

**Embargo:**

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## **THE NEW ADMINISTRATION'S SUPPLEMENTARY BUDGET PROPOSAL** *for Economic Stimulus and Livelihood Stability*

### **I. Background**

The Korean economy has exhibited near-zero growth for four consecutive quarters, reflecting a deepening economic slowdown. Amid continued weakness in construction investment, subdued private consumption – partly due to deteriorated sentiment earlier this year – has further constrained growth.

In addition, the burden on low-income and vulnerable groups is intensifying, as the recovery of domestic demand remains sluggish. The rising delinquency and closure rates among self-employed individuals – largely due to debt accumulated during the COVID-19 pandemic – further highlight the challenges facing the domestic economy.

In this context, national tax revenues are projected to fall short in light of the weaker growth and declining corporate performance.

### **II. Policy directions for the Supplementary Budget Proposal**

The government will strategically allocate resources to reinvigorate the economy and stabilize people's livelihoods, thereby fostering a virtuous cycle of growth.

- Stimulate economic activity through measures to promote consumption and investment, alongside the expansion of construction-related expenditures.
- Support the swift recovery of small business owners by alleviating debt burdens, while enhancing employment safety nets and providing targeted assistance to vulnerable groups to promote livelihood restoration.
- Utilize adjustments to revenue projections to ensure the timely and effective execution of the annual budget without disruption.

In order to uphold fiscal sustainability, the government will mobilize resources through expenditure restructuring and the strategic utilization of available fund reserves, thereby minimizing reliance on additional sovereign bond issuance.

### III. Overview of the Supplementary Budget Proposal

The Supplementary Budget Proposal amounts to **30.5 trillion won**, comprising 20.2 trillion won in additional expenditures (15.2 trillion won for **economic stimulus**, 5.0 trillion won for **livelihood stability**) and 10.3 trillion won in **revenue adjustments**. The total amount of additional government bond issuance is 19.8 trillion won.

**(Total expenditure)** An increase of 6.9% compared to the previous year. (687.1 → 702.0 trillion won).

**(Managed Fiscal Balance)** A decrease of 24.0 trillion won in comparison to the first supplementary budget (-86.4 → -110.4 trillion won), corresponding to a 0.9%p decline relative to GDP (-3.3 → -4.2%).

**(Government Debt)** An increase of 19.8 trillion won compared to the first supplementary budget (1,280.8 → 1,300.6 trillion won), representing a rise of 0.6%p relative to GDP (48.4% → 49.0%).

(trillion won)

	2024 Budget (A)	2025 Budget			Changes (B-A)
		Original	1 <sup>st</sup> Supplementary (A)	2 <sup>nd</sup> Supplementary (B)	
Total Government Revenue	612.2	651.6	652.8	642.4	-10.4
Total Government Expenditure	656.6	673.3	687.1	702.0	+14.9
Consolidated Fiscal Balance (% to GDP)	-44.4 (-1.8)	-21.7 (-0.8)	-34.3 (-1.3)	-59.6 (-2.2)	-25.3 (-1.0%p)
Managed Fiscal Balance (% to GDP)	-91.6 (-3.6)	-73.9 (-2.8)	-86.4 (-3.3)	-110.4 (-4.2)	-24.0 (-0.9%p)
Government Debt (% to GDP)	1,195.8 (47.4)	1,273.3 (48.1)	1,280.8 (48.4)	1,300.6 (49.0)	+19.8 (+0.6%p)

### IV. Two pillars of the Supplementary Budget Proposal

#### 1. Consumption and investment promotion for economic revitalization (15.2 trillion won)

- ✓ (Consumption) Distribute livelihood recovery coupons (150,000 - 500,000 won per person) to all citizens, while providing additional consumption incentives such as expanding the issuance of local gift certificates.
- ✓ (Construction) Revitalize the construction industry through the early execution of social overhead capital (SOC) projects and the purchase of unsold housing units.
- ✓ (Investment) Promote investment in emerging industries through expanded contributions to the Korea Fund of Funds and facilitating the AI Transformation (AX).

- 1) Enhance household spending capacity (11.3 trillion won).
  - Distribute livelihood recovery coupons (10.3 trillion won).
  - Provide consumption incentives (1.0 trillion won).

- 2) Revitalize the construction sector (2.7 trillion won).
- 3) Promote investment in emerging industries (1.2 trillion won).
  - Support venture and small and medium-sized enterprises (SMEs) (0.9 trillion won).
  - Bolster investment in AI and renewable energy industries (0.3 trillion won)

## **2. Livelihood Stability (5.0 trillion won)**

- ✓ (Small business owners) Provide support to facilitate the recovery of struggling small business owners through a comprehensive debt restructuring package, including the write-off of long-term delinquent debt held by vulnerable borrowers and expanded principal reduction measures.
- ✓ (Employment Stability) Increase unemployment benefit coverage and reinforce reemployment assistance in high-priority sectors, including the construction industry.
- ✓ (Others) Stabilize prices of essential food commodities and shore up assistance for vulnerable populations, particularly in housing and healthcare services.

- 1) Support the recovery of struggling small business owners (1.4 trillion won).
- 2) Strengthen the employment safety net (1.6 trillion won).
- 3) Maintain price stability and bolster assistance for vulnerable groups (2.0 trillion won).
  - Maintain price stability (48.4 billion won).
  - Enhance assistance for vulnerable groups (0.6 trillion won).
  - Reinforce local government finances (1.0 trillion won).