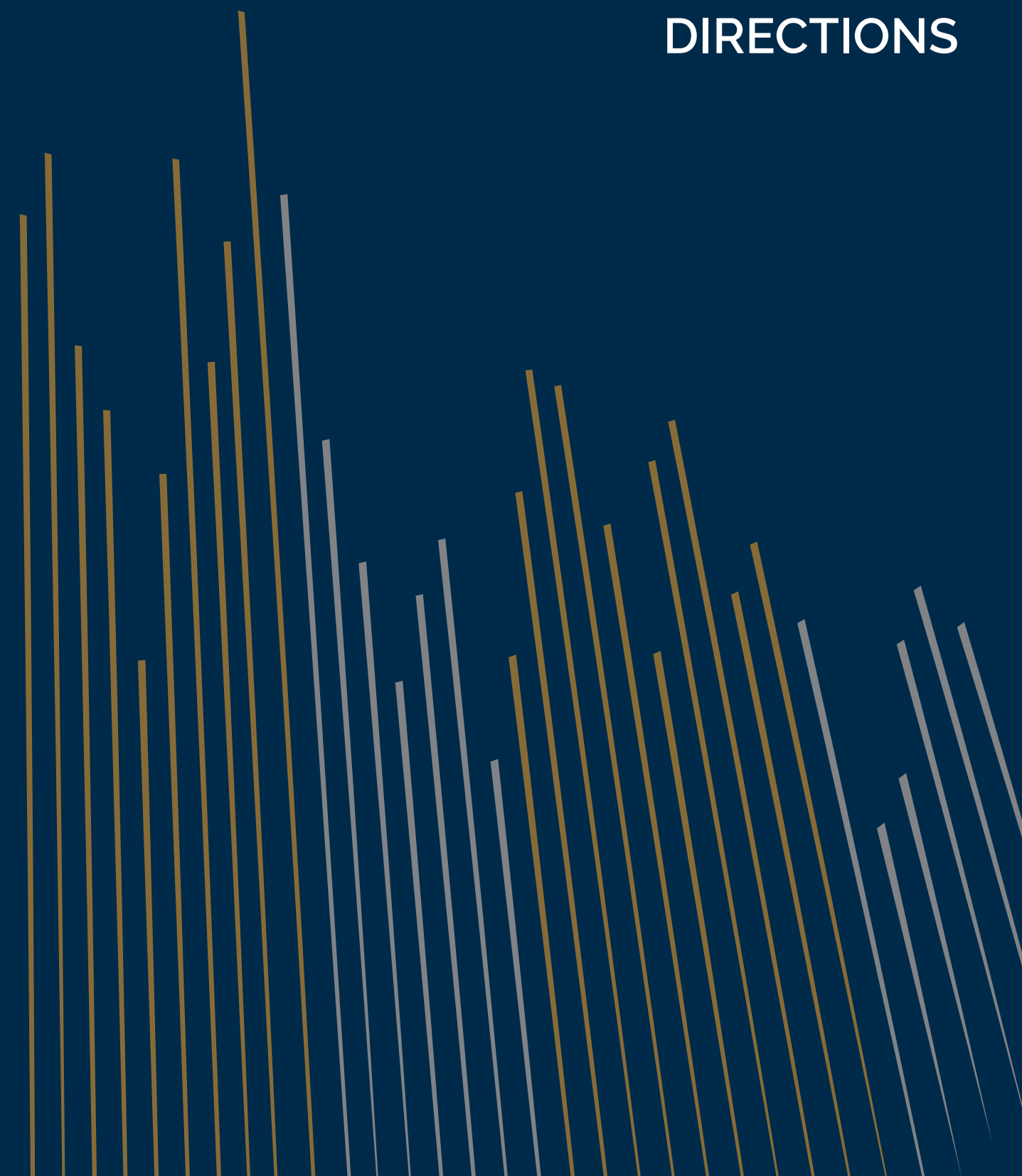




Ministry of Economy
and Finance

2024 ECONOMIC POLICY DIRECTIONS



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Background

The Korean government has made every effort to overcome the compounding global crises and restructure the framework of economic policies. To be specific, the government proactively responded to the global economic crisis, including worldwide high inflation and high interest rate. In addition, the government transitioned the framework of the country's economic policy towards a more private and market-driven approach by implementing a sound fiscal policy, pursuing regulatory innovation, and normalizing real estate taxation and regulations. Not only that, the export and investment foothold of Korean companies has been expanded on the back of the President's sales diplomacy.

