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STATE OF PUBLIC FINANCES, 2015

OECD HIGHLY EVALUATES KOREA'S FISCAL SOUNDNESS

Korea's fiscal conditions are sound enough not to need any additional efforts in pursuit of fiscal consolidation, according to the OECD's recent evaluation of fiscal soundness titled '*The State of Public Finances, 2015*¹,' which describes that Korea's public finances are "in reasonably healthy shape, and Korea is planning to use its available fiscal space for pro-growth policies." The report also says that Korea's "broader strategy is to create a virtuous circle of economic recovery leading to high revenue generation."

While the average public debt position of the OECD member countries continues to worsen, Korea has maintained its debt level stable since 2007.

* Government debt (% of GDP, OECD average): 80 (2007) → 101 (2009) → 118 (2013)

* Government debt (% of GDP, Korea): 28.7 (2007) → 31.2 (2009) → 35.9 (2014)

Fiscal Consolidation Needs

No or low consolidation needs	No significant consolidation needed	8 countries including Korea ²
	0 – 1.5% of GDP worth of consolidation needed annually	3 countries
Moderate and high consolidation needs	1.5 – 3.0% of GDP worth of consolidation needed annually	3 countries
	3.0 – 4.5% of GDP worth of consolidation needed annually	3 countries
Very high consolidation needs	More than 4.5% of GDP worth of consolidation needed annually	14 countries

The OECD also classified consolidation strategies adopted by member countries into 3 categories according to the degree of fiscal correction and growth initiatives: 1) 'coupling fiscal correction with structural reform,' 2) 'fiscal relaxation or stimulus,' and 3) 'fiscal relaxation plus structural reform,' and Korea is classified into the 3rd category.

¹ The OECD released the State of Public Finances 2015 report on November 6, which contains the outcomes of fiscal evaluation of its over 30 member countries. The recent issue is the third one following the 2011 and 2012 reports. These reports present strategies pursued by the OECD member countries to 'correct, consolidate and stabilize public finances' to overcome the economic crisis from 2007–2008 onwards.

² Korea also received a high rating, second to the top, from the IMF this year with regard to fiscal soundness and fiscal space, while getting its sovereign credit rating upgraded by Moody's and S&P partly due to its fiscal strength.

The Korean government will incorporate OECD's evaluations and suggestions in implementing fiscal management and reform policies, and continue to work on improving fiscal soundness as well as increasing fiscal spending efficiency in order to be well prepared for welfare expenditure increases accompanied by ageing population and to finance unification costs.