



Ministry of Economy
and Finance

Korean Economy

A K-Drama about
Winning over the Pandemic

London Investor Round Table
1st November, 2021

Episodes



Preview

“Squid Game”

Episode 1.

Successful Defense

Episode 2.

Progressing Towards a Full-fledged Recovery

Episode 3.

Advancing Beyond the Pandemic

Epilogue

Space Rocket “Nuri”



Ministry of Economy
and Finance

Preview

“Squid Game”



“Squid Game” and the Korean Economy

Mega-hit “Squid Game”

- ✓ Netflix’s 1st series to reach No.1 in all 83 countries
- ✓ The biggest series launch of all time - attracting 111 million viewers in 17 days



Not an Overnight Success

- ✓ Decades of efforts to create quality content
- ✓ Gained limelight amid the pandemic slump

BBC NEWS

“The K-drama takeover is far from the overnight sensation. (...) The pandemic happened, and with the Western entertainment industry literally shuttered down, K-drama fever truly hit.”

Korean Economy Stands Out amid the Pandemic As Well



Track Record of Overcoming Hardships

Strong Economic Resilience



Continuous Reform and Innovation Preparing for the Future



Exemplary Recovery from the Pandemic



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Episode 1.

Successful Defense

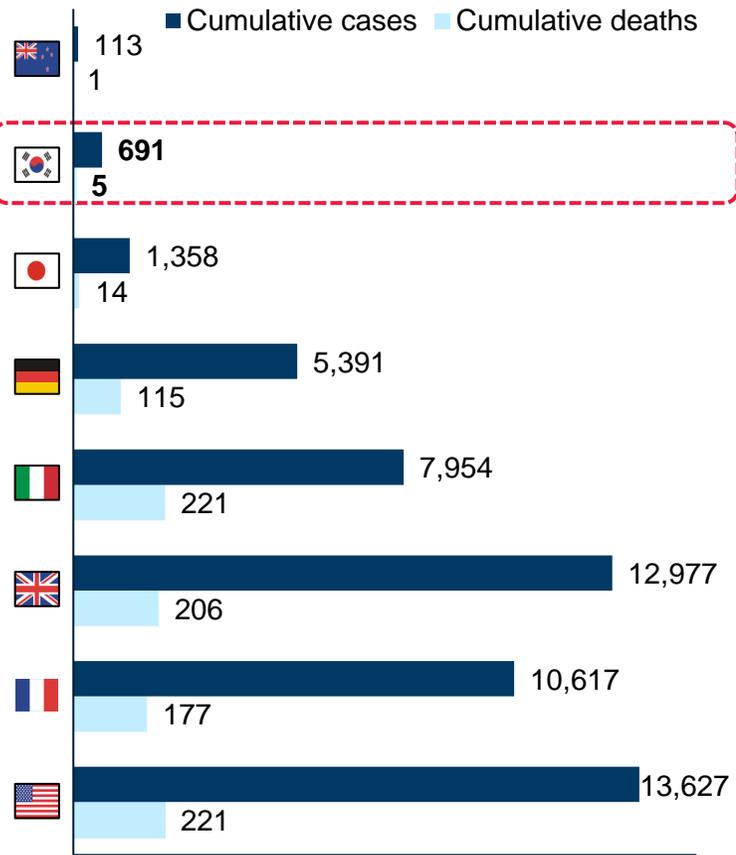


1. Outstanding Performance in Both COVID-19 & Economic Fronts

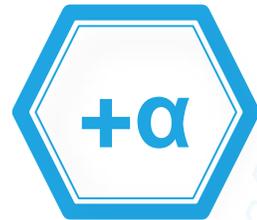
(1) Successful Containment of the COVID-19

Low Cumulative Cases and Deaths

(per 100,000, as of 26th Oct., 2021)



Effective K-Quarantine System



Testing ■ Expansive and fast diagnostic testing 

Tracing ■ Quick and thorough identification of the transmission route 

Treating ■ Medical treatment based on the symptoms 

Transparency ■ Transparent disclosure of confirmed cases 

ICT-based Response

- Self-check and self-quarantine applications
- Investigation Support System

Innovation

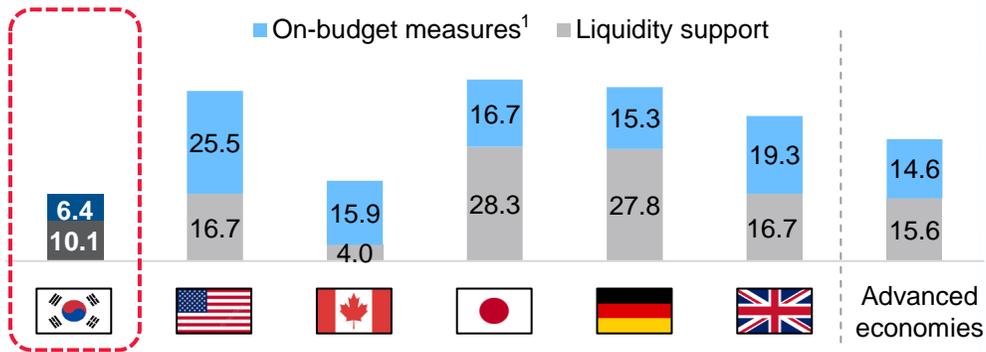
- Drive-thru and walk-thru screening stations
- Remote schooling

1. Outstanding Performance in Both COVID-19 & Economic Fronts

(2) All-out Policy Efforts with Lower Cost, Greater Outcome

Cost-efficient Response to the COVID-19

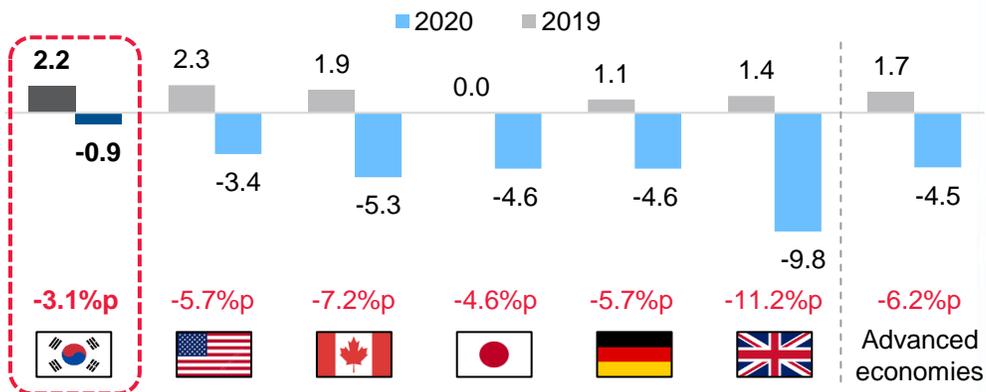
(fiscal measures in response to the COVID-19 from Jan. 2020 to Sep. 2021, % of GDP)



- Six fiscal stimulus packages
- Emergency relief cash transfers
- Employment retention subsidies

Smallest Setback with Limited Scarring Effect

(GDP growth rate, %)



- BOK's interest rate cuts
- Extension of loan maturity
- Bond/stock market stabilisation fund

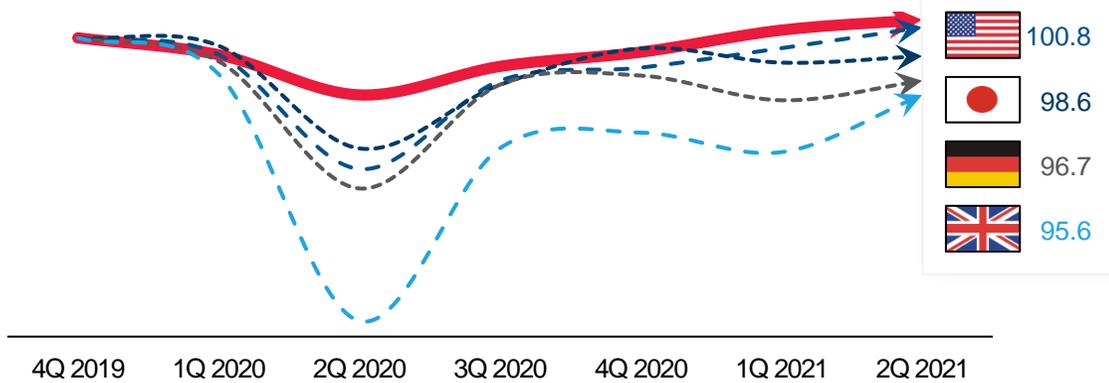
Source: International Monetary Fund ("IMF"), MOEF
 Note: ¹ Additional spending and forgone revenues; does not include accelerated spending and deferred revenues

1. Outstanding Performance in Both COVID-19 & Economic Fronts

(3) Korean Economy Fared Better than Peers

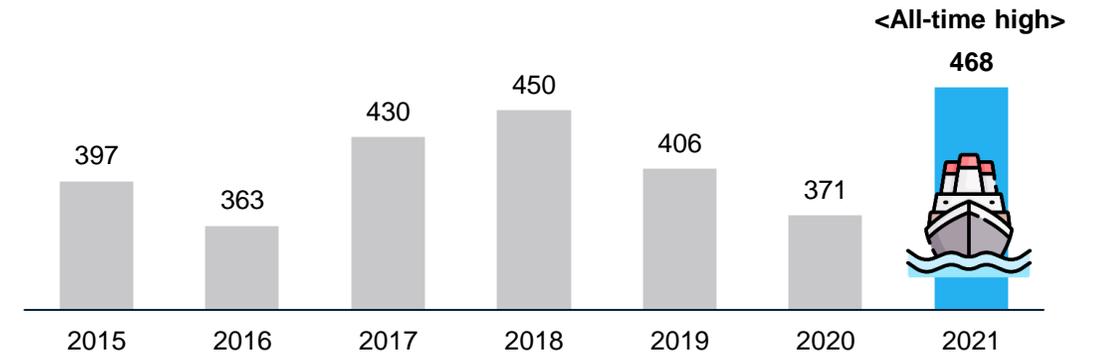
Fastest to Recover to Pre-pandemic GDP

(quarterly GDP, rebased to 100 as of 4Q 2019)



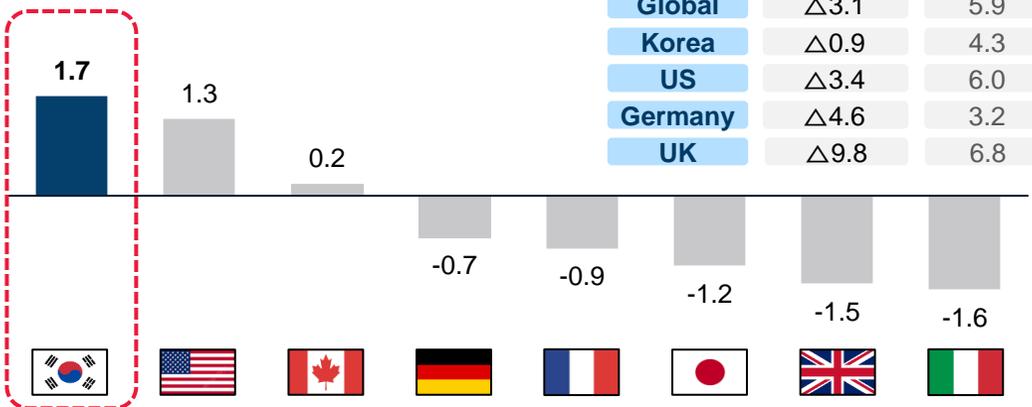
All-time High Cumulative Exports

(Jan.-Sep. cumulative exports, US\$bn)



Highest Growth among G20 Advanced Economies

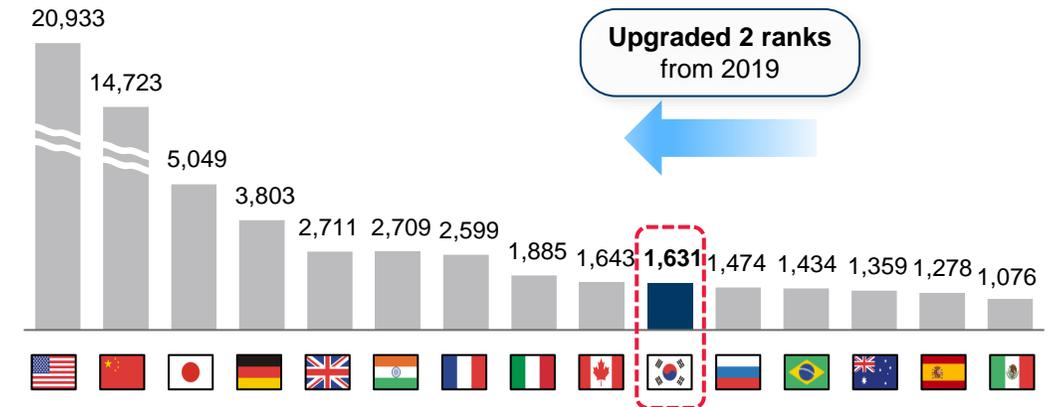
(2020-2021 average GDP growth rate, %)



<Growth, %>	2020	2021
Global	Δ3.1	5.9
Korea	Δ0.9	4.3
US	Δ3.4	6.0
Germany	Δ4.6	3.2
UK	Δ9.8	6.8

10th Largest GDP in 2020

(nominal GDP, US\$bn)

