

Korea's Health and Economic Response to Pandemic

Luncheon with EU Ambassadors

June 11, 2020



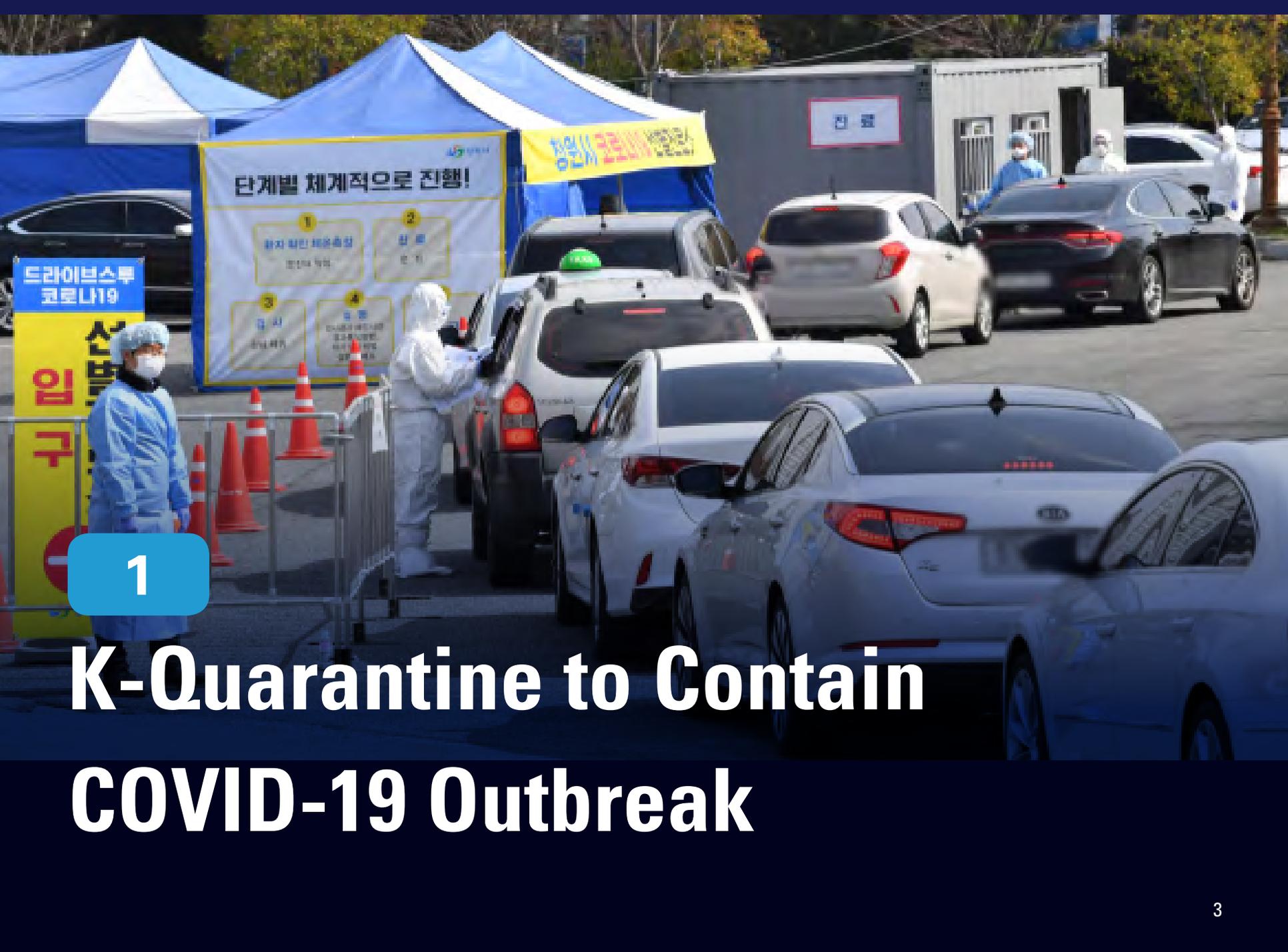
Ministry of Economy
and Finance



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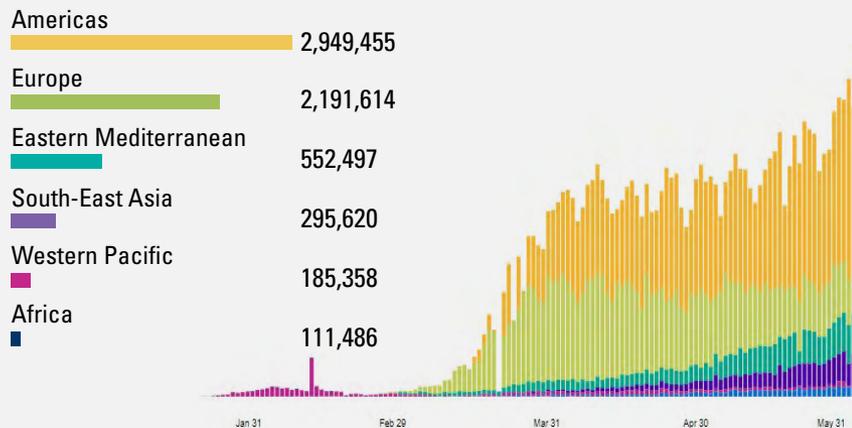
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K-Quarantine to Contain COVID-19 Outbreak

Current Developments of COVID-19 in Korea and Beyond

COVID-19 spreading from Asia to Europe/US and then EMs

Cumulative Number of Confirmed Cases by Region



Global death toll from COVID-19 (as of June 5)

