Republic of Korea **Economic Bulletin**

**October** 2025 Vol.**47** No.**10**


**Current Economic Trends** | **Policy Issue** | **Economic News Briefing**

2026 Budget Proposal

Korean GDP in Q2 2025
Plan for Flagship Projects
Korean OFDI in Q2 2025

Ministry of Economy and Finance
KDI Economic Information and Education Center

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▲ Munchijae, a Mountain Pass Known for its Curved Shape in Korea.

# Republic of Korea **Economic Bulletin**

The Republic of Korea Economic Bulletin is a monthly publication that seeks to promote a greater understanding of the Korean economy by providing readers with information on the latest economic trends and policy issues as well as relevant news and current events.

**October** 2025 Vol.**47** No.**10**

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## Current Economic Trends



## Policy Issue



## Economic News Briefing

# Current Economic Trends

# Overview

**In July, industrial production, services production, retail sales, and facilities investment increased, while construction investment declined. In August, the number of employed persons increased and consumer prices rose at a slower pace.**

In July, total production rose *(up 0.3% m-o-m and up 1.9% y-o-y)*, as industrial production *(up 0.3% m-o-m and up 5.0% y-o-y)* and services production *(up 0.2% m-o-m and up 2.1% y-o-y)* increased, while production in construction sectors *(down 1.0% m-o-m and down 14.2% y-o-y)* decreased.

In July, retail sales *(up 2.5% m-o-m and up 2.4% y-o-y)* and facilities investment *(up 7.9% m-o-m and down 5.4% y-o-y)* increased.

In August, exports increased by 1.3 percent from a year ago driven by robust semiconductor industry performance and average daily exports increased by 5.8 percent compared to the previous year.

In August, the Consumer Sentiment Index (CSI) rose by 0.6 points month-on-month to 111.4. The Composite Business Sentiment Index (CBSI) increased by 1.0 points to 91.0 in August, and the CBSI outlook for September rose by 3.4 points to 91.8.

In July, the cyclical indicator of the coincident composite index fell by 0.1 point and the cyclical indicator of the leading composite index rose by 0.5 points.

In August, the number of employed persons grew by 166,000 jobs compared to the previous year and the unemployment rate stood at 2.0 percent, up by 0.1 percent point from a year ago.

In August, the Consumer Price Index (CPI) climbed by 1.7 percent year-on-year, driven by a decline in petroleum and public services product prices. The index when excluding food and energy prices grew by 1.3 percent.

In August, Korean equity prices went down, yields for Korean Treasury Bond dropped, and the Korean Won weakened against the dollar.

In August, housing prices rose *(up 0.06% m-o-m)*, and *Jeonse* (lump-sum deposits with no monthly payments) prices also rose *(0.04% m-o-m)*.

**Recently, the Korean economy has continued to face challenges such as a delayed recovery in construction investment, employment difficulties concentrated in vulnerable sectors, and concerns over slowdown in exports due to U.S. tariff measures. Nonetheless, positive signs of an economic recovery are strengthening, with consumption rising on the back of policy support.**

The global economy is facing sustained volatility in the global financial markets and concerns over slower trade and growth, primarily owing to worsening trade conditions driven by tariff measures imposed by major economies.

Against this backdrop, the government will go all out to stimulate domestic demand by swiftly implementing the supplementary budget, distributing livelihood recovery consumption coupons, and organizing large-scale discount events. At the same time, it will also make every effort to mitigate trade risks, including providing support for Korean companies affected by U.S. tariffs.

# Economic Activity

## 1. Gross Domestic Product (Preliminary estimate)

In the second quarter of 2025, Korea's real Gross Domestic Product (GDP) amounted to 576.8 trillion won, and real Gross Domestic Income (GDI) was 566.3 trillion won.

(Trillion won, inflation adjusted at 2020 prices)

| | 2023 | 2024 | 2023 | | | | 2024 | | | | 2025 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Annual | Annual[1] | Q1 | Q2 | Q3 | Q4 | Q1[1] | Q2[1] | Q3[1] | Q4[1] | Q1[1] | Q2[1] |
| GDP | 2,247.2 | 2,292.2 | 532.3 | 560.9 | 564.5 | 589.5 | 550.4 | 573.5 | 572.4 | 595.9 | 550.2 | 576.8 |
| (Seasonally adjusted) | - | - | 556.1 | 559.9 | 564.2 | 567.0 | 573.7 | 572.4 | 572.9 | 573.3 | 572.1 | 575.9 |
| - Private consumption | 1,085.4 | 1,097.0 | 270.7 | 266.8 | 271.9 | 276.0 | 273.7 | 268.8 | 275.5 | 279.0 | 275.2 | 271.2 |
| - Facility investment | 212.8 | 216.5 | 51.9 | 55.7 | 49.8 | 55.3 | 50.8 | 54.3 | 53.1 | 58.2 | 53.7 | 56.1 |
| - Construction investment | 300.0 | 290.2 | 62.5 | 82.4 | 75.9 | 79.2 | 63.5 | 81.4 | 71.2 | 74.1 | 55.0 | 72.1 |
| - Total export | 848.3 | 906.3 | 201.5 | 205.5 | 211.9 | 229.4 | 219.5 | 224.0 | 225.5 | 237.3 | 222.7 | 234.0 |
| - Total import | 752.7 | 771.4 | 193.1 | 181.2 | 184.4 | 194.0 | 191.7 | 187.2 | 193.0 | 199.6 | 195.7 | 195.6 |
| GDI | 2,155.5 | 2,240.3 | 505.5 | 532.6 | 546.3 | 571.0 | 537.9 | 557.9 | 560.8 | 583.8 | 537.2 | 566.3 |
| (Seasonally adjusted) | - | - | 529.5 | 531.9 | 544.2 | 549.9 | 560.4 | 558.1 | 559.3 | 562.5 | 559.0 | 567.3 |

Source: Bank of Korea.
[1] Preliminary estimate.
[2] Advance estimate.

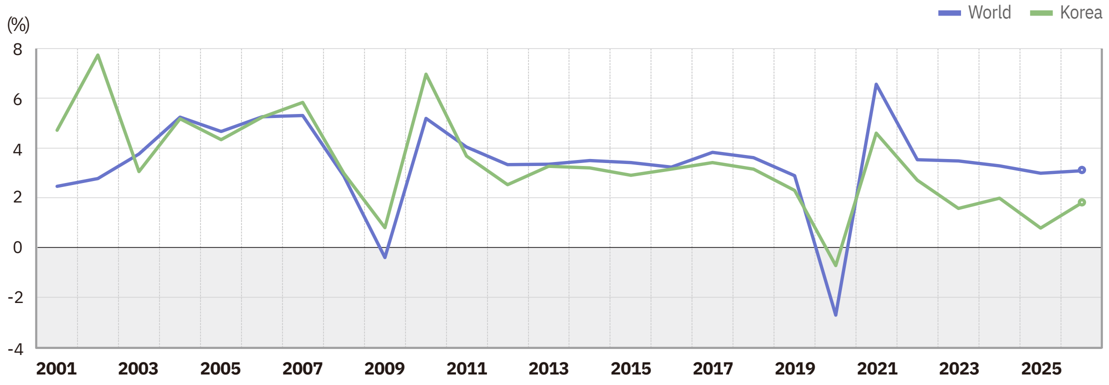
In the second quarter of 2025, real GDP grew 0.6 percent year-on-year, and seasonally adjusted GDP increased 0.7 percent quarter-on-quarter. Real GDI rose 1.5 percent year-on-year, and seasonally adjusted GDI also increased 1.5 percent quarter-on-quarter.

(Percentage change from same period in previous year, inflation adjusted at 2020 prices)

| | 2023 | 2024 | 2023 | | | | 2024 | | | | 2025 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Annual | Annual[1] | Q1 | Q2 | Q3 | Q4 | Q1[1] | Q2[1] | Q3[1] | Q4[1] | Q1[1] | Q2[1] |
| GDP | 1.6 | 2.0 | 1.3 | 1.2 | 1.5 | 2.2 | 3.4 | 2.2 | 1.4 | 1.1 | 0.0 | 0.6 |
| (Seasonally adjusted[2]) | - | - | 0.4 | 0.7 | 0.8 | 0.5 | 1.2 | -0.2 | 0.1 | 0.1 | -0.2 | 0.7 |
| - Private consumption | 2.0 | 1.1 | 5.0 | 1.7 | 0.7 | 0.8 | 1.1 | 0.7 | 1.3 | 1.1 | 0.6 | 0.9 |
| - Facility investment | -0.2 | 1.7 | 4.3 | 3.0 | -5.1 | -2.6 | -2.2 | -2.5 | 6.6 | 5.3 | 5.8 | 3.4 |
| -Construction investment | -0.5 | -3.3 | 0.1 | 0.3 | 1.1 | -3.1 | 1.6 | -1.2 | -6.2 | -6.4 | -13.3 | -11.4 |
| - Total export | 3.4 | 6.8 | -1.5 | 0.6 | 3.5 | 11.1 | 8.9 | 9.0 | 6.4 | 3.5 | 1.5 | 4.5 |
| - Total import | 3.0 | 2.5 | 6.8 | 2.5 | -0.7 | 3.5 | -0.7 | 3.3 | 4.6 | 2.9 | 2.1 | 4.5 |
| GDI | 1.8 | 3.9 | -1.0 | 0.1 | 3.7 | 4.2 | 6.4 | 4.7 | 2.7 | 2.2 | -0.1 | 1.5 |
| (Seasonally adjusted[2]) | - | - | 0.7 | 0.5 | 2.3 | 1.0 | 1.9 | -0.4 | 0.2 | 0.6 | -0.6 | 1.5 |

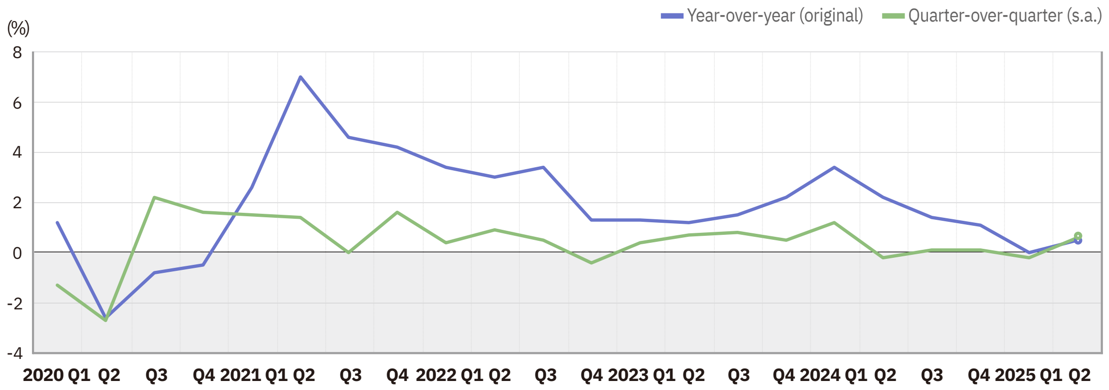
Source: Bank of Korea.
[1] Preliminary estimate.
[2] Percentage change from previous period.