As a result of such policy endeavors, inflation has been slowing down, the economy transitioned towards a recovery phase mainly driven by exports, employment remained steady, and financial market volatility has eased, suggesting that the Korean economy has begun to settle down.

However, although economic recovery is expected to expand mainly in exports in 2024, the impact of prolonged high inflation and interest hikes may lead to weakened domestic consumption and pose a hardship on people's livelihoods. Furthermore, potential risks still persist in vulnerable spots with regard to real estate project financing (PF), household debts, and marginal companies. Under these circumstances, while focusing on the economic recovery that can be felt by the general public, meticulous management of potential risk factors is crucial. In addition, efforts to enhance the vitality of the Korean economy and strengthen measures to meet future challenges are essential.

01

2024 Outlooks

Growth

Annual economic growth is projected to be 2.2% in 2024, higher than 2023's outlook of 1.4% due to the recovery of global trade and semiconductor industries. However, private consumption is expected to be constrained owing to prolonged high inflation and interest rate hikes, while difficulties in the construction investment sector are predicted.

Employment

The economy is projected to add around 230,000 in 2024 as in-person service jobs, which saw a significant surge last year, normalize. The employment rate is also anticipated to continue its upward trend.

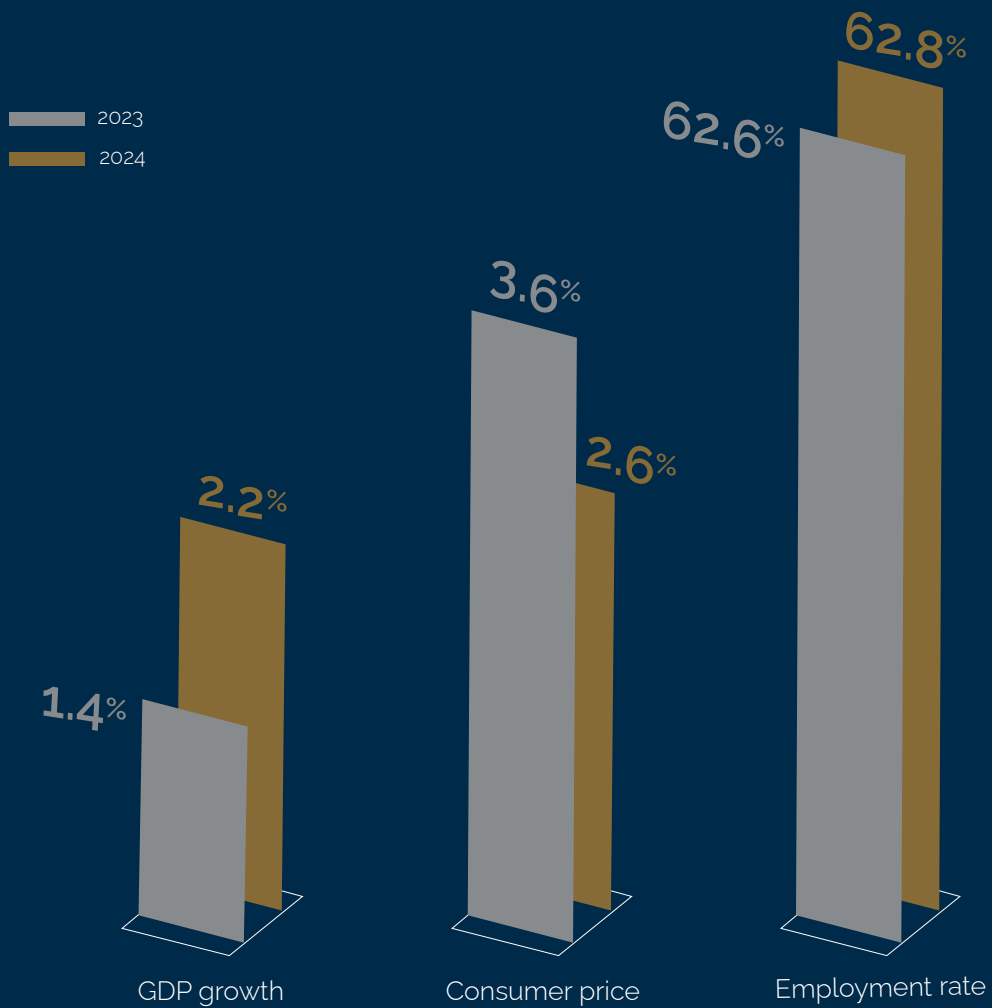
Consumer price

The annual consumer price increase is expected to significantly decelerate to around 2.6% compared to last year's 3.6%, primarily due to stable international commodity prices; however, it is forecasted to sustain around 3% throughout the first half of the year.