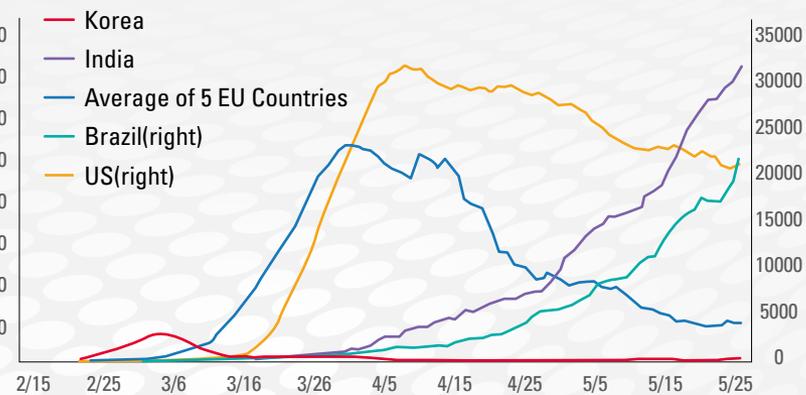


Korea, a successful model containing the virus at a short span

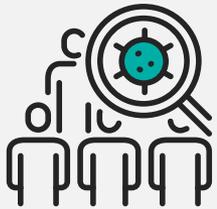
New confirmed cases and death in Korea



New confirmed cases by country



Main features of the Korean Response : 1. 4Ts+1P



Testing

- ✓ **Fast-track approval for kits**
Maximum daily testing capacity to 15,000
- ✓ **A variety of methods**
Drive-thru, Walk-thru, Screening stations, etc.
- ✓ **Self Health Check App**
Mandatory for inbound travelers



Tracing

- ✓ **Quick identification of the transmission route**
Epidemiological Investigation Support System
- ✓ **Self-quarantine Safety Protection App**
Self-diagnosis, Alarming when out of the quarantine area



Treating

- ✓ **System based on severity**
Accommodating classified patients at the corresponding facilities
- ✓ **Securing beds for hospitalized treatment**
Regional hub hospitals, national infectious disease hospitals, etc.
- ✓ **Separating respiratory and non-respiratory patients**

Transparency

- Necessary Information timely announced through briefings twice a day
- The COVID-19 official website released
- Providing dataset (ex. public mask sales) to be used by the general public



Participation

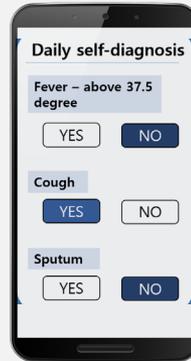
- Competent medical personnel
- Practicing personal hygiene measures
- Mature sense of civil awareness



Main features of the Korean Response : 2. ICT-based Response

Self-check application

- All inbound travelers must install the application
- Record and submit their health status



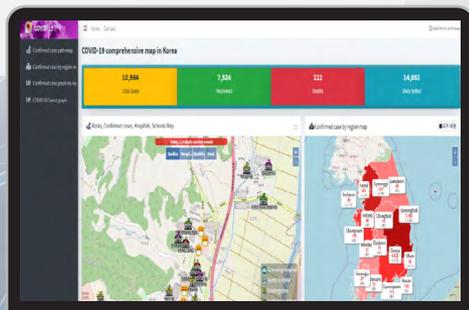
Self-quarantine safety protection application

- Monitor their conditions and conduct self-diagnosis
- An alarm goes off when a user ventures outside a designated area.



Comprehensive Situation Map

- Using the Geographic Information System, a comprehensive situation map marking patient routes was developed.
- Utilized disclosed data from the government



Epidemiological Investigation Support System

- Platform to support epidemiological investigations
- Provides real-time analysis of data such as GPS location, mobile information and credit-card transaction history



Main features of the Korean Response : 3. Innovation + PPP

Drive-thru screening stations

- Minimized the risk of cross infections
- Maximized the testing capacities in the midst of a surge of confirmed cases



Walk-thru screening stations

- Require much smaller spaces and less time



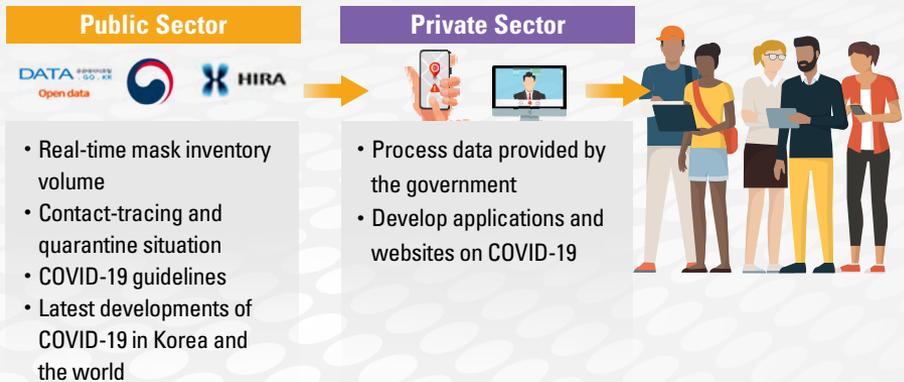
At-home online classes

- Free access to online educational platforms
- Feedback between teachers and students through online classrooms
- Free lending of digital devices to low-income households



Public-Private Partnership

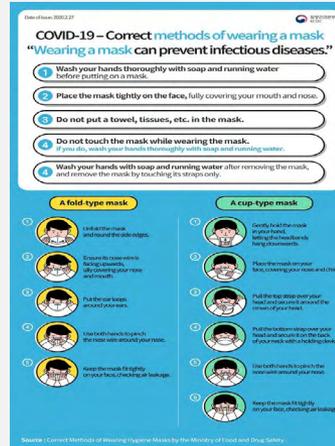
- The government provides data → the private sector creates websites → the public obtains information



Main features of the Korean Response : 4. Supply of Mask

Public Wearing of Face Masks

- Encourage the widespread wearing of face masks
- Provide 130 million face masks to those in the low-income bracket



Effectiveness of wearing face mask

- Recommend the use of KF80 or KF94 masks (the number indicating what percentage of fine particles the mask can filter out)
- The effectiveness of wearing face masks has been proven.
→ Face mask use can result in large reductions in the risk of infection



