

Embargo:

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SUPPLEMENTARY BUDGET PROPOSAL *for wildfire response and trade and AI competitiveness*

I. Policy directions for the Supplementary Budget Proposal

The government approved the First Supplementary Budget Proposal for 2025 at a Cabinet meeting on April 18 (Friday), to support wildfire response efforts and enhancement of trade and AI competitiveness. The budget proposal is scheduled to be submitted to the National Assembly on April 22 for final approval.

In light of the recent massive wildfires in the Yeongnam region – resulting in the worst damage on record – it is imperative to secure fiscal resources for swift recovery efforts while also making proactive investments to reinforce the government’s capacity for disaster and emergency response. In addition, unprecedented tariff shocks are raising serious concerns over potential damages to Korean industries and enterprises, while global competition for leadership in cutting-edge technologies continues to intensify. In this context, it is essential to provide support measures to alleviate the burden on export-oriented businesses affected by tariffs and to shore up the competitiveness of strategic high-tech industries such as AI and semiconductors. Last but not least, as the delayed recovery in domestic demand has exacerbated the difficulties faced by low-income households and small business owners, it is critical to implement measures aimed at easing the financial burden on small businesses and providing targeted support to ensure the livelihood stability of vulnerable populations.

Under these circumstances, the Supplementary Budget Proposal amounts to a total of 12.2 trillion won, comprising 3.2 trillion won for **disaster and emergency response**, 4.4 trillion won for **enhancement of trade and AI competitiveness**, 4.3 trillion won for **people’s livelihood support**, and 0.2 trillion won for **other purposes** including government bond interest and hosting of international events.

Change in overall fiscal expenditure

(Total revenue) An increase of **1.3 trillion won** compared to the original budget. (651.6 → 652.8 trillion won)

(Total expenditure) An increase of **12.2 trillion won** compared to the original budget. (673.3 → 685.5 trillion won)

(Managed Fiscal Balance) A decrease in 10.9 trillion won in comparison to the original budget (-73.9 → -84.7 trillion won), corresponding to a decline of 0.4%p relative to GDP (-2.8 → -3.2%).

(Government Debt) An increase by 6.0 trillion won compared to the original budget (1,273.3 → 1,279.4 trillion won), representing a rise of 0.2%p relative to GDP (48.1% → 48.4%).

(trillion)

	2024 Budget (A)	2025 Budget		Changes (B-A)
		Original (A)	Supplementary (B)	
Total Government Revenue	612.2	651.6	652.8	+1.3%
Total Government Expenditure	656.6	673.3	685.5	+12.2%
Consolidated Fiscal Balance (% to GDP)	-44.4 (-1.8)	-21.7 (-0.8)	-32.6 (-1.2)	-10.9 (-0.4%p)
Managed Fiscal Balance (% to GDP)	-91.6 (-3.6)	-73.9 (-2.8)	-84.7 (-3.2)	-10.9 (-0.4%p)
Government Debt (% to GDP)	1,195.8 (47.4)	1,273.3 (48.1)	1,279.4 (48.4)	+6.0 (+0.2%p)

II. Three pillars of the Supplementary Budget Proposal

1. Disaster and emergency response
2. Enhancement of Trade and AI competitiveness
3. People's livelihood Support

1. Disaster and emergency response (+3.2 trillion won)

- ✓ Reinforce disaster relief funds for wildfire damage recovery and support housing stability for affected residents.
- ✓ Upgrade equipment, infrastructure, and technologies related to disaster prevention and emergency response.

- 1) Facilitate the swift recovery from wildfire damage (1.4 trillion won).
- 2) Strengthen disaster and emergency prevention and response capabilities (1.7 trillion won).
- 3) Improve aviation infrastructure, and aging sewer systems and roads (0.2 trillion won).

2. Trade and AI competitiveness (+4.4 trillion won)

- ✓ Expand policy financing by over 25 trillion won to mitigate the impact of tariff-related damages, and double the size of the export voucher program.
- ✓ Drive innovation in the AI ecosystem by securing 10,000 high-performance GPUs and doubling the training programs for highly skilled talent.
- ✓ Significantly bolster support for essential infrastructure and financial resources in high-tech strategic industries such as semiconductors.

1) Allocate 2.1 trillion won to Respond to trade risks (2.1 trillion won).

- Support tariff-affected and exporting companies (1.8 trillion won).
- Enhance the stability of supply chain of core items (0.2 trillion won)
- Take preemptive measures against employment shocks (0.1 trillion won).
- Ensure the foreign exchange market stability by raising the issuance ceiling for foreign currency denominated foreign exchange stabilization bonds by \$2.3 billion to \$3.5 billion.

2) Advance the domestic AI ecosystem (1.8 trillion won).

3) Boost the competitiveness of high-tech strategic industries, including semiconductors (0.5 trillion won).

3. People's Livelihood Support (+4.3 trillion won)

- ✓ Provide 500,000 won credit for small businesses and expand policy financing by 2.5 trillion won.
- ✓ Introduce 'Co-prosperity Payback'¹ to increase sales in traditional markets and local businesses.
- ✓ Expand tailored policy financing for vulnerable groups, including low-income workers and those with low credit ratings.

1) Alleviate the financial burden on small businesses (2.6 trillion won).

2) Expand the revenue base of small-scale businesses (1.6 trillion won).

3) Support the livelihood stability of vulnerable groups (0.2 trillion won).

¹ For businesses with annual sales of 3 billion won or less, 20% of the year-on-year increase in credit card spending will be reimbursed in the form of Onnuri gift certificates up to maximum of 300,000 won.