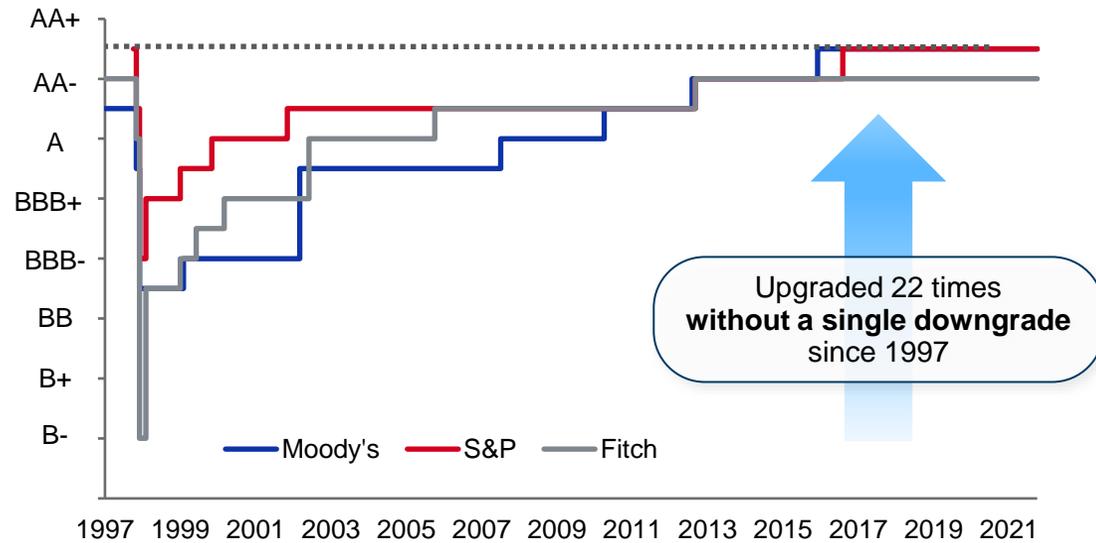


Source: IMF, Organisation for Economic Co-operation and Development ("OECD"), Ministry of Trade Industry and Energy ("MOTIE")

1. Outstanding Performance in Both COVID-19 & Economic Fronts

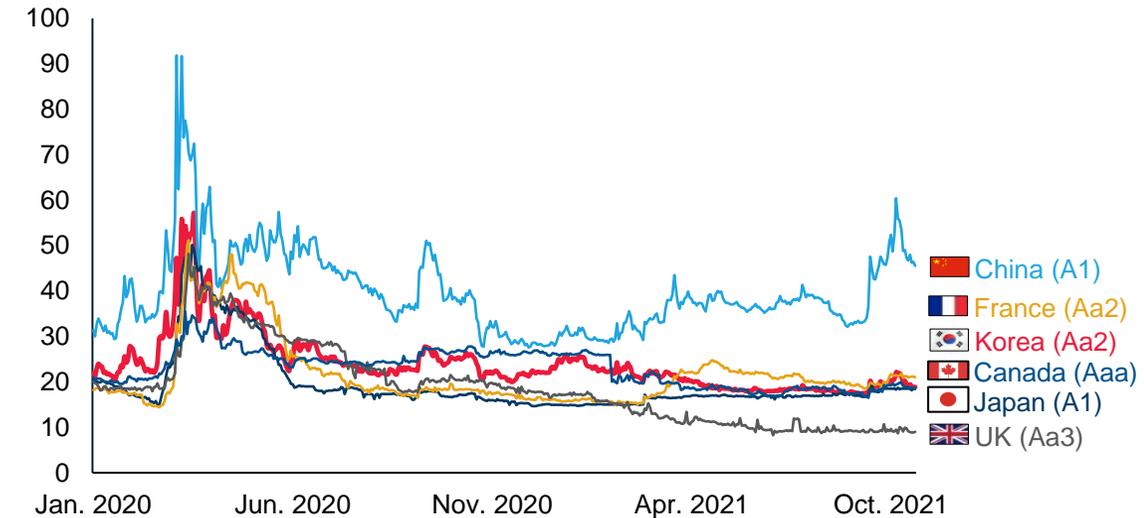
(4) Strong Investor Confidence in the Global Financial Markets

All-time High Sovereign Credit Ratings



Record Low Korea CDS Premium

(5-year CDS, bps, as of 26th Oct., 2021)

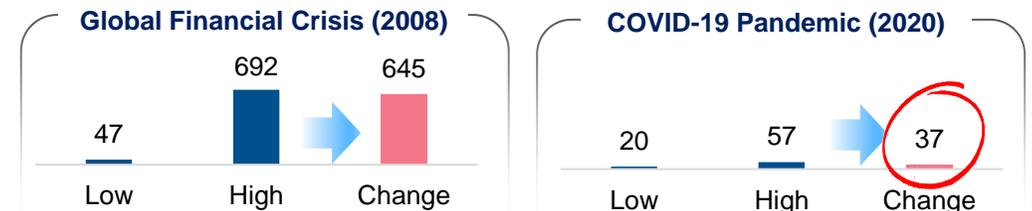


Though 113 Countries Suffered Downgrades...

	Rating Downgrade	Outlook Downgrade
MOODY'S		
S&P Global Ratings		
FitchRatings		

Dramatic Decrease in Vulnerability to External Shocks

(Korea 5-year CDS, bps)

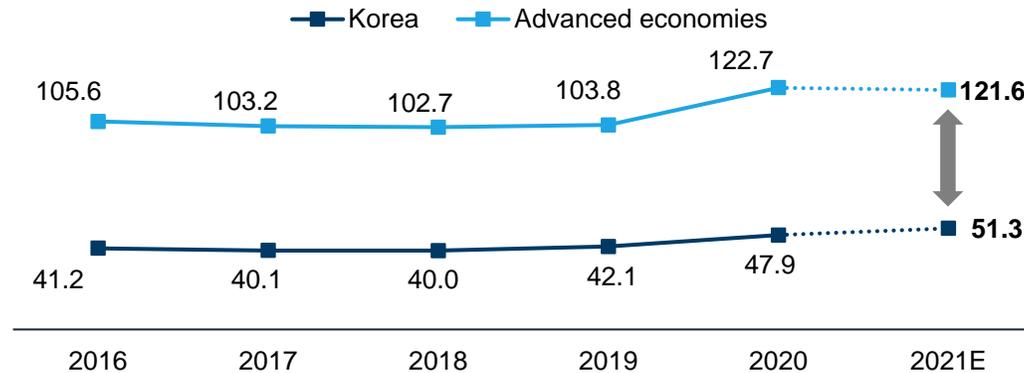


2. Economic Resilience Driving the Recovery

(1) Fiscal Health Enabled Large Stimulus without Stability Concerns

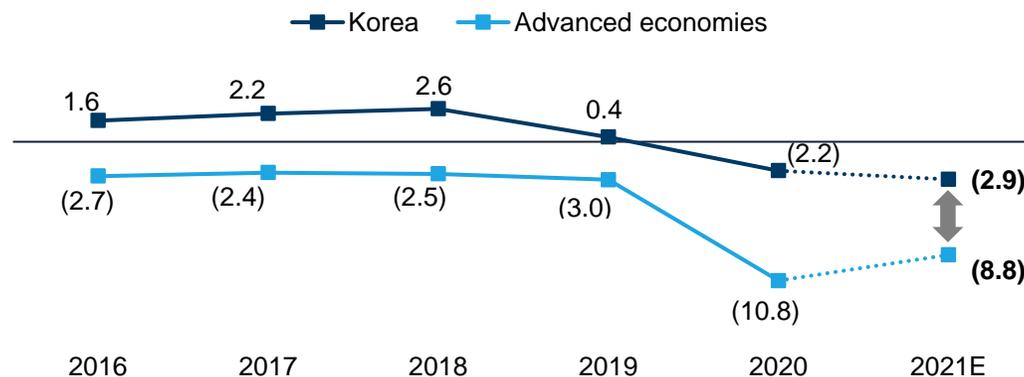
Well-managed Government Debt¹

(% of GDP)



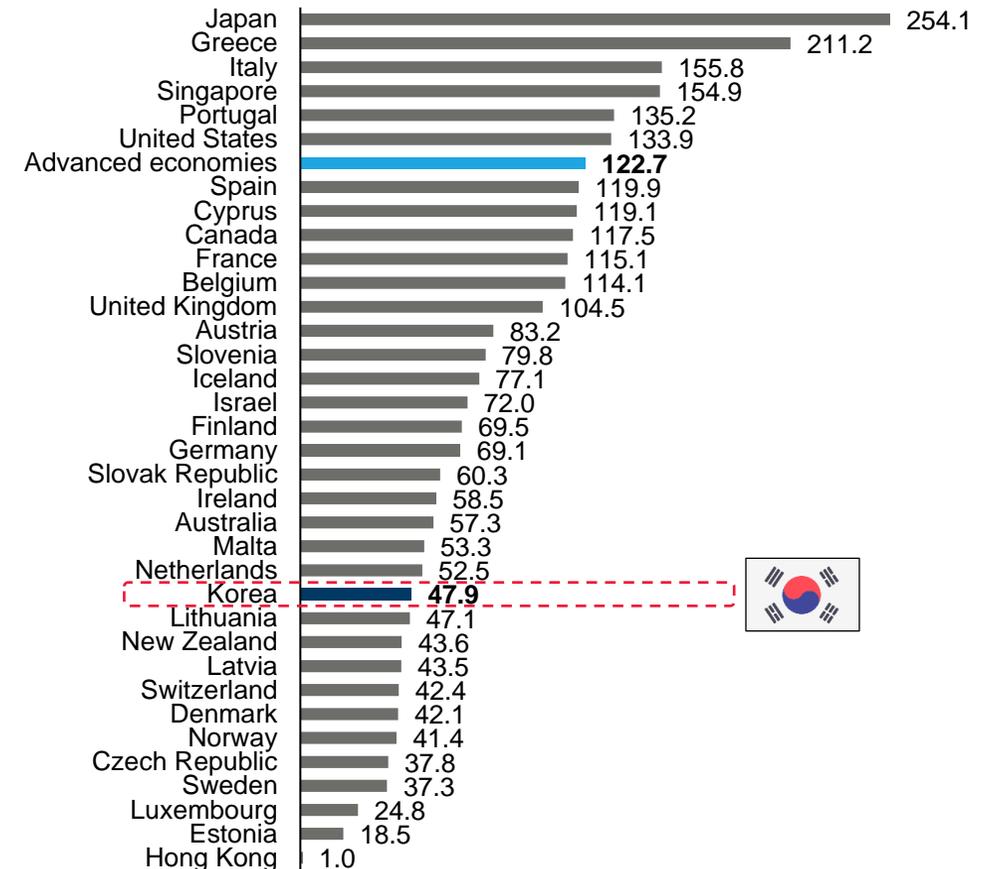
Relatively Low Fiscal Deficit²

(% of GDP)



Korea's Fiscal Health Still in Good Shape¹

(general government debt to GDP, %, as of 2020)



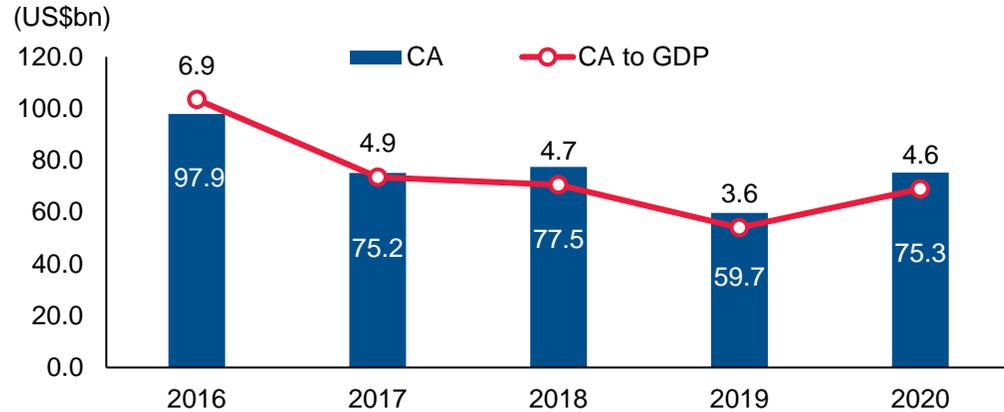
Source: IMF

Note: ¹ General government gross debt which consists of all liabilities that require payments of interest and/or principal, including debt liabilities in the form of SDRs, currency and deposits, debt securities, loans, insurance, pensions, standardised guarantee schemes, and other accounts payable; ² General government net lending/borrowing calculated as revenue minus total expenditure

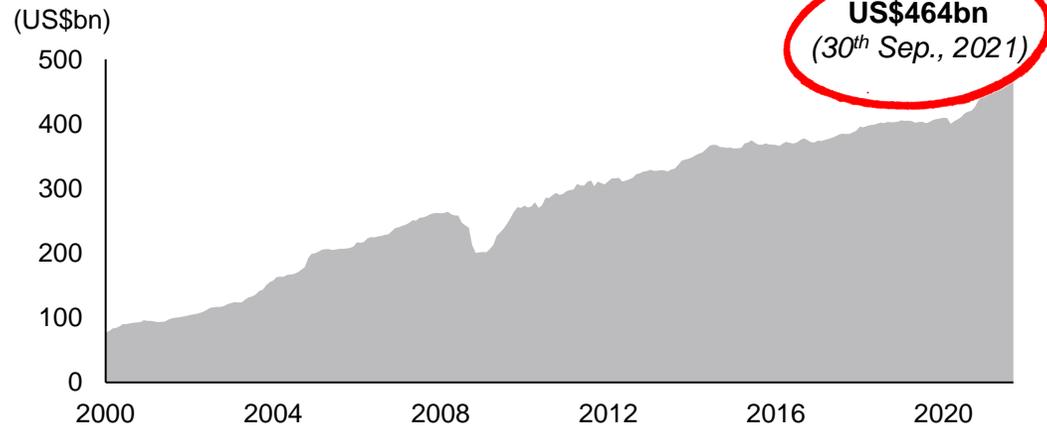
2. Economic Resilience Driving the Recovery