Five-day Rotation Scheme

- Implementation of public procurement measures
- Address both insufficient production volume and consumer anxiety
→ Stabilized the demand for masks



Mobile Applications

- Consumers can check the real-time inventory volume of masks
- App developed through public-private partnerships



The Way Forward



- Gradual reopening of public facilities
- Gatherings, outdoor activities, and events are allowed under lifestyle quarantine
- However, everyone is recommended to maintain distancing in daily life



- Allocate preliminary budget in the 3rd supplementary proposal
- Stock up on quarantine supplies
- Increase negative pressure rooms
- Designate additional public health centers
- Draw up a budget for development of cure and vaccine



- Formed an inter-ministerial task force (17 government ministries)
- The TF coordinated international community's request for support and shared K-Quarantine experiences
- K-Quarantine web seminar, video conference and sharing of policy materials



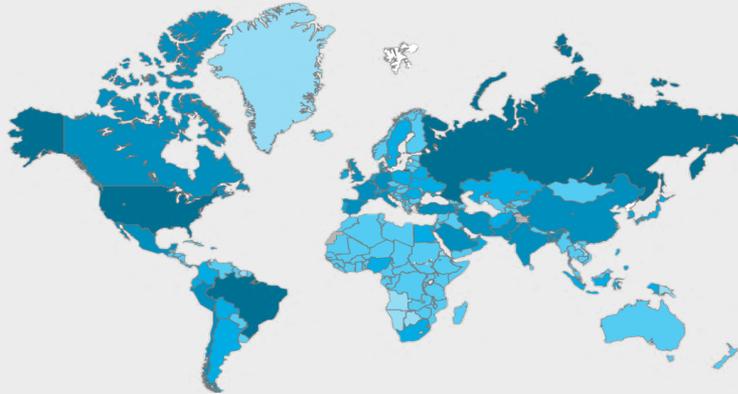
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Response to COVID-19 Economic Crisis

Global Pandemic : The Great Lockdown & Artificial Coma

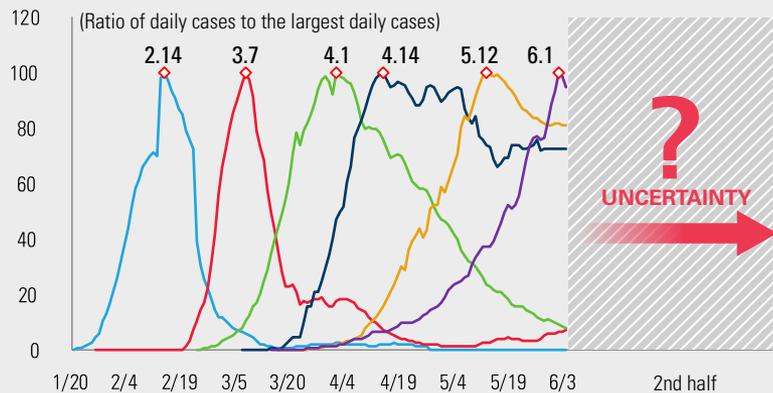
The World is at "COVID-19 healthcare and economic war"

COVID-19 spreads to the entire world, infection still continues



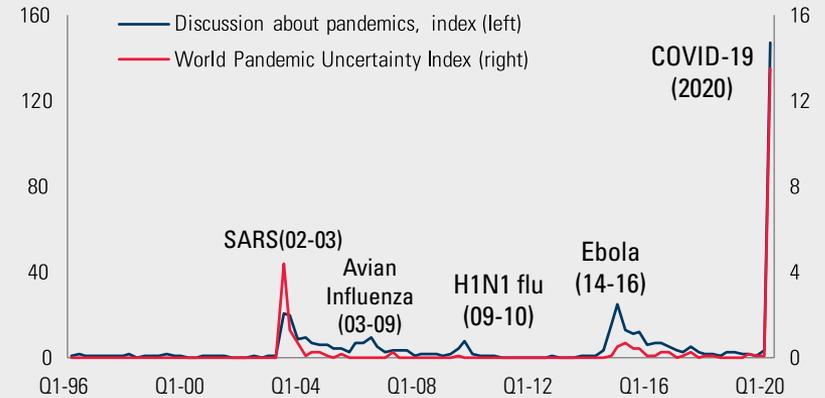
Note: No. of COVID-19 cases per country (darker tones represent more cases)

China Korea Italy US Russia Brazil



Sources: WHO, World Uncertainty Index, IMF

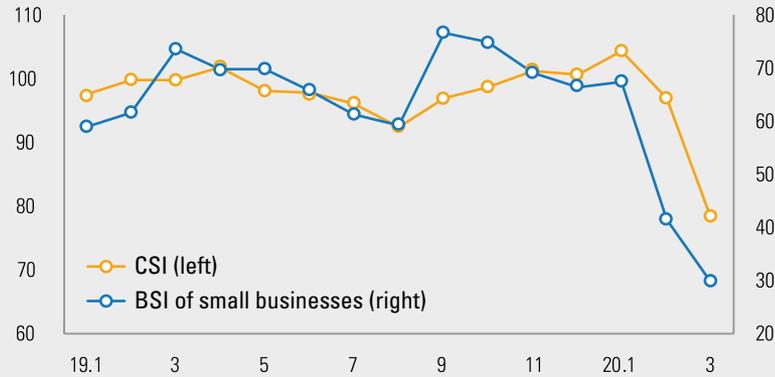
Unprecedented uncertainty: "the worst since the Great Depression" (IMF)