## GDP growth: World and Korea



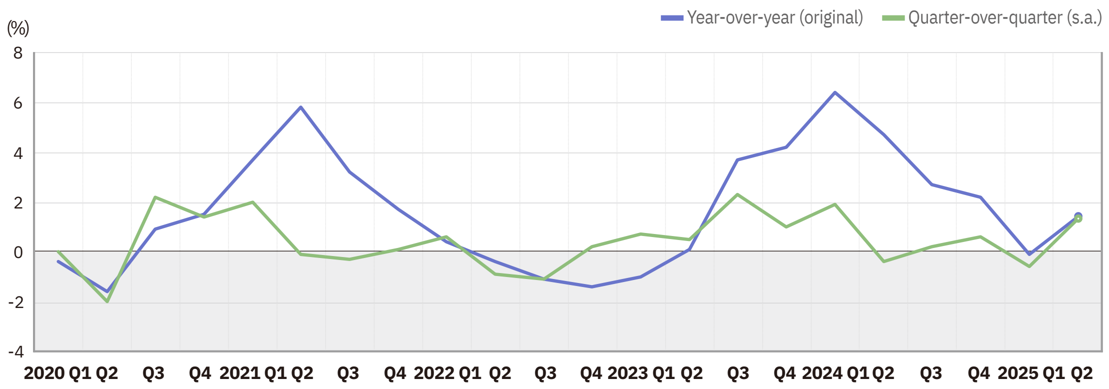

Source: IMF

## GDP growth: Korea




Source: Bank of Korea.

## GDI growth: Korea




Source: Bank of Korea.

# 2. Total Production and Composite Index of Business Indicators

In July, the Total Index of Industrial Production increased 0.3 percent month-on-month. Industrial production *(up 0.3%)*, services production *(up 0.2%)*, and public spending *(up 2.8%)* increased, while construction *(down 1.0%)* fell. The index rose 1.9 percent year-on-year.

**Coincident composite index**

The cyclical indicator of the coincident composite index fell 0.1 point month-on-month to 99.0. More specifically, retail sales index and value of construction completed rose, while the shipment index for domestic market and imports fell.

**Leading composite index**

The cyclical indicator of the leading composite index rose 0.5 point month-on-month to 101.5. Within the leading composite index, KOSPI and interest rate spread rose, while producer's shipment index of machinery for domestic demand and net barter terms of trade fell.

| | 2024 | | | | | 2025 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun[1] | Jul[1] |
| Total index of Industrial Production (m-o-m, %) | 1.0 | -0.3 | 0.5 | -1.2 | 1.8 | -1.6 | 0.7 | 1.1 | -0.7 | -1.2 | 1.5 | 0.3 |
| (y-o-y, %) | 1.0 | -1.7 | 2.2 | -1.0 | 0.7 | -3.8 | 1.2 | 1.1 | 0.7 | -0.8 | 1.0 | 1.9 |
| Cyclical indicator of coincident composite index | 99.4 | 99.5 | 99.7 | 99.4 | 99.3 | 98.9 | 99.1 | 99.3 | 99.5 | 99.1 | 99.1 | 99.0 |
| (m-o-m, p) | -0.1 | 0.1 | 0.2 | -0.3 | -0.1 | -0.4 | 0.2 | 0.2 | 0.2 | -0.4 | 0.0 | -0.1 |
| Coincident composite index (2020=100) | 111.9 | 112.1 | 112.6 | 112.3 | 112.4 | 112.2 | 112.5 | 113.0 | 113.4 | 113.1 | 113.3 | 113.3 |
| (m-o-m, %) | 0.1 | 0.2 | 0.4 | -0.3 | 0.1 | -0.2 | 0.3 | 0.4 | 0.4 | -0.3 | 0.2 | 0.0 |
| Cyclical indicator of leading composite index | 100.7 | 100.7 | 100.7 | 100.7 | 100.5 | 100.2 | 100.3 | 100.5 | 100.8 | 100.8 | 101.0 | 101.5 |
| (m-o-m, p) | -0.1 | 0.0 | 0.0 | 0.0 | -0.2 | -0.3 | 0.1 | 0.2 | 0.3 | 0.0 | 0.2 | 0.5 |
| Leading composite index (2020=100) | 116.2 | 116.5 | 116.8 | 117.1 | 117.2 | 117.1 | 117.5 | 118.1 | 118.8 | 119.1 | 119.6 | 120.5 |
| (m-o-m, %) | 0.3 | 0.3 | 0.3 | 0.3 | 0.1 | -0.1 | 0.3 | 0.5 | 0.6 | 0.3 | 0.4 | 0.8 |

Source: Industrial activity trends, Statistics Korea.

[1] Figures for the last three months of coincident composite index are preliminary, while figures for the last two months of leading composite index are preliminary.

**Coincident composite index in Jul 2025 (m-o-m, %)**

| | |
|---|---|
| Retail sale index | 1.1 |
| Value of construction completed | 0.9 |
| Index of Services | 0.1 |
| Shipment index for domestic market | -0.9 |
| Imports | -0.9 |
| Industrial production index | -0.4 |

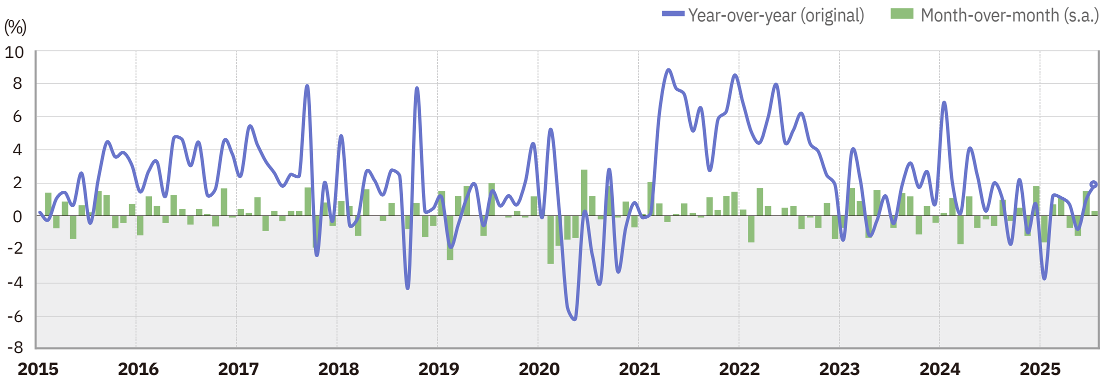
Source: Industrial activity trends, Statistics Korea.

**Leading composite index in Jul 2025 (m-o-m, %)**

| | |
|---|---|
| Construction orders received | 11.5 |
| KOSPI | 8.7 |
| Interest rate spread(%p) | 0.13 |
| Net barter terms of trade | -0.1 |
| Producer's shipment index of machinery for domestic demand | -1.5 |

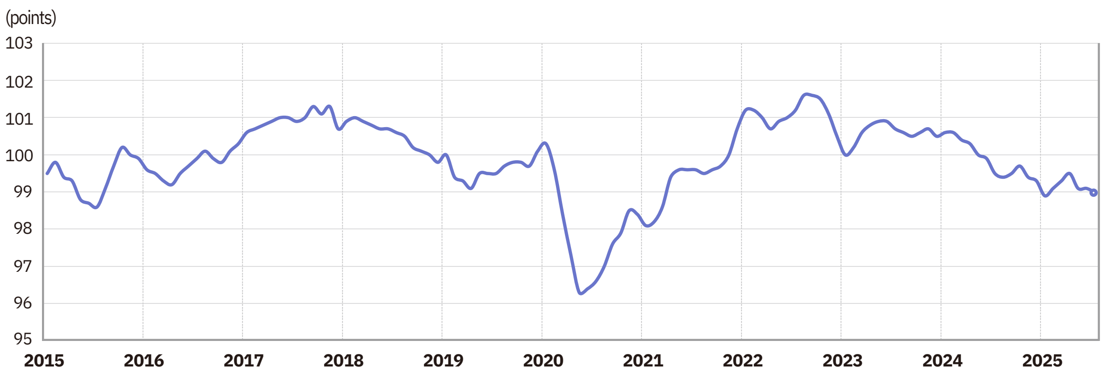
Source: Industrial activity trends, Statistics Korea.

## Total index of Industrial Production



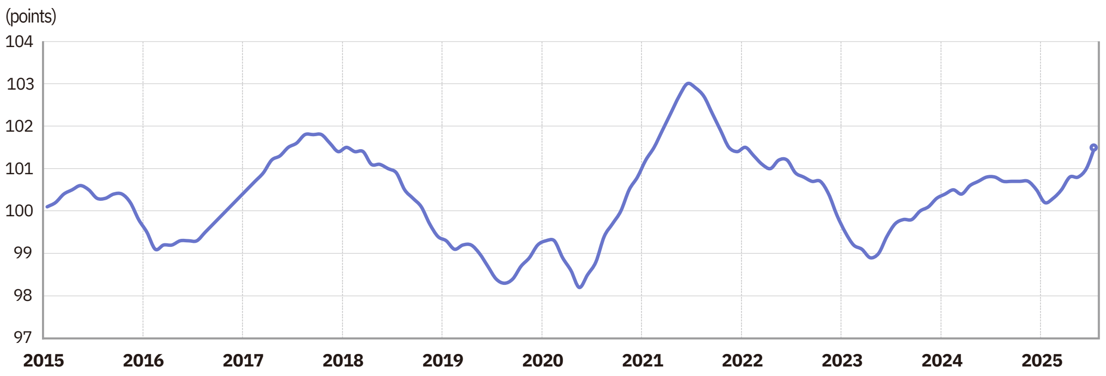

Source: Industrial activity trends, Statistics Korea.

## Cyclical indicator of coincident composite index




Source: Industrial activity trends, Statistics Korea.

## Cyclical indicator of leading composite index




Source: Industrial activity trends, Statistics Korea.

# 3. Private consumption

Private consumption *(preliminary estimate of GDP)* in the second quarter of 2025 increased by 0.5 percent quarter-on-quarter and rose by 0.9 percent year-on-year.

(Percentage change from previous period)

| | 2023 | 2024 | 2023 | | | | 2024 | | | | 2025 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Annual | Annual[1] | Q1 | Q2 | Q3 | Q4 | Q1[1] | Q2[1] | Q3[1] | Q4[1] | Q1[1] | Q2[1] |
| **Private consumption** | - | - | 0.6 | 0.0 | 0.1 | 0.3 | 0.5 | 0.0 | 0.4 | 0.2 | -0.1 | 0.5 |
| **(y-o-y)** | 2.0 | 1.1 | 5.0 | 1.7 | 0.7 | 0.8 | 1.1 | 0.7 | 1.3 | 1.1 | 0.6 | 0.9 |

Source: National accounts, Bank of Korea.
[1] Preliminary estimate.

Retail sales increased by 2.5 percent month-on-month in July. Sales of durable goods *(up 5.4%),* semi-durable goods *(up 2.7%)*, and nondurable goods *(up 1.1%)* all rose. The year-on-year index increased 2.4 percent.

(Percentage change from previous period)

| | 2023 | 2024 | 2023 | | | | 2024 | | | | 2025 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Annual | Annual | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2[1] | May | Jun[1] | Jul[1] |
| **Retail sales** | - | - | -0.7 | 0.4 | -1.3 | 0.8 | -2.2 | -0.3 | 0.7 | -0.4 | 0.4 | -0.9 | 0.0 | 0.7 | 2.5 |
| **(y-o-y)** | -1.3 | -2.1 | -1.4 | -0.4 | -2.6 | -1.2 | -1.6 | -3.1 | -1.5 | -2.0 | -0.3 | 0.0 | -0.1 | 0.3 | 2.4 |
| **- Durable goods** | -1.1 | -3.9 | -1.0 | -0.6 | -1.9 | 2.8 | -4.1 | -3.2 | 4.5 | -2.2 | 5.2 | -2.7 | 2.0 | -1.4 | 5.4 |
| **· Automobiles** | 6.9 | -7.3 | 0.6 | 1.8 | -5.4 | 4.4 | -11.0 | -0.6 | 7.1 | 0.8 | 3.9 | 2.7 | 0.8 | -3.7 | 1.8 |
| **- Semi-durable goods** | -0.5 | -3.0 | 3.7 | -0.5 | -2.8 | 0.8 | -1.4 | -0.6 | -1.2 | 1.2 | -2.8 | -1.8 | -0.3 | 4.2 | 2.7 |
| **- Nondurable goods** | -1.8 | -0.9 | -2.1 | 1.2 | -0.6 | -0.1 | -1.5 | 1.0 | -0.2 | -0.2 | -0.6 | 0.4 | -0.8 | 0.4 | 1.1 |

Source: Statistics Korea.
[1] Preliminary.

