



An Analysis of the Effects of COVID-19 Stimulus Payments in Korea

This study analyzed the impact of Korea's Covid-19 and stimulus payments using the results of a survey of households in the Seoul metropolitan area.

The portion of employment shocks since the outbreak of Covid-19 came to 17.5 percent, with the impact period ranging from 2.8 months to 4.5 months. 83.1% of those affected by employment shock said they were directly or indirectly affected by Covid-19. 36.9 percent of households saw their total income decline, and they experienced a decline in income. The income change for all households was -10.4%. 35.9 percent of households experienced a drop in consumption, while 24.4 percent experienced a drop in consumption. The change in consumption for all households was -6.4%.

The marginal consumption propensity of stimulus payments was estimated at 29.1%. The addition of involuntary consumption constraints due to Covid-19 to this value increases to 45.0%. This is considerably larger than the similar policy of 24.3% of Taiwan's consumption coupon payment in 2009 and 25.0% of Japan's flat payment in 2009.

Regression results show that consumption propensity is not different

depending on income levels, and self-employed and non-regular workers are the same. The larger the stimulus payments, the higher the consumption propensity, and for households with children, subsidies tend to replace existing education spending.

The experience of stimulus payments seems to have caused a shift in attitude toward more favoring tax increases for the rich and universal welfare. However, many people were concerned about the future tax burden due to the stimulus payments, and did not welcome the increase in taxes for the vulnerable.

The experience of receiving stimulus payments has been found to have had a positive impact on overcoming economic crises, overall social life, promoting consumer life and interest in local small business. In particular, the trust in the central and local governments that executed the stimulus payments has also caused a distinctly positive change. But it doesn't seem to have greatly improved the belief that people around me will help me or the overall trust in society.

Respondents are in favor of the need to provide disaster support in future disaster situations, and prefer universal payments to selective ones.