(2) External Sector Strengths Provide a Sufficient Buffer

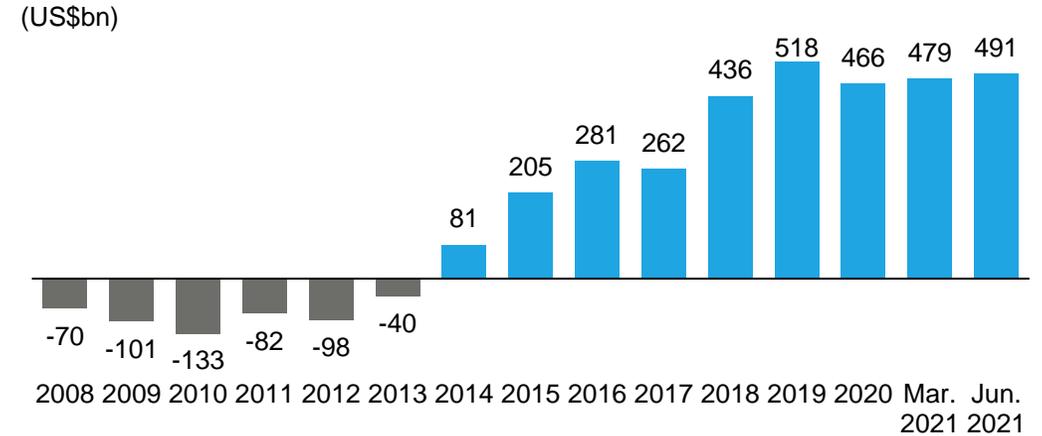
Constant Current Account Surplus



8th Largest FX Reserves



Sizable Net International Investment Position



Ample Currency Swap Lines

■ 10 currency swaps worth over US\$198bn in total

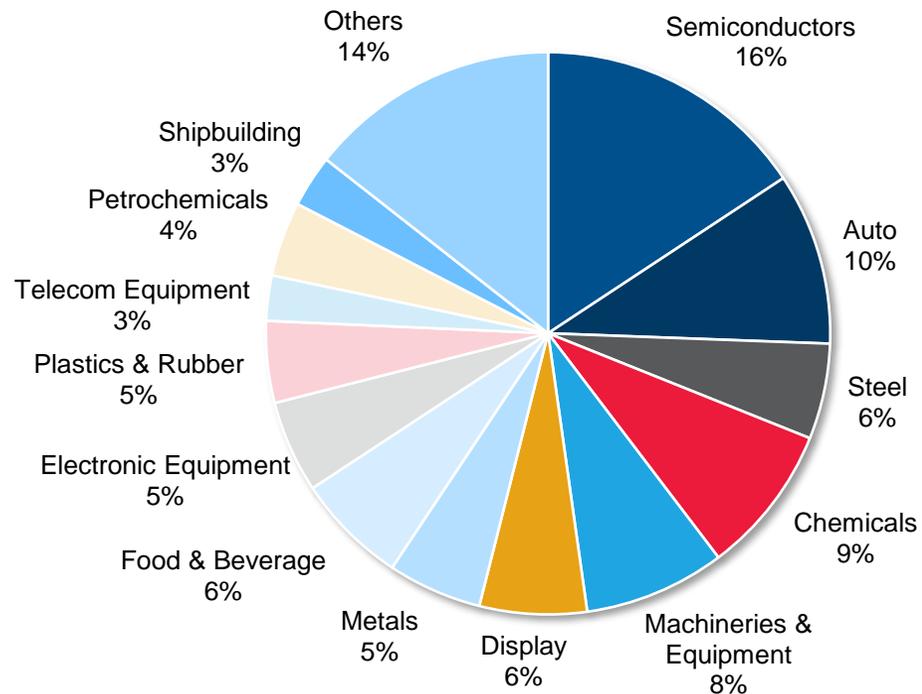
Bilateral (US\$bn)									Multi
USD	CNY	CHF	AED	MYR	AUD	IDR	CAD	TRY	CMIM
60.0	59.0	10.6	5.4	4.7	8.1	10.0	Standing	2.0	38.4

2. Economic Resilience Driving the Recovery

(3) Well-balanced Industrial Portfolio Helps Tide over Economic Shocks

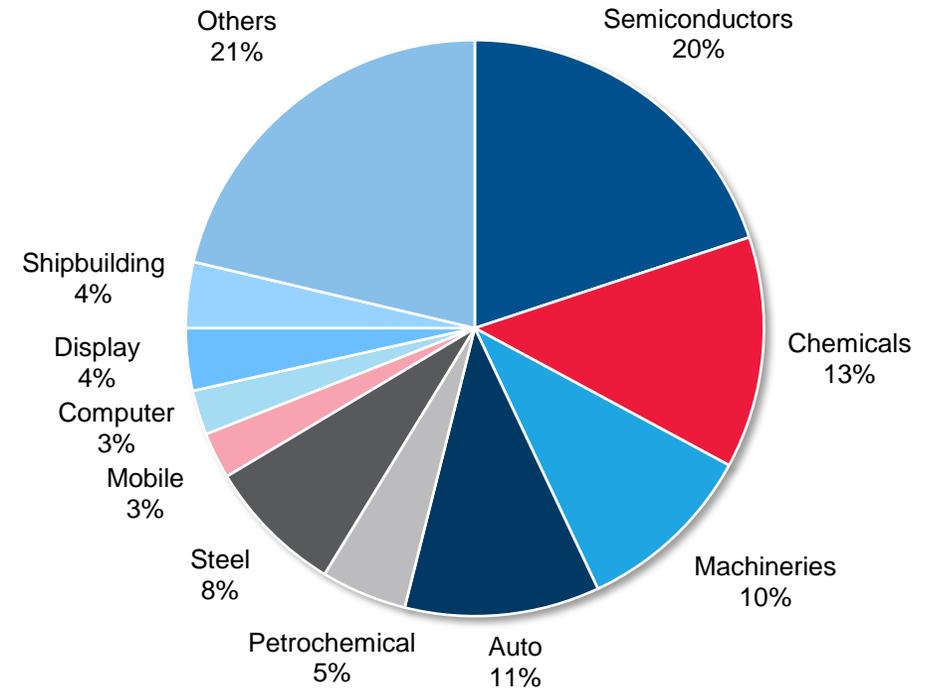
Varied Manufacturers

(value-added breakdown by sector in 2019)



Diversified Exports

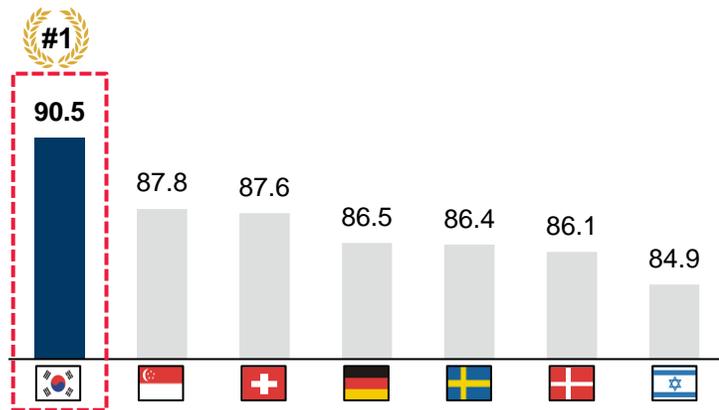
(exports breakdown by sector in 2020)



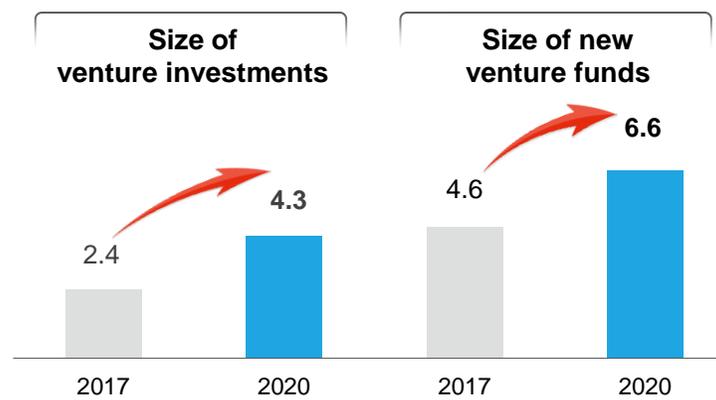
2. Economic Resilience Driving the Recovery

(4) Strong Innovation Capacity with Business-friendly Environment

#1 in Bloomberg Innovation Index¹ (out of 100)



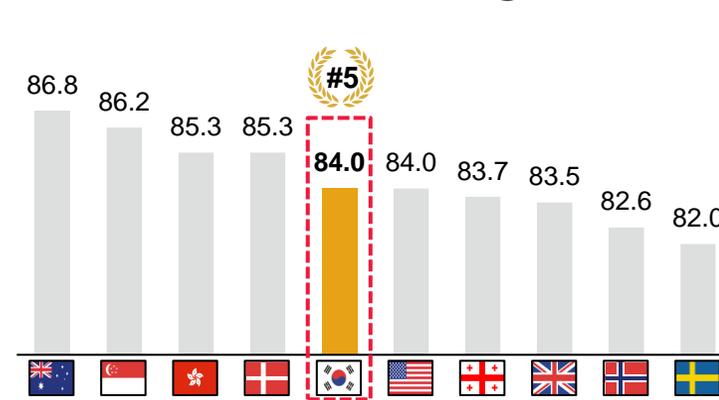
Emergence of Venture Boom (KRWtrn)



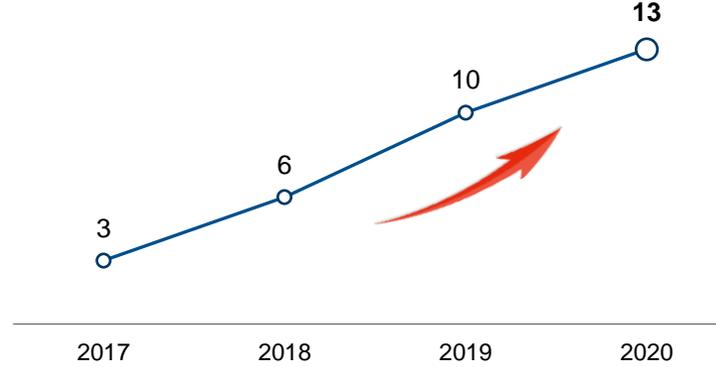
Rapid Growth of Tech Companies³ (US\$bn)

Company	4Q 2017	3Q 2021
SAMSUNG ELECTRONICS	307.0	373.3
SK hynix	52.0	63.3
HYUNDAI MOTOR GROUP	32.1	53.8
POSCO	27.1	48.8
NAVER	26.8	46.2
LG Chem	26.7	44.3
KB	25.3	41.7
HYUNDAI MOBIS	24.7	36.1
SAMSUNG LIFE INSURANCE	23.9	30.2
SAMSUNG BIOLOGICS	23.2	27.8
NAVER		53.8
SAMSUNG BIOLOGICS		48.8
LG Chem		46.2
kakao		44.3
SAMSUNG SAMSUNG SDI		41.7
HYUNDAI MOTOR GROUP		36.1
HEALTHCARE CELLTRION		30.2
KIA		27.8

#5 in WB's Ease of Doing Business²



Rise of Korean Unicorn Companies (# of companies)



Coupang's Successful US IPO

- Market debut on the NYSE (12th Mar., 2021)
- The largest U.S. listing of an Asian company since Alibaba in 2014

Source: MOEF, Bloomberg, World Bank, Korea Exchange ("KRX")

Note: ¹ As of 2021, #1 since 2014 except for 2020 (#2 in 2020 after Germany); ² As of 2020; ³ Applied USD/KRW exchange rate as of the last day of each period, Seoul Money Brokerage



Ministry of Economy
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Episode 2.

