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WORK REPORT

WORK TO STABILIZE THE MACRO AND REAL ECONOMY AND PUSH FOR REFORMS THROUGH EFFICIENT POLICY COORDINATION

This work report is to share the progress of related policy measures including various policy efforts that include the second supplementary budget (May 29), the new government's economic policy directions (June 16), the financial strategy meeting (July 7), and four rounds of measures to stabilize people's livelihood, and future plans by focusing on key tasks in seven sectors: 1) Macro and real economy stabilization, 2) Economic policy coordination and response reinforcement, 3) Regulatory reforms, 4) Fiscal systems innovation, 5) Budgeting direction, 6) Public institution management and services improvement, 7) Taxation reforms.

1. Macro and real stabilization: Keep prices stable and manage macroeconomic risks

- Roll out comprehensive¹ policy measures with priority on stabilizing people's livelihood and prices
- Focus on boosting exports and investment in response to downward risks on economic growth²
- Seek cooperation among the related ministries and institutions to mitigate and control macroeconomic risk³

2. Economic policy coordination and response reinforcement: Seek rapid and effective responses to major economic challenges

- Foster key industries such as semi-conductors and shipbuilding and work to fix bottlenecks in export and logistics
- Take initiative in coordinating complex policy issues including fostering human resources and expanding social safety nets.
- Thoroughly prepare for future challenges such as population crisis and carbon neutrality
- Take preemptive measures to manage potential risks related to households, businesses and real estates
- Oversee Korea's external economic policies to cope with external issues including supply chain stabilization and the emergence of regional trading blocs

3. Regulatory reforms: Revise key regulations that hinder business investments and activities

¹ To that end, the progress of implementing already announced measures is monitored and supervised via a taskforce for price stabilization, and measures to stabilize people's livelihood are scheduled to be announced in August ahead of a national holiday, Chuseok.

² The support for financing to maintain export growth will be expanded with trade finance increasing by more than 40 trillion won. In addition, regulations will be eased to achieve a rapid recovery of investment in the private sector.

³ The Early Warning System (EWS) will be operated on a regular basis to monitor and respond to issues related to the financial and FX market and financial institutions' fiscal soundness.

- Focus on pursuing regulatory reforms in key industries through public-private task forces
- Work to ease excessive economic penalties⁴ into administrative sanctions

4. Fiscal systems innovation: Establish fiscal soundness and revise the institutional systems of performance management and preliminary feasibility studies

- Establish a fiscal soundness framework by setting fiscal expenditure targets and managing and adopting fiscal rules. For new fiscal expenditure targets, the deficit of the managed fiscal balance, which is the consolidated fiscal balance excluding social security funds balance, does not go beyond three percent to GDP and government debt does not exceed mid-50 percent to GDP. In addition, fiscal rules will be laid out in detail in September.
- Improve preliminary feasibility study systems as well as make the system more effective⁵ to promote flexibility and speed up the process

5. Budgeting direction: Carry out expenditure reforms to help achieve national policy objectives

- Push for the largest expenditure restructuring of its kind by making the most of possible policy levers
- Make budgetary plans by putting national objectives and the new government's key expenditures at the core under the responsibilities of the relevant ministries

6. Public institution management and services improvement: Enhance public institution efficiency and public service quality

- Adjust public institutions' functions that may compete or overlap with those of private sectors and repair and overhaul public institution systems that may lead to inefficient management⁶
- Prepare a revision plan for public institution management to increase autonomy⁷
- Strengthen public-private partnerships to deal with various issues such as big data, technology, patent sharing, etc.

7. Taxation reforms: Help invigorate the economy, stabilize people's livelihood and ameliorate taxation systems

- The government will draw up the 2022 Tax Revision Bill with a focus on stimulating economic activities in the private sector and improving people's quality of life by stabilizing the livelihood
- Promote fiscal sustainability by strengthening the taxation system

⁴ The tasks will be identified by going over all related legal provisions, accepting private opinions and implementing research projects.

⁵ A new scheme to shorten the duration of examining preliminary feasibility studies to six months from the current nine months will be introduced, and the amount standard for SOC and R&D projects that requires preliminary feasibility study will be raised to 100 billion won from the current 50 billion won.

⁶ The measures include streamlining unnecessarily large organizational structures, repairing excess welfare benefits and selling off unnecessary assets held by public institutions.

⁷ The measures include reducing the number of organizations directly overseen by the Ministry of Economy and Finance and increasing the share of fiscal performance indices in performance assessment.