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Contact Information: Keah, Kang-hoon (044-215-7110/ Budget Coordination Division)

2025 BUDGET PROPOSAL

I. 2025 Budget Proposal Directions

The goal of the 2025 budget proposal is to **realize an era centered on the working and middle classes by achieving people's livelihoods stability and a dynamic economy**. It mainly focuses on ^①injecting national finances in the public's priority issues, ^②enhancing the competitiveness of the Korean economy and conducting social structural reforms, and ^③securing the sustainability of public finances through innovative fiscal management.

Key features

(Total revenue) The total government revenue is projected to be 651.8 trillion won (up 39.6 trillion won), an increase by 6.5% compared with the budget for 2024 mainly driven by this year's strong corporate performance and the gradual recovery of domestic and international conditions expected next year.

(Total expenditure) The total government expenditure for 2025 is set at 677.4 trillion won (up 20.8 trillion won), a 3.2% increase compared to the previous year, taking into account revenue conditions and spending needs.

	2024 Budget (A)	2025 Budget Proposal (B)	(trillion, %)	
			Changes B-A	B-A(%)
Total Government Revenue	612.2	651.8	+39.6	6.5
Total Government Expenditure	656.6	677.4	+20.8	3.2

(Fiscal Balance / Government Debt) The government aims to bolster fiscal sustainability by improving the fiscal balance and curbing an increase in debt.

Consolidated fiscal balance is set to pose a deficit of 1.0% of GDP, an improvement by 0.8%p compared with that of the 2024 budget, which is 1.8 % of GDP.

Managed fiscal balance is projected to record a deficit of 2.9% of GDP, a 0.7%p improvement compared with that of the 2024 budget, which is 3.6% of GDP.

Government debt is expected to grow by 0.8%p to 48.3% of GDP from that of the 2024 budget, which is 47.4%.

	2024 Budget (A)	2025 Budget Proposal (B)	Changes (B – A)
Consolidated Fiscal Balance (% to GDP)	-44.4 (-1.8)	-25.6 (-1.0)	+18.8 (+0.8%p)
Managed Fiscal Balance (% to GDP)	-91.6 (-3.6)	-77.7 (-2.9)	+13.9 (+0.7%p)
Government Debt (% to GDP)	1,195.8 (47.4)	1,277.0 (48.3)	+81.3 (+0.8%p)

(Mid-term fiscal management plan) The government aims to gradually improve the managed fiscal balance within a deficit of 3% of GDP starting from 2025, and manage the government debt at around 50% of GDP by 2028.

Budgets by Sector

	2024 Budget (A)	2025 Budget Proposal (B)	Changes	
			B-A	B-A(%)
Total Expenditures	656.6	677.4	+20.8	3.2
1. Health, Welfare, Employment	237.6	249.0	+11.4	4.8
2. Education	95.2	98.5	+3.3	3.5
3. Culture, Sports, Tourism	8.7	8.8	+0.1	1.3
4. Environment	12.5	13.0	+0.5	4.0
5. R&D	26.5	29.7	+3.2	11.8
6. Industry, SME, Energy	28.0	28.3	+0.3	1.1
7. SOC	26.4	25.5	-0.9	-3.6
8. Agriculture & Forestry, Fishery, Food	25.4	25.9	+0.5	1.9
9. National defense	59.4	61.6	+2.2	3.6
10. Diplomacy, Reunification	7.5	7.8	+0.3	3.7
11. Social order, Safety	24.4	25.1	+0.7	2.6
12. Public administration, Local governments	110.5	111.3	+0.8	0.6

II. The four pillars of the 2025 budget proposal

1. Welfare for the vulnerable to bring a better future
2. Shoring up the spread of economic vitality
3. Structural improvements to prepare for the future
4. Building a safe society and strengthening global leadership in diplomacy

1. Welfare for the vulnerable to bring a better future

With an aim to provide stronger protection for the recipients of the basic livelihood security program, the annual living allowance will be increased by 1.41 million won compared to last year; as a result, the average annual growth over the past three years will be set at 1.66 million won, more than three times the average annual growth of 470 thousand won in the previous five years.

Tailored support for vulnerable groups, including people with disabilities, the elderly, and single-parent families will also be scaled up:

- Greatly expand the number of beneficiaries of employment incentives for people with disabilities from 633 thousand to 756 thousand, with the total budget for disability support raised by 6.6% compared to the previous year.
- Increase the number of senior jobs to a record high of 1.1 million.
- Introduce a ‘National Advance Payment System for Child Support’ to assist single-parent families struggling due to unpaid child support.

In addition, much efforts will be made to buttress the self-reliance of vulnerable population and build ladders of opportunity in education and housing:

- Provide a new ‘Self-sufficiency Success Bonus’ worth up to 1.5 million won for recipients of the basic livelihood security program who become self-sufficient through work and graduate from government assistance.
- Double government’s monthly grants from an average of 100 thousand won to 200 thousand won under the ‘Hope Savings Account’ program, which is designed to help low-income individuals build assets, ultimately enabling participants to accumulate up to 10.8 million won over three years.
- Boost the supply of public housing by 47 thousand units compared to the previous year, reaching a record high of 252 thousand units, to restore housing stability for low-income households.