Progressing Towards a Full-fledged Recovery

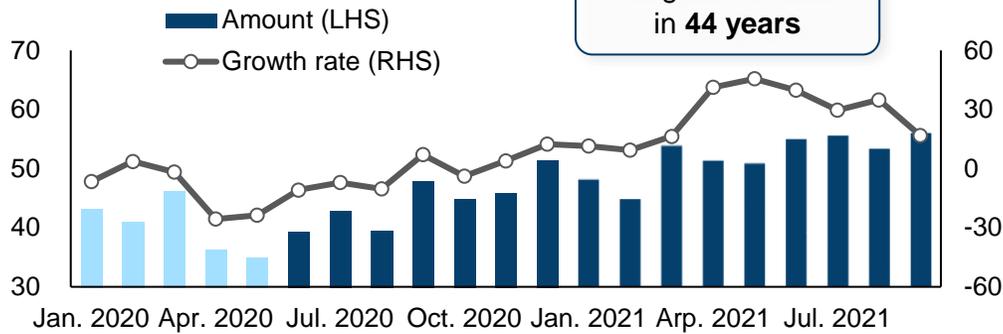


1. Recent Trends: Fast and Strong Recovery

(1) Balanced Recovery across Sectors

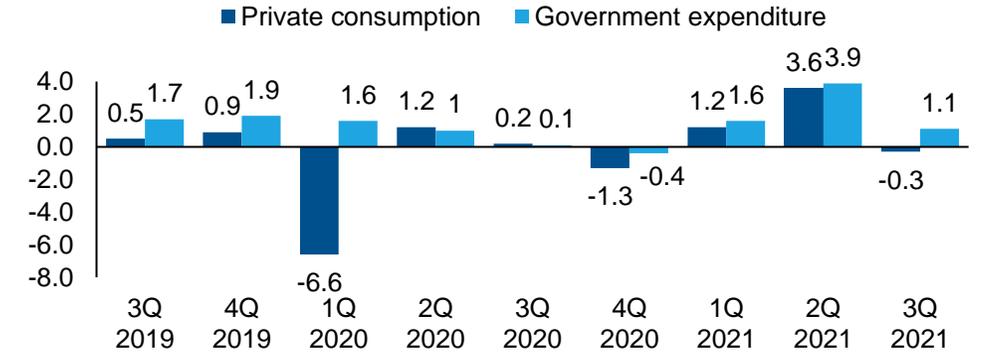
Record Breaking Exports

(US\$bn, %, YoY)



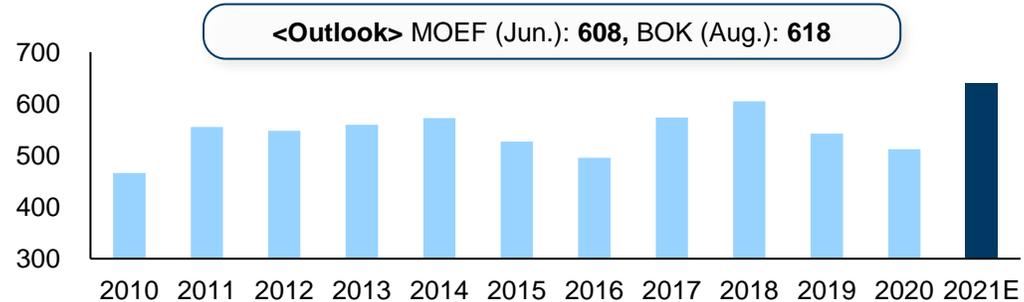
Private Consumption Bounces Back

(seasonally adjusted, %, QoQ)



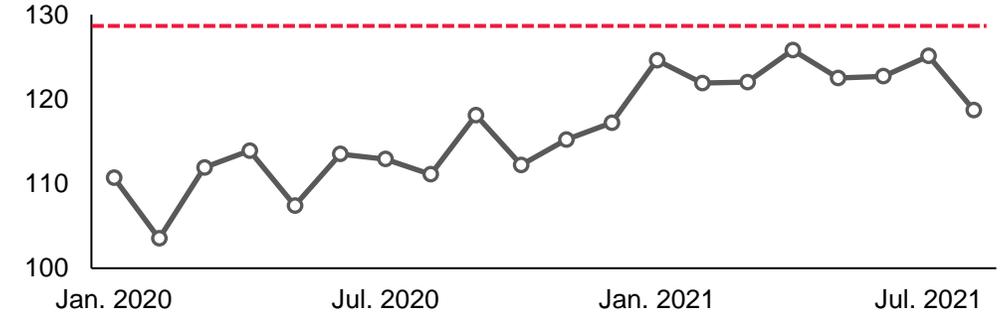
Expect to Achieve the Highest Annual Exports in 2021

(US\$bn)



Equipment Investment Index at Near All-time High

(equipment investment index rebased to 100 as of 2015)



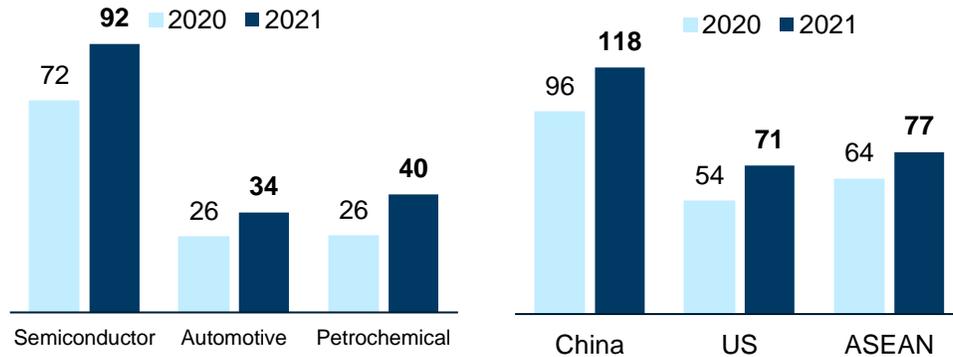
➡ GDP Growth: (1Q) 1.7%, (2Q) 0.8%, (3Q) 0.3% ➡ Annual Growth of 4.2% targeted

1. Recent Trends: Fast and Strong Recovery

(1) Balanced Recovery across Sectors: Exports

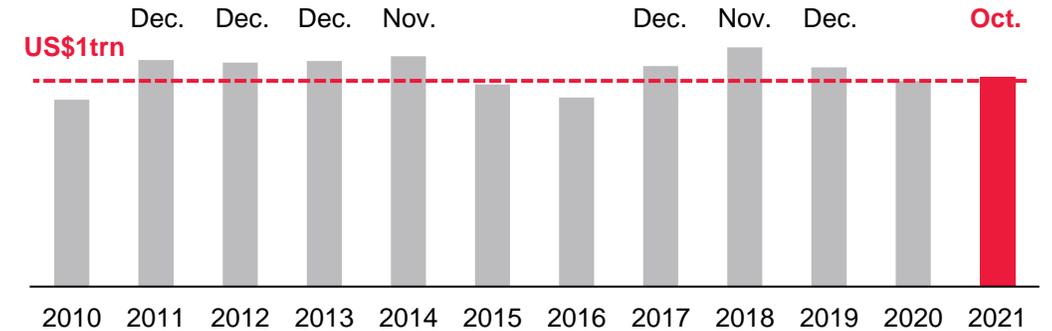
Exports by Item & Region on an Even Rise

(US\$bn)



US\$1trn Annual Trade at Fastest Pace

(month when US\$1trn trade was reached)



Export Volume and Unit Price Grow Evenly

(%, YoY)



Rise in Global Trade Ranking

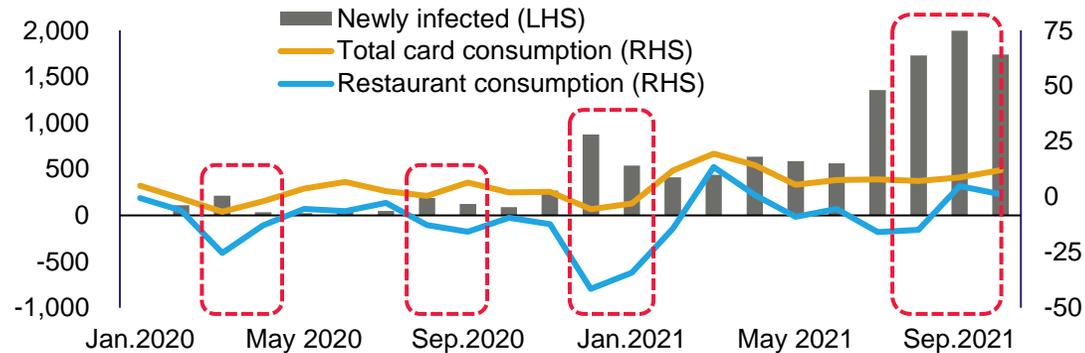
< Jan.-Dec. 2020 >			< Jan.-Jul. 2021 >		
Rank	Country	Trade (US\$bn)	Rank	Country	Trade (US\$bn)
1	China	4,647	1	China	3,296
2	U.S.	3,839	2	U.S.	2,613
	
9	Korea	980	8	Korea	698
10	Italy	919	9	Italy	674
			10	UK	654

1. Recent Trends: Fast and Strong Recovery

(1) Balanced Recovery across Sectors: Private Consumption & Investment

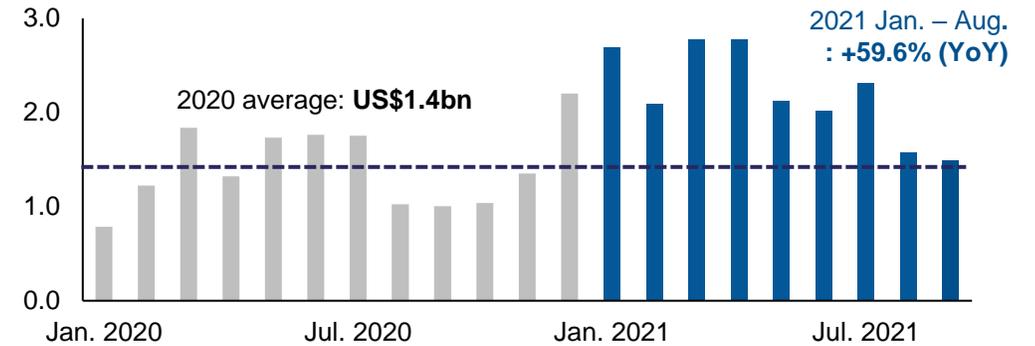
More Resilient Consumption against COVID-19

(monthly average, YoY, %)



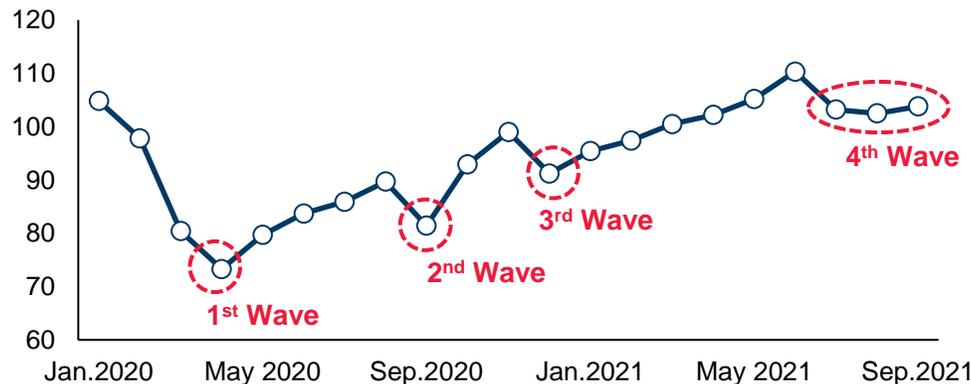
IT related Investment on a Strong Rebound

(semiconductor manufacturing equipment imports, US\$bn)



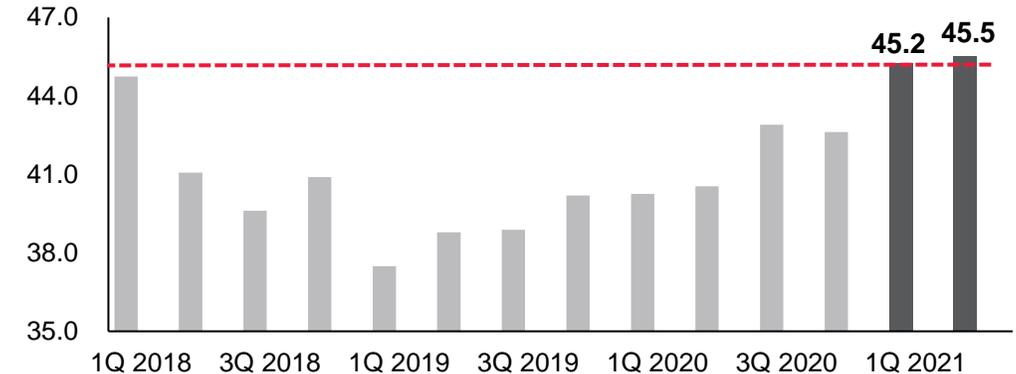
Strong Consumer Confidence Thanks to Vaccination

(consumer confidence index rebased to 100 as of 2015)



Investment Volume Surpassing Historical High

(equipment investment, KRWtrn)