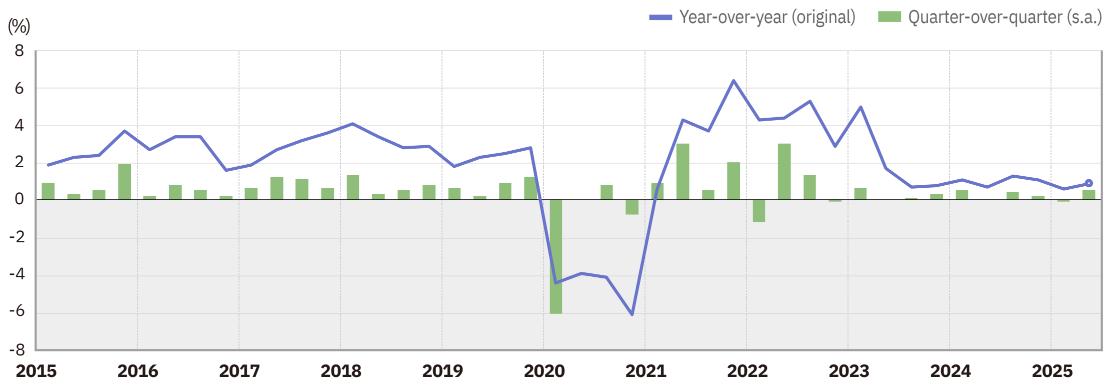
The retail sales outlook for August is mixed, as seen in increases in the consumer sentiment index and car sales at home slowdown in decreases in department store sales and large discount store sales.

(Percentage change from same period in previous year)

| | 2025 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug |
| **Car sales at home** | -10.5 | 15.6 | 6.0 | 12.5 | 0.1 | 8.0 | 2.0 | 5.0 |
| **Department store sales** | 7 | -10.4 | -2.1 | -13.2 | -0.5 | -1.1 | 1.1 | -7.1 |
| **Large discount store sales** | 11.2 | -16.7 | 3.2 | -8.2 | -5.9 | -1.6 | -9.6 | -22.9 |
| **Credit card spending at home[1]** | 1.7 | 6.8 | 2.5 | 3.9 | 2.7 | 3.7 | 6.3 | 5.0 |
| **Consumer sentiment index[2]** | 91.2 | 95.2 | 93.4 | 93.8 | 101.8 | 108.7 | 110.8 | 111.4 |
| **Number of Chinese tourists[3]** | 39.7 | 6.3 | 22.4 | 18.9 | 28.7 | 28.8 | 36.2 | 21.5 |

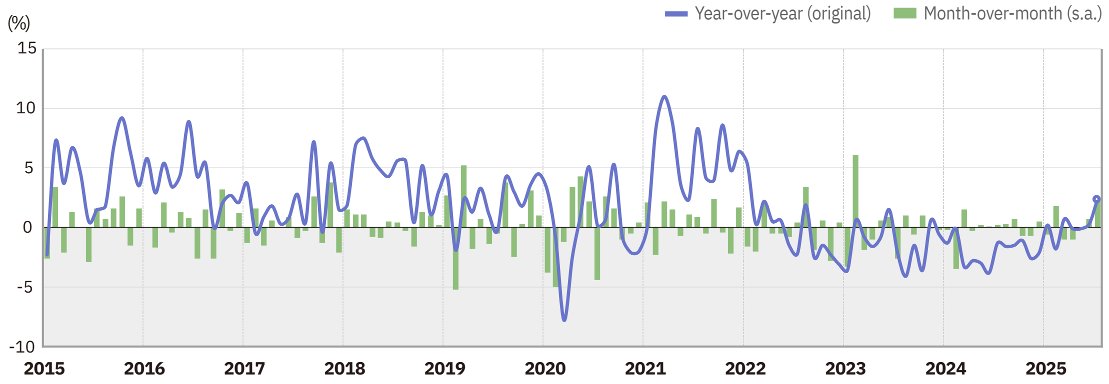
Sources: Korea Automobile Manufacturers Association; The Credit Finance Association; Bank of Korea; Korea Culture & Tourism Institute; data provided by retail industries.
[1] Utility bills are excluded.
[2] Level value.
[3] Advance estimate based on total entries, The figure can be different from the statistic released by the Ministry of Culture, Sports and Tourism, which excludes diplomatic and military personnel.

## Private consumption



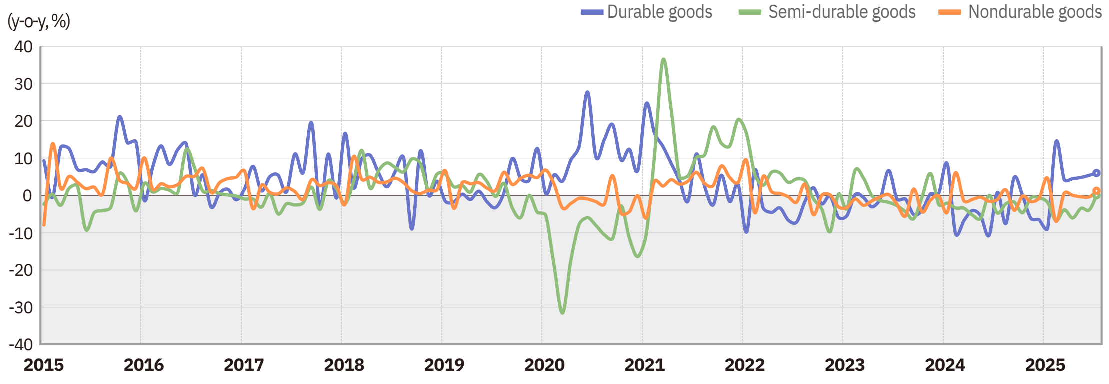

Source: National account, Bank of Korea.

## Retail sales




Source: Industrial activity trends, Statistics Korea.

## Retail sales by type




Source: Industrial activity trends, Statistics Korea.

# 4. Facility investment

Facility investment *(preliminary estimate of GDP)* in the second quarter of 2025 decreased by 2.1 percent quarter-on-quarter, while it rose by 4.0 percent year-on-year.

(Percentage change from previous period)

| | 2023 | 2024 | 2023 | | | | 2024 | | | | 2025 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Annual | Annual[1] | Q1 | Q2 | Q3 | Q4 | Q1[1] | Q2[1] | Q3[1] | Q4[1] | Q1[1] | Q2[1] |
| Facility investment | - | - | -1.7 | 0.5 | -3.6 | 2.2 | -1.0 | 0.0 | 5.4 | 0.8 | -0.4 | -2.1 |
| (y-o-y) | -0.2 | 1.7 | 4.3 | 3.0 | -5.1 | -2.6 | -2.2 | -2.5 | 6.6 | 5.3 | 5.8 | 4.0 |
| - Machinery | -0.1 | 1.8 | -3.8 | 2.0 | -5.6 | 1.1 | 0.9 | -1.8 | 6.9 | 1.8 | -4.6 | -1.0 |
| - Transportation equipment | -0.4 | 1.4 | 7.5 | -5.3 | 4.7 | 6.3 | -7.9 | 6.7 | 0.0 | -3.0 | 15.9 | -5.8 |

Source: National accounts, Bank of Korea.
[1] Preliminary estimate.

In July, the facility investment index rose by 7.9 percent month-on-month as both machinery investment index and transportation equipment investment index increased. The index fell by 5.4 percent year-on-year.

(Percentage change from previous period)

| | 2023 | 2024 | 2023 | | | | 2024 | | | | 2025 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Annual | Annual | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2[1] | May | Jun[1] | Jul[1] |
| Facility investment index | - | - | -9.0 | 1.5 | -3.8 | 3.5 | -1.5 | -1.4 | 10.2 | -1.8 | -1.7 | 0.0 | -5.5 | -4.3 | 7.9 |
| (y-o-y) | -4.8 | 2.9 | -1.5 | -0.9 | -10.5 | -5.8 | -1.4 | -3.3 | 11.5 | 5.3 | 5.7 | 5.3 | 6.6 | 1.4 | -5.4 |
| Machinery | -7.1 | 1.9 | -11.0 | 1.0 | -2.8 | -0.3 | 1.7 | -1.9 | 5.0 | 3.4 | -2.3 | -4.3 | -8.0 | 1.1 | 3.7 |
| Transportation equipment | 2.8 | 5.3 | -2.5 | 2.9 | -6.9 | 15.1 | -9.4 | -0.1 | 23.7 | -13.1 | -0.1 | 11.1 | 0.2 | -15.0 | 18.1 |

Source: Statistics Korea.
[1] Preliminary.

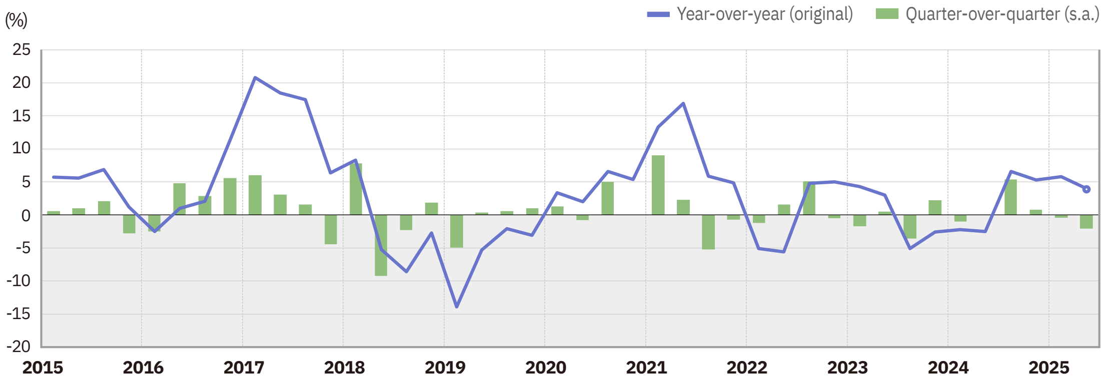
The facility investment outlook is mixed, as the positive trend of an increase in facility investment pressure is offset by a decline in domestic machinery orders received.