Korean Economy in Q1 2020

No exception for the Korean economy: Domestic demand plunged due to COVID-19

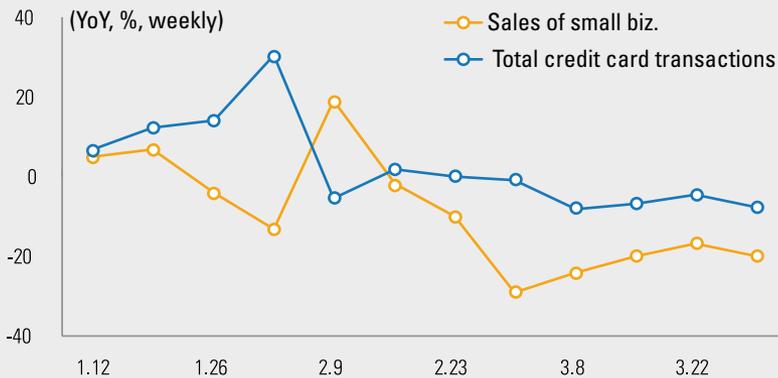
Nosedived consumer confidence



Export: from slow rebound to a sharp drop



Plummeted domestic high frequency indices



Lockdown impact: drastic fall in Korea's inbound visitors

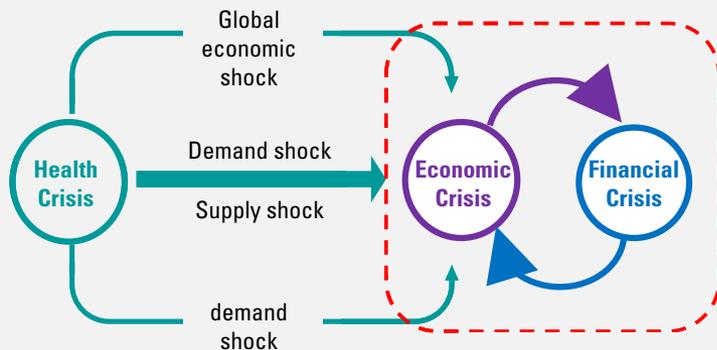


Sources: Bank of Korea, Small Enterprise and Market Service, Korea Credit Data, Credit Finance Association, Korea Customs Service

Korea's Policy Response To Date

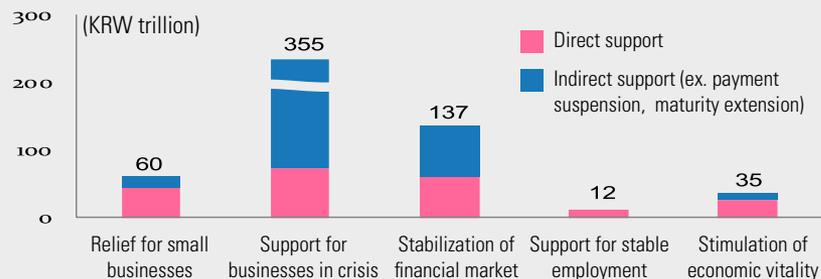
The virus shock leads to economic shocks, both the world and Korea are utilizing all means available

COVID-19 shock transferred from real economy → finance → real economy

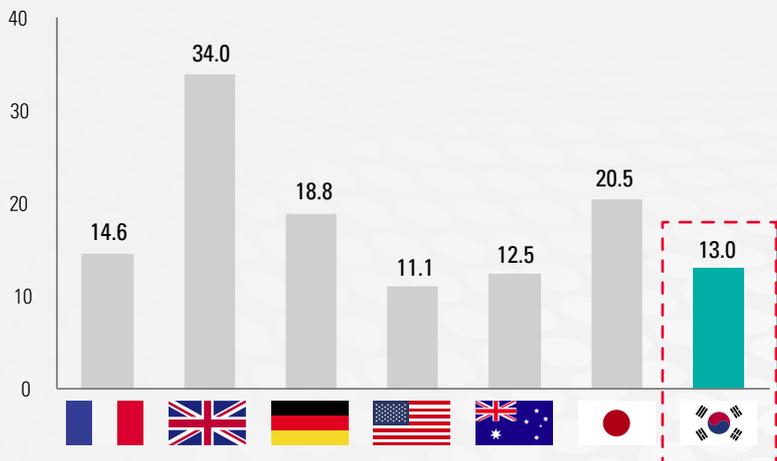


Korea's response package values at 599 trillion won (31.2% of the GDP)

* Direct spt. 250 tril. won (13.0%) + indirect spt. 349 tril. won (18.2%)



Countries fighting against COVID-19 using all available resources



Comprehensive policy efforts: domestic demand, real economy, financial market and employment

(KRW trillion)	Direct	+	Indirect	=	Total
Relief for small businesses	44		16		60
Support for vulnerable businesses	108		247		355
Stabilization of financial market	60		77		137
Support for stable employment	12				12
Stimulation of economic vitality	26		9		35
Sub-total	250		349		599

↳ The livelihood and financial stability package (135 tril. won) & the stability fund for key industries (40 tril. won) included

Source: Ministry of Economy and Finance, IMF Fiscal Monitor

Five Major Policy Responses : 1. Relief for small businesses

Mobilizing every means available to enhance policy support and to reduce burdens

Financial support

- Super-low interest loans, emergency management funds
- Policy financial institutions to extend existing loans & collateral
- The account receivables insurance expanded & premiums reduced



Tax relief

- VAT reduction for small businesses
- Property tax and real estate tax cuts
- Due date of taxes suspended for up to 9 months



Fiscal & administrative support

- Commission fees lowered for small biz owners on an online marketplace
- Masks & hand sanitizers distributed for small businesses
- Delivery period extended for government procurement contractors



Cost reduction

- Government bears 50% of rent discounts voluntarily offered by landlords
- Rental fees lowered for properties owned by central & local governments.
- Give rental discount on properties owned by public institutions



Five Major Policy Responses : 2. Support for vulnerable businesses

Multi-faceted support including industry specific measures

Finance

- Management support fund for SMEs
- P-CBO for COVID-19 response Stability
- Stability Fund for key industries



Tax & Customs

- Due dates of taxes extended up to 9 months
- Customs fees reduced on emergency air shipping
- 24-hour customs support system for businesses affected by COVID-19



Industry-specific support

Auto parts

- Re-employment support programs
- Support in the R&D such as smart factories



Tourism & Dining

- Early renovation of facilities
- Temporary introduction of preferential loans



Air & Maritime Transport

- Exemption/deferral of airport use charges
- Emergency loans for low-cost airlines, etc.