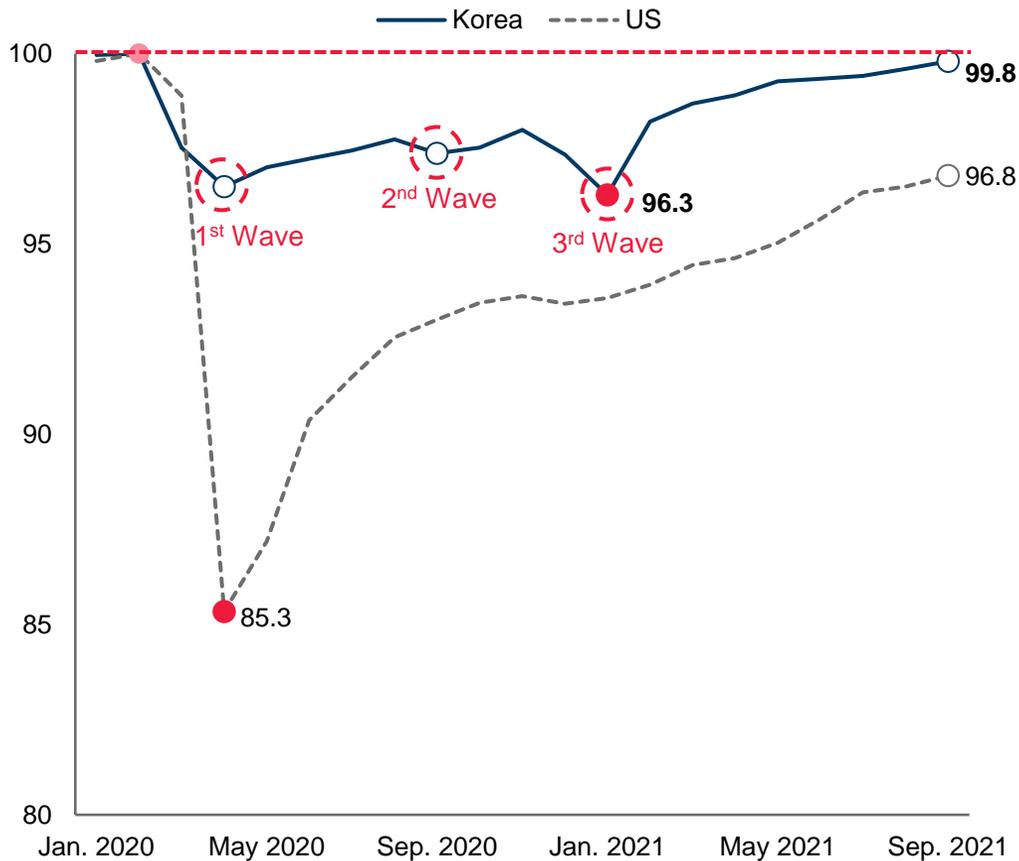


1. Recent Trends: Fast and Strong Recovery

(2) Acceleration in Employment Recovery

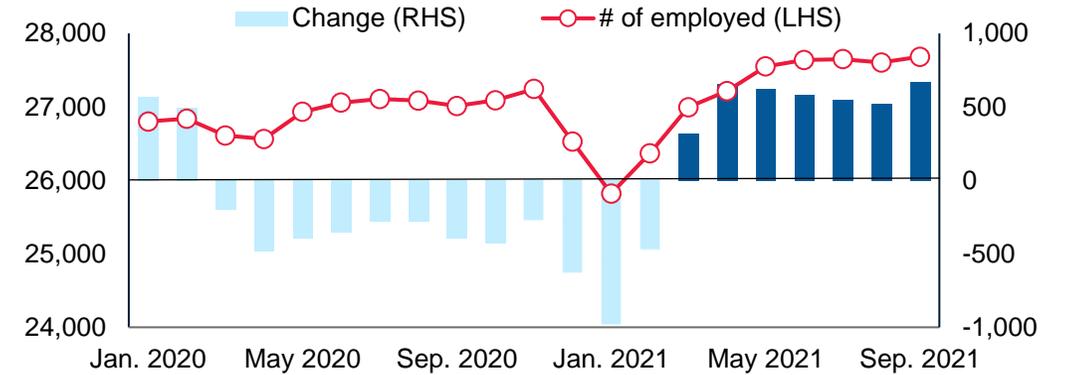
Smaller Impact and Faster Recovery

(# of employees rebased to 100 as of Feb. 2020, seasonally adjusted)



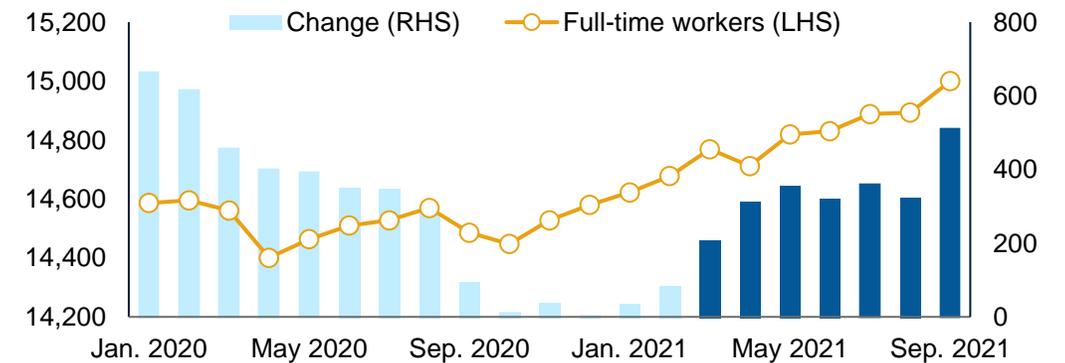
Strong Recovery Momentum in Recent Months

(thousand)



Job Quality Improves as Well

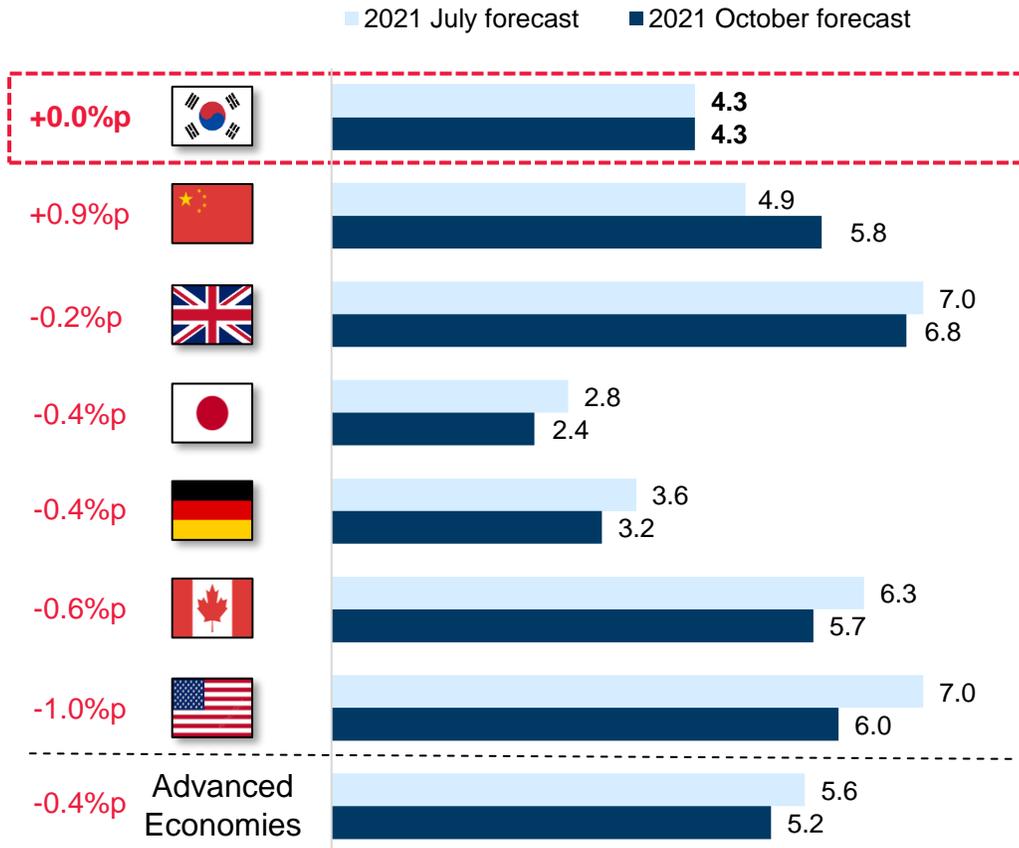
(thousand)



1. Recent Trends: Fast and Strong Recovery

(3) Solid Growth Momentum Compared to Peers

2021 Growth Forecast Untouched amid Global Downgrades (%, YoY)



Unwavering Positive Evaluation of Korean Economy

STANDARD & POOR'S “Korea will shake off the impact of COVID-19 over the next two to three years to return to growth rates higher than most other high-income economies.”

Rating Action Commentary
(28th Apr., 2021)

IMF “Korea’s financial system has weathered the COVID-19 shock relatively well, a testament to years of sound macro-financial policy management.”

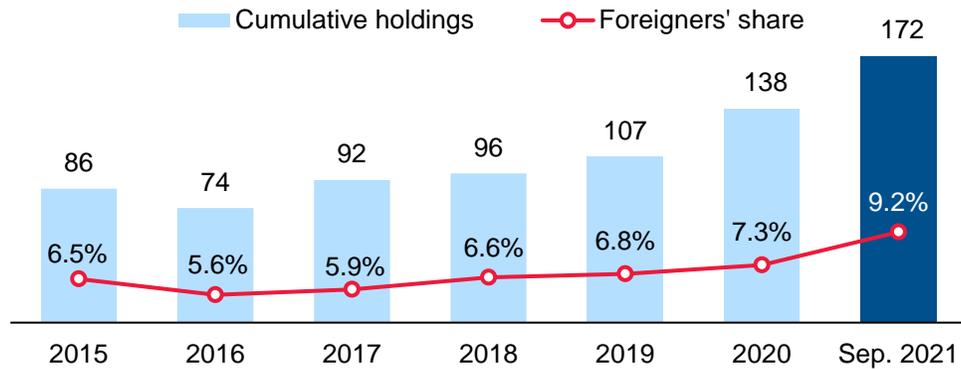
By Sohrab Rafiq & Andrew Swiston
(29th Apr., 2021)

1. Recent Trends: Fast and Strong Recovery

(4) “Buy Korea” Continues

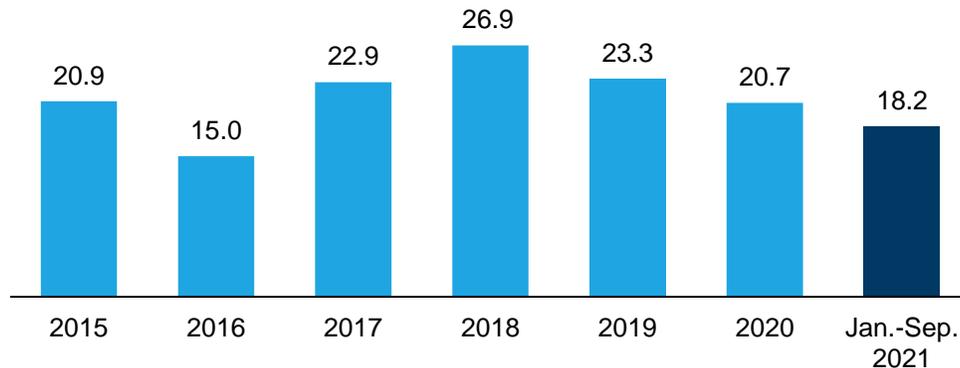
Record High Bond Holdings by Foreign Investors¹

(US\$bn, %)



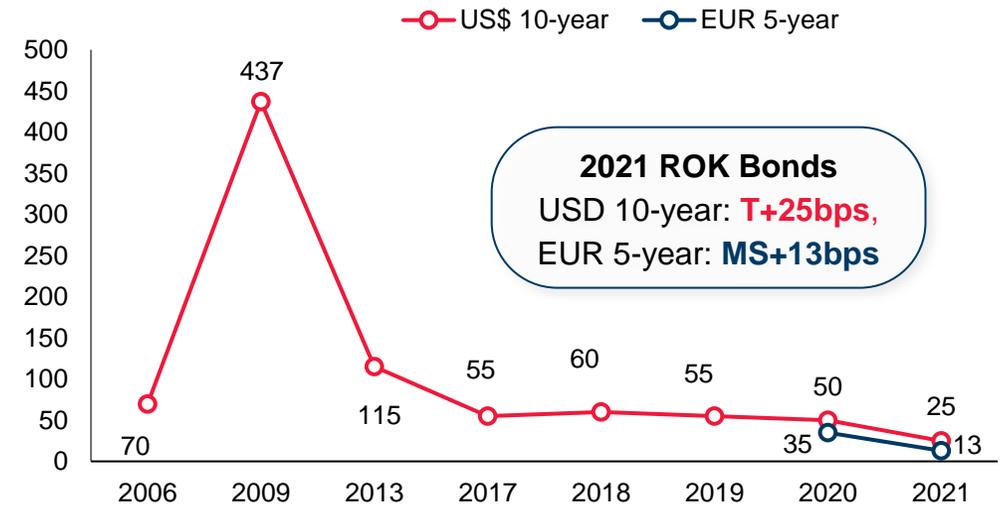
Solid Foreign Direct Investments

(US\$bn)



2021 ROK Bonds Issued at Tightest Spreads

(issue spread, bps)



