



Ministry of Economy
and Finance

The Republic of Korea

The Pathway to Economic Dynamism

Investor Presentation



October 2024

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Ministry of Economy
and Finance

Chapter

01

Where We Stand

The Republic of Korea

Investor Presentation

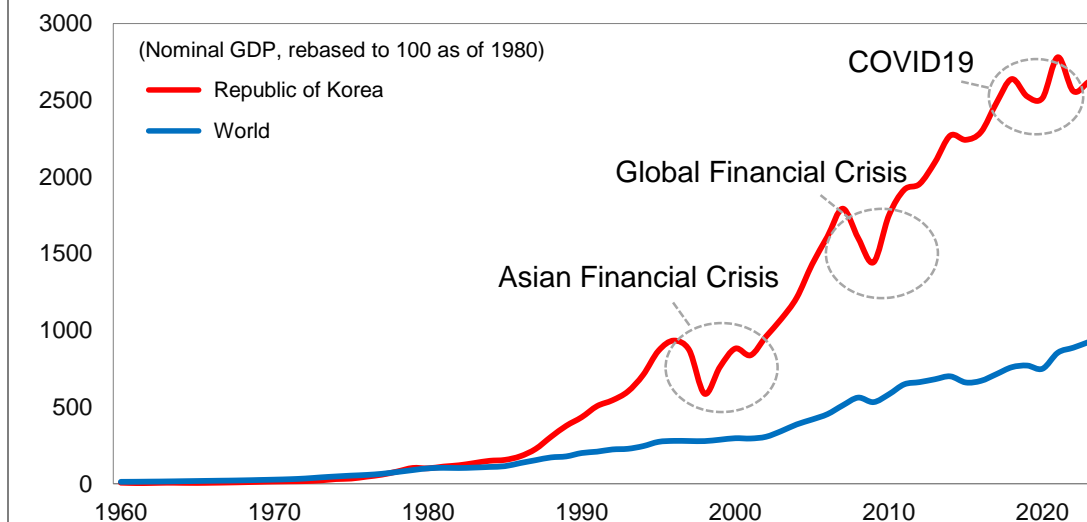
October 2024



“Growth Superstar”

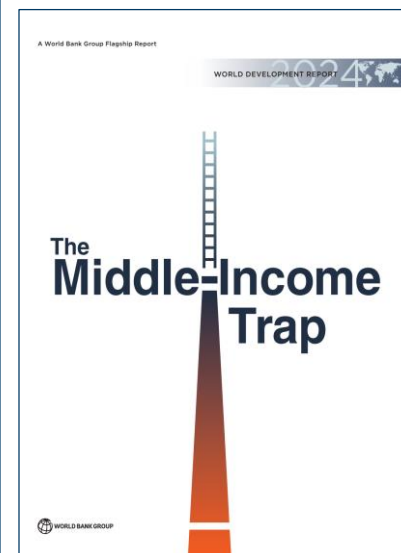
Korea has achieved remarkable economic growth over the past seven decades

Development of GDP



Korea, the Growth Superstar

“ The standout economy
– the **Growth Superstar** –
is the Republic of Korea ”



“ ... Over the last seven decades, Korea has engineered the most remarkable transformation in recorded economic history. It went from a war-torn, desperately poor ... to one of the most prosperous, healthiest, and best-educated countries in the world today ... ”

“ ... transitioning to innovation at the global frontiers of technology makes **its economic history required reading for policy makers in any middle-income country ...** ”

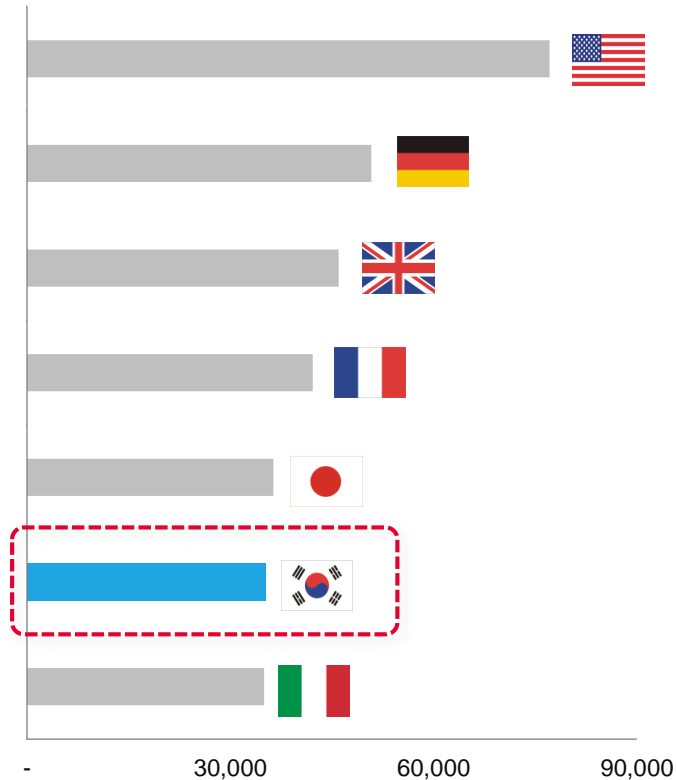
World Development Report: The Middle-Income Trap
(August 2024)

Successful Transition to a Developed Economy

Korea stands amongst the ranks of developed economies

GNI of Major Countries

(GNI per Capita, USD, 2022)



Major Economies' Credit Ratings

(As of 13 October 2024)

	MOODY'S	S&P Global	FitchRatings
AAA	Germany Canada, U.S.	Germany Canada	Germany
AA+		U.S.	Canada, U.S.
AA	Korea France	Korea U.K.	
AA-	U.K.	France	Korea France, U.K.
A+	Japan China	Japan China	China
A			Japan
...			
BBB		Italy	Italy
BBB-	Italy		