(Percentage change from same period in previous year)

| | 2023 | 2024 | 2023 | | | | 2024 | | | | 2025 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Annual | Annual | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2[1] | May | Jun[1] | Jul[1] |
| Domestic machinery orders received | -2.6 | -2.7 | -5.9 | -3.1 | -14.5 | 15.9 | -7.1 | -7.3 | 15.6 | -9.5 | 18.3 | 5.4 | 2.5 | 8.3 | -40.0 |
| (% change from previous period) | - | - | 3.9 | 4.6 | -5.1 | 9.2 | -12.8 | -0.9 | 19.8 | -12.9 | 12.0 | -7.1 | -14.8 | -7.3 | -11.5 |
| - Public | 92.3 | -21.2 | 158.8 | 124.5 | 28.0 | 40.1 | -63.0 | -42.6 | 169.3 | -40.7 | 15.2 | -28.7 | 34.4 | -17.1 | -86.9 |
| - Private | -8.2 | -0.3 | -15.7 | -11.1 | -16.4 | 14.2 | 3.1 | -1.7 | 4.8 | -6.8 | 18.6 | 8.6 | 1.3 | 9.9 | -24.4 |
| Machinery imports | -2.6 | 1.8 | 2.7 | 6.7 | -12.3 | -7.4 | -7.4 | -12.4 | 18.2 | 12.7 | 11.5 | 13.5 | 13.6 | 15.0 | 0.8 |
| Average capacity utilization rate[2] | 72.1 | 72.7 | 70.9 | 72.2 | 72.5 | 72.7 | 72.4 | 73.4 | 72.5 | 72.5 | 73.5 | 72.5 | 71.3 | 72.5 | 72.4 |
| Facility investment pressure[3] | -2.1 | 3.5 | -7.2 | -4.7 | 0.3 | 3.7 | 4.8 | 4.4 | 1.9 | 3.1 | 1.3 | 1.2 | -1.1 | 0.5 | 3.9 |

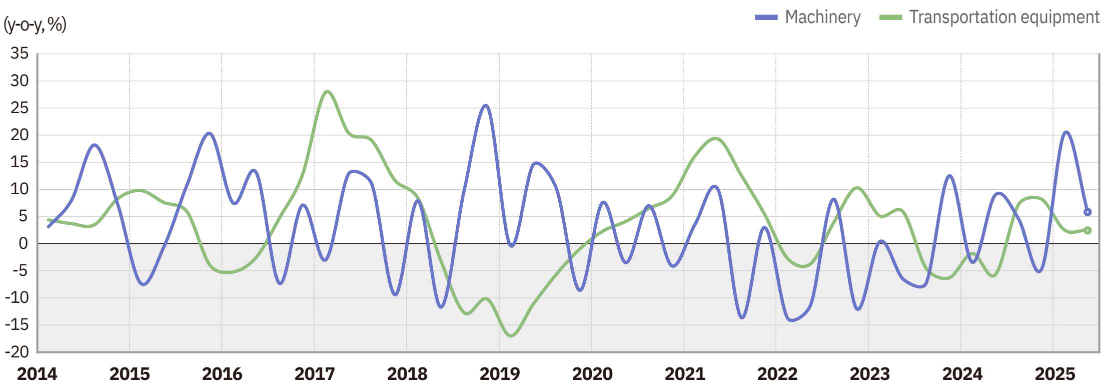
Sources: Statistics Korea; Korea International Trade Association.
[1] Preliminary.
[2] Utilization rate for the period, %.
[3] Production growth rate minus production capacity growth rate in the manufacturing sector, %p.

## Facility investment



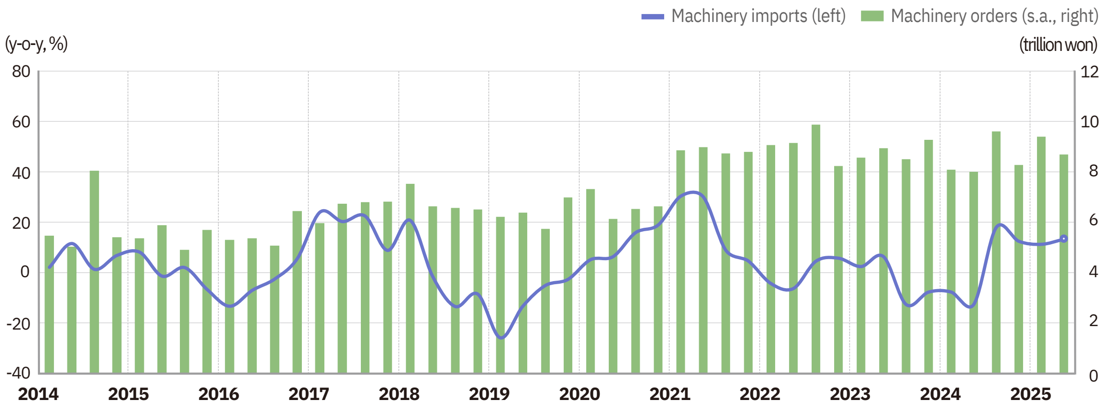

Source: National account, Bank of Korea.

## Facility investment by type




Source: National account, Bank of Korea.

## Leading indicators of facility investment




Sources: Statistics Korea; Korea International Trade Association.

# 5. Construction investment

Construction investment *(preliminary estimate of GDP)* in the second quarter of 2025 decreased 1.5 percent quarter-on-quarter and 11.4 percent year-on-year.

(Percentage change from previous period)

| | 2023 | 2024 | 2023 | | | | 2024 | | | | 2025 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Annual | Annual[1] | Q1 | Q2 | Q3 | Q4 | Q1[1] | Q2[1] | Q3[1] | Q4[1] | Q1[1] | Q2[1] |
| Construction investment | - | - | -0.2 | -0.5 | 1.5 | -3.9 | 4.5 | -3.3 | -3.6 | -4.1 | -3.1 | -1.5 |
| (y-o-y) | -0.5 | -3.3 | 0.1 | 0.3 | 1.1 | -3.1 | 1.6 | -1.2 | -6.2 | -6.4 | -13.3 | -11.4 |
| - Building construction | -2.4 | -5.0 | -1.7 | -0.4 | 0.7 | -5.3 | 4.6 | -3.9 | -4.6 | -2.4 | -5.4 | 0.1 |
| - Civil engineering works | 5.0 | 1.3 | 4.3 | -0.9 | 3.9 | -0.5 | 4.3 | -2.1 | -1.2 | -8.1 | 2.6 | -4.0 |

Source: National accounts, Bank of Korea.
[1] Preliminary estimate.

In July, construction completed *(constant)* fell by 1.0 percent month-on-month amid a decrease in building construction. The index fell 14.2 percent year-on-year.

(Percentage change from previous period)

| | 2023 | 2024 | 2023 | | | | 2024 | | | | 2025 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Annual | Annual | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2[1] | May | Jun[1] | Jul[1] |
| Construction completed (constant) | - | - | 3.4 | -0.4 | 1.9 | -4.2 | 7.7 | -8.2 | -3.8 | -5.1 | -6.4 | -3.1 | -2.6 | 6.4 | -1.0 |
| (y-o-y) | 7.8 | -4.7 | 12.0 | 9.5 | 10.8 | 0.8 | 4.0 | -3.1 | -9.1 | -9.7 | -21.2 | -17.5 | -19.5 | -12.1 | -14.2 |
| - Building construction | 9.9 | -6.7 | 6.3 | -1.3 | 1.3 | -5.7 | 9.2 | -10.0 | -5.3 | -4.3 | -5.7 | -4.6 | -3.4 | 9.6 | -4.8 |
| - Civil engineering works | 1.8 | 2.0 | -5.6 | 2.7 | 3.8 | 0.6 | 3.2 | -2.5 | 0.9 | -7.3 | -8.4 | 1.1 | -0.2 | -1.9 | 10.1 |

Source: Statistics Korea.
[1] Preliminary.

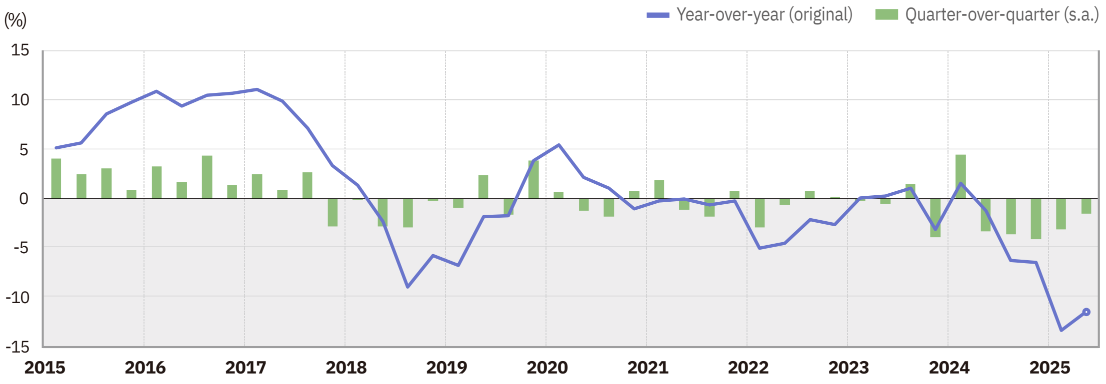
The construction investment outlook is mixed, as a decline in building permits is offset by an increase in in construction orders received.

(Percentage change from same period in previous year)

| | 2023 | 2024 | 2023 | | | | 2024 | | | | 2025 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Annual | Annual | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2[1] | May | Jun[1] | Jul[1] |
| Construction orders received (current value) | -18.3 | 10.9 | -14.5 | -31.2 | -43.2 | 23.2 | -10.4 | 20.7 | 26.8 | 9.7 | 1.1 | -5.1 | 4.2 | -7.0 | 22.4 |
| (% change from previous period) | - | - | 19.7 | -15.6 | -5.6 | 19.7 | -8.2 | 15.6 | 0.8 | 8.1 | -18.8 | 6.9 | -2.1 | 28.3 | 9.3 |
| - Building construction | -30.5 | 17.5 | -27.4 | -43.8 | -48.3 | 8.5 | -12.5 | 24.1 | 25.3 | 28.9 | 24.0 | 13.6 | 32.8 | 12.9 | 45.7 |
| - Civil engineering works | 23.9 | -1.8 | 32.2 | 20.1 | -23.1 | 59.2 | -6.2 | 14.3 | 30.8 | -22.4 | -41.6 | -43.8 | -58.0 | -42.7 | -14.6 |
| Building permits[2] | -25.6 | -6.8 | -8.5 | -33.5 | -32.8 | -24.3 | -17.2 | -16.4 | -9.9 | 8.4 | -23.4 | -8.5 | -12.1 | 3.9 | -19.0 |
| Apartment presales[3] | 21.1 | 25.0 | 3.5 | 4.0 | 5.1 | 8.6 | 5.8 | 5.8 | 5.7 | 7.7 | 2.3 | 4.7 | 1.7 | 0.7 | 2.8 |

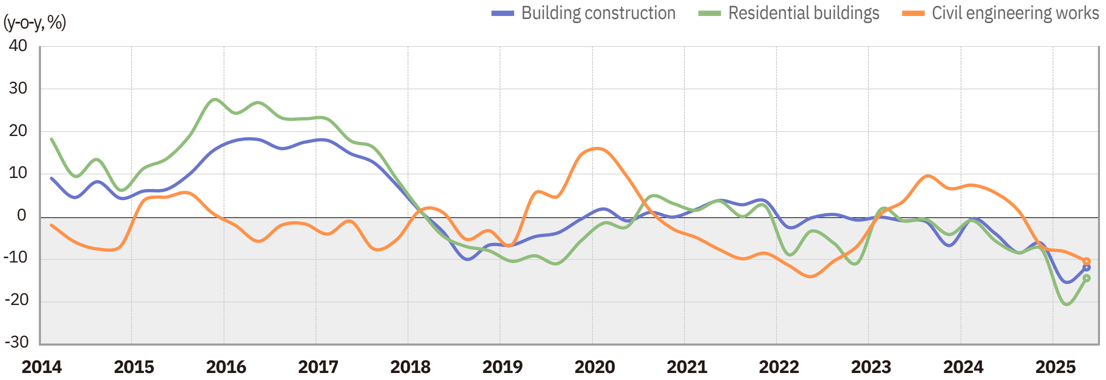
Sources: Statistics Korea; Ministry of Land Infrastructure and Transport; Real Estate 114.
[1] Preliminary.
[2] Gross Floor Area.
[3] Thousand housing units.

