

VICE CHAIRMAN STRESSES IMPORTANCE OF STEADY FINANCIAL SUPPORT FOR SMALL BUSINESSES

Vice Chairman Sohn Byungdoo held the 26th financial risk assessment meeting via teleconference on October 20 to discuss the implementation status of the COVID-19 emergency financial support programs.

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

(CURRENT ECONOMIC CONDITIONS) As some of the key economic indicators have shown signs of an improvement recently, the IMF revised up its global growth forecast from a 5.2 percent drop to 4.4 percent decline. The Korean economy also has been on a recovery path, as exports rebounded in September for the first time since the outbreak of the COVID-19. The recently adjusted social distancing rules and the government's fiscal efforts are expected to help boost domestic demand. With a resurgence of COVID-19 being the biggest threat to economic recovery, financial institutions should closely adhere to the safety and preventive measures.

(STEADY SUPPORT FOR SMALL MERCHANTS) The structural changes caused by the COVID-19 pandemic present both challenges and opportunities. Although there are positive effects, such as a transition toward a digital and green economy, heavier burdens may be placed on the vulnerable groups including small merchants as some expect to see a K-shaped recovery. Since the improvements to the second round of financial support program for small merchants became available on September 23, the provision of lending support to small merchants has continued to increase.¹ As this program is backed by guarantees from the Korea Credit Guarantee Fund, it is essential that lending support is made available to small merchants with different credit backgrounds, including those with unfavorable credit history.

With growing numbers of small merchants experiencing business closures, it is necessary to keep in place a policy that supports their comeback. Since last November, the FSC has made available a one-stop consulting program for self-employed small business owners who have experienced business closures due to temporary hardship in paying debts. The program offers comprehensive consulting services from debt adjustment to financing plans to business management. The Ministry of SMEs and Startups and other relevant ministries are also offering various assistance to small merchants that have been hit by COVID-19. As such, the government will work to find ways to increase the effectiveness of small merchant assistance programs through close coordination and collaboration.

¹ KRW557.0 billion (end of Jul.) → KRW668.1 billion (Sep. 22) → KRW1.02 trillion (end of Sep.) → KRW1.72 trillion (Oct. 16)

(FINANCIAL SUPPORT FOR SMEs) The COVID-19 pandemic has caused shocks to companies in an asymmetrical way. For large companies, financing conditions have improved as the corporate bond and short-term money markets have stabilized. For SMEs, on the other hand, their borrowing conditions may be tightened at banks despite an expected rise in demand during the fourth quarter. Providing a steady support to SMEs is an important task for overcoming the current crisis as well as for preparing for the post-pandemic era. To this end, the government will work to ensure a prompt implementation of the additional KRW2.4 trillion COVID-19 special guarantees through Korea Credit Guarantee Fund and Korea Technology Finance Corporation. In addition, the government will continue to monitor the progress of the working capital support program for suppliers and subcontractors in key industries to help resolve their concerns.

The financial authorities will continue to work on the post-pandemic financial policy agenda while strengthening social safety nets and supporting the implementation of the Korean New Deal.

FINANCIAL SUPPORT PROVIDED²

(In trillion won)

▶ EMERGENCY LOANS FOR SMALL MERCHANTS	TARGET	PROVIDED
- 1 st round of financial support (Feb 7~)	16.4	14.5
- 2 nd round of financial support (May 25~)	10.0	1.72

(In trillion won)

▶ FINANCIAL SUPPORT FOR SMEs & MIDDLE MARKET ENTERPRISES	TARGET	PROVIDED
- Loans (Mar 16~)	21.2	20.1
- Guarantees (Apr 1~)	7.9	6.7

(In trillion won)

▶ LIQUIDITY SUPPORT FOR CORPORATE BOND & SHORT-TERM MONEY MARKETS	TARGET	PROVIDED
- Liquidity support for securities firms (Mar 24~)	5.0	8.5
- Corporate bond and CP underwriting and refinancing programs (Mar 30~)	6.1	2.2
- Low-rated corporate bond & CP purchase program (Jul 24~)	20.0	1.7
- P-CBO issuance (Apr 1~)	11.7	2.6

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² From February 7 to October 16, 2020