

## IMPLEMENTATION STATUS OF COVID-19 FINANCIAL SUPPORT PROGRAMS

The FSC announced the current implementation status of the government’s financial response to COVID-19 at the 9<sup>th</sup> Meeting of Central Economic Response Headquarters held on July 2.

### OVERVIEW OF FINANCIAL SUPPORT PROGRAMS

In response to the impact of the Covid-19 on the real economy and the spread of anxieties in financial markets, the government has introduced KRW175 trillion-plus financial support programs intended to help businesses and to stabilize markets.

- (a) **KRW100 TRILLION-PLUS FINANCIAL SUPPORT PACKAGE** to provide small businesses with emergency loans and stabilize financial markets (March 19 & March 24)
- (b) **KRW40 TRILLION STABILIZATION FUND FOR KEY INDUSTRIES & KRW35 TRILLION ADDED TO THE FINANCIAL SUPPORT PACKAGE** (April 22)

To prevent gaps in the availability of support, the government has also prepared a **KRW5 trillion working capital support program** and **KRW2 trillion-plus support package for auto parts industry**. (June19)

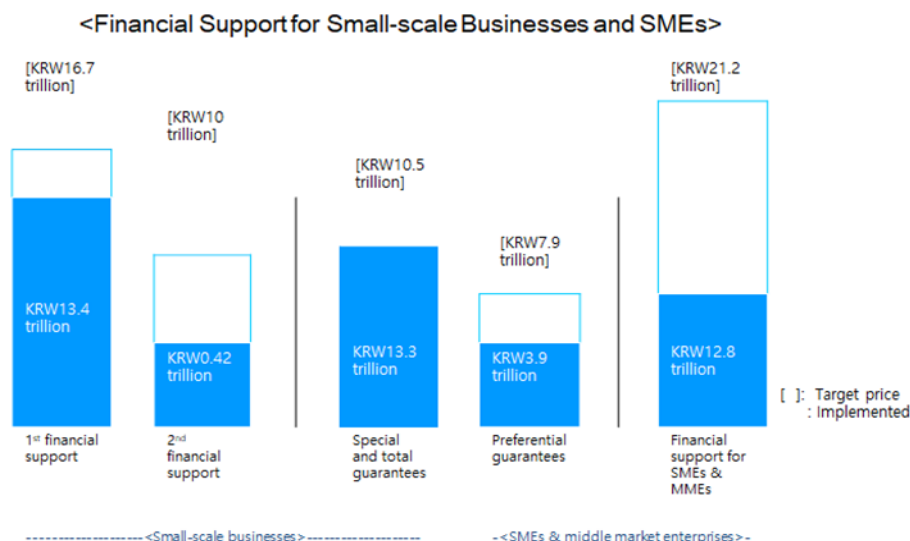
KRW175 Trillion-plus COVID-19 Financial Support		
Small-scale Businesses, SMEs & Middle Market Enterprises [KRW68 trillion]	Market Stabilization Measures [KRW73.5 trillion]	Key Industry Stabilization Fund [KRW40 trillion]
<ul style="list-style-type: none"> <li>① 1<sup>st</sup> and 2<sup>nd</sup> stage financial support programs for small merchants</li> <li>② Guarantee support for small-scale businesses and SMEs</li> <li>③ Loans and guarantees for SMEs and middle market enterprises</li> <li>④ Personal debt purchase program</li> </ul>	<ul style="list-style-type: none"> <li>① P-CBO issuance</li> <li>② Bond market stabilization fund</li> <li>③ Stock market stabilization fund</li> <li>④ SPV to purchase corporate bond and CP</li> </ul>	<ul style="list-style-type: none"> <li>① Key industries vital to the national economy and employment</li> <li>② With conditions to retain employment and measures to prevent moral hazard</li> </ul>
Support for Suppliers and Subcontractors in Key Industries (KRW5 trillion)		Support for Auto Parts Industry (KRW2 trillion-plus)

## **IMPLEMENTATION STATUS**

- Financial support programs for small merchants and SMEs disbursed KRW44 trillion, two thirds of the target amount of KRW68 trillion over the past three months.
- Financial market stabilization programs (KRW73.5 trillion) serve as a backstop to the financial markets, although the uptake of such programs remained limited due to the faster-than-expected recovery in the markets.