## Construction investment



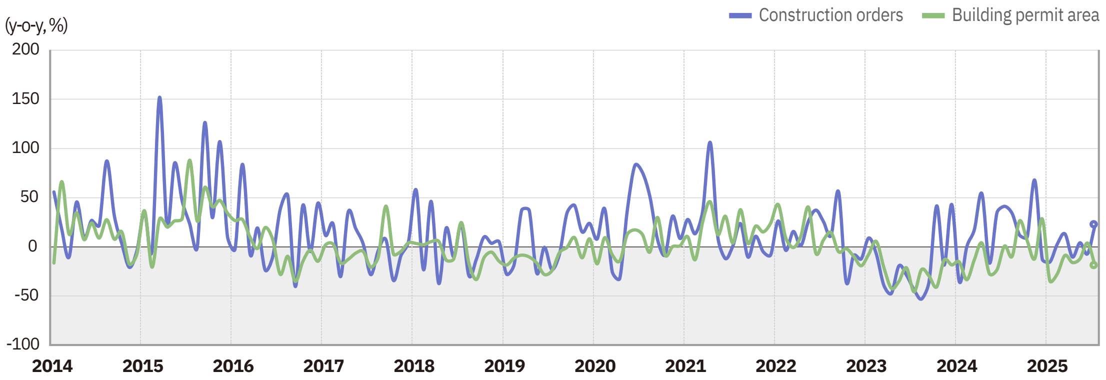

Source: National account, Bank of Korea.

## Construction investment by type




Source: National account, Bank of Korea.

## Leading indicators of construction investment




Sources: Statistics Korea; Ministry of Land, Infrastructure and Transport.

# 6. Exports and imports (Preliminary Estimate)

Exports grew by 1.3 percent year-on-year to US $58.4 in August owing to improved business conditions in the semiconductor sector despite a shorter number of working days.
Exports of semiconductor and automobiles increased, while petroleum products and petrochemicals decreased. In terms of export markets, exports to the US and ASEAN increased while exports to China and Japan declined.
The average daily amount of exports, which factors in the number of working days, rose by 5.8 percent year-on-year to US $2.6 billion.

Imports fell 4.0 percent year-on-year to US $51.9 billion in August.

Trade balance recorded a surplus for the past six consecutive months, totaling US $6.5 billion in August.

(US $ billion)

| | 2023 | 2024 | 2023 | | | | 2024 | | | | 2025 | | | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Annual | Annual | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Jul | Aug | Aug |
| Exports | 632.2 | 683.8 | 151.2 | 155.8 | 157.1 | 168.1 | 163.3 | 171.5 | 173.7 | 175.2 | 159.6 | 175.2 | 60.8 | 57.6 | 58.4 |
| (y-o-y, %) | -7.5 | 8.1 | -12.8 | -12.0 | -9.7 | 5.7 | 8.0 | 10.1 | 10.5 | 4.2 | -2.3 | 2.2 | 5.8 | 10.9 | -10.7 |
| Average daily exports | 2.3 | 2.5 | 2.2 | 2.3 | 2.3 | 2.5 | 2.4 | 2.6 | 2.5 | 2.6 | 2.5 | 2.4 | 2.4 | 2.5 | 2.3 |
| Imports | 642.6 | 632.0 | 174.0 | 159.3 | 150.7 | 158.6 | 155.1 | 157.0 | 160.0 | 160.0 | 152.6 | 154.3 | 54.2 | 54.1 | 51.9 |
| (y-o-y, %) | -12.1 | -1.6 | -2.2 | -13.2 | -21.6 | -10.7 | -10.9 | -1.4 | 6.2 | 0.9 | -1.4 | -1.7 | 0.7 | 6.0 | -10.7 |
| Average daily imports | 2.4 | 2.3 | 2.6 | 2.4 | 2.2 | 2.4 | 2.3 | 2.4 | 2.3 | 2.3 | 2.4 | 2.3 | 2.2 | 2.3 | 2.3 |
| Trade balance | -10.4 | 51.6 | -22.8 | -3.5 | 6.4 | 9.6 | 8.2 | 14.5 | 13.6 | 15.2 | 6.9 | 20.9 | 6.6 | 3.6 | 6.5 |

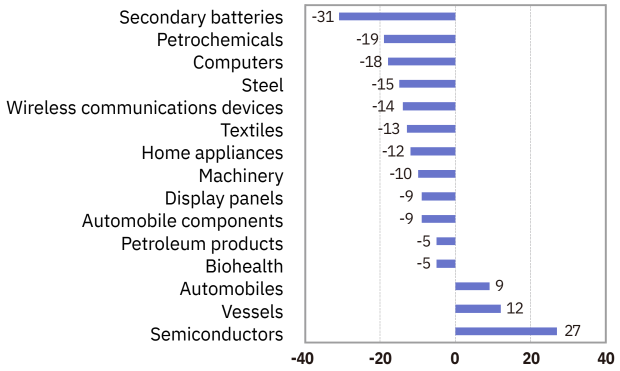
Source: Korea Customs Service.

### Export growth and share by region in Aug 2025

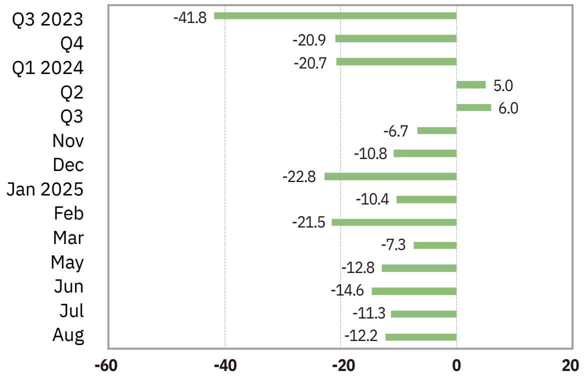
| | Growth (y-o-y, %) | Share (%) |
|---|---|---|
| ASEAN countries | 12 | 17 |
| CIS countries | 9 | - |
| Middle East | 1 | 3 |
| China | -3 | 18 |
| India | -5 | 3 |
| Japan | -5 | 4 |
| EU | -9 | 10 |
| Latin America | -9 | 4 |
| US | -12 | 18 |

[1] Cumulative total since January 2025.

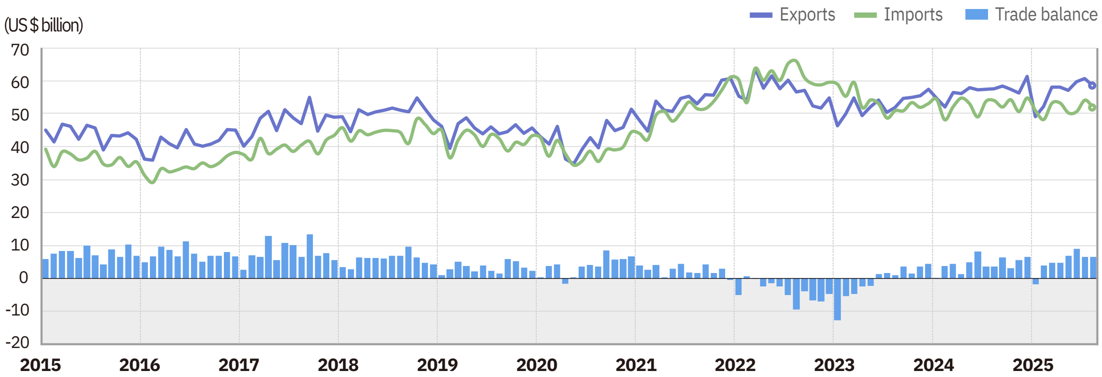
### Export growth by item in Aug 2025 (y-o-y, %)




### Energy Imports (y-o-y, %)

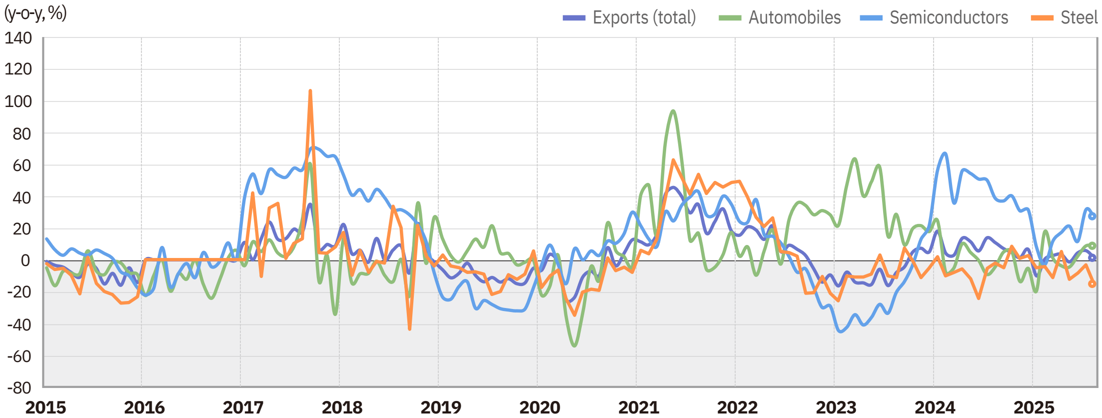


## Exports and imports



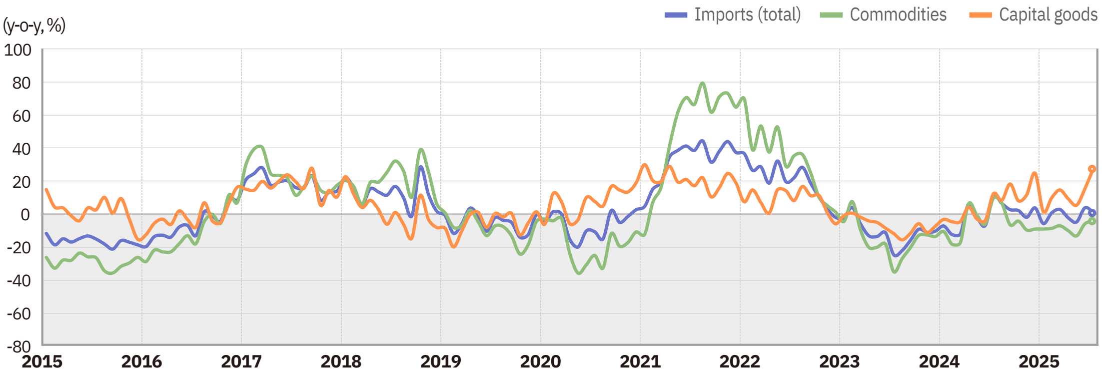

Sources: Korea Customs Service.

## Export growth by item




Sources: Korea Customs Service.

## Import growth by category




Sources: Korea Customs Service.

# 7. Employment

In August, the number of employed workers increased by about 166,000 year-on-year to 28,967,000 and the employment rate *(aged 15 and above)* grew by 0.1 percent points to 63.3 percent.

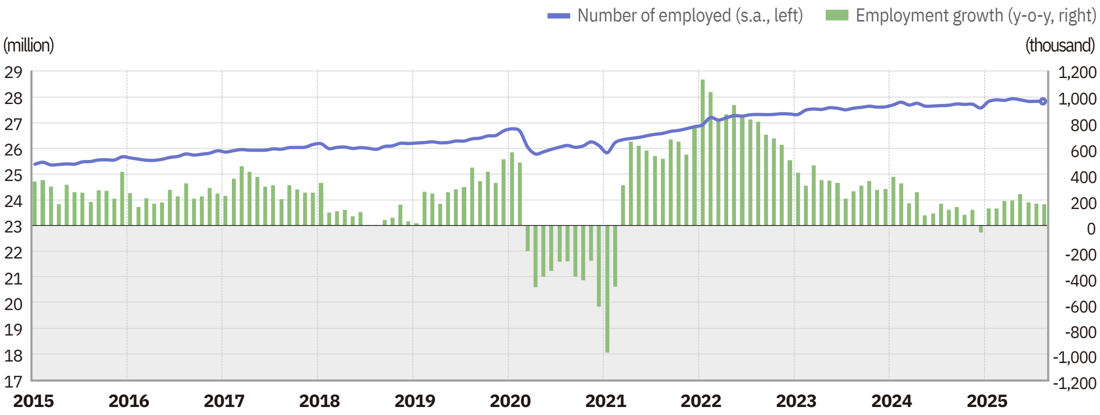
By sector, employment growth was led by an increase in the number of jobs in the healthcare and social welfare services, education, and real estate finance insurance sectors.