2. Shoring up the spread of economic vitality

As a top priority, the government has bolstered customized support for small business owners who are suffering from prolonged high interest rates and inflation.

- Provide a ‘Financial Support Package’ consisting of three key measures in addition to temporary subsidies of 300 thousand won for delivery and shipping cost for small business owners facing difficult business conditions.
- Assist promising micro enterprises to scale up to small enterprises through the newly introduced 400 billion won scale-up funds; expand the ‘New Start Fund’ from 30 trillion won to 40 trillion won for those who close their businesses and start anew to back smooth debt restructuring, while

providing specialized employment programs tailored to each stage – business closure, job preparation, and job search – to assist in their transition.

Furthermore, the government is committed to fully support the creation of an innovation ecosystem that contributes to boosting potential growth rates.

- Increase the national R&D budget to a historic high of 29.7 trillion won from 29.3 trillion won in 2023, focusing on three major game-changers (AI, advanced biotech and quantum technology) and 12 strategic technologies.
- Introduce a living allowance, a Korean-style stipend, to encourage young researchers to fully dedicate themselves to their research; this will provide monthly payments of at least 800 thousand won for master's students and 1.1 million won for doctoral students.
- Successfully carry out the 'Semiconductor Ecosystem Support Package' (26 trillion won) announced in May, by supplying 4.3 trillion won in low-interest loans next year, along with financial support for R&D, workforce development, and commercialization efforts.
- Launch a new 'Jump-up Program', a support package covering from consulting, vouchers, to scale-up financing, for 100 promising SMEs; double the budget injected in regional innovation venture funds to further support the growth of regional and venture companies.

3. Structural improvements to prepare for the future

Above all, with an aim of reversing the trend of low birth rates, the government will double down on intensive investments in three key areas most needed in real-life parenting: work-life balance, childcare, and housing.

- Raise parental leave benefits from 1.5 million won to a maximum of 2.5 million won and extend paternity leave from 5 days to 20 days to ensure that parents have adequate childcare time when they need it; provide 200 thousand won monthly support payment to colleagues who take on additional work during a coworker's leave.
- Increase the income eligibility limit for newborn special loans to 250 million won and supply 30 thousand affordable *jeonse*¹ units at below market value, with an aim to reduce the housing cost burden for families with newborns.

Moreover, assistance for young people's future preparations will not be overlooked.

- Expand the youth work experience program to support 58 thousand participants, an increase of 10 thousand from the previous year, to help young people secure stable jobs.
- Introduce a three-part package support to address job vacancies, formed with specialized job assistance, job advance incentives, and technical training as part of efforts to resolve employment market mismatches.
- Launch a new 'Youth Housing Dream Loan' that supports up to 80% of the purchase price at low interest rates to promote young people's home ownership.

Innovations in talent, industry, and transportation will be promoted in earnest to realize an era of livable regional areas.

- Launch the RISE program worth 2 trillion won to cultivate region-specific talent starting from next

¹ lump-sum deposits with no monthly payments

year, inject 1 trillion won in regional industry development and 4 trillion won in regional transportation innovation.

4. Building a safe society and strengthening global leadership in diplomacy

Protecting people's lives and property and fulfilling the role of national defense are fundamental responsibilities of the state.

- Expand smart charging stations for electric vehicles from 20 thousand to 100 thousand units to ensure that people can use electric vehicles without safety concerns.
- Reinforce the comprehensive flood and storm damage repair infrastructure by increasing the number of infrastructure sites from 18 to 35 to better prepare for extreme weather events.
- Raise the monthly military pay to 2.05 million won starting next year, as part of efforts to provide appropriate compensation for soldiers fulfilling their national defense duties.

At the same time, the government has been committed to diplomacy and Official Development Assistance (ODA) that promote national interests.

- Assure seamless support to enhance Korea's stature on the international stage and maximize diplomatic outcomes ahead of next year's APEC, set to be hosted in Gyeongju, Korea, for the first time in 20 years; also scale up strategic ODA linked to the overseas expansion of domestic businesses and youth talents.

III. Conclusion

In the 2025 budget proposal, the government has spared no effort in making essential investments to tackle pressing issues related to people's livelihood and the economy. However, the state of the national finances is also challenging, with the national debt exceeding 1,000 trillion won, significantly adding the burden on future generations.

Under these circumstances, the government has taken responsibility by striving to manage the budget efficiently and strategically. With the united efforts of all ministries, the government has boldly reduced conventional and inefficient projects, undertaking expenditure restructuring worth a total of 24 trillion won. This marks the third consecutive year of restructuring over 20 trillion won. In addition, multi-ministry collaborative budgeting has boosted the effectiveness of the budget.

As a result, the 2025 budget proposal has been structured within the scope of the government's ongoing fiscal rules, with a total expenditure growth rate of 3.2% and a managed fiscal balance of -2.9%. The government has also kept the national debt-to-GDP ratio at 48.3%, a slight increase of 0.8%p compared to the previous year.

Through the 2025 budget proposal, the government aims to enhance fiscal efficiency and sustainability while restoring the security of Korean people's lives and diligently preparing for the future of Korea. By doing so, the government resolves to build an era centered on the working and middle classes.