Five Major Policy Responses : 3. Stabilization of financial market

Measures to reduce financial market volatility

Bond market

- Launch of the bond market stabilization fund (10+10 tril. won)
- Support for smooth purchase/conversion of corporate bond
- BOK purchasing government bonds (1.5 tril. won)

- Korea-U.S. currency swap (60 bil. dollars)
- Forward exchange position limit increased by 25%
- Macro-prudential stability levies temporarily exempted

Foreign exchange market

Money market

- Greater liquidity support for securities firms
- Support for the conversion of CP & short-term bond
- New SPV to purchase corp. bond & CP

- Securities market stabilization fund (10.7 tril. won)
- A market-wide short selling ban for 6 months

Securities market



Five Major Policy Responses : 4. Support for stable employment

Safety net to alleviate the COVID-19 labor shock

Support to maintain employment



- Employment retention subsidies increased
- 4-month wage subsidies for small-sized employers with low-wage workers

Shock intensified



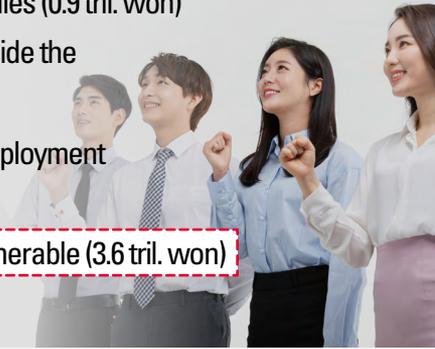
Employment protection for vulnerable groups



- Expanded eligibility for emergency reception of local transfer taxes
- Utilizing local education subsidies to respond to quarantine needs in schools.

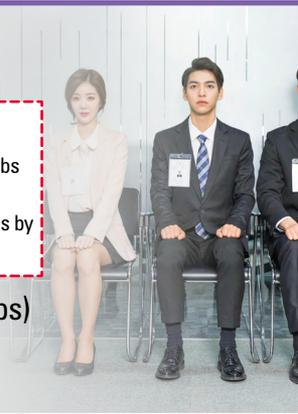
Special Support for Job Safety : 10.1 tril. won

- Expanding employment retention subsidies (0.9 tril. won)
- Stabilizing the livelihood of workers outside the employment insurance (1.9 tril. won)
- More support for job seekers incl. unemployment allowance, job training (3.7 tril. won)
- Directly creating 550,000 jobs for the vulnerable (3.6 tril. won)



Create 1.54 million jobs

- Normalizing Existing job projects(945,000 jobs)
- Creating new jobs(550,000 jobs)
 - **Public sector** : 100,000 uncontact & digital jobs and 300,000 public sector jobs for the vulnerable
 - **Private sector** : 100,000 jobs for the youth + subsidies for new employees by SMEs (up to 50,000 people)
- Jobs at the gov.t & public institutions (480,000 jobs)



Five Major Policy Responses : 5. Stimulation of economic vitality

All-out efforts to encourage consumption & increase disposable income

Tax relief to induce consumption

- Temporary consumption tax cut(70%) for car purchases
- Temporary increase of the income tax deduction rate for card usage



Consumption coupons and rebates

- Five coupons to promote consumption
* Employment, holidays, culture, tourism and childbirth coupons
- 10% rebates for purchasing high energy-efficient electronic devices



Promoting gift certificates for local economies

- Increase in the issuance & discount rates of local gift certificates
- Increase in the issuance of Onnuri Gift Certificates for traditional markets & purchase limit per person



Increasing the disposable income



Stabilizing everyday life

- Emergency relief payments for all Koreans
- Childcare coupons for children under 7

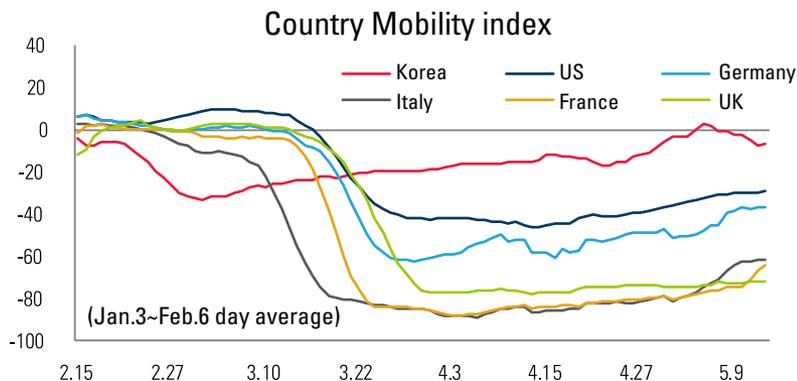
Securing the livelihood of the vulnerable

- Emergency welfare support increased for low-income households
- Consumption coupons for the lowest income groups

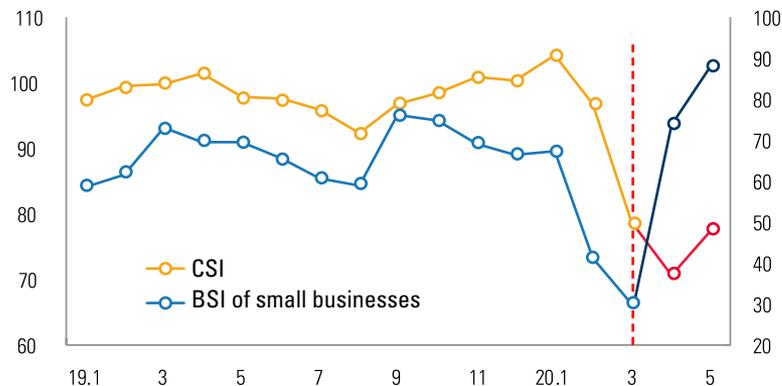
World's exemplary model : Rediscovered Korea's potential