In terms of job growth by employment type, the number of permanent workers increased, while the number of temporary workers and day laborers declined.

| | 2022 | 2023 | 2024 | 2024 | | | | | 2025 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Annual | Annual | Annual | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug |
| Number of employed (million) | 28.09 | 28.42 | 28.58 | 28.80 | 28.84 | 28.85 | 28.82 | 28.04 | 27.88 | 28.18 | 28.89 | 28.89 | 29.16 | 29.09 | 29.03 | 28.97 |
| Employment rate (%) | 62.1 | 62.6 | 62.7 | 63.2 | 63.3 | 63.3 | 63.2 | 61.4 | 61.0 | 61.7 | 62.5 | 63.2 | 63.8 | 63.6 | 63.4 | 63.3 |
| (Seasonally adjusted) | - | - | - | 62.7 | 62.8 | 62.7 | 62.7 | 62.3 | 62.9 | 63.0 | 63.0 | 63.1 | 62.9 | 62.8 | 62.8 | 62.8 |
| - 15 to 64 | 68.5 | 69.2 | 69.5 | 69.8 | 69.9 | 69.8 | 69.9 | 69.4 | 68.8 | 68.9 | 69.3 | 69.9 | 70.5 | 70.3 | 70.2 | 69.9 |
| Employment growth (y-o-y, thousand) | 816 | 327 | 159 | 123 | 144 | 83 | 123 | -52 | 135 | 136 | 193 | 194 | 245 | 183 | 171 | 166 |
| - Manufacturing | 135 | -43 | -6 | -35 | -49 | -33 | -95 | -97 | -56 | -74 | -112 | -124 | -67 | -83 | -78 | -61 |
| - Construction | 33 | -9 | -49 | -84 | -100 | -93 | -96 | -157 | 169 | -167 | -185 | -150 | -106 | -97 | -92 | -132 |
| - Services | 575 | 385 | 239 | 286 | 345 | 278 | 350 | 177 | 349 | 401 | 567 | 606 | 549 | 494 | 460 | 484 |
| · Wholesale & retail | -41 | -37 | -61 | -55 | -104 | -148 | -89 | -96 | -91 | -65 | -26 | -3 | 18 | 10 | 13 | 0 |
| · Hotels & restaurants | 84 | 114 | 25 | 7 | 46 | 28 | 24 | 12 | 27 | 56 | 56 | 1 | -67 | -38 | -71 | 0 |
| · Healthcare & social welfare service | 180 | 143 | 83 | 63 | 75 | 97 | 113 | -3 | 119 | 192 | 212 | 218 | 233 | 216 | 263 | 304 |
| - Wage workers | 749 | 327 | 214 | 189 | 160 | 96 | 171 | -49 | 180 | 177 | 259 | 277 | 329 | 314 | 287 | 270 |
| · Permanent workers | 805 | 478 | 183 | 99 | 79 | 91 | 167 | 187 | 224 | 233 | 234 | 279 | 362 | 318 | 319 | 348 |
| · Temporary workers | 43 | -61 | 154 | 191 | 206 | 105 | 106 | -86 | 72 | 36 | 126 | 52 | 25 | 58 | 16 | -12 |
| · Day laborers | -100 | -90 | -122 | -101 | -125 | -100 | -103 | -150 | -116 | -92 | -100 | -54 | -59 | -63 | -48 | -67 |
| - Nonwage workers | 68 | 0 | -55 | -67 | -16 | -13 | -48 | -3 | -45 | -41 | -66 | -83 | -84 | -130 | -116 | -103 |
| · Self-employed | 119 | 57 | -32 | -38 | 22 | 37 | -13 | 7 | -28 | -14 | -2 | -6 | -22 | -66 | -65 | -70 |
| - Male | 381 | 24 | -29 | -70 | -84 | -114 | -34 | -127 | -56 | -42 | 2 | 33 | 49 | 7 | 16 | 20 |
| - Female | 436 | 303 | 188 | 192 | 228 | 197 | 157 | 75 | 191 | 178 | 191 | 161 | 196 | 177 | 155 | 146 |
| - 15 to 29 | 119 | -98 | -144 | -142 | -168 | -182 | -180 | -217 | -218 | -235 | -206 | -174 | -150 | -173 | -158 | -219 |
| - 30 to 39 | 49 | 54 | 90 | 99 | 77 | 67 | 89 | 96 | 98 | 116 | 109 | 93 | 132 | 116 | 93 | 96 |
| - 40 to 49 | 4 | -54 | -81 | -68 | -62 | -72 | -91 | -97 | -71 | -78 | -49 | 51 | -39 | -55 | -56 | -73 |
| - 50 to 59 | 194 | 59 | 28 | 3 | 25 | 12 | 7 | 4 | -14 | -8 | -26 | -14 | -68 | -53 | -49 | -38 |
| - 60 and above | 452 | 366 | 266 | 231 | 272 | 257 | 298 | 162 | 340 | 342 | 365 | 340 | 370 | 348 | 342 | 401 |

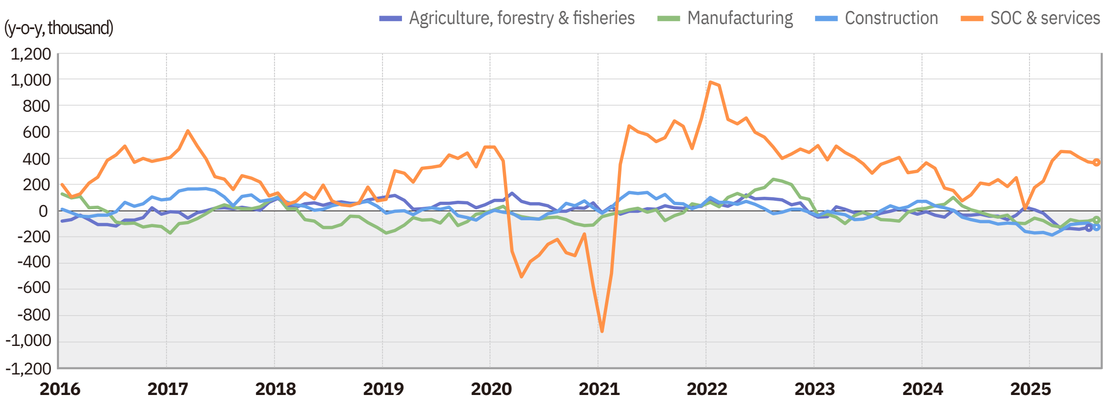
Source: Statistics Korea.

## Number of employed workers and employment growth



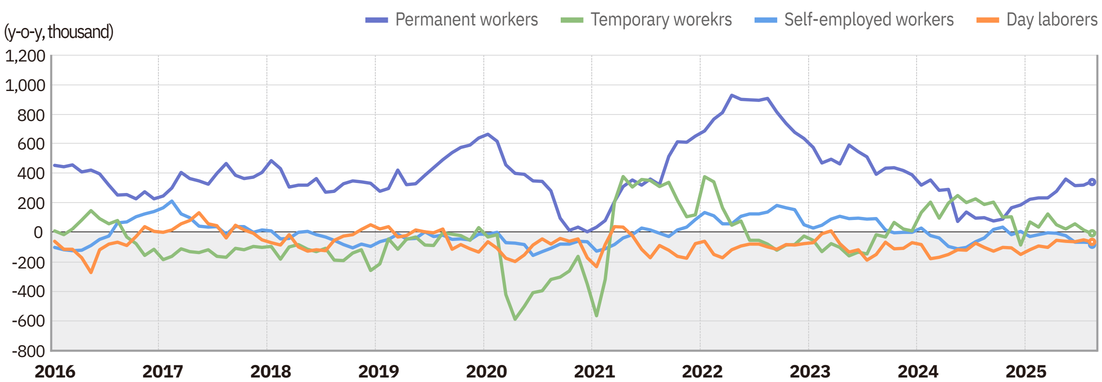

Source: Employment trends, Statistics Korea.

## Employment growth by industry




Source: Economically active population survey, Statistics Korea.

## Employment growth by type of employment




Source: Economically active population survey, Statistics Korea.

In August, the number of unemployed workers decreased by about 28,000 year-on-year to 592,000 and the unemployment rate climbed 0.1 percent point to 2.0 percent.

| | 2022 | 2023 | 2024 | 2024 | | | | | 2025 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Annual | Annual | Annual | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug |
| Number of unemployed (thousand) | 833 | 787 | 823 | 564 | 622 | 678 | 656 | 1,115 | 1,083 | 940 | 918 | 854 | 853 | 825 | 726 | 592 |
| Unemployment growth (y-o-y, thousand) | -205 | -46 | 36 | -9 | -39 | 51 | -21 | 171 | 11 | 25 | 26 | -32 | -32 | -32 | -11 | 28 |
| - Male | -129 | -14 | 18 | -1 | -26 | 22 | -32 | 29 | -17 | 15 | 5 | 0 | -17 | -1 | 16 | 23 |
| - Female | -76 | -32 | 18 | -8 | -13 | 29 | 11 | 141 | 28 | 10 | 21 | -31 | -15 | -32 | -27 | 4 |
| Unemployment rate (%) | 2.9 | 2.7 | 2.8 | 1.9 | 2.1 | 2.3 | 2.2 | 3.8 | 3.7 | 3.2 | 3.1 | 2.9 | 2.8 | 2.8 | 2.4 | 2.0 |
| (Seasonally adjusted) | - | - | - | 2.4 | 2.5 | 2.7 | 2.7 | 3.7 | 2.9 | 2.7 | 2.9 | 2.7 | 2.7 | 2.6 | 2.5 | 2.6 |
| - 15 to 29 | 6.4 | 5.9 | 5.9 | 4.1 | 5.1 | 5.5 | 5.5 | 5.9 | 6.0 | 7.0 | 7.5 | 7.3 | 6.6 | 6.1 | 5.5 | 4.9 |
| - 30 to 39 | 2.7 | 2.6 | 2.7 | 2.4 | 2.2 | 2.3 | 2.2 | 2.2 | 2.6 | 2.8 | 2.9 | 2.8 | 2.6 | 2.8 | 2.5 | 2.5 |
| - 40 to 49 | 2.0 | 1.9 | 1.9 | 1.3 | 1.5 | 1.7 | 1.7 | 1.8 | 2.0 | 2.3 | 2.2 | 2.1 | 2.3 | 2.0 | 2.0 | 1.7 |
| - 50 to 59 | 1.7 | 1.7 | 1.8 | 1.2 | 1.4 | 1.7 | 1.6 | 1.8 | 1.8 | 1.9 | 2.1 | 2.1 | 2.1 | 2.1 | 1.8 | 1.4 |
| - 60 and above | 2.8 | 2.6 | 2.9 | 1.5 | 1.6 | 1.6 | 1.5 | 8.0 | 7.0 | 3.6 | 2.6 | 1.9 | 2.2 | 2.2 | 1.7 | 1.0 |

Source: Statistics Korea.

