

## Why South Korea's legislative elections are unlikely to spark a major policy shift

On 10 April, South Koreans will head to the polls for parliamentary elections. Barring a super-majority in parliament, the results won't change much in terms of economic policy



View of the National Assembly Building, Seoul

### The 22nd legislative election on 10 April

On 10 April, South Koreans will go to the polls for parliamentary elections, aiming to elect the 300 seats of the National Assembly. Of those, 254 are constituency seats, while the remaining 46 are elected by proportional representation. Each voter's choice counts for both the constituency candidate of their electoral districts and the proportional seats. Members of the National Assembly are elected for a four-year term and set the agenda mainly for domestic policy.

The progressive Democratic Party (opposition party) holds a large number of seats in parliament, but in the last two elections – presidential and local – the conservative People Power Party won. As of March 2024, South Korea's National Assembly had 297 members out of a total 300 members. The DP held the most seats with 160, followed by the PPP with 113.

According to the National Election Commission, the turnout for early voting from Friday and Saturday was 31.2%. This was 4.5 points higher than in the previous election and marks the highest turnout seen for a general election.

## A large number of undecided votes could swing the result

Recent polls suggest it will be a neck-and-neck race between the two major parties, but there are still a large number of undecided voters. The results could, therefore, swing towards one side or the other. If the PPP and other conservative parties win, it could add momentum to President Yoon Suk Yeol's major reform agenda – including health care, education, and national pensions. However, if the DP and associated parties win, it will further weaken Yoon's leadership, and his policies could be negotiated with the opposition coalition.

Regardless of which party wins the race, what will be more closely watched is how many seats the winner will take. Constitutional amendment is possible if 200 seats are secured. 180 seats can take control of legislative power, including promoting the fast track alone. If 150 seats are secured, various bills, including the budget bill and the motion for appointment of the Prime Minister, Constitutional Judge, and Supreme Court Justice, can be passed.

## We expect the impact of the election on the economy to be limited

Fiscal policy will remain on the tight side based on the government's proposal, whose stance is fiscal normalisation and soundness. With the DP currently in the majority, this year's budget was passed with few changes to the government's original proposal. However, both parties are calling for some kind of fiscal stimulus – the DP argues for a cash transfer programme, while the PPP prefers a reduction in VAT – and fiscal policy may, therefore, turn more supportive for growth in the second half of this year. At the same time, this could hold inflation at an elevated level a bit longer than expected. In our base case scenario, government efforts to curb inflation will continue with tight monetary conditions, and inflation is expected to cool down gradually.

When it comes to monetary policy, both parties support a tight stance and remain concerned about higher inflation and excessive private debt. Recent inflation data coming in above 3% should be a major concern for the Bank of Korea, and its hawkish stance will remain for a while.

Regarding the “Value-Up” programme for the stock market, the election results won't change much about the programme itself. The DP is more focused on improving corporate governance and protecting the rights of shareholders, while the PPP favours tax cuts and deregulation.

As for foreign policy, the current president has sought closer ties with the US and Japan, and this won't change significantly whoever wins, as parliament has little room to weigh in on the president's foreign policy agenda.

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