Current account balance

The current account surplus is predicted to go up to \$50 billion, a huge increase from the previous year's surplus of \$31 billion. While surpluses in goods balance are expected to considerably grow owing to export rebound, the service account is anticipated to see a deficit, attributed to a surge in overseas travel.

02



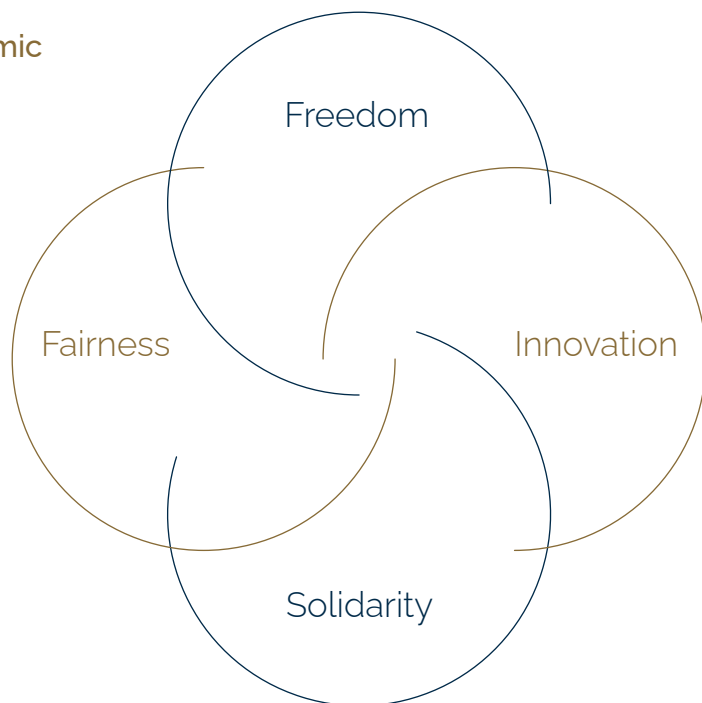
	2023	2024
GDP growth (%)	1.4	2.2
Employment growth (ten thousand)	32	23
- Employment rate (% , 15y or over)	62.6	62.8
Consumer price (%)	3.6	2.6
Current account (US\$ 10 million)	310	500
- Exports (y-o-y, %)	-7.4	8.5
- Imports (y-o-y, %)	-12.1	4.0

The framework of Economic Policy Directions

The government has drawn up four policy directions based on four pillars constituting Freedom, Fairness, Innovation and Solidarity, with an aim to achieve economic upturn that can be felt by people and carry out structural reforms to enable sustainable growth.

The policy directions focus on 1) Supporting the recovery of people's livelihoods 2) Managing potential risks 3) Materializing a dynamic economy, 4) Accompanying the young towards a sustainable future.

The four Major Economic Policy Principles



03

One. Support the recovery of people's livelihoods

Achieve price and people's livelihoods stability

① Make a concerted and continuing effort across ministries to achieve a 2% inflation target earlier in the first half of the year.

- Expand the budget for price stability measures by 1.8 trillion won compared to that of the previous year, totaling 10.8 trillion won.
- Exempt and reduce tariffs for 21 fruit items, allowing for the swift introduction of 300,000 tons in the first half of the year (tariff assistance worth 135.1 billion won).
- Maintain a policy stance of holding public utility fees unchanged through the first half of the year.