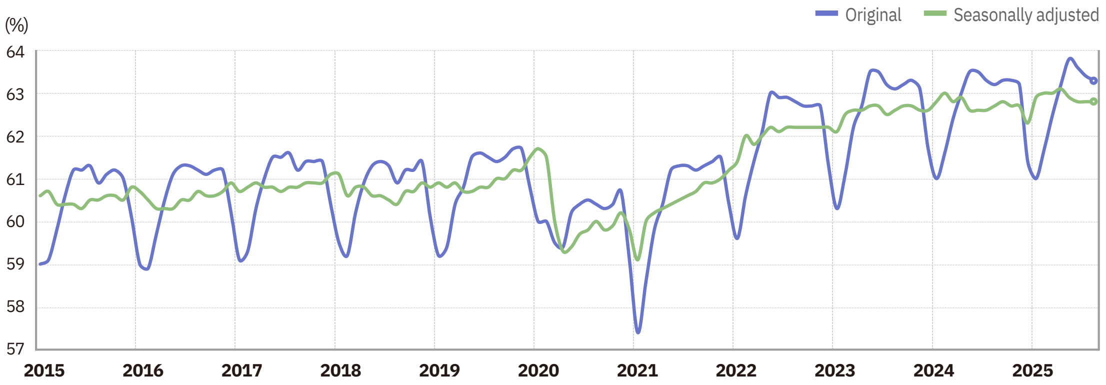
In August, the economically inactive population rose by 9,000 year-on-year to 16,220,000 and the labor force participation rate rose 0.2 percent point to 64.6 percent.

The number of people economically inactive due to retraining, job seeking and rest rose, while those inactive due to childcare fell.

| | 2022 | 2023 | 2024 | 2024 | | | | | | 2025 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Annual | Annual | Annual | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug |
| Economically inactive population (million) | 16.3 | 16.2 | 16.2 | 16.2 | 16.1 | 16.1 | 16.2 | 16.5 | 16.7 | 16.6 | 16.2 | 16.0 | 15.7 | 15.8 | 16.0 | 29.6 |
| Labor force participation rate (%) | 63.9 | 64.3 | 64.5 | 64.4 | 64.6 | 64.7 | 64.6 | 63.9 | 63.4 | 63.7 | 64.6 | 65.1 | 65.6 | 65.4 | 65.0 | 64.6 |
| (Seasonally adjusted) | - | - | - | 64.2 | 64.3 | 64.4 | 64.4 | 64.7 | 64.7 | 64.8 | 64.8 | 64.8 | 64.7 | 64.5 | 64.4 | 64.4 |
| Growth in economically inactive population (y-o-y, thousand) | -432 | -134 | -32 | 48 | 54 | 21 | 50 | 29 | 15 | 7 | -40 | 18 | -22 | 42 | 8 | 9 |
| - Childcare | -125 | -140 | -113 | -131 | -122 | -112 | -89 | -68 | -96 | -95 | -86 | -58 | -39 | -32 | -29 | -48 |
| - Housework | -53 | -1 | 45 | 61 | 62 | 50 | 90 | 34 | 11 | -5 | -2 | 47 | 3 | 20 | 60 | 13 |
| - Retraining | -136 | 11 | -54 | -45 | -48 | -56 | -78 | -58 | 24 | -24 | -13 | -8 | -12 | 7 | 47 | 21 |
| - Old age | 121 | -31 | 47 | 3 | -3 | 6 | 4 | 22 | 4 | 2 | -16 | -30 | -56 | -43 | -36 | -50 |
| - Rest | -122 | 74 | 117 | 245 | 231 | 207 | 179 | 179 | 128 | 123 | 71 | 45 | 56 | 6 | 69 | 73 |
| - Job seeking | -78 | -88 | -48 | -52 | -63 | -24 | -62 | -55 | -7 | 14 | 27 | 30 | 56 | 34 | -12 | 11 |

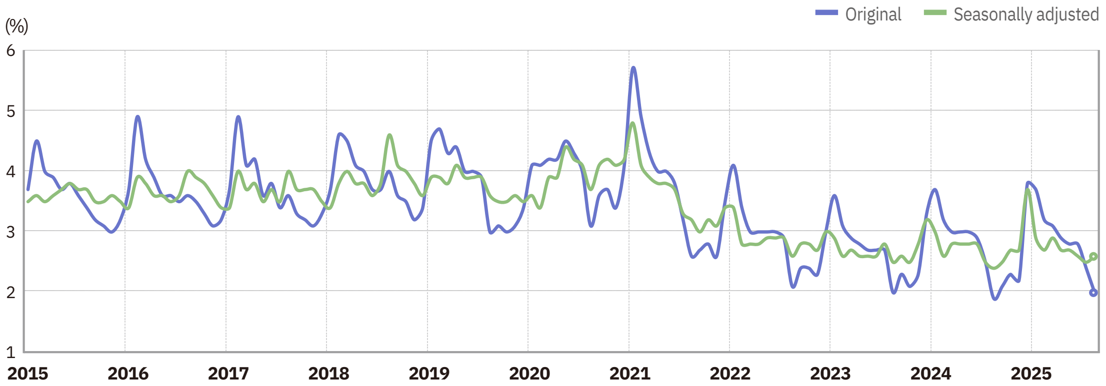
Source: Statistics Korea.

## Employment rate



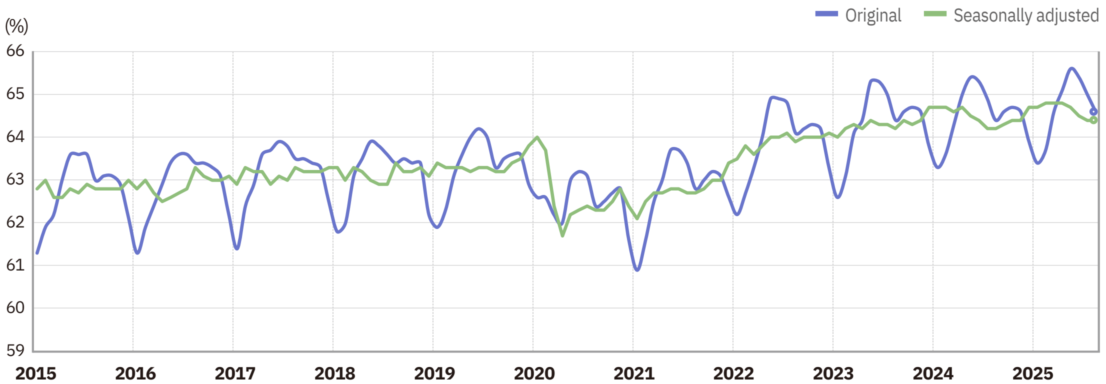

Source: Employment trends, Statistics Korea.

## Unemployment rate




Source: Employment trends, Statistics Korea.

## Labor force participation




Source: Employment trends, Statistics Korea.

# 8. Prices

In August, the Consumer Price Index (CPI) grew 1.7 percent from a year ago as the prices of petroleum continued to decline and prices of public services turned to decrease. The CPI decreased 0.1 percent month-on-month.

The prices of consumer goods excluding food and energy rose 1.3 percent year-on-year in August. The prices of consumer goods excluding crops and oil products rose 1.9 percent.

The index of prices for basic necessities rose 1.5 percent year-on-year in August. The fresh food price index fell 2.1 percent.

(Percentage change from same period in previous year)

| | 2024 | | | | | | | | | | 2025 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug |
| CPI (y-o-y) | 3.1 | 2.9 | 2.7 | 2.4 | 2.6 | 2.0 | 1.6 | 1.3 | 1.5 | 1.9 | 2.2 | 2.0 | 2.1 | 2.1 | 1.9 | 2.2 | 2.1 | 1.7 |
| (m-o-m) | 0.1 | 0.0 | 0.1 | -0.2 | 0.3 | 0.4 | 0.1 | 0.0 | -0.3 | 0.4 | 0.7 | 0.3 | 0.2 | 0.1 | -0.1 | 0.0 | 0.2 | -0.1 |
| Excluding food and energy | 2.4 | 2.3 | 2.2 | 2.2 | 2.2 | 2.1 | 2.0 | 1.8 | 1.9 | 1.8 | 1.9 | 1.8 | 1.9 | 2.1 | 2.0 | 2.0 | 2.0 | 1.3 |
| Excluding crops and oil products | 2.4 | 2.2 | 2.0 | 2.0 | 2.1 | 1.9 | 1.8 | 1.7 | 1.8 | 1.8 | 2.0 | 1.9 | 2.1 | 2.4 | 2.3 | 2.4 | 2.3 | 1.9 |
| Basic necessities | 3.8 | 3.5 | 3.1 | 2.8 | 3.0 | 2.1 | 1.5 | 1.2 | 1.6 | 2.2 | 2.5 | 2.6 | 2.4 | 2.4 | 2.3 | 2.5 | 2.5 | 1.5 |
| Fresh food | 19.5 | 19.1 | 17.3 | 11.7 | 7.7 | 3.2 | 3.4 | 1.6 | 0.4 | 2.9 | 0.7 | -1.4 | -1.3 | -1.9 | -5.0 | -1.7 | -0.5 | 2.1 |

Source: Statistics Korea.

In August, the prices for agricultural products turned to increase, and the prices of livestock and fishery products increased further. The growth of domestic oil prices fell along with international oil prices.

(Percentage change from same period in previous year)

| | Farm and fishery products | Manufactured products | Petroleum products | Public utilities | Housing rents | Public services | Personal services |
|---|---|---|---|---|---|---|---|
| Jul 2025 | 2.1 | 1.6 | -1.0 | 2.7 | 0.8 | 1.4 | 3.1 |
| Aug 2025 | 4.8 | 1.7 | -1.2 | 0.3 | 0.8 | -3.6 | 3.1 |
| Contribution (%p) | 0.4 | 0.6 | -0.1 | 0.0 | 0.1 | -0.4 | 1.0 |

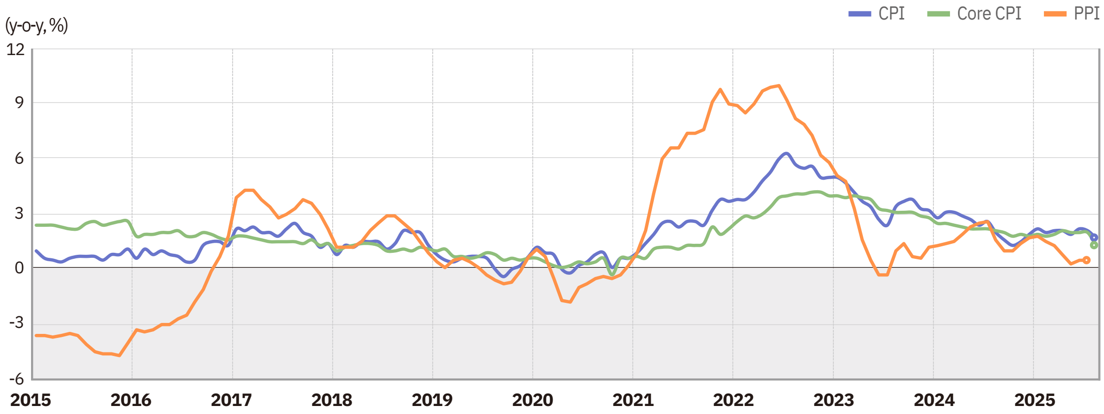
Source: Statistics Korea.