Classification of Korea Economy

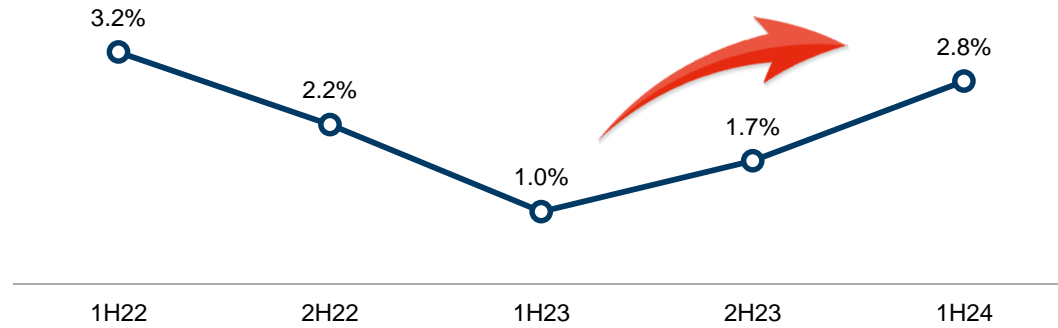


Korea's Sustainable Economic Outlook

Poised for sustainable growth while containing inflation risk

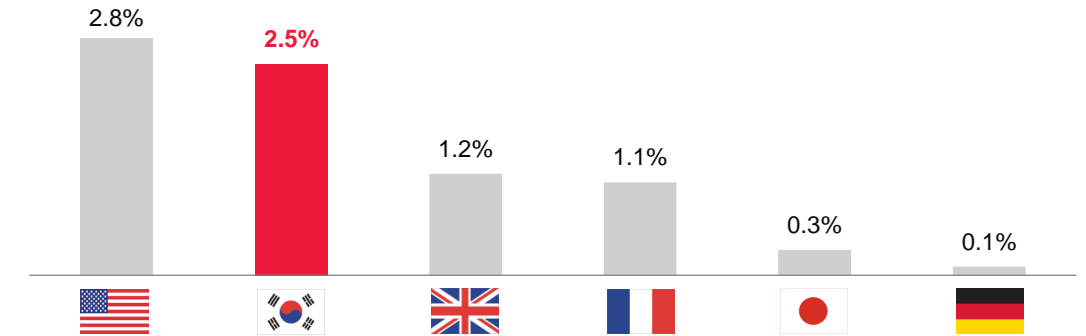
Economic Rebound

(GDP Growth YoY)



2024 GDP Growth Forecast Comparison

(IMF Forecast in October 2024)

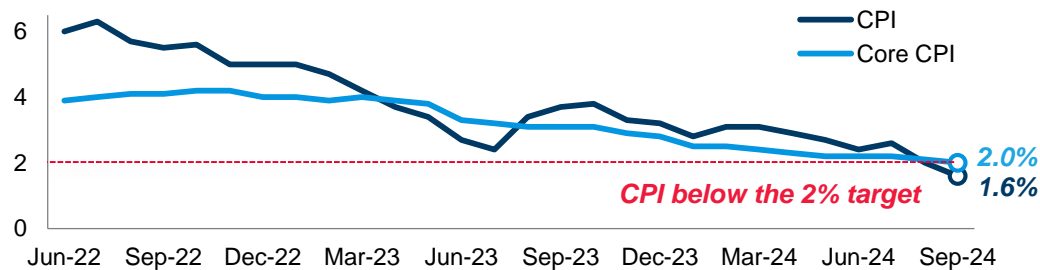


Tamed Inflationary Pressure

The
Economist

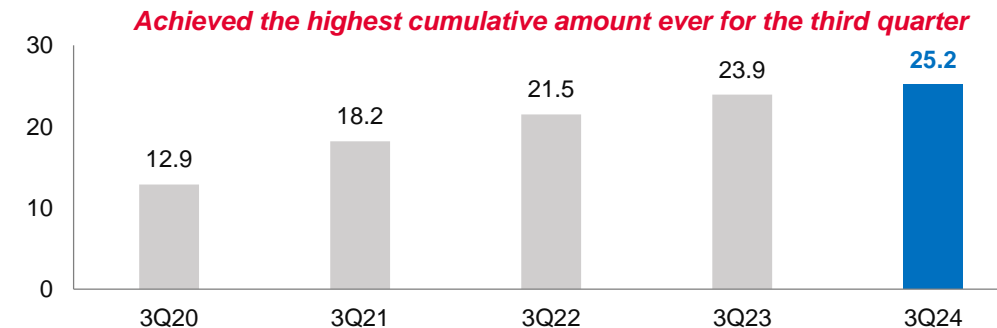
Korea ranks 2nd best in Consumers' 12-month inflation expectations

The Economist: Which country will be last to escape inflation? (March 2024)



Foreign Direct Investment at a Record High

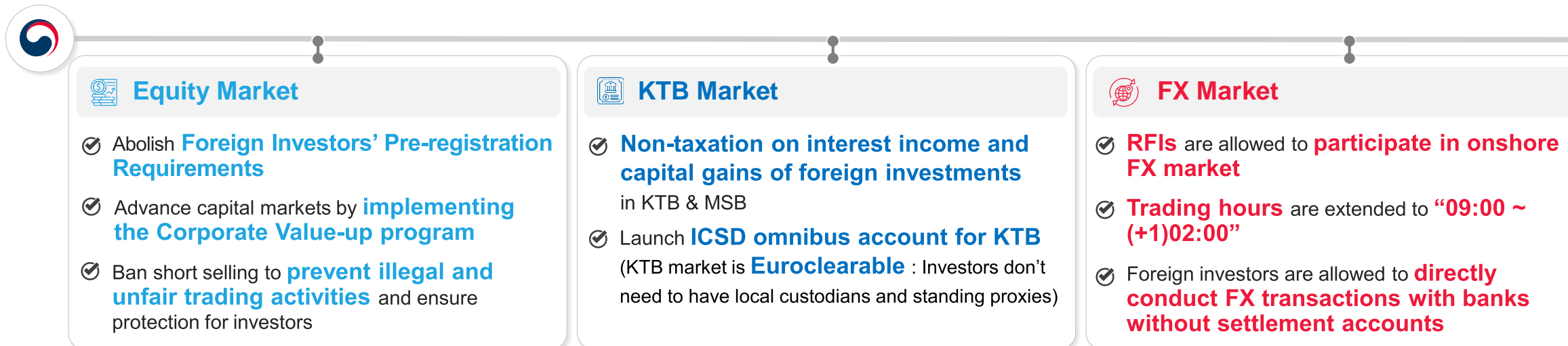
(Annual Inbound Foreign Direct Investment YTD, USD bn)



Financial Market Access Reform

Align the Capital and FX market regulation with global standards

Key Financial Market Reform Tasks



Inclusion into WGBI (October 2024)

	Estimated Figure	Note
WGBI Proportion	2.22% / 9th among 26 member nations	Based on market value weighted basis
Expected Inflow	USD 56bn	WGBI follower fund worth USD 2.5tn

Future Plan

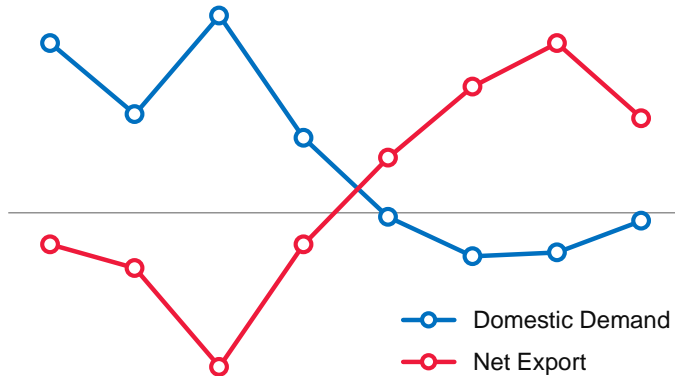
- ✓ **Allow covered short selling** of market makers and liquidity providers (Current ban on short sale to be enforced until March 30, 2025 to prepare for development of electronic short sale processing and monitoring system)
- ✓ **A influx of global investment funds** (\$56bn) into KTB market from Nov.2025 (as a result of inclusion of WGBI)
- ✓ Considering a few measures **to facilitate FX transaction during the extended hours**

Headwinds to Korea's Economy

Navigating domestic hurdles and global uncertainties in an evolving economic landscape