② Reduce burdens of essential expenses closely linked to people's daily lives including education, healthcare, finance, and taxes.

③ Stabilize the rental housing market by responding to the risks such as *reverse-jeonse* or *jeonse fraud as well as enhance housing support for low-income and vulnerable households.**

- Set up a stronger protection scheme for tenants in multi-family houses, expand public lease systems, and strive to eliminate blind spots in *jeonse* fraud.
- Provide various types of houses, shore up support for *jeonse* loans targeting youth and households with babies.

**Jeonse* refers to lump-sum deposits with no monthly payments

Support small businesses and vulnerable social groups



❶ Reduce the three major burdens on small businesses while supporting their sales recovery and enhancing competitiveness.

- Promote a support package to relieve the three burdens (energy bills, high interest rates, and taxation) on small businesses by injecting public finances and adjusting taxation criteria.
- Buttress small businesses' sales recovery by expanding eligibility for the New Start Fund.
- Bolster companies' fundamental competitiveness by developing relevant strategies including the 'measures to improve competitiveness of SMEs' in the first quarter of 2024.

❷ Strengthen tailored support for vulnerable social groups such as the elderly, disabled, and low-income people and shore up support to provide more job opportunities for older adults.



Accelerate export rebound and domestic consumption

1 Increase financial and tax incentives to stimulate domestic consumption, focusing on boosting eco-friendly consumption such as replacing old vehicles and adopting high-efficiency devices.



2 Promote inbound tourism by improving visa systems and enhancing foreign travelers' convenience, particularly in transportation, payment systems and duty-free shopping.

3 Assist in reaching a \$700 billion export target and a \$57 billion overseas construction contracts target for 2024.

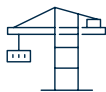
- Buttress the early achievement of the \$700 billion export target by stepping up assistance for exporting companies and providing trade finance worth 355 trillion won.
- Accelerate the achievement of the \$57 billion target in overseas construction contracts in the field of infrastructure, defense, and nuclear power plants by providing expanded legal capital through the Export-Import Bank of Korea.
- Establish measures to materialize achievements in sales diplomacy and strengthen bilateral and multilateral trade cooperation to further expand export destinations.

4 Underpin early investment rebound through special support in taxation, financing, and addressing obstacles.

- Raise tax incentives for facility and R&D investments.
- Inject facility investment funds worth 52 trillion won, the largest amount ever.
- Review delayed investment projects and push forward a swift execution led by the pan-governmental 'regional investment support task force'.

5 Enhance support for attracting the largest-scale foreign investment ever (\$35 billion) and boost companies' reshoring by raising the upper limit of subsidies.

Revitalize local economies and construction industry



- ① **(Regional hubs)** Create four major special purpose zones, including the Opportunity and Development Zone, Education Development Zone, Urban Innovation District, and Culture Zone, as well as designate three more global innovation zones in addition to the existing four with an aim to foster deep tech unicorn companies.

- ② **(Shrinking cities)** Push forward the 'three key projects for reviving shrinking cities'.
 - Expand incentives for homeownership and property transactions as a means of increasing living population.
 - Build tourism infrastructure to attract visitors.
 - Boost resident population by promoting the influx of foreigners and developing strategies to address rural depopulation to counteract regional extinction.

- ③ **(Construction investment)** Step up all-encompassing support measures to facilitate regional-centric construction investment.
 - Strengthen the role of the public sector through the early execution of Social Overhead Capital (SOC) projects; improve investment climate through temporary regulatory relief so as to alleviate the burden on business activities amid high economic uncertainties.
 - Further expand housing supply in the public sector and push for early construction of the third new town.

Two. Manage potential risks

Pursue a soft landing of real estate PF

- Promote a soft landing of real estate PF by proactively injecting liquidity into the market including a prompt execution of a liquidity supply program worth 85 trillion won.
- Address obstacles PF businesses face and drive the restructuring of underperforming PF projects.
- Conduct fundamental institutional reforms to prevent the recurrence of real estate PF liquidity crisis.
- Promptly develop follow-up measures for legislation tasks for stabilizing the real estate market in the first half of 2024.