### **I. SMALL-SCALE BUSINESSES & SMEs (KRW68 TRILLION)**

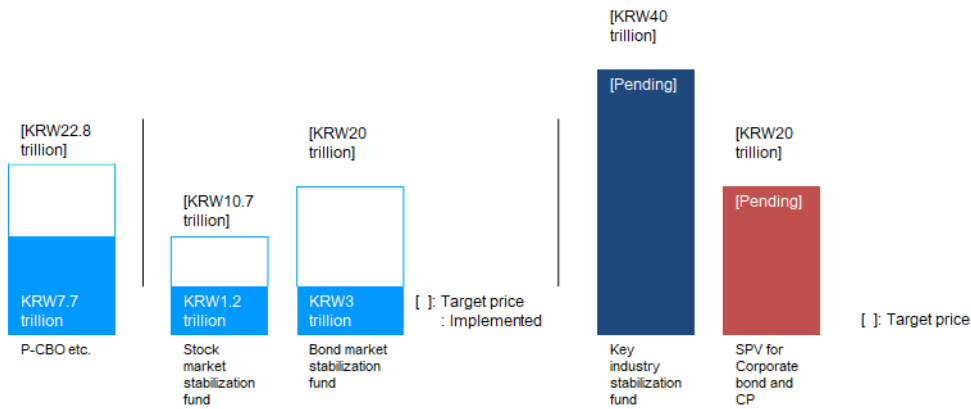
- For small-scale businesses, KRW27.1 trillion out of KRW38.9 trillion provided (70%) in ultra-low interest rate loans, loan extensions and guarantees through policy banks and private banks
- For SMEs and middle market enterprises, KRW16.7 trillion out of KRW29.1 trillion provided (57%) in loans and guarantees as well as interest payment and fee exemptions



### **II. MARKET STABILIZATION MEASURES (KRW73.5 TRILLION)**

- Stock market stabilization fund (KRW1.2 trillion out of KRW10.7 trillion total) and bond market stabilization fund (KRW3 trillion out of KRW20 trillion total) set up to provide a backstop to the financial markets
- P-CBOs in the amount of about KRW504 billion and KRW695 billion issued in May and June, respectively, and KRW1.2 trillion in corporate bond and CP refinancing support provided by policy banks
- KRW5.6 trillion in emergency liquidity provided to securities firms in March

### <Financial Market Stabilization Measures>



### III. KEY INDUSTRY STABILIZATION FUND (KRW40 TRILLION)

The government has taken necessary steps for the operation of the fund, making changes to the relevant law and establishing a fund management council. The government will finalize the target industries for support and begin providing support in July.

### ASSESSMENT

#### I. PROACTIVE RESPONSE TO ECONOMIC SHOCKS

The government’s comprehensive support to the real economy combined with the effective K-quarantine measures has helped to minimize damages to the economy and led to improvements in investor sentiment and financial market stabilization. Both the IMF and the OECD predict that Korea’s growth rate for 2020 will be highest among advanced economies.

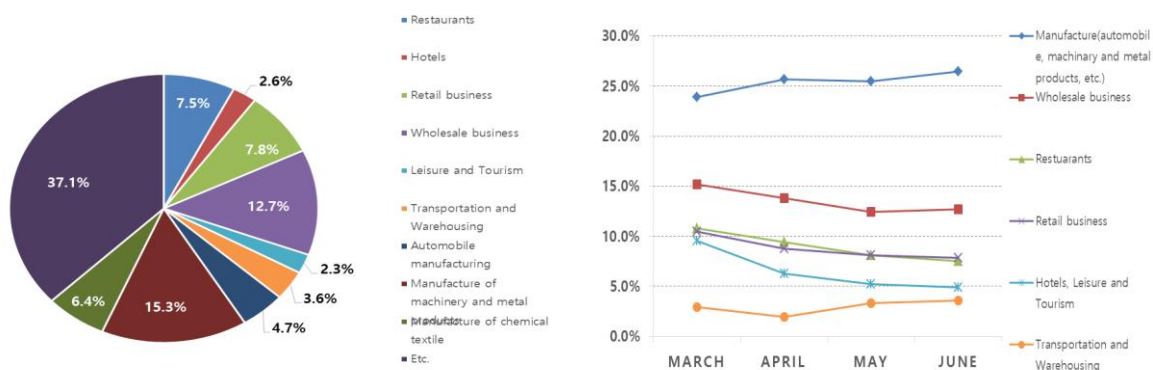
#### II. RAPID MARKET STABILIZATION FOLLOWING SWIFT RESPONSES

The government unveiled plans to launch market stabilization funds and P-CBO issuance and began to implement the programs promptly mostly within two weeks in early April. Both the bond market and stock markets have quickly recovered soon thereafter.