Domestic/External Demand Gap

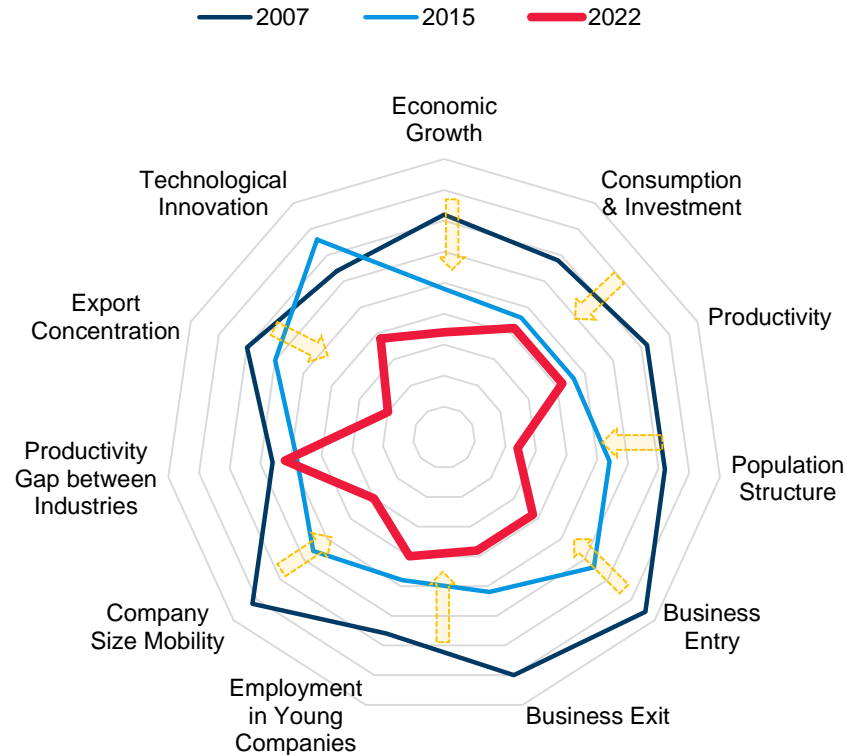
(GDP contribution, %p, YoY)



< Contribution to GDP by sector >

(%p)	3Q 2022	4Q 2022	1Q 2023	2Q 2023	3Q 2023	4Q 2023	1Q 2024	2Q 2024
Domestic Demand	4.3	2.5	5.0	1.9	-0.1	-1.1	-1.0	-0.2
Net Export	-0.8	-1.4	-3.9	-0.8	1.4	3.2	4.3	2.4

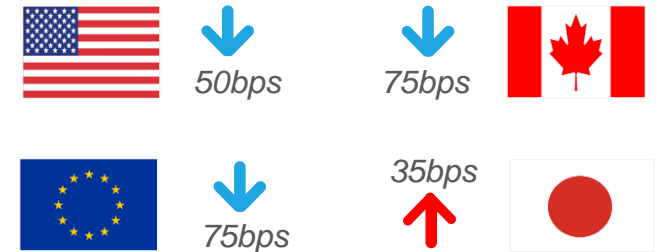
Weakened Economic Dynamism



Ongoing Global Uncertainty

< Divergence in Monetary Policy >

(Rate Decision in 2024)



< Geopolitical Risks >



Chapter
02

Four Big Questions on Korea's Economy

- Q1. Is Korea's Economy on a Recovery Trend?
- Q2. Does Korea's External Soundness Remain Intact?
- Q3. How will Korea Navigate Through U.S.-China Conflicts?
- Q4. Is Korea's Indebtedness Being Contained?

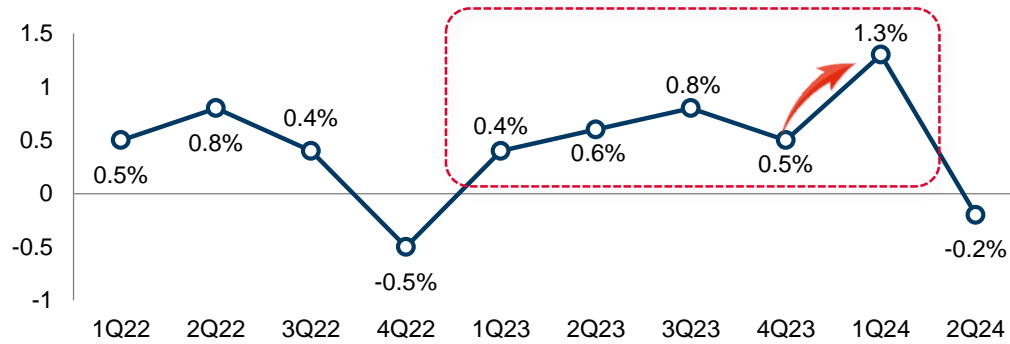


Q1. Is Korea's Economy on a Recovery Trend?

Korea's economic growth remains higher than its potential growth rate

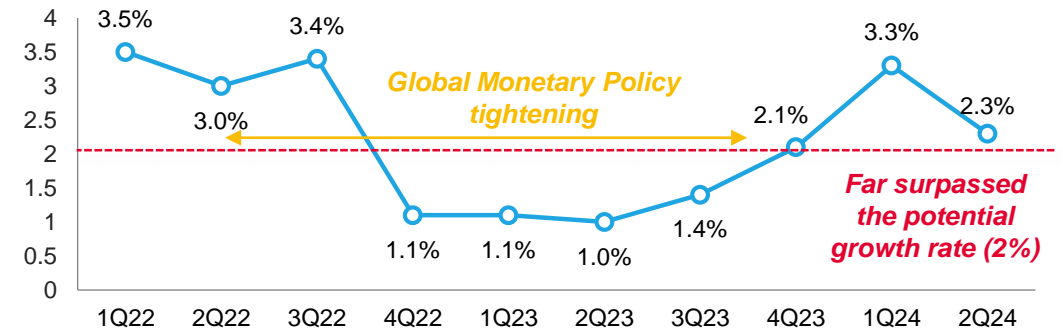
QoQ Economic Growth Trend

(GDP Growth QoQ)



YoY Economic Growth Trend

(GDP Growth YoY)



De-growth of 2Q2024 is due to base effect from...