Most successful outlier amid COVID-19 & positive signs of economic rebound

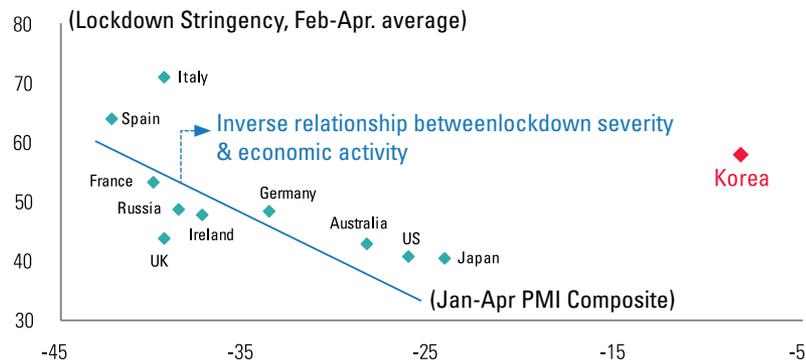
Lockdown minimized with mask wearing & social distancing



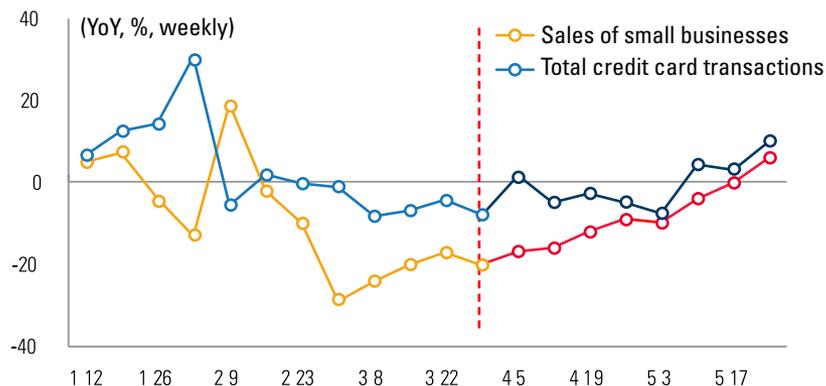
Consumer confidence bouncing back



The most successful outlier thanks to manufacturing & ICT



High Frequency Indicators rebounding



Source: Bank of Korea, Small Business Promotion Agency, Korea Credit Bureau, Consumer Finance Association, Korea Customs



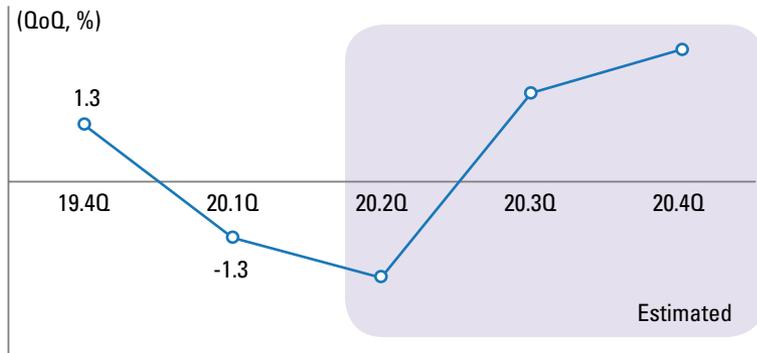
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Economic Policies for H2, 2020

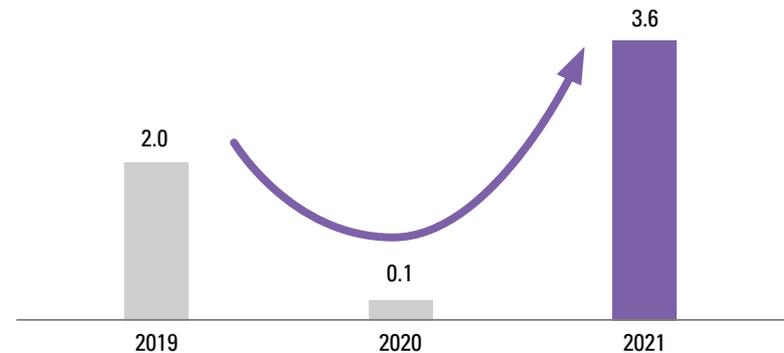
Outlook : Entering Compressed Recovery, Going Beyond Compressed Shock

Policy shifts from 'Rescue' to 'Stimulus': Rebound is expected driven by policy effects

Quarterly GDP growth rate shows V-shaped recovery

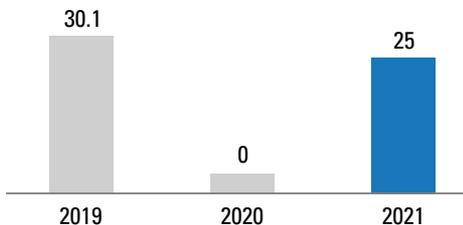


GDP growth for 2021 will rebound significantly

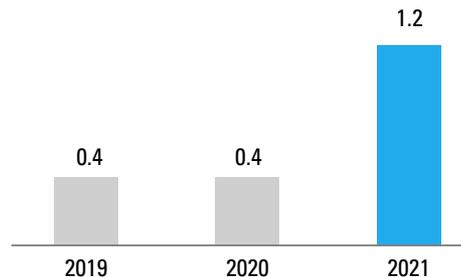


In 2021, most indicators are expected to return to the pre-COVID-19 level

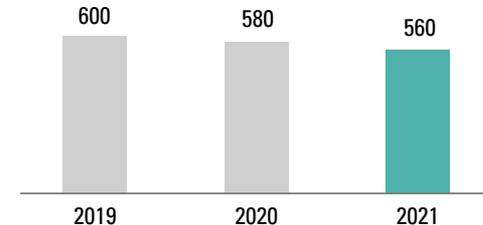
Number of the employed (10,000 persons)



Consumer Price (%)



Current Account (100 million dollar)



Economic Policies for H2 2020

2020. 6. 1.