GlobalCapitalAsia

7th Oct., 2021

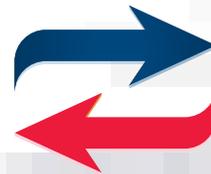
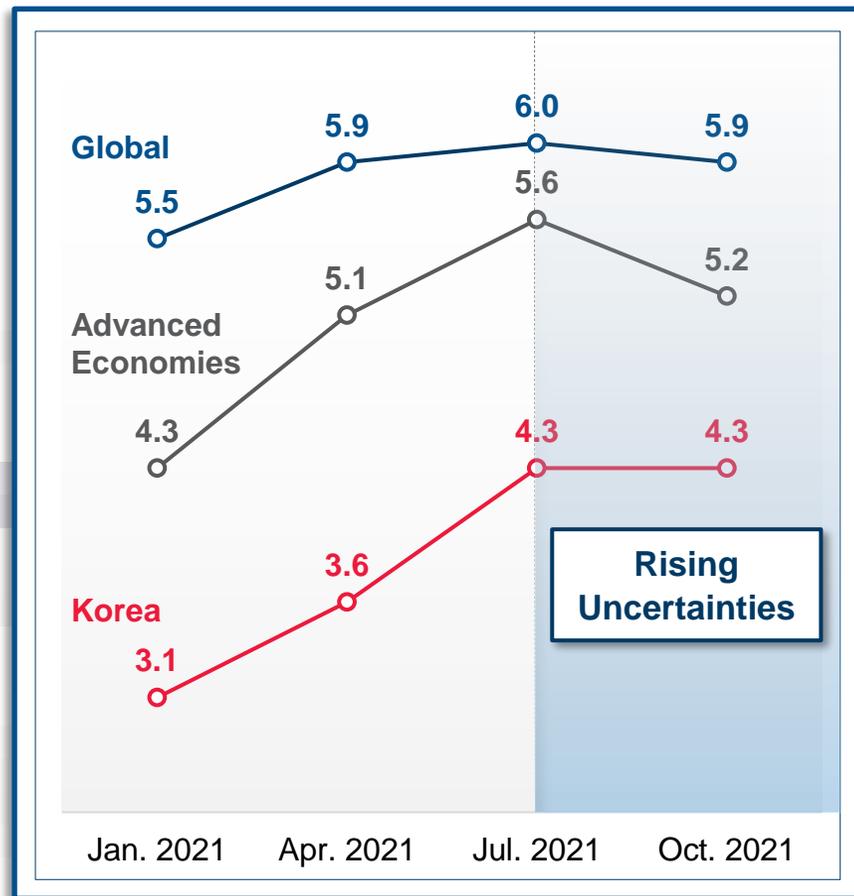
“The transaction was textbook, right from the interest from investors to the pricing, both exceeding expectations”

2. Uncertainties and Challenges Ahead

(1) Uncertainties Continue to Weigh on the Global Economy

Dampening Global Growth Outlook

(2021 real GDP growth forecast, %, YoY)



Resurgence of the COVID-19



Monetary Policy Normalisation



Supply Bottlenecks and Economic Slowdown



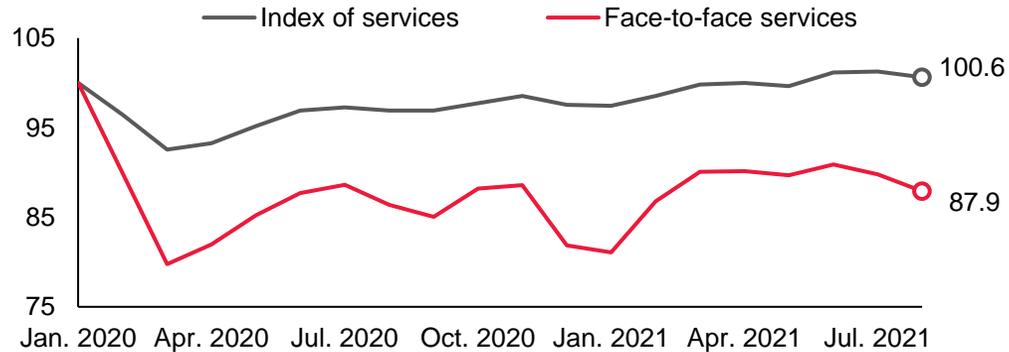
Emerging Markets Debt Issues

2. Uncertainties and Challenges Ahead

(2) Domestic Risks: Remaining Vulnerabilities and Financial Imbalances

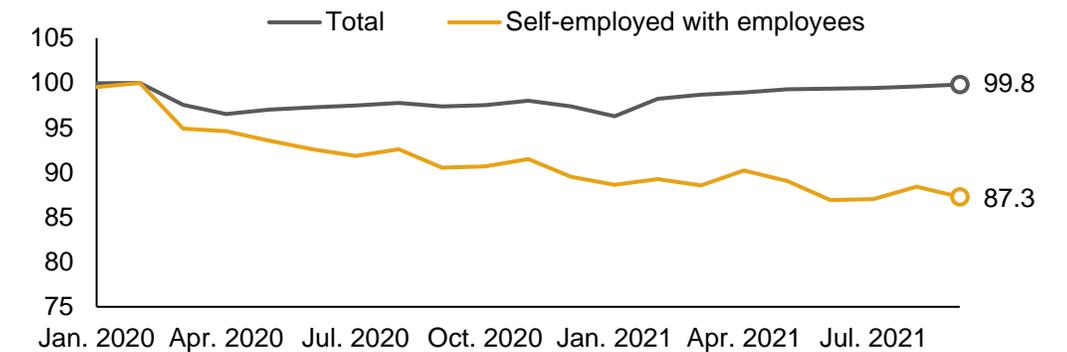
Hardest-hit Service Sector Lagging Behind

(rebased to 100 as of Jan. 2020, seasonally adjusted)



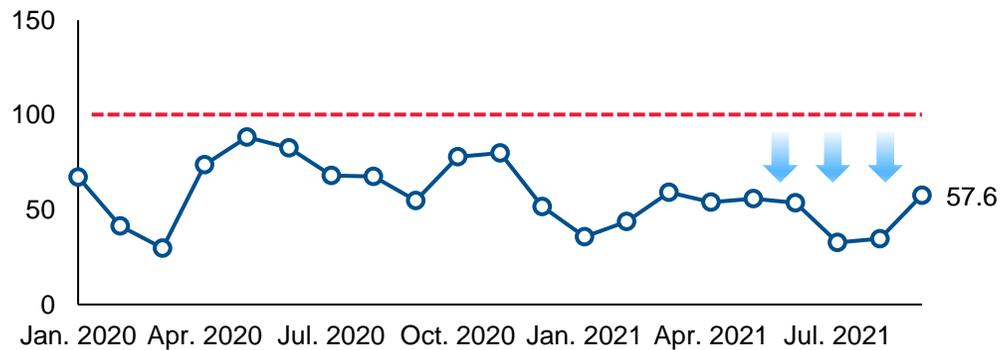
Self-employed Still under Pressure

(rebased to 100 as of Feb. 2020, seasonally adjusted)



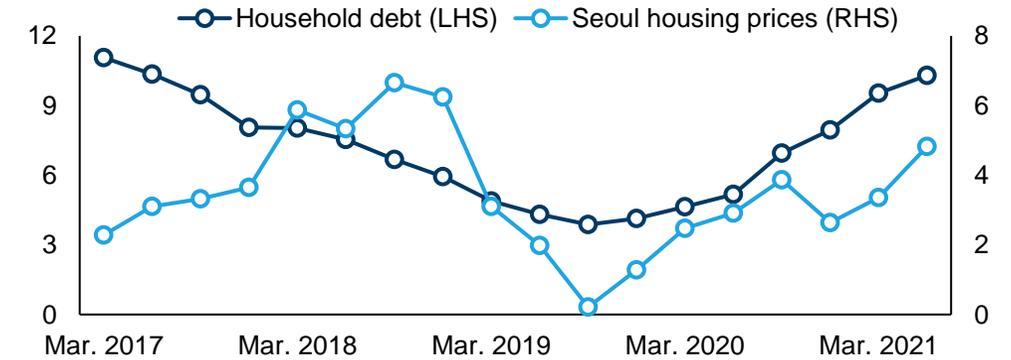
Small Enterprises Far From Recovery

(small enterprises business survey index¹)



Rising Household Debt and Housing Prices

(YoY growth rate, %)



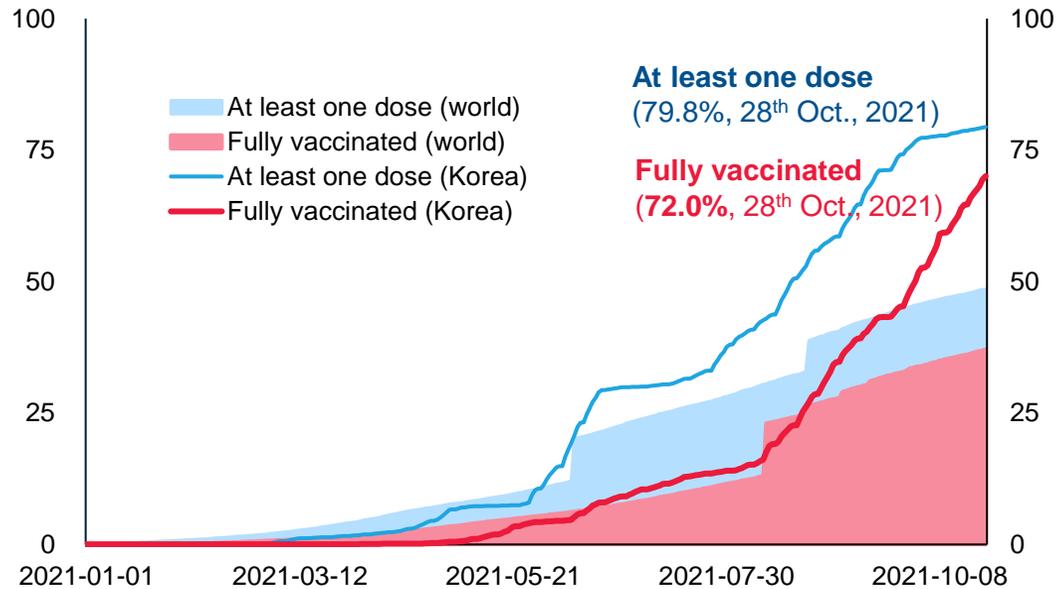
Source: MOEF, BOK, KOSTAT, Ministry of SMEs and Startups
 Note: ¹ Above 100 indicates economic improvement and below 100 indicates economic deterioration

3. Towards a Full-fledged Recovery

(1) Gradual Return to Normal Life

Vaccination: Late Start, Fastest Progress

(as of 28th Oct., 2021)



+Accelerate Vaccination

- ✓ Secured 192m doses of COVID-19 vaccines for 2021
- ✓ Budget allocated for additional 90m doses for 2022
- ✓ Expansion of medical facilities for vaccination



Gradual Return to Normal Life

“Living with Covid-19” Plan

(Korean Disease Control and Prevention Agency, 29th Oct.)

- Comprehensive restriction to contain infection
 - ➔ **Selective management of High-risk groups**
- **3-step gradual phasing out of Covid-19 restrictions for fully vaccinated people**
 - ① Businesses tied to daily life (e.g. entertainment facilities, sports facilities, etc.)
 - ② Large-scale events
 - ③ Social gatherings
- Policy supports to **boost economic activities and protect the vulnerable**

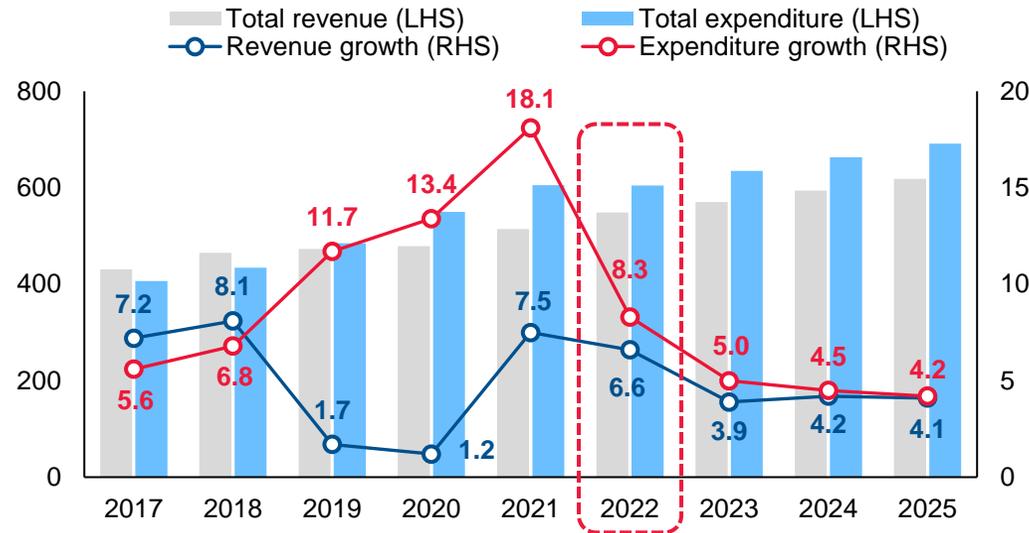


3. Towards a Full-fledged Recovery

(2) Accommodative Macro-policy until Recovery Gets Firmly on Track

Fiscal Expansion in the Near Term

(KRWtrn, %, YoY)



Fiscal Consolidation in the Medium Term



New "Fiscal Rule"

- (Government debt to GDP/60%) x (Consolidated fiscal balance/-3%) ≤ 1.0

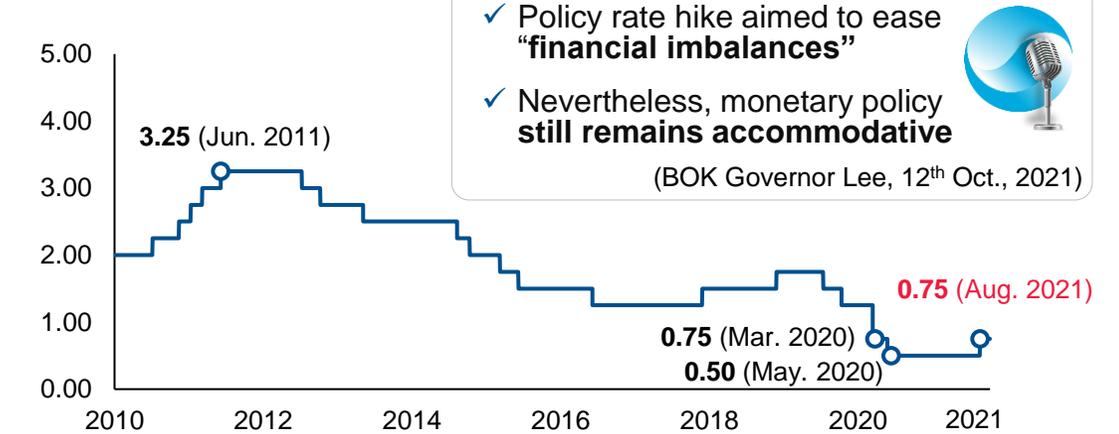


Strengthen Control of Fiscal Aggregates

- Expenditure restructuring
- Expand revenue basis through reforming tax exemption, etc.

