

Opening a New Chapter for the Korean Economy through Pragmatism and Tangible Results

On May 20, First Vice Minister of Finance and Economy Lee Hyoung Il attended the Cabinet Meeting held at the Blue House, where he presented the key economic achievements of the first year of the People's Sovereignty Government.



Since its launch, the People's Sovereignty Government has faced the unprecedented challenge of restoring the Korean economy to a normal trajectory following the economic disruption caused by the martial law. More recently, it has also had to navigate a complex global crisis driven by rapid changes in external economic conditions, including the Middle East conflict.

In response, the administration has focused on pursuing pragmatic policies aimed at delivering tangible benefits to businesses and the public, including special measures to stabilize consumer prices, an AI-driven industrial transformation, and efforts to revitalize the domestic capital market. These efforts have already produced visible outcomes within a short period of time, including a rebound in economic growth (3.6% in the first quarter of 2026) and the KOSPI surpassing the 7,000 mark. Specific achievements are as follows.

1. Economic Recovery and Accelerating Growth Momentum

- 1) Following the rebound from the martial law shock (from 0.3% in the first half of 2025 to 1.7% in the second half of 2025, year-on-year), growth momentum strengthened further, with the economy recording growth of 3.6% in the first quarter of 2026. On a quarter-on-quarter basis, the economy grew by 1.7%, ranking first among major OECD economies reporting growth data to date.
- 2) The recovery in economic growth contributed to improved corporate performance and domestic demand, creating a virtuous cycle in which greater tax revenues further expanded the government's revenue base. The year-on-year change in national tax revenue was KRW -51.8 trillion in 2023, KRW -7.6 trillion in 2024, and KRW 37.4 trillion in 2025. It is projected to be KRW 41.5 trillion in 2026.
- 3) The government also achieved meaningful progress in regional job creation, becoming the only administration to record simultaneous increases in employment both nationwide and outside the Seoul metropolitan area. The year-on-year growth in employment nationwide increased from 139 thousand persons during the ten months prior to the administration's inauguration to 186 thousand persons during the ten months following the inauguration. The increase in employment outside the Seoul metropolitan area increased from 36 thousand persons to 166 thousand persons during the same period.
- 4) Reflecting the acceleration in growth momentum, major domestic institutions and global investment banks have been revising upward their growth forecasts for the Korean economy this year. The Korea Development Institute has revised its growth forecast from 1.9 percent to 2.5 percent, while the average forecast among eight global investment banks also increased from 2.1 percent to 2.6 percent.

2. Enhancing Korea's Global Economic Standing

- 1) Korea's ranking in global exports rose from eighth place (January – March 2025) to fifth place (January – March 2026). The current account balance also recorded an all-time high of USD 73.8 billion in the first quarter of 2026, amounting to nearly 60% of the country's full-year current account surplus of USD 123.1 billion in 2025.
- 2) With the KOSPI surpassing the 7,000 mark, the market capitalization of the Korean stock market rose significantly from thirteenth to eighth in the world (as of June 2, 2025).
- 3) Following Korea's inclusion in the World Government Bond Index (WGBI) on April 1, 2026, net purchases of Korean government bonds by foreign investors have increased, contributing to greater stability in the government bond and foreign exchange market. The net purchases of Korean government bonds by foreign investors averaged KRW 4.3 trillion in 2023 on a monthly basis and reached KRW 8.8 trillion in April 2026 on a settlement basis. The net purchases of Korean government bonds by foreign investors on a settlement basis increased from a monthly average of KRW 4.3 trillion in 2023 to KRW 8.8 trillion in April 2026.
- 4) Reflecting these strong economic fundamentals, major global credit rating agencies have maintained Korea's sovereign credit ratings with a "stable" outlook, providing further evidence of positive international assessments of the Korean economy. Fitch affirmed Korea's AA- rating with a stable outlook on January 30, while Moody's confirmed its Aa2 rating with a stable outlook on February 13. S&P also affirmed Korea's AA rating with a stable outlook on April 29.

3. Stable Management of Consumer Prices

- 1) For the first time in 29 years, the government introduced a maximum price system for petroleum products while simultaneously implementing fuel tax cuts. As a result, consumer inflation was reduced by 0.6%p in March and 1.2%p in April compared with a scenario without the maximum price system and fuel tax reductions.
- 2) Through the Ministerial Task Force on Consumer Price Management, chaired by the Deputy Prime Minister, the government closely monitored key livelihood-related items including school uniforms, apartment maintenance fees, and private education and telecommunications fees, while efforts to establish market order contributed to broader declines in food prices. Consumer prices of processed food products in April 2026, compared to May 2025, decreased by 6.7 percent for cooking oil, 4.6 percent for flour, and 4.4 percent for sugar.
- 3) Supported by these policy measures, Korea's consumer inflation has remained in the low 2% range despite the spillover effects of the Middle East conflict, staying below the levels recorded in many major economies.

The people's Sovereignty Government will continue to pursue a major economic transformation guided by the principles of "pragmatism and tangible results" in order to restore potential growth and ensure that the benefits of growth are broadly shared with the public.