Manage household debts

- Keep the annual growth rate of household debt within the nominal growth rate and strive to keep it within 100% of GDP by 2027.
- Raise the proportion of fixed-rate mortgage loans to around 50% by 2027.



Secure supply chains stability



- Establish pan-governmental response systems based on the Framework Act on Supply Chain as well as launch and utilize the supply chains stabilization fund.
- Raise financial, tax and fiscal incentives to diversify supply chains.
- Expand a stockpile of key raw materials while diversifying stockpiling methods aiming to secure resource security.

Maintain financial stability and fiscal consolidation



- 1 Strive to stabilize financial and foreign exchange (FX) markets.**
 - Adjust the issuance volume and timing of blue-chip bonds to improve bond supply.
 - Implement the Improvement Measures for FX Market Structure in earnest to raise the accessibility of the onshore FX market.
- 2 Supervise financial institutions such as commercial banks, mutual finance and savings banks to maintain their soundness.**
- 3 Provide tailored support for marginal companies.**
 - Strengthen credit risk assessment in order to proactively manage distressed companies.
 - Facilitate voluntary business restructuring by introducing incentives under the Special Act on Revitalizing Companies.
 - Improve corporate rehabilitation procedures for SMEs and vulnerable businesses.

Three. Materialize a dynamic economy

Shore up the innovation ecosystem

① Drive private sector innovation by introducing bold deregulation measures.

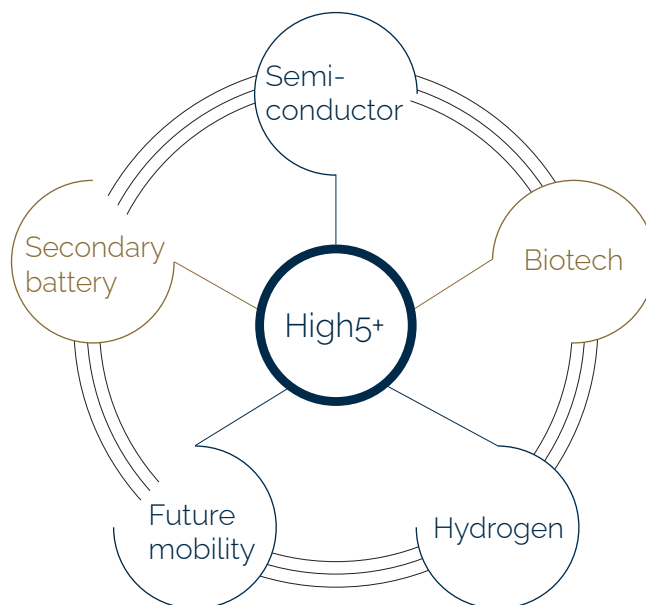
- Improve the three major land use regulations - development restriction area, agricultural land, and mountainous areas.
- Review and improve 'killer regulations' in ten sectors including certification, procurement, environmental emissions, etc., led by the task force for killer regulation reform.



② Accelerate the fostering of key advanced industries.

- Promptly create the advanced industry clusters and provide tailored support for each stage of the creation.
- Intensively foster the High5+ — semiconductor, secondary battery, biotech, future mobility, hydrogen — along with the provision of policy finance totaling over 150 trillion won for the next three years.

Intensively foster the High5+



③ Carry out a comprehensive R&D innovation for a leap toward becoming a global hub in science and technology.

- Boost autonomy in the government-funded research institutes' human resources and budget management.
- Significantly increase global R&D investments in advanced industries (0.5 trillion won → 1.8 trillion won) to expand research opportunities for young scientists and strengthen their capabilities.
- Substantially raise incentives to attract global R&D centers with an aim to stimulate private sector investment.
- Improve the preliminary feasibility assessment system to create a more adventurous and outcome-driven R&D environment.

④ Build a growth ladder for small and medium-sized enterprises (SMEs) and enhance the venture and start-up ecosystem.

- Establish relevant laws and basic plans for enhancing productivity in SMEs, and assist them to grow into middle market enterprises by extending the period of tax benefits (3 → 5 years).
- Develop a new growth roadmap for venture enterprises in 2024, promote investments in fund of funds and further attract venture investments, while stimulating M&A activities through deregulation and taxation support measures.