- 1 Surprise of GDP in 1Q2024
- 2 Positive Growth for 5 Consecutive Quarters



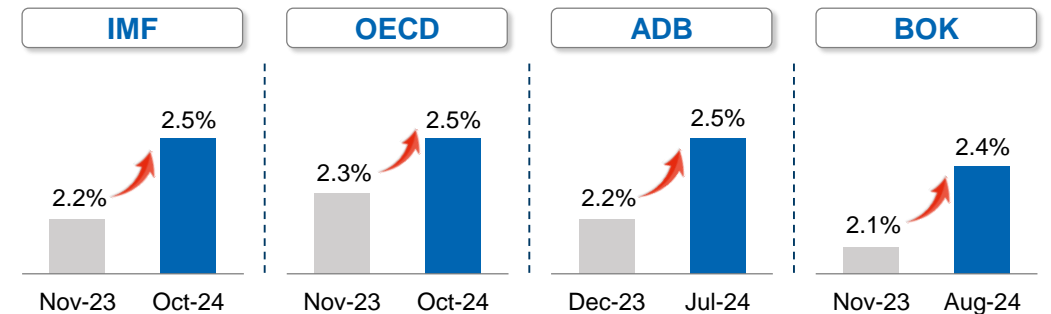
"... Korea posted GDP growth in the first quarter, **beating the 2.4% expected** by economists **and marking its highest quarterly growth since 4Q2021...**" CNBC (Apr, 2024)



"**South Korea's economic growth accelerated to a pace faster** than the most optimistic forecasts last quarter..." Bloomberg (Apr, 2024)

Korea GDP Growth Forecast

(2024 Growth Forecast Changes)

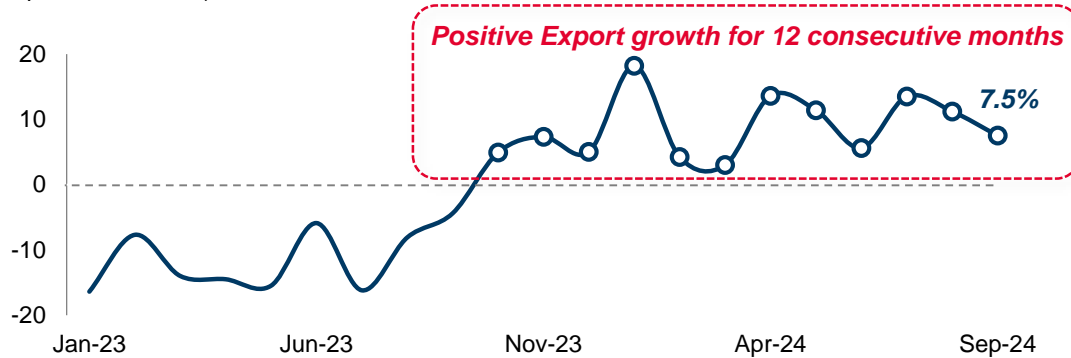


Q1. Is Korea's Economy on a Recovery Trend?

Exports recovery and rebound of investment & spending will act as tailwinds to Korea's Economy

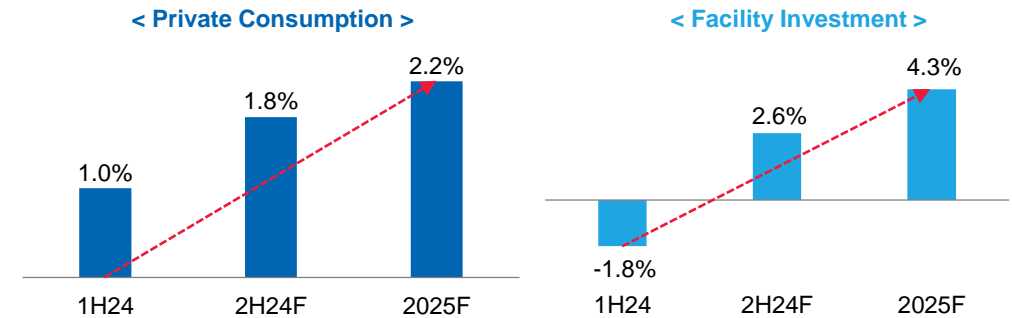
Exports Growth

(Export Growth YoY)



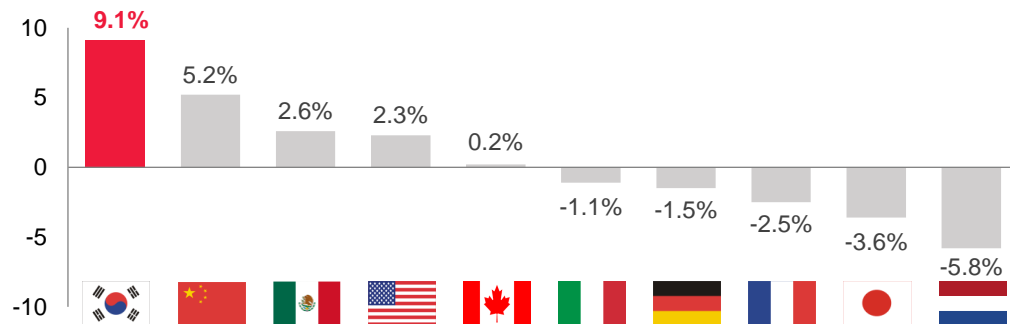
Rebound of Domestic Demand

(BOK Forecast in August 2024, YoY)



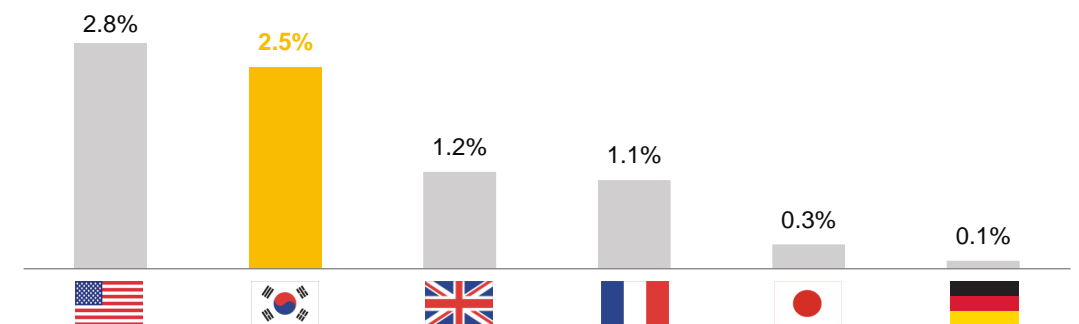
Export Growth Comparison among Top 10 Exporters

(Export Growth YoY in 1H2024)



2024 GDP Growth Forecast Comparison

(IMF Forecast in October 2024)

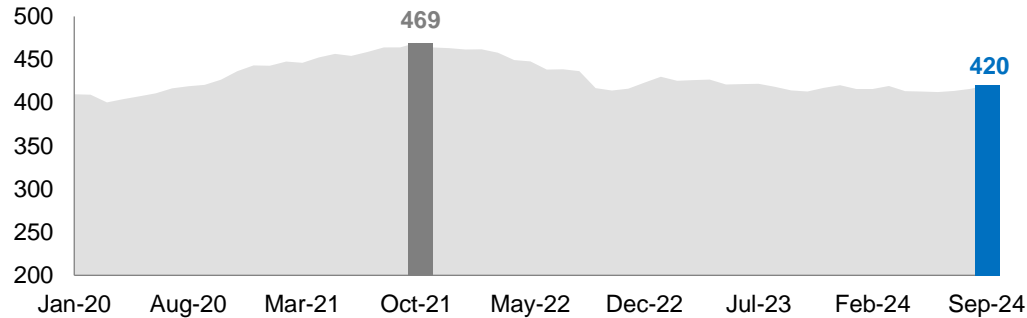


Q2. Does Korea's External Soundness Remain Intact?

