

Embargo:

Release Date: February 14, 2014

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2012 PUBLIC SECTOR DEBT

PUBLIC SECTOR DEBT AMOUNTED TO 821.1 TRILLION WON IN 2012

1. Public Sector Debt

Public sector debt, which includes the debt of general government and nonfinancial public institutions, such as the Korea Land & Housing Corporation (LH) and the Korea Electric Power Corporation (KEPCO), amounted to 821.1 trillion won* as of the end of 2012.

* Public sector debt (821.1 trillion won) = general government debt (504.6 trillion won) + nonfinancial public corporations debt (389.2 trillion won) – internal transactions (72.8 trillion won)

Public Sector Debt

(trillion won)

				2011	2012	Change	
Public sector	General government	Central government	Accounting, Funds	394.4	425.7	31.3	
			Nonprofit public institutions	43.1	52.3	9.2	
			Internal transactions	-11.6	-11.3	0.3	
		Central government debt (a)			425.9	466.7	40.8
		Local government	Local governments	40.8	43.4	2.6	
			Local educational institutions	9.9	9.9	-0.1	
			Nonprofit public institutions	1.2	1.1	-0.1	
			Internal transactions	-0.5	-0.6	-0.1	
		Local government debt (b)			51.4	53.7	2.3
		Internal transactions between central government and local governments (c)			-18.1	-15.8	2.2
		General government debt (A= a+b+c)			459.2	504.6	45.4 ²
	Nonfinancial Corporation (NFC)	National public corporations		323.9	343.5	19.6	
		Local public corporations		48.2	51.3	3.2	
		Internal transactions		-8.1	-5.6	2.5	
		NFC debt (B)		363.9	389.2	25.3 ³	
	Internal transactions between A and B (C)			-69.8	-72.8 ¹	-3.0	
	Public sector debt (A+B+C)			753.3	821.1	67.8	

1. Internal transactions between the National Pension Fund and nonfinancial public corporations (30.8 trillion won), internal transactions between National Housing Fund and LH (29.7 trillion won)

2. Korea Treasury Bonds (24.4 trillion won), Korea Deposit Insurance Corporation (6.4 trillion won), Korea Student Aid Foundation (1.6 trillion won)

3. LH (6.2 trillion won), KEPCO (4.6 trillion won), Korea Gas Corporation (4.4 trillion won), Korea Rail Network Authority (1.8 trillion won), Gyeonggi Urban Innovation Corporation (1.3 trillion won)

Public sector debt was calculated according to the ‘Public Sector Debt Statistics: Guide for Compliers and Users’, which was developed by the IMF, WB and OECD. Instead of simply adding general government debt and public institution debt, all public sector debt statistics were compiled and internal transactions were excluded.

2. Defining Public Sector Debt

- Public sector debt (D3) = general government debt (D2) + nonfinancial corporation debt
- General government debt (D2) = national Debt (D1) + nonprofit public institution debt
- National debt (D1) = central and local government debt

National debt (D1) is comprised of the general account and special account, and funds of the central and local governments, and is referred to when establishing national fiscal management plans.

General government debt (D2) is comprised of D1 and nonprofit public institutions, and is referred to when comparing fiscal soundness between countries.

Public sector debt (D3) is comprised of D2 and nonfinancial public corporations, and is referred to as an indicator for public sector fiscal soundness and financial risk management.

* Public sector debt as a percentage to GDP (% , 2012): D1 (34.8), D2 (39.7), D3 (64.5)

3. Measures to Manage Public Sector Debt

Stabilizing National Debt

The national debt is gradually being reduced, and should fall to mid 30 percent levels compared to GDP by 2017. By permanently reducing expenditures, the growth rate of total expenditures will be kept below the growth rate of total revenues, and fiscal rules, such as Pay-go,* will be made stronger. The government also plans to make more fiscal information public by releasing monthly fiscal trends (starting in February 2014) and developing an integrated fiscal information system (in 2015). These two measures will provide information to the public regarding monthly tax revenues and expenditures, as well as the current state of the national debt.

*Pay-go: any increase in fiscal expenditures must be offset by other expenditure decreases or an increase in revenues.

Constructing a Local Government Debt Management System

Individual debt management systems will be converted to a comprehensive management system for each local government (encompassing local governments, local public corporations, and government-funded institutions), and a deputy ministerial level official will be appointed in the Ministry of Strategy and Finance to manage the system. Local governments will develop fiscal soundness management plans* each year, and will be need to be approved by the local legislature.

*Addressing both comprehensive debt and contingent liabilities.

Setting and Managing Public Enterprise Debt Reduction Targets

Debt held by public institutions that submitted middle to long-term financial plans will be managed in order to reduce levels from 220 percent to 200 percent by 2017. The government has debt reduction plans from the 18 institutions flagged as ‘highly indebted’, and is currently reviewing each plan. Local public corporation debt targets will be introduced, and the limit on corporation bonds issued will be lowered by 40 percent every year to drop from 400 percent in 2012 to 200 percent by 2017.