⑤ Intensively nurture promising service industries.

- Strengthen infrastructure for the service industry, such as securing demand base and professional manpower, and set up a support system.
- Establish strategies for fostering promising service sectors including content, finance, biotech and healthcare, tourism, and food.
- Push for the legislation of the fundamental act on the development of service industries.

Ensure fair opportunities

- ❶ Build up market dynamism by relaxing restrictive regulations that limit competition including entry barriers.
- ❷ Prevent the abuse of a monopolistic or dominant market position by developing institutional measures and fight unfair or illegal practices through tightened government responses.
- ❸ Design a fair compensation system based on job roles and performance to advance the labor market.
 - Formulate measures to address dual structures of the labor market in the first half of 2024.
 - Develop supplementary measures to improve the working hours system reflecting the results of nationwide surveys in the first half of 2024.
- ❹ Deepen solidarity across the economy by expanding cooperation between large enterprises and SMEs for mutual growth.



Promote social mobility



① Shore up policy support to promote the participation of youth and women in economic activities.

- Raise the target for new public sector hires to exceed that of 2023 (22,000)
- Devise the 'measures to support work-family balance' in the second half of 2024 in an effort to boost women's economic participation.

② Ensure quality educational opportunities for low-income populations by providing an education ladder such as the expansion of gifted education and national scholarships.

③ Eliminate blind spots in employment and social safety nets, as well as strengthen assistance for rehabilitation.

- Drive reforms in the employment insurance system to adapt to changes in the labor market, and improve the unemployment benefit system to be more conducive to encouraging labor market participation.
- Strengthen job training systems and support for those who wish to get back on their feet to move towards work, while increasing region-specific job opportunities.



Four. Accompany the young towards a sustainable future

*The vision and medium- and long-term strategy for future generations will be prepared in 2024 to proactively respond to future challenges.

Secure fiscal sustainability

- 1 Maintain a policy stance of fiscal soundness by continuously pursuing the legislation of fiscal rules, in an effort to ease burdens on future generations.



- 2 Set up sustainable national pension and health insurance systems.

- Prepare a specific pension reform plan based on a national consensus.
- Develop the second comprehensive national health insurance plan (2024-2028) with an aim to increase coverage and raise efficiency in expenditures.

Adapt to demographic crisis and climate change

- 1 Conduct a full-fledged reform of foreigner policies to meet global standards.



- Significantly expand the inflow of foreign labor by approximately 100,000 compared to that of the previous year (172,000 in 2023 → 260,000+α in 2024).
- Relax visa regulations for foreign students by extending the job-seeker visa period after graduation (a maximum of 2 years → 3 years).
- Develop measures to introduce special provisions on long-service foreign workers (non-professional workers on the E-9 visas) in the first half of 2024, and to encourage the long-term employment of skilled workers (E-7-4 visas), aiming to ensure stable living conditions for foreign workers.

- ② Create a social atmosphere that is supportive of marriage, childbirth, and childcare, through active policy efforts to address low-birthrates, further provision of financial and tax support for marriage and childbirth, as well as the extension of the period for receiving parental leave pay.
- ③ Bolster the foundation for responding to an aging society by devising measures to facilitate the supply of Silver Towns and improve the retirement pension system.
- ④ Achieve carbon neutrality by widely adopting carbon-free energy and accelerating low-carbon transitions in transportation, buildings and industries.
- ⑤ Upgrade the infrastructure to back climate adaptation support by scaling up green financing and establishing a roadmap for the advancement of the emission trading market in 2024.

Build up opportunities for future generations



- ① Assist young people in developing their work competencies and raise incentives for youth employment to ensure more job opportunities for the youth.
 - Establish a life-cycle growth support scheme and career pathways programs directly linked to youth employment.
 - Launch start-up work experience programs for young people along with a great expansion of work experience opportunities in both public and private sectors.
- ② Encourage assets building by further providing dedicated financial products for young people.
- ③ Support vulnerable youth in urgent need for their independence and assist them to build a stable future.
 - Provide enhanced services for supporting family caregivers, encouraging young people's independent living, caring mental health and helping isolated young people to re-enter society.



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