Korea's foreign exchange reserves are sufficient to withstand external shocks

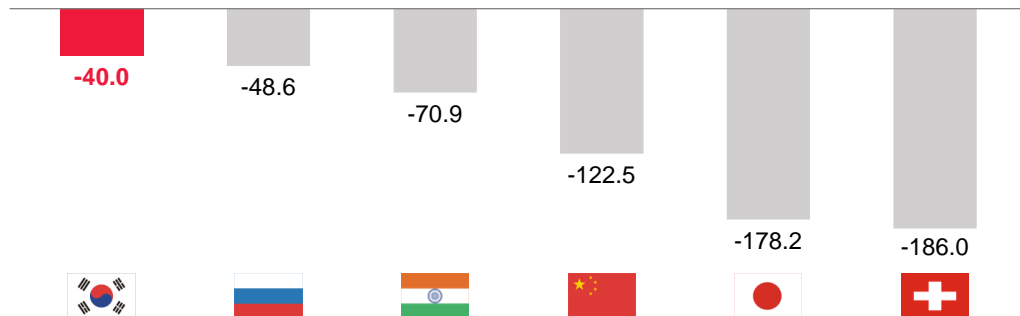
FX Reserves Trend

(Amount of FX Reserves, USD bn)



Decline in FX Reserves of Major Economies

(Change in FX Reserves in 2022, USD bn)



Positive Outlook on Korea's External Soundness

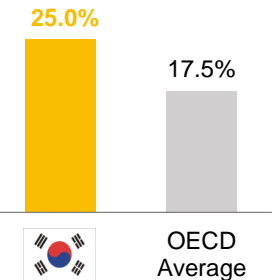


IMF

"... systemwide stress tests show that **reserves provide sufficient FX liquidity buffers** under a wide range of plausible shocks ..."

- IMF Country Report No. 23/369 (Nov. 2023) -

< FX Reserves/GDP Ratio¹ >



MOODY'S

"... Korea's "aaa" external vulnerability risk is supported by ... and **large holdings of official foreign exchange reserves** ..."

"... **large foreign exchange reserves would shore up investor confidence and keep liquidity risks at very low levels** ..."

- Moody's Rating Report (May 2024) -

Q2. Does Korea's External Soundness Remain Intact?

Korea's external soundness is at its historically strongest despite global uncertainties

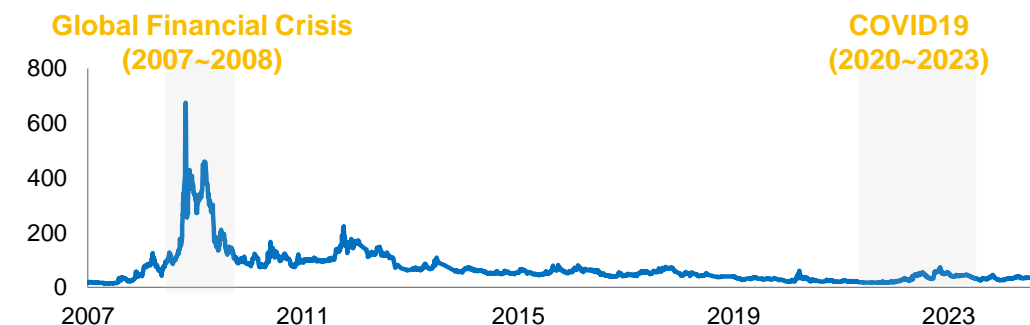
Net External Financial Assets at an All-time High

(Net External Financial Assets, USD bn)



Risk Premium at Lowest Levels

(Korea CDS Premium, bps)



Credit Ratings at Historical Highs

MOODY'S

May 2024

Aa2

"The affirmation of the rating is supported by Korea's very high degree of **economic diversity and competitiveness**, its **still strong fiscal buffers and vigilant institutional management** around key challenges..."

S&P Global

April 2024

AA

"Korean sovereign credit indicators have remained resilient for the past few years. **Economic growth has been better than most other high-income economies...**"

FitchRatings

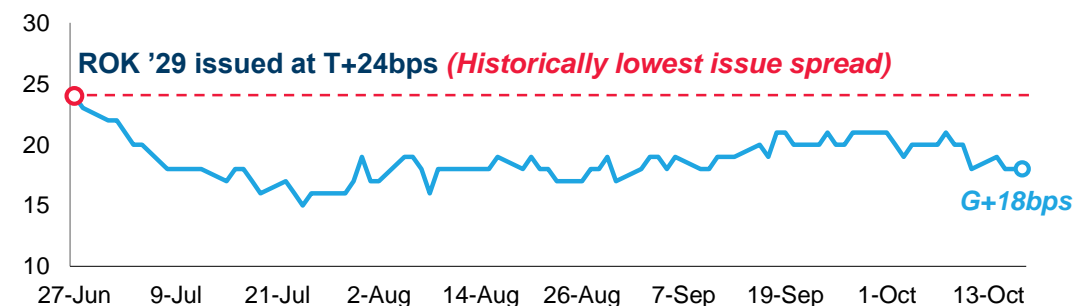
March 2024

AA-

"Korea's rating balances **robust external finances, resilient macroeconomic performance and a dynamic export sector** against geopolitical risks related to North Korea..."

Tightest Issue Spread and Stable Secondary Levels

(Secondary G-spread, bps)



Q3. How will Korea Navigate through U.S.-China Conflicts?

Address uncertainties amid the U.S-China conflicts while capitalizing on opportunities

Potential Conflict Between U.S. and China



De-risking from China:

Stringent restrictions on exports of high-tech products to China

Restricted outbound investments towards China in advanced technology sectors



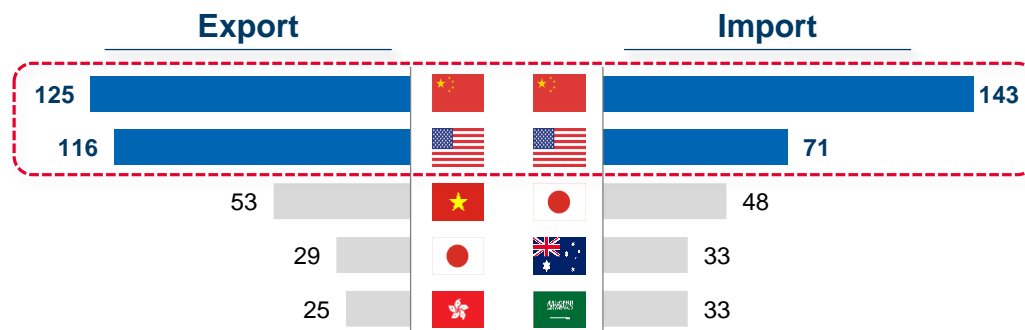
De-coupling from China:

Impose high tariff on all Chinese goods and
4-year plan to phase out imports of “essential goods” from China

Restrict Chinese investment in U.S. real estate and industry

Korea's Top 5 Export and Import Countries

(Amount of Export and Import, USD bn, 2023)



Strategic Response to Challenges & Opportunities

Challenges

- Disruptions to global supply chains, particularly for critical raw materials
- Deteriorating trade conditions with China

Opportunities

- Global supply chain restructuring in advanced industries where Korea excels (e.g., electric vehicles, batteries)