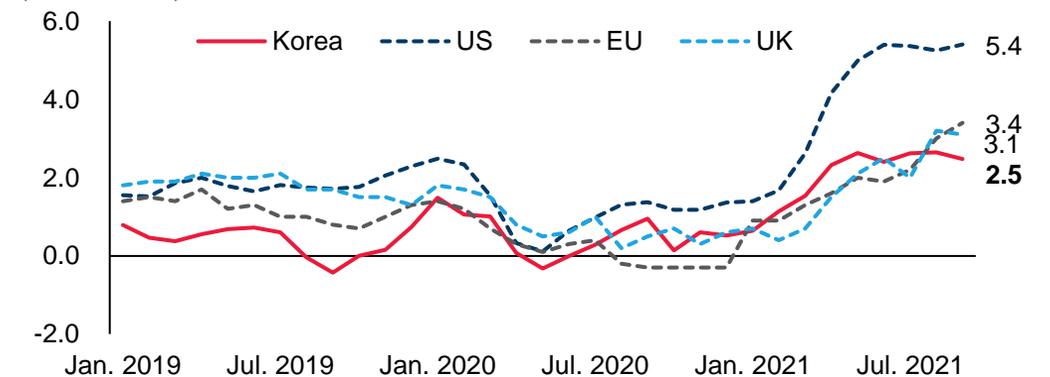
Monetary Accommodation to be Maintained

(%)



Relatively Moderate Inflation

(CPI, %, YoY)



3. Towards a Full-fledged Recovery

(3) Targeted Support to Sectors Most Affected by the Pandemic

- Urgent Need to Relieve Hardships of the Vulnerable
- Pursuit of Maximum Impact of Policy Stimulus

“Policy support should continue to be targeted to vulnerable households and businesses until the economy is on a firmer recovery path.”

(Economic outlook, May. 2021)



Boost Private Consumption

- COVID-19 income relief payments
- Cashback rewards
- Consumption vouchers



Spur Business Activities

- Tax & financial support
 - ① semi-conductors
 - ② secondary batteries
 - ③ vaccines
- US\$ 92.5bn investment projects



Vitalise Employment

- Employee Retention Subsidy
- 150k job creation during 2H 2021, and 1m in 2022
- National Employment Support



Mitigate Bipolarisation

- Cash grant for SMEs
- Preferential loan programs
- Deferred payment of taxes and utility bills for SMEs

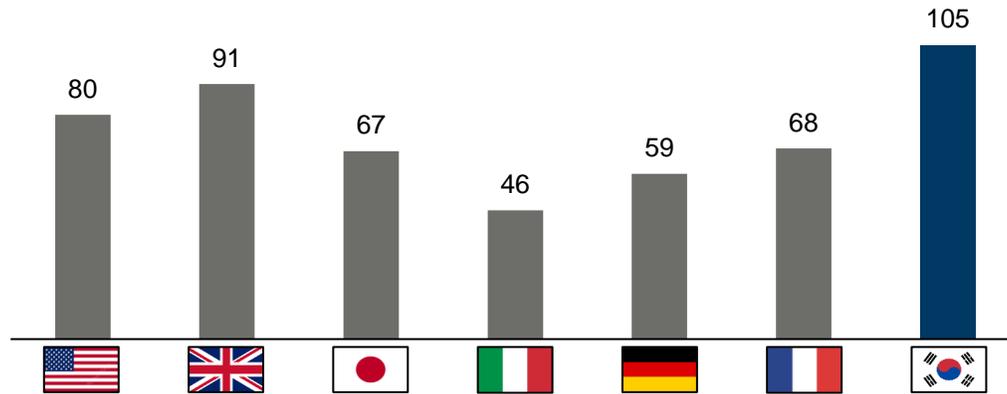


3. Towards a Full-fledged Recovery

(4) Strengthen Risk Management

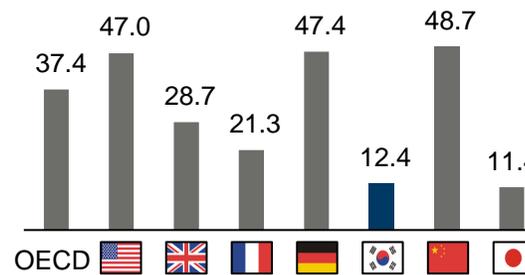
Relatively High Ratio of Household Debt

(% of GDP, as of 1Q 2021)

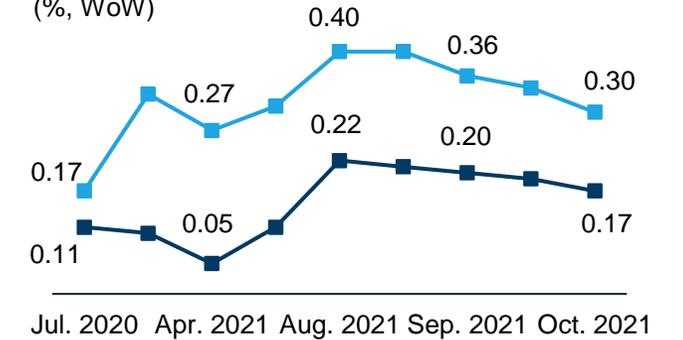


Housing Prices are Cooling Down, but Continue to Rise

Increasing rate in housing prices
(%, 2015-1Q 2021)



Weekly housing price of Seoul
Weekly housing price of Seoul metropolitan area
(%, WoW)



Mitigating Household Debt Growth

- Maintain household **debt growth rate** at 4-5%
- Apply **DSR¹ regulation** to all individual borrowers
- Lower the **debt burden** of the working class



Stabilizing Housing Market

- Target 2 million of **new housing supply** by 2025
- Reform tax system to **curb speculation**
- Support and protect **residential-purpose buyers** and renters



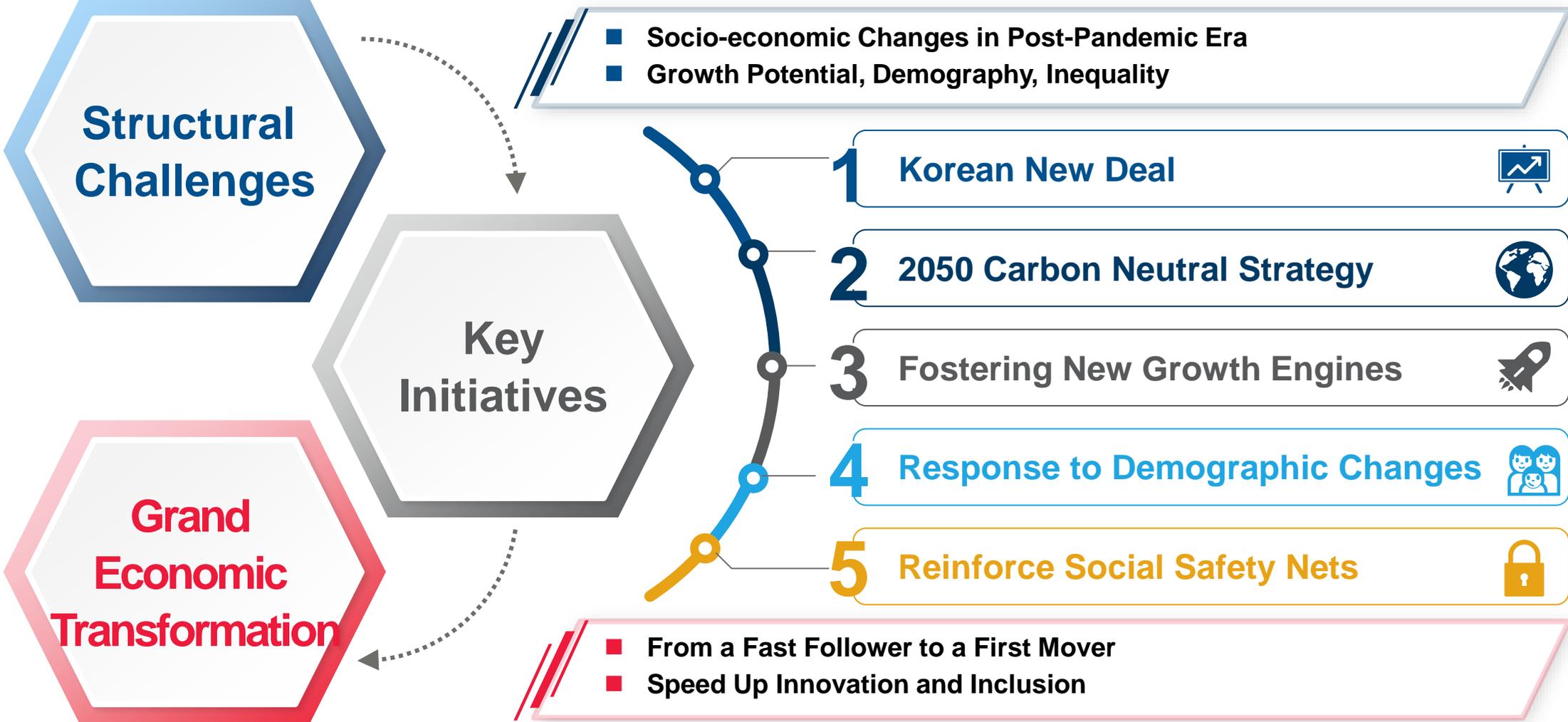
Ministry of Economy
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Episode 3.

Advancing Beyond the Pandemic



Overview



1. Korean New Deal

Strategic Framework for Innovation & Inclusion



Paradigm Shift towards “Innovative and Inclusive Growth”

1. Korean New Deal

Strategic Framework for Innovation & Inclusion (Cont'd)

Projects

① Digital

- **D.N.A. industries**
(big data, network, AI)
- **Non face-to-face services**
(education, healthcare)



② Green

- **Green Infrastructures**
- **Renewable energy**
(smart grid, wind, solar energy)



③ Human

- **Human resources development**
(new tech experts)
- **Narrowing social gap**
(expand education & childcare)



+ Local

- **Expansion of local-led projects**
- **Development through locally stationed public institutions**



Outcome

Restore Pre-pandemic Growth Trajectory

Pre-pandemic Level

GDP

Successful Defense & Recovery

Advance Beyond the Pandemic



2.5m

(9% of # of employed in 2020)

Job Creation

2. 2050 Carbon Neutral Strategy

Strengthened Response to Climate Change



2050 Carbon Neutral Strategy (Dec. 2020)

From “Adaptive Mitigation” to “Proactive Response”

『Framework Act on Carbon Neutrality and Green Growth』

(14th country to make carbon neutrality into law)

Net Zero by 2050



Strategic Plan

- Develop **Carbon-Neutral Scenarios**
- Upgrade “**Nationally Determined Contribution**” (NDC)



Financial Support¹

- **US\$10.3bn** Budget in 2022
- Raise “**Climate Action Fund**” (US\$2.1bn, operate from 2022)



Taxation & Institutional Support

- **Tax exemption** for R&D
- Support **proactive transition** of companies and workers