Korean Government

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3. Managing risks encompassing international credit, finance, trade, etc.	
[Establishing advanced economic foundation post-COVID-19 Era]	
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3
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Economic Policies for H2 2020

Overcoming COVID-19 crisis

1
Strengthening the foundation for swift recovery

2
Pursuing a leading nation with a quick and strong resilience

3
Managing risks encompassing international credibility, finance, trade

+

Establishing an advanced economic foundation bracing for post-COVID era

4
Three key projects; Korean New Deal, et

5
A bold reform on Industrial-Economic Structure

6
Bolstering Korea's position as an inclusive nation under which everyone shares the benefits

Spread the values of Innovation Inclusiveness Fairness Cooperation

Active Fiscal Support

Economic Social Structural Reforms

Intensive Regulatory Reforms

Actively implement macroeconomic policy tools until full recovery

Fiscal Policy

Implement expansionary fiscal policy

- Make efforts for quick approval of 3rd supplementary budget
- Execute 75% of the budget within three months

Financial & Monetary Policy

Maintain accommodative monetary policy

- Keep easy monetary policy stance
- Carry out already announced financial stability measures

Foreign Exchange Policy

Preemptively respond to the increased volatilities

- Timely implement FX market stabilization measures
- Consider the issuance of Foreign Exchange Stabilization Bond

Economic Policies for 2nd Half : 1. Early Recovery

Enhance safety net for businesses, including self employed

Worsening

- Increase small business loans and ease the requirements
- Exempt late fees and extend the rent reduction period



Closing of business

- Expand the small merchants eligible for financial support for retail strip out
- Provide financial support to cover consulting expenses



Standing back up

- Increase the principal reduction ratio for small business owners
- Implement debt restructuring program and prevention of inconsiderate debt collection practices



Protecting marginal and endangered businesses



Financial stabilization package

Expand financial support and alleviate the burden on business management

Re-arrange the Business Support System

Maintaining and stabilizing job security



Stronger incentives for job retention

Enhance social and labor safety net

Directly create jobs and support the unemployed

Economic Policies for 2nd Half : 2. Fast, Strong Rebound

Boost consumption and spur demand for domestic tourism

Distribute “Discount Coupons” under 8 categories to boost consumption

Accommodation	Tourism	Performing arts	Movie
			
Exhibition	Sports	Restaurant	Produce & Fish
			

Increase “3-in-1 Consumption Recovery Package”

- Additional gift certificates to be issued + 10% discount
- Expand 10 percent refund for purchases of energy-efficient home appliances
- Temporarily lower auto sales tax by 30%



“Large-scale Consumer Festivals”

- 『Nationwide Shopping Festival』 (Jun. 26-Jul.12)
- 『Korea Sale Festa』 (Nov. 1 - 15)
- 『K-Culture Festival』 (Oct)



“Domestic Tourism Promotion”

- Extend '2020 Special Travel Week' to Jun.20-Jul.19
- Launch Special Travel Pass dedicated to Special Travel Week
- Tax deduction on accommodation expenses



Economic Policies for 2nd Half : 2. Fast, Strong Rebound

Stimulate investment through tax relief and 100 tril. won investment projects

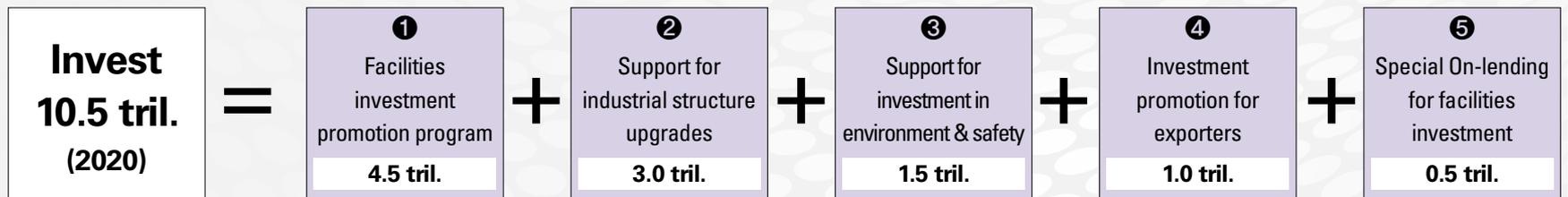
Encourage investment through complete overhaul of investment tax credit system



Speed up the three major investment projects (100 tril. won) and identify new opportunities



Inject policy finance worth 5 tril. won in H2



Economic Policies for 2nd Half : 2. Fast, Strong Rebound

Make an all-out effort to revive export by strengthening capabilities

Multi-dimensional support system

- Support online exporting
- Reinforce export infrastructure including expanded logistics assistance projects
- Broaden market using 'K-Brands'

Provide liquidity with export financing

- Expand export financing
- Loan extensions and interest payment suspension
- Introduce online trade insurance

Promote service exports and overseas infrastructure

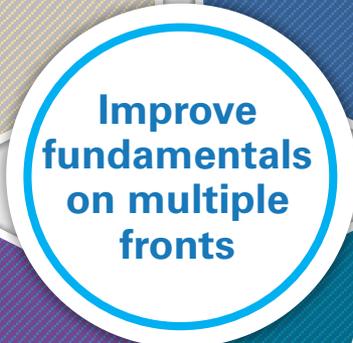
- Promote service sector exports
- Policies to support overseas infrastructure contracts (June 2020)

Speed up FTA negotiations

- Pursue signing of major FTAs within this year (i.e. RCEP)
- Cooperate to ease travel restrictions for business-people

Economic Policies for 2nd Half : 3. Enhanced Economic Fundamentals

Improve fundamentals on multiple fronts (ventures and start-ups, key industries, service sector)



- Promote venture investment utilizing financial institutions and venture capital investment fund
- Financial support for innovation-driven companies
- Fully undertake K-Uncorn projects

- Increase R&D support
- Promote smart manufacturing centered on AI and data
- Start construction of smart cities ('20.7)

- Operate One Step Model
- Establish 「Mid-long term Vision and Strategy for Service Industry」

- Reshape regulations on FinTech and nurture simple payment industry
- Develop AI home service and support empirical support within smart cities



Reinforce economic fundamentals by responding to structural change

Improve benefits of regulation innovation

- Serial announcement on regulation innovation for 10 industry sectors
- Regulation innovation in 4 major areas (safety, health, untact business, etc.)