Strategic Responses

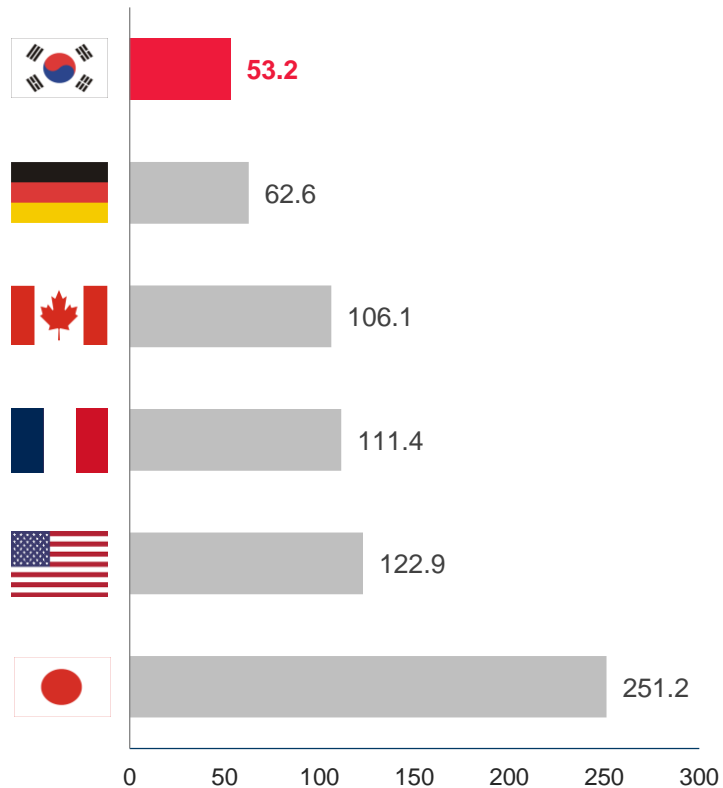
- Monitor development of U.S.-China conflicts and promote dialogues with other countries to minimize negative impact
- Expand export products and markets to reduce dependency on specific countries
- Diversify critical raw materials supply chains and increase critical raw material stockpiles
- Prioritize investment in advanced industries to boost competitiveness

Q4. Is Korea's Indebtedness Being Contained?

Transition from expansionary fiscal policies to sound fiscal policy

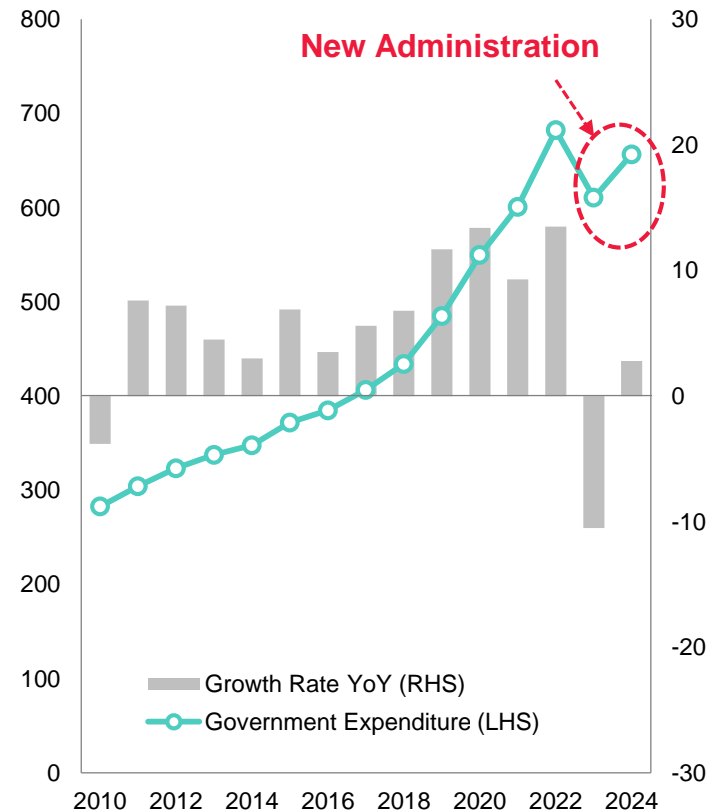
Government Debt Comparison

(2024 General Government Debt to GDP
IMF Forecast in October 2024, %)



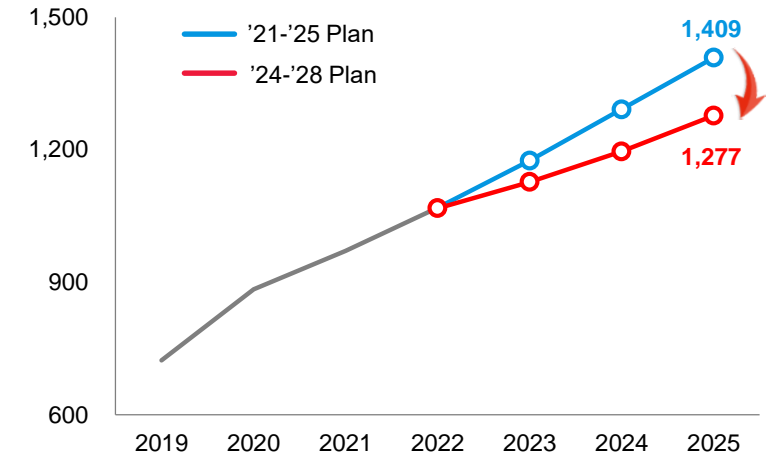
Government Expenditure

(KRW tn, %)



Normalization of Government Debt

(Government Debt, KRW tn)



< Government Debt Management Plan >

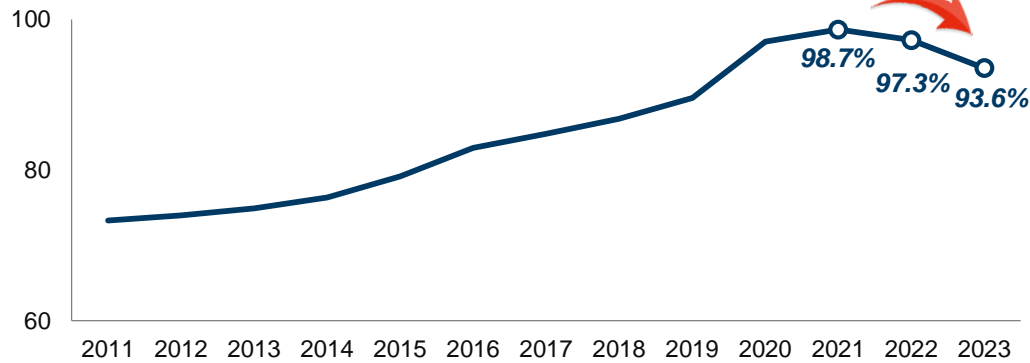
(KRW tn)	2022	2023	2024	2025
'21-'25 plan	1,068	1,175	1,292	1,409
'24-'28 plan	1,068	1,127	1,196	1,277

Q4. Is Korea's Indebtedness Being Contained?