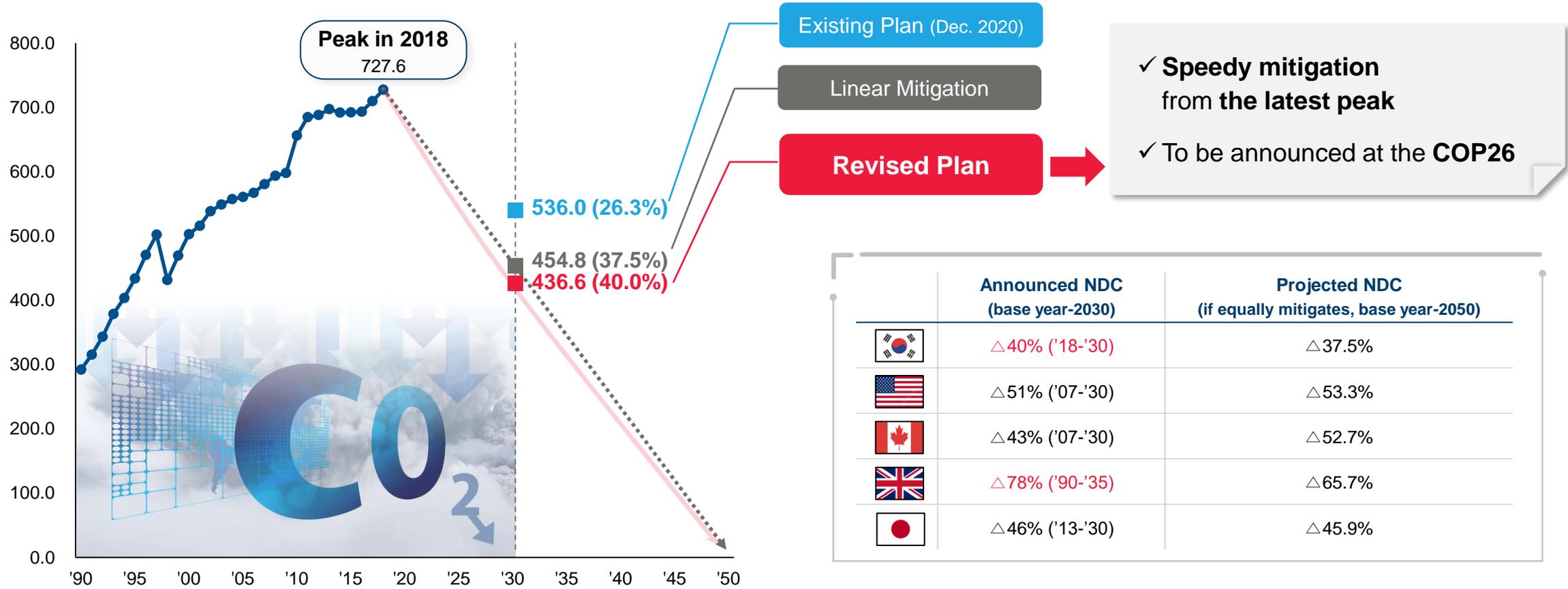


2. 2050 Carbon Neutral Strategy

Strengthened Response to Climate Change (Cont'd)

NDC Target: Revised up to 40% by 2030

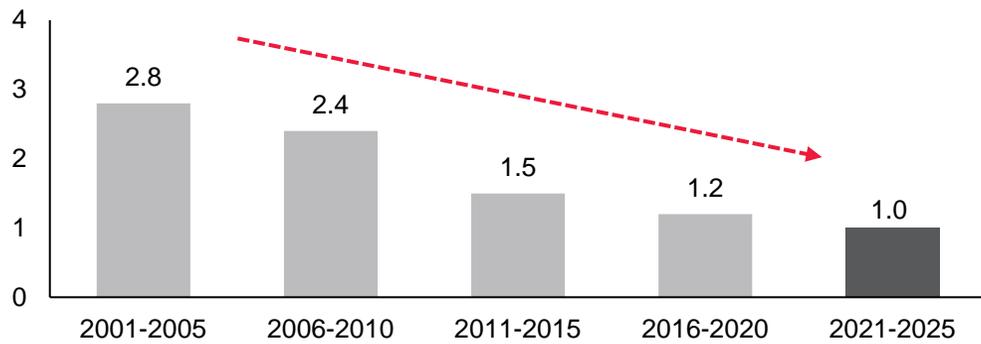
(greenhouse gas emissions, mil. tonne CO₂)



3. Fostering New Growth Engines

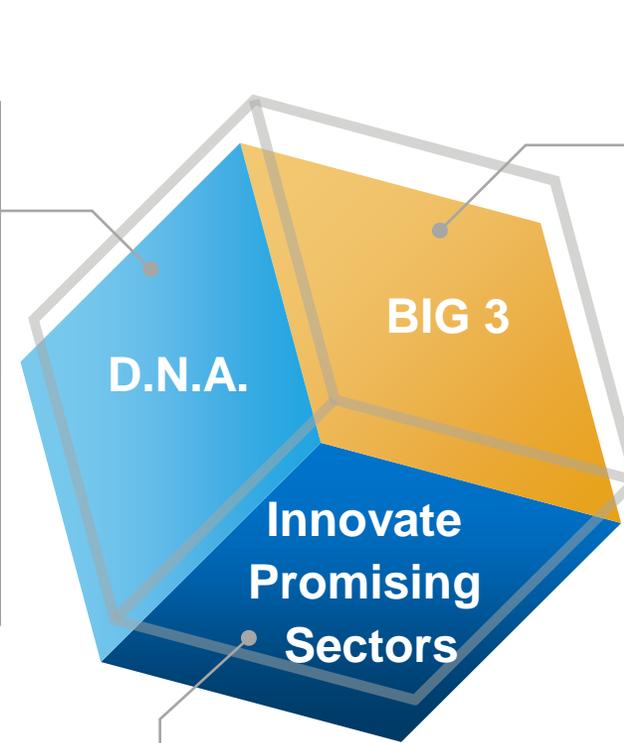
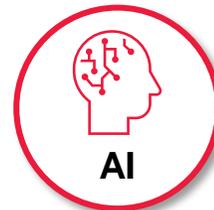
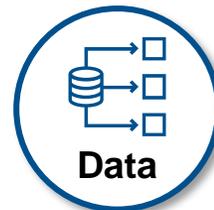
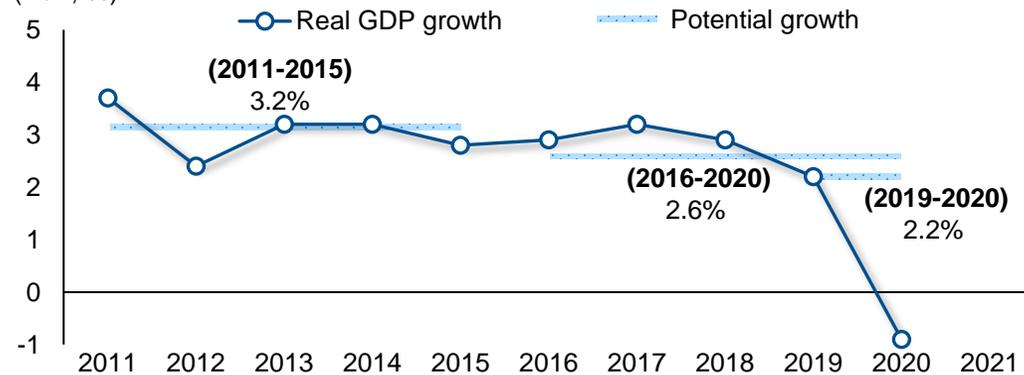
Declining Productivity due to Mature Industries

(average total factor productivity, %p)



Weakening Growth Potential

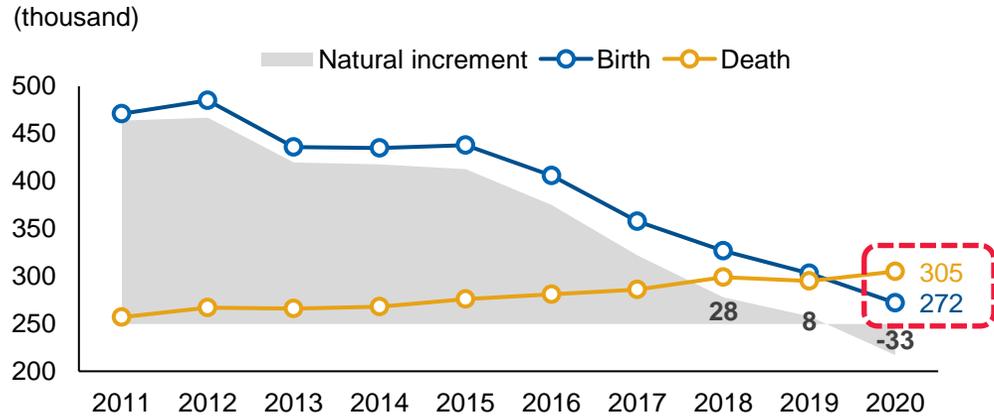
(YoY, %)



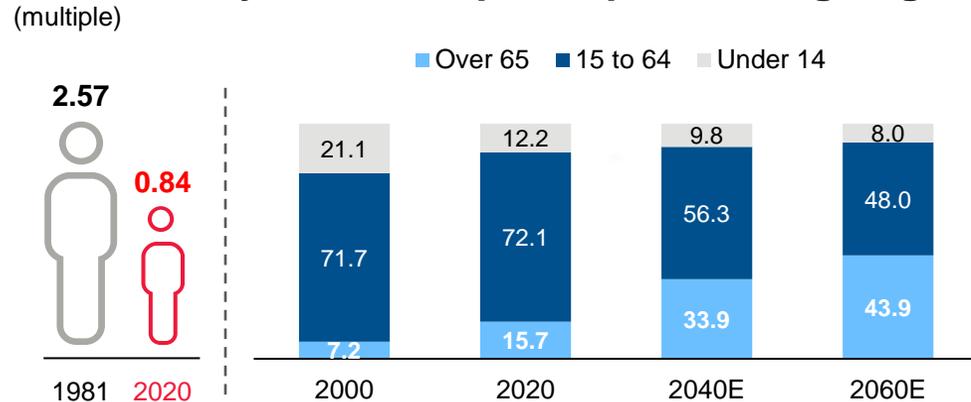
- Eco-friendly manufacturing innovation
- Boost **service sector innovation** through deregulation

4. Response to Demographic Changes

Shrinking Population since 2020



Low Fertility Rate & Rapid Population Ageing



Raising Birthrate

- **Childbirth vouchers & infant allowances**
- **Incentives for joint-parental leaves**
- **Strengthen public childcare services**



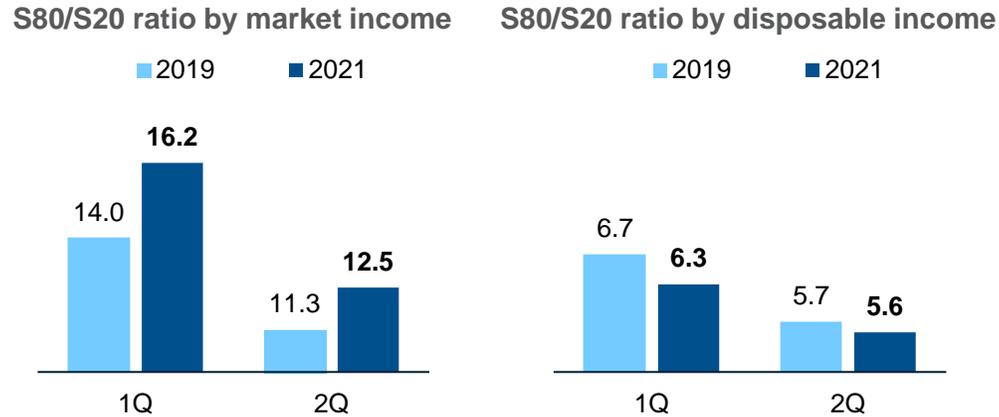
Enhancing Adaptability to Ageing

- **Promote economic participation by women and seniors**
- **Improve sustainability of pensions & health insurance**
- **Expand preventive health care**



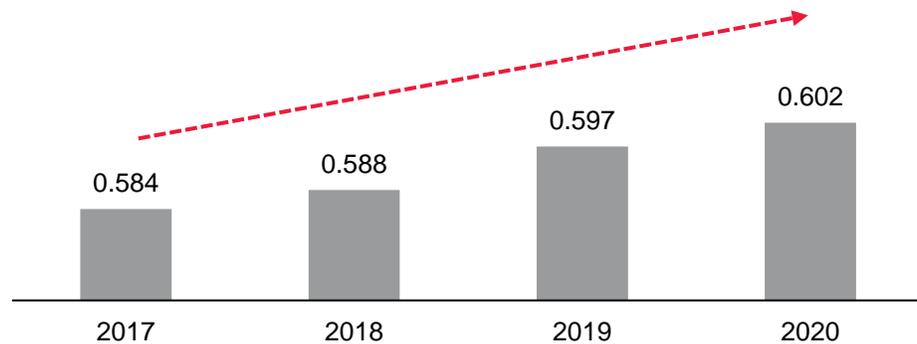
5. Reinforce Social Safety Nets

Policy Support Mitigates Income Inequalities



Widening Asset Gap is also a Concern

(Gini coefficient by net asset)



Employment Safety

- Expand **employment insurance scheme**
- Activate **unemployment assistance programs**



Social Safety

- Introduce **sickness allowance** 
- Ease eligibility for **social assistance** 
- Relieve **living costs** 
- Expand **medical aid** 



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Epilogue

Space Rocket “Nuri”



World's 7th Country to Launch Space Rocket

Korea's **1st** Homegrown Rocket

- Development since 2010 based on self-technologies
- 200t + 47.2m, fitted with 6 liquid-fueled engines
- Designed to put 1.5t payload into orbit 600-800km above the Earth

Half-success, But a Huge Step Forward

- Key to entering Korea's "New Space" era
 - Building a Korean satellite-based navigation system and a 6G communication network
 - Landing a probe on the moon by 2030
- 4 more launches planned until 2027



Korea's Success Story to be Continued

Global Recognition of K-Resilience

Forbes

"Teflon Korea is again proving the bears wrong by beating forecasts."

(30th Apr., 2021)



"Investors perceive Korea as the true AA credit even amongst its peer rated sovereigns."

(Commenting on 2021 ROK Bonds)



Korea Never Wastes Crises

- **Post-pandemic challenges** will provide another **opportunity to innovation-gear**ed Korea



"Never let a good crisis go to waste"
– Winston Churchill

Economic Blast-off to the Future