#### III. BUSINESS LOAN ISSUANCE AT HIGHEST LEVEL

The issuance of business loans in the banking sector rose to a record high level in 2020, growing KRW76.2 trillion until May with the largest spike observed in March-April when the government’s COVID-19 financial support measures became effective. Both policy banks and private banks made lending available to businesses with below average or low credit ratings. In addition, the government has been pursuing a flexible approach in providing financial assistance to businesses, starting with heavily affected small merchants at first but expanding support to SMEs and middle market enterprises. In this regard, the key industry stabilization fund is also

serving as a backstop to help maintain the stability of the job markets and market sentiment.



#### IV. PREVENTING BLIND SPOTS IN FINANCIAL SUPPORT THROUGH CLOSE COOPERATION

Policy banks have closely cooperated to create a tight-knit web of financial support system, providing targeted and tailored support to different business entities and industries. Policy banks have played the role of filling the vacuum before the government’s support programs became available, and different inter-agency and public-private cooperation frameworks made more flexible and effective responses possible. Private sector lending institutions also played an active role to support the government’s policy by swiftly implementing the emergency relief payment program.<sup>1</sup>

#### FURTHER PLANS

The government will continue to monitor the implementation status of the COVID-19 financial support at the financial risk assessment meeting held every week. The government will work to improve the provision of support to the vulnerable sectors including the auto and shipping industries and to low-rated companies.

- Support programs for vulnerable sectors:
  - (a) SPV to purchase low-rated corporate bonds (including A, BBB or below) and CPs upon the passage of supplementary budget (KRW10 trillion)
  - (b) Working capital support program for suppliers & subcontractors in key industries in July (KRW5 trillion)<sup>2</sup>
  - (c) Financial support for auto part industry in July (KRW2 trillion-plus)<sup>3</sup>
  - (d) SPV to purchase corporate asset upon the passage of supplementary budget (KRW2 trillion)<sup>4</sup>

<sup>1</sup> 20.1 million households (92.6%) received KRW12.6 trillion won in relief payments within two weeks (May 11-23)

<sup>2</sup> [FSC Launches Working Capital Support Program for Suppliers & Subcontractors in Key Industries \(Press release, June 19\)](#)

<sup>3</sup> [Government Announces KRW2 Trillion-plus Financial Support for Auto Parts Sector \(Press release, June 19\)](#)

<sup>4</sup> [Government Launches KRW2 Trillion-plus program to Purchase Corporate Assets \(Press release, June 11\)](#)

For the temporary relief and deregulatory measures scheduled to expire in September, such as maturity extensions and deferment of interest payments, the government will review whether to extend the relief period beyond the current schedule.

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

(Trillion won)

□ Small-scale businesses & SMEs	Prepared	Provided
① The 1 <sup>st</sup> phase support program * Ultra-low interest loans by IBK, interest preservation by commercial banks, Business Stabilization Fund by SEMAS	16.4	13.4
② The 2 <sup>nd</sup> phase support program	10.0	0.4
③ Special full guarantee	10.5	13.3
④ Personal debt purchase program	2.0	Working
<b>Total</b>	<b>38.9</b>	<b>27.1</b>

□ SMEs and middle market enterprises support program	Prepared	Provided
① Loan support	21.2	12.8
② Guarantee support	7.9	3.9
<b>Total</b>	<b>29.1</b>	<b>16.7</b>

□ Market stabilization measures	Prepared	Provided
① Providing liquidity to securities firms	5.0	5.8
② Refinancing and undertaking corporate bonds, CP, STB	6.1	1.4
③ P-CBO Issuance	11.7	1.2
④ Bond market stabilization fund	20.0	3.0
⑤ Stock market stabilization fund	10.7	1.2
⑥ Lower-rated corporate bond and CP purchase program	20.0	Pending
<b>Total</b>	<b>73.5</b>	<b>12.6</b>

**KRW56.4 trillion**(41.1%) provided out of KRW135 trillion—plus(KRW6.4 trillion)