to 2,386.3 points and 862.7 points, respectively, on August 10.

(PREPARATION FOR POST-PANDEMIC ERA) The government will spare no efforts in promoting new growth engines by providing sufficient funding opportunities for digital infrastructures, green and bio health sectors through diverse channels, including the public-private joint new deal fund, venture capitals and fiscal resources. In this regard, the IMF also recommended Korea to “stimulate investment and facilitate rebalancing of the economy toward services and other new growth drivers.”² The government-initiated new deal fund with participation from the private sector is expected to provide new investment opportunities. In addition, the government plans to launch a task force on green finance to promote investment into the government’s green new deal initiative.

The government will mobilize all available resources to support the recovery from the COVID-19 pandemic as well as from the damages of heavy rains.

FINANCIAL SUPPORT PROVIDED

Between February 7 and August 7, a total of KRW173.6 trillion (1.87 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:** KRW78.9 trillion (1.4 million cases) in new loans and guarantees, KRW94.7 trillion (473,000 cases) in maturity extensions and deferred payments
- ▶ **FINANCING BY INDUSTRY:** KRW28.2 trillion (105,000 cases) to machinery & metal manufacturing, KRW22.6 trillion (219,000 cases) to wholesale businesses, KRW12.8 trillion (310,000 cases) to retail businesses and KRW11.5 trillion (361,000 cases) to restaurant businesses
- ▶ **FINANCING BY PROVIDER:** KRW88.8 trillion (1.1 million cases) by policy banks and KRW83.8 trillion (765,000 cases) by private sector financial institutions

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

² [IMF's 2020 External Sector Report: Global Imbalances and the COVID-19 Crisis \(August 4, 2020\)](#)