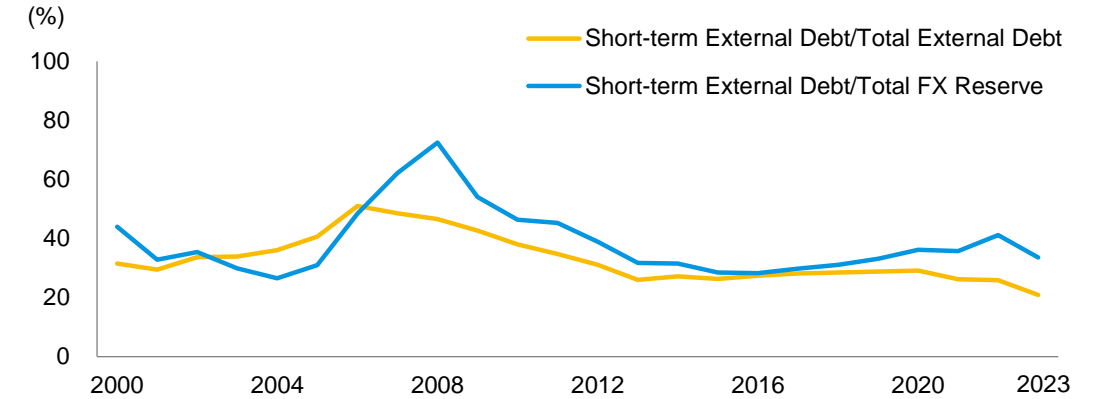
Household debt growth decelerated and external debt is at a manageable level

Household Debt Trend

(Household Debt to GDP, %)



External Debt Indicators

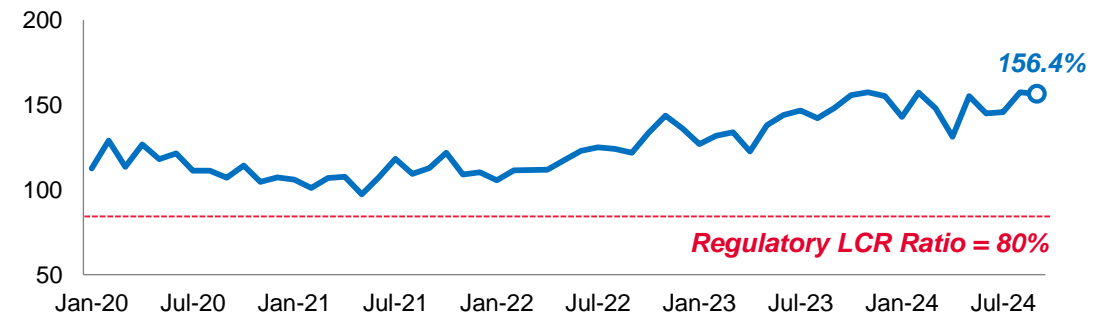


Household Debt Management Policy

- Enhance DSR regulations, including expanding the scope of stress DSR application
- Establish a foundation for long-term, fixed-rate mortgage lending by, for example, activating the covered bond market
- Manage the annual household debt growth rate within the nominal GDP growth rate (2024 target household debt to GDP = early 90%)

Bank Foreign Currency LCR Trend

(Foreign Currency LCR of Banks in Korea, %)



Chapter
03

Korea's Strategy to Leap Forward

Q1. Boosting Private Sector-oriented Economy

Q2. Restoring Economic Dynamism

Q3. Proactive Risk Management

The Republic of Korea

Investor Presentation

October 2024

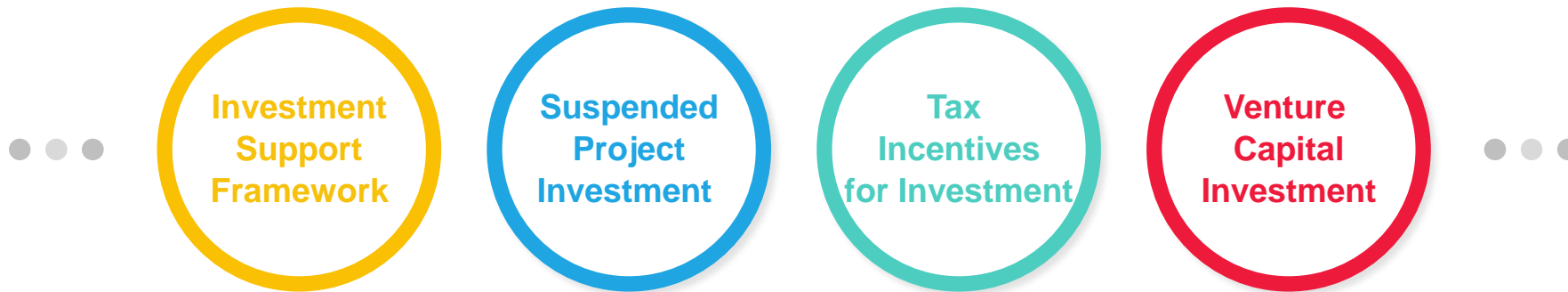


1. Boosting Private Sector-oriented Economy

Promote investment through pan governmental support, tax incentives, and financial aid

Private Sector-oriented Economic Growth Initiatives

I. Promote Investments



- ✓ Establishment of **pan-governmental investment support system**
- ✓ Actively support **dispute resolution** and **promote Investment (KRW 107tn*)**

* Facility Investment (KRW 62tn)
+ Pending project (KRW 24.4tn)
+ Dispute Resolution (KRW 20.6tn)

- ✓ Extension of **temporary investment tax credit for SMEs**
- ✓ Extension of **tax credits for national strategic technologies**
- ✓ Adjustment of **additional tax credit for incremental investment expenditure**

- ✓ Stimulate **global investor's financing**
 - * Establish K-Variable Capital Company (Umbrella Fund)
- ✓ **Regulatory reform** of venture investment system

1. Boosting Private Sector-oriented Economy

Strive for fiscal sustainability and shift away from Government-led growth

Private Sector-oriented Economic Growth Initiatives

II. Stimulate Private Consumption



Revitalization of Regional Economies

- Promote visits to regional areas and **revitalize regional tourism***
- * New festivals in Busan and Gwangju, accommodation discounts, etc.