Structural innovation in government, public and labor sectors

- Establish fast-track to designate additional innovative products
- Support purchases of innovative products designated by R&D ministries
- Re-proposal of bill that compensates flexible working hours system



Enhance productivity in R&D and education

- Identify S&T challenges and promising technologies
- Pursue innovative projects led by private sector
- Set out the 4th Master Plan to nurture talents in S&T



Brace for demographic and climate change

- Increase in volume of housing supplies for newly weds
- Implement 24-hour care service and establish safety net for female single households



Korean New Deal : Economic transition from the fast follower to the first mover

Upgrade economic structure and create jobs through Korean New Deal



➔ Comprehensive Korean New Deal Project, including additional items, to be confirmed and released in July 2020

Develop quarantine and bio as Korea's future growth engines

Promote industries to control infectious disease by stage

- Stage 1 Quarantine-Prevention
 - Develop contact tracing utilizing AI and big data
- Stage 2 Diagnosis-Testing
 - Expand support for testing kit manufacturing ventures
- Stage 3 Isolation-Treatment
 - Intensive support from development to its launch



Innovate bio industry ecosystem

Support development of medical supplies

Reinvigorate related industries

Nurture talents



Systemize K-Quarantine and drive exports

- Systemize K-Quarantine model
 - Pursue international standardization by proposing to ISO
- Actively support exports of K-Quarantine products



Secure future growth engines: system semiconductor, future cars and secondary batteries

- Set up a center to support the design of system semiconductors
- Introduce testing zones for self-driving cars and start pilot operation
- Develop core technologies for secondary batteries
- Technology development for 'DNA+drones'



Position Korea as GVC hub through reshoring high tech companies

Policy package for U-turn companies

Location

- Location for reshoring companies takes precedence
- Supply tailored industrial lands

Subsidy

- Create new subsidies for sites across the nation

Tax

- Tax exemption in proportion to the production reduction

Facility

- Step up support for smart factories and robots



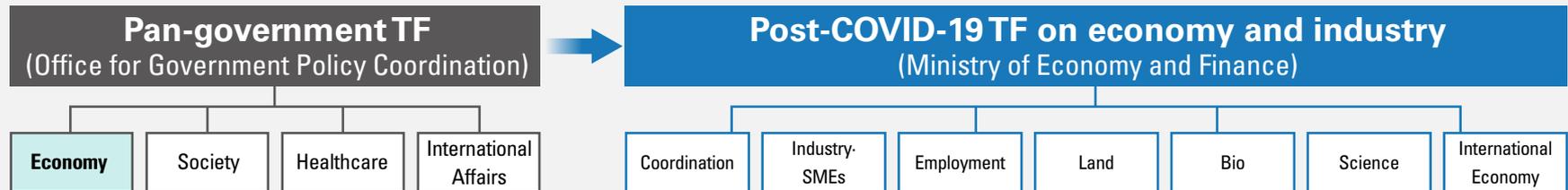
Strategies to attract R&D centers

- Diversify reshoring recognition criteria so that overseas R&D centers also can get the benefits
- Improve business conditions for reshoring R&D centers
 - income tax cuts for foreign workforce
 - establishment of joint support centers



Strategies for Post-COVID-19 Era

Set up Post-COVID-19 TF → Introduce measures to turn crisis into opportunity



1

Accelerate innovation of key industries while strengthening "pandemic resilience"

2

Spearhead "untact economy" and nurture new industries

3

Reinforce safety net for the vulnerable to address "corona divide"

4

Lead the international economic order utilizing "Korea premium"

Announce comprehensive Policy measures for the post-COVID-19 era

Supplementary Budget

3rd supplementary budget to overcome the crisis and prepare for the post-COVID-19 era
→ **A total of 35.3 tril. won (11.4 by tax revenue adjustment + 23.9 by expanded budget expenditure)**



- Reinforce quarantine system (2.1 tril. won)
- Support for small merchants and SMEs (4.1 tril. won)
- Support for livelihood and employment stability (3.5 tril. won)
- Support for regional economy (1.2 tril. won)

- Emergency relief grant to all Korean people

- Tax revenue adjustment (11.4 tril. won)
- Financial support package (5.0 tril. won)
- Social and employment safety net (9.4 tril. won)
- Economic revival package (11.3 tril. won)
- * Economic stimulus, Korean New Deal, etc.

A top-down view of a group of business professionals in a circle, with their hands stacked in the center. The image is slightly blurred, focusing on the hands and the central point of contact. The professionals are wearing light-colored business attire, including shirts and jackets. The background is a dark, textured surface.

4

Closing

Protecting

the Vulnerable and Small Businesses



Promoting

the Economic Recovery



Preparing

for the Post COVID-19 era



The image features a low-angle shot of several hands reaching up from the bottom, holding and interlocking several large, dark-colored gears. The background is a bright, hazy sky with a warm, golden glow from the sun, suggesting a sunrise or sunset. The overall composition is symbolic, representing teamwork, industry, and overcoming challenges.

**In solidarity with korea, EU, and the entire world,
COVID-19 pandemic will be conquered.**



Thank You



Ministry of Economy
and Finance