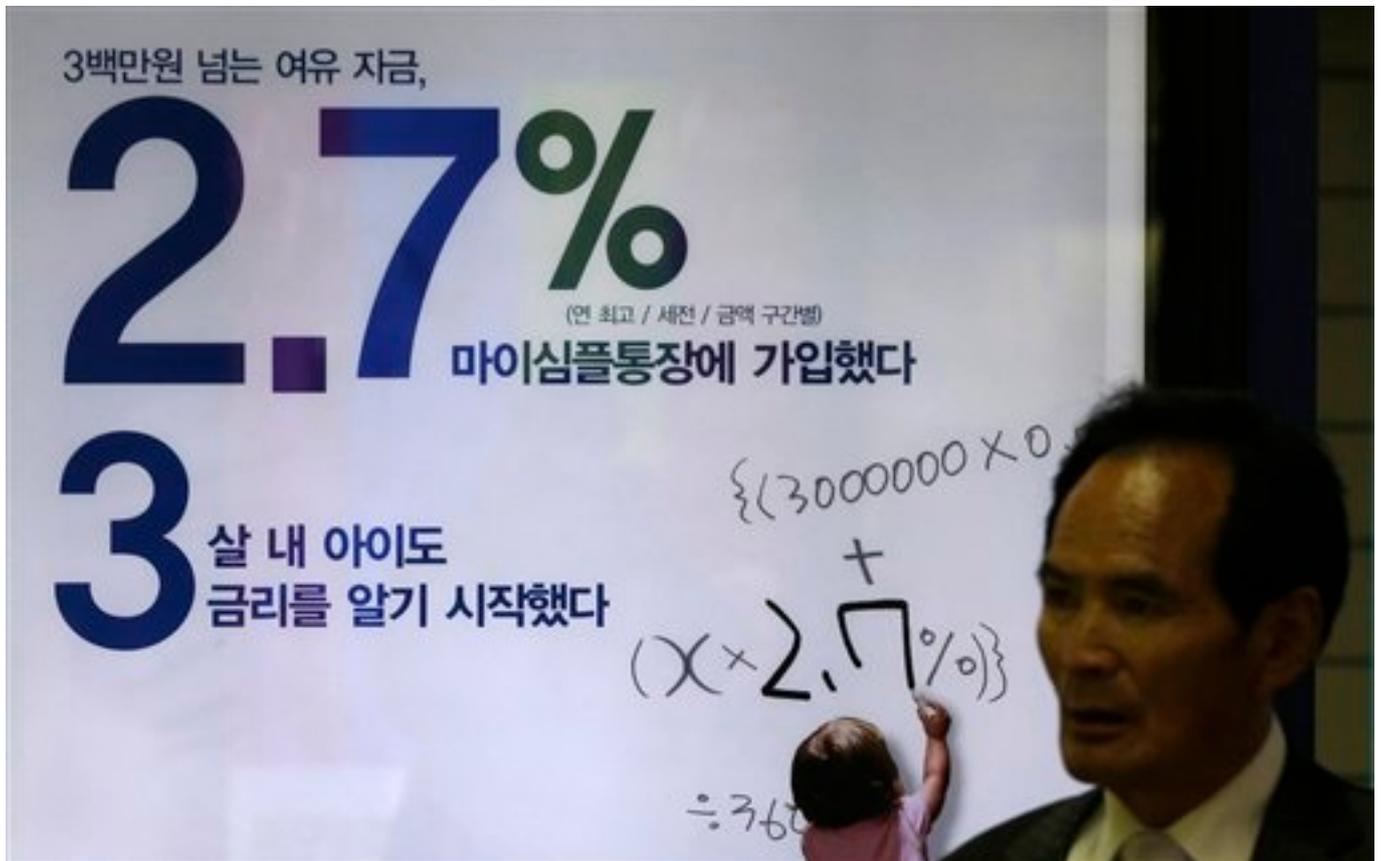


SKorea plans \$15 bln extra budget to boost economy

YOUKYUNG LEE - AP Business Writer - Associated Press



South Korea's government announced a \$15.3 billion stimulus plan Tuesday to boost slowing growth in Asia's fourth-largest economy.

The stimulus would be South Korea's third-largest supplementary budget ever, exceeded only by those approved after the 1998 Asian financial crisis and the 2008 global financial turmoil when measured as a proportion of gross domestic product.

The Ministry of Strategy and Finance said the budget will add 0.3 percentage point to growth this year and create 40,000 new jobs.

A ministry statement said the budget will be used to cover a tax revenue shortfall, aid small and medium firms and boost the stagnant real estate market. It said it will submit the 17.3 trillion won (\$15.3 billion) plan to parliament on Thursday.

The ministry estimated a tax revenue shortfall of 6 trillion won due to the slower-than-expected economic recovery and another 6 trillion won shortfall from delays in selling stakes in state-owned banks. The remaining 5.3 trillion won will be a net increase in the government's budget.

In addition to the extra budget requiring parliamentary approval, the ministry will

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Published on Electronic Component News (<http://www.ecnmag.com>)

also use 2 trillion won in state funds that do not need to go through the assembly to stimulate the economy.

"The extra budget is aimed at finding growth momentum for South Korea's economy," South Korea's finance minister Hyun Oh-seok said in a statement.

The stimulus plan comes after the ministry last month cut its forecast for South Korea's economic growth this year. It said South Korea's economy will expand 2.3 percent, instead of the 3 percent it had predicted three months earlier. The ministry blamed the yen's slide that is hurting South Korean exporters, weak consumer sentiment and sluggish capital investment.

The Bank of Japan's unprecedented monetary easing measures that have driven down the yen's value are meant to help lift Japan's economy out of years of deflation. But the weaker yen puts major South Korean exporters such as Samsung Electronics Co. and Hyundai Motor Co. at a disadvantage to their Japanese rivals, such as Sony Corp. and Toyota Motor Corp.

The fiscal measures also come amid heightened tensions with North Korea. The escalation in threats from the North has caused jitters in South Korea's financial markets.

The stimulus move underlines how the government is seeking a quick fix to the economic slowdown. South Korea's economy expanded 2 percent in 2012, the slowest rate in three years, due to weak global recovery and trade. The opposition, however, could use procedural tactics to slow parliamentary approval of the extra budget.

Despite the government's calls for all-out efforts to boost the economy, South Korea's central bank has resisted lowering interest rates.

Last week, Bank of Korea kept its key interest rate unchanged at 2.75 percent for a sixth month. Gov. Kim Choong-soo said the economy is on track for a slow recovery and monetary policy is "accommodative" enough to encourage borrowing and spending.

Source URL (retrieved on 04/25/2014 - 1:46am):

<http://www.ecnmag.com/news/2013/04/skorea-plans-15-blm-extra-budget-boost-economy>