Financial Support for Vulnerable Sectors

- “4+1” **automobile consumption** support package
- Expand financial support for low income households



Living Price Stabilization

- Stabilize food prices** through stockpile management
- Improve essential goods supply chain

III. Normalize Fiscal Structure

Strategy for Sound Fiscal Policy



Four Pillars of 2025 Budget Proposals

- 1 Welfare for **the vulnerable** to bring a better life
- 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

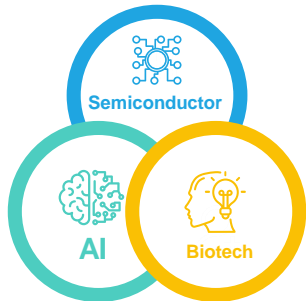
2. Restoring Economic Dynamism

Reignite the growth engine through dynamic economic policy initiatives

Dynamic Economy Policy Framework

I. Strengthening Innovation Ecosystem

Advanced Industry Fostering



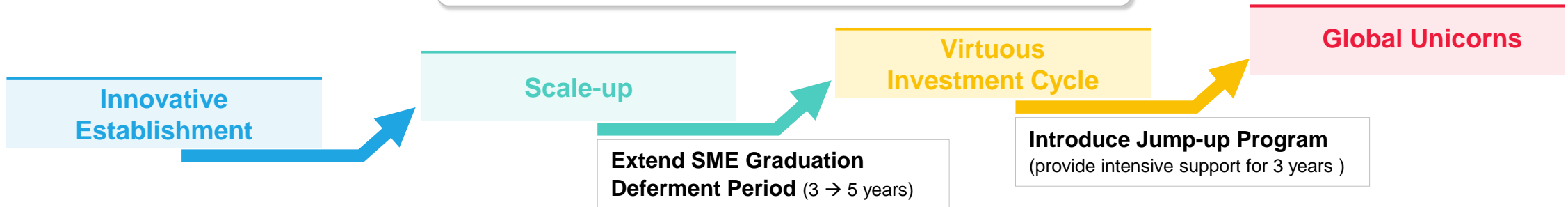
- ✓ **Semiconductor:**
Ecosystem Support Plan(KRW 26tn)
- ✓ **AI:** Establish **National AI Committee**
- ✓ **Biotech:** Develop AI-Driven
Biotechnology Advancement Roadmap

Production Factors Optimization



- ✓ **Capital:**
Introduce **Value-up program**
- ✓ **Labor:**
Cultivate talents in advanced industries
and attract **global talents**

Corporate Growth Ladder

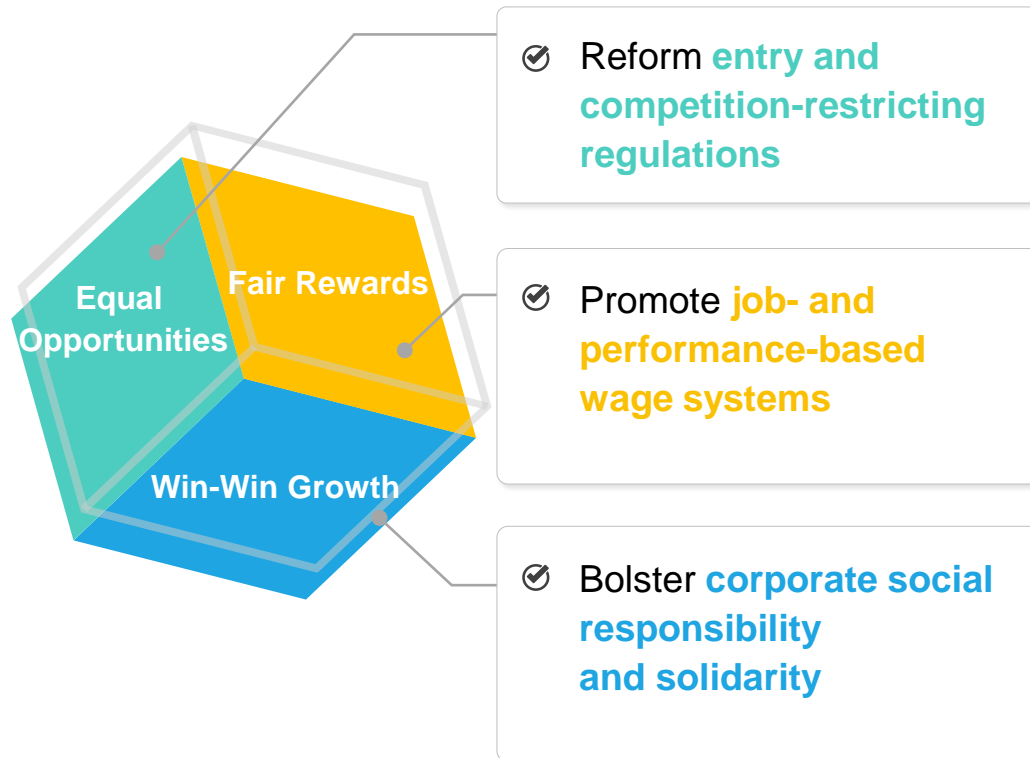


2. Restoring Economic Dynamism

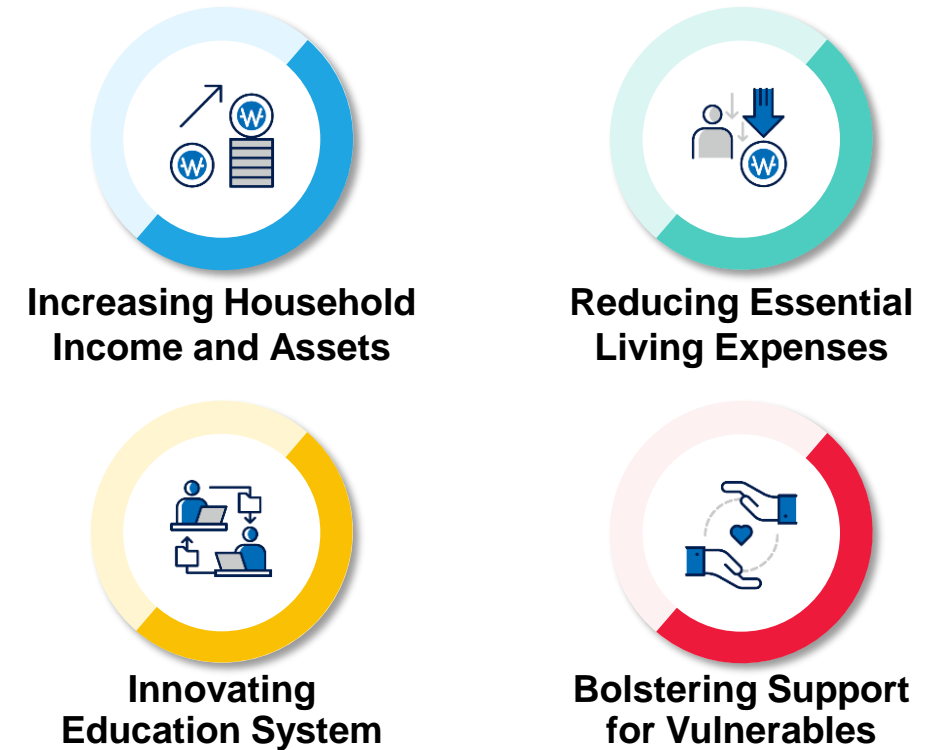
Promote economic growth based on fair opportunities and social mobility

Dynamic Economy Policy Framework

II. Ensuring Fair Opportunities



III. Improving Social Mobility



3. Proactive Risk Management

Ensuring sustainable growth through proactive risk management

Risk Management

Economic Security



- ✓ Expand international opportunities for corporations via economic diplomacy
- ✓ FTA expansion and strengthened cooperation with relevant countries

Demographics



- ✓ Increasing labor force participation rate and stimulating influx of quality foreign workers
- ✓ All-out response to demographic issues focusing on work-life balance, housing and childcare

Climate Change



- ✓ Establish 4th Emissions Trading System Basic Plan (2026-2035)
- ✓ Pursue optimal energy mix to expand zero-carbon power sources



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Thank you