(Won/liter, period average)

| | 2023 | 2024 | 2023 | | | | 2024 | | | | 2025 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Annual | Annual | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Jun | Jul | Aug | 1st week | 2nd week | 3rd week | 4th week |
| Gasoline prices | 1,643 | 1,647 | 1,578 | 1,617 | 1,690 | 1,687 | 1,607 | 1,681 | 1,674 | 1,624 | 1,708 | 1,642 | 1,642 | 1,668 | 1,666 | 1,670 | 1,667 | 1,664 | 1,662 |
| Diesel prices | 1,558 | 1,503 | 1,607 | 1,467 | 1,544 | 1,615 | 1,512 | 1,528 | 1,510 | 1,460 | 1,570 | 1,507 | 1,505 | 1,532 | 1,536 | 1,539 | 1,537 | 1,534 | 1,532 |

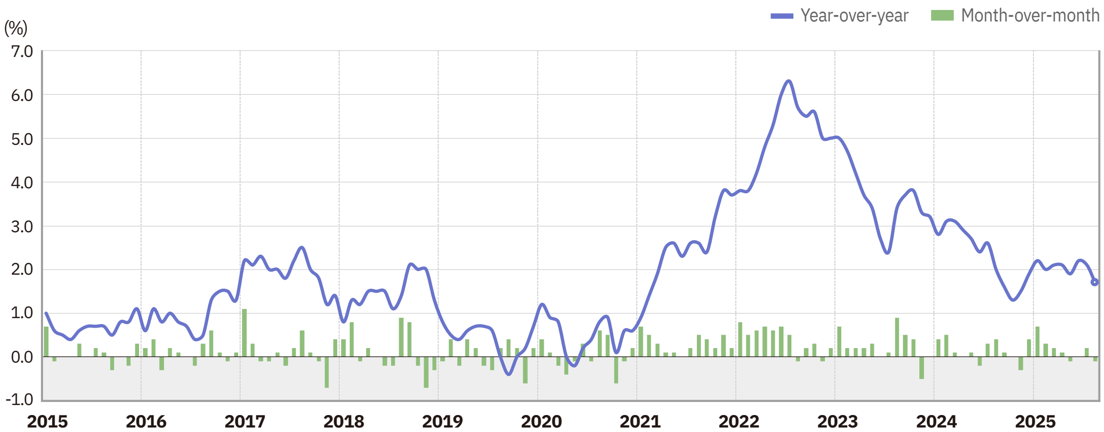
Source: Korea National Oil Corporation.

## Prices



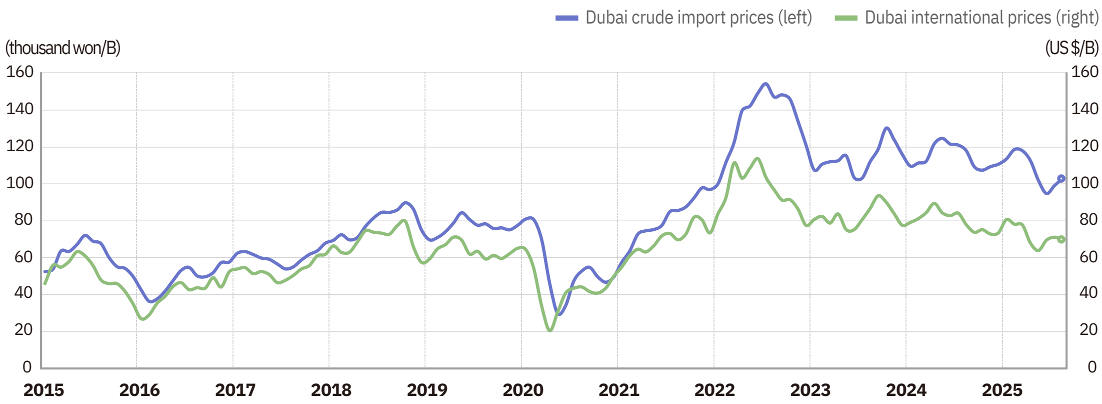

Sources: Consumer price trends, Statistics Korea; Bank of Korea.

## Consumer price inflation




Source: Consumer price trends, Statistics Korea.

## Dubai crude prices and import prices




Source: Korea National Oil Corporation.

In August, international oil prices fell from the previous month amid increased production by OPEC+ and concerns of global oversupply.

International grain prices declined from the previous month amid expectations of a favorable harvest in major grains.

Nonferrous metal prices fell from the previous month over concerns of lower demand amid China's weak economic performance.

(Period average)

| | 2023 | 2024 | 2023 | | | | 2024 | | | | 2025 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Annual | Annual | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Jun | Jul | Aug |
| Dubai crude[1] | 82.1 | 79.6 | 80.3 | 77.6 | 86.6 | 83.7 | 81.2 | 85.3 | 78.5 | 73.6 | 76.9 | 63.7 | 69.3 | 70.9 | 69. |
| WTI crude[1] | 77.6 | 75.8 | 76.0 | 73.6 | 82.2 | 78.5 | 76.9 | 80.7 | 75.3 | 70.3 | 71.4 | 67.0 | 67.3 | 67.2 | 64.0 |
| Brent crude[1] | 82.2 | 79.9 | 82.1 | 77.7 | 85.9 | 82.9 | 81.8 | 85.0 | 78.7 | 74.0 | 75.0 | 66.7 | 69.8 | 69.6 | 67.3 |
| Reuters Index[2] | 3,104 | 3,086 | 3,265 | 3,040 | 3,066 | 3,045 | 2,948 | 3,110 | 3,080 | 3,203 | 3,152 | 2,996 | 2,974 | 2,972 | 2,972 |

Source: Korea National Oil Corporation; Korea PDS.

[1] US $/barrel.

[2] A weighted average index of 17 major commodities (Sep 18, 1931=100)

### International grain prices growth Aug 2025 (m-o-m, %)

| | |
|---|---|
| Wheat | -4.2 |
| Corn | -3.2 |
| Soybeans | 0.9 |

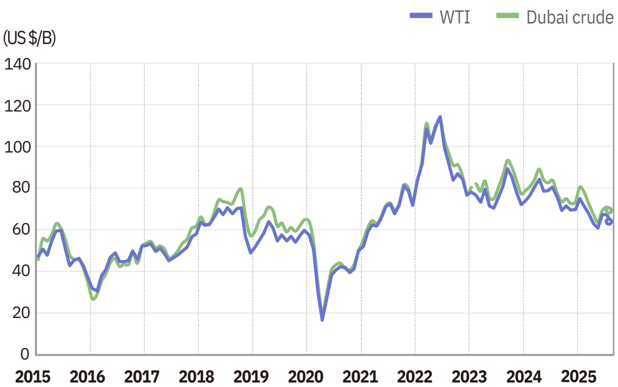
Note: Monthly average prices.

### Nonferrous metal prices growth in Aug 2025 (m-o-m, %)

| | |
|---|---|
| Aluminum | -0.4 |
| Nickel | -0.8 |
| Copper | -1.4 |

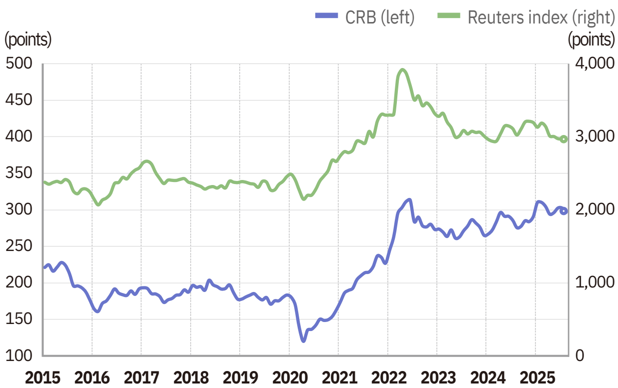
Note: Monthly average prices.

## International oil prices




Source: Korea National Oil Corporation.

## International commodity prices




Source: Korea PDS

# 9. Housing market

Nationally, housing sales prices rose 0.06 percent month-on-month in August.
Within the Seoul metropolitan area, housing sales prices rose 0.17 percent, increasing 0.45 percent in Seoul and 0.05 percent in Gyeonggi Province, while decreasing 0.08 percent in Incheon.
In the areas excluding the Seoul metropolitan, housing sales prices declined 0.085 percent, decreasing 0.08 percent in the five metropolitan cities and 0.04 percent in the eight provinces on average.

### Housing sales prices

(Percentage change from previous period)

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2024 | 2025 | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Annual | Annual | Annual | Annual | Annual | Aug | Cumulative total | Jun | Jul | Aug |
| Nationwide | 5.4 | 9.9 | -4.7 | -3.6 | 0.1 | 0.24 | 0.13 | 0.14 | 0.12 | 0.06 |
| Seoul metropolitan area | 6.5 | 12.8 | -6.5 | -3.6 | 1.4 | 0.53 | 1.13 | 0.37 | 0.33 | 0.17 |
| - Seoul | 2.7 | 6.5 | -4.8 | -2.0 | 3.2 | 0.54 | 3.58 | 0.95 | 0.75 | 0.45 |
| · Southern Seoul | 2.2 | 6.8 | -4.1 | -1.5 | 3.6 | 0.97 | 4.80 | 1.25 | 0.89 | 0.55 |
| · Northern Seoul | 3.2 | 6.1 | -5.4 | -2.4 | 2.8 | 0.68 | 2.28 | 0.63 | 0.60 | 0.34 |
| Areas excluding the Seoul metropolitan area | 4.3 | 7.4 | -3.0 | -3.5 | -1.1 | -0.03 | -0.80 | -0.09 | -0.08 | -0.05 |

Source: Korea Real Estate Board.

### Housing sales prices in six major cities in Aug 2025 (m-o-m, %)

| Busan | Daegu | Gwangju | Daejeon | Ulsan | Sejong |
|---|---|---|---|---|---|
| -0.05 | -0.19 | -0.07 | -0.12 | 0.09 | 0.15 |

Source: Korea Real Estate Board.

Nationally, housing rental prices increased 0.04 percent in August compared to the previous month.
By region, housing rental prices rose 0.08 percent in the Seoul metropolitan area stayed at the same level in other areas.

### Housing rental prices

(Percentage change from previous period)

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2024 | 2025 | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Annual | Annual | Annual | Annual | Annual | Aug | Cumulative total | Jun | Jul | Aug |
| Nationwide | 4.6 | 6.5 | -5.6 | -5.1 | 1.3 | 0.22 | 0.12 | 0.03 | 0.04 | 0.04 |
| Seoul metropolitan area | 5.6 | 7.7 | -8.0 | -5.7 | 3.1 | 0.46 | 0.50 | 0.11 | 0.11 | 0.08 |
| - Seoul | 3.7 | 4.9 | -6.5 | -5.3 | 3.3 | 0.52 | 1.17 | 0.24 | 0.24 | 0.21 |
| · Southern Seoul | 4.4 | 5.1 | -6.9 | -5.8 | 2.9 | 0.53 | 1.49 | 0.30 | 0.28 | 0.27 |
| · Northern Seoul | 2.9 | 4.7 | -6.2 | -4.7 | 3.6 | 0.50 | 0.83 | 0.18 | 0.20 | 0.15 |
| Areas excluding the Seoul metropolitan area | 3.7 | 5.5 | -3.3 | -4.4 | -0.44 | -0..22 | -0.24 | -0.04 | -0.03 | 0.00 |

Source: Korea Real Estate Board.

### Housing rental prices in major districts in Aug 2025 (m-o-m, %)

| Gangnam | Songpa | Gangdong | Dongan | Gwacheon |
|---|---|---|---|---|
| 0.27 | 0.72 | 0.37 | 0.59 | 0.71 |

Source: Korea Real Estate Board.

There were 64,235 housing sales transactions in June, a decrease of 13.0 percent month-on-month *(73,838 in June 2025)* and a decrease of 5.9 percent year-on-year *(68,296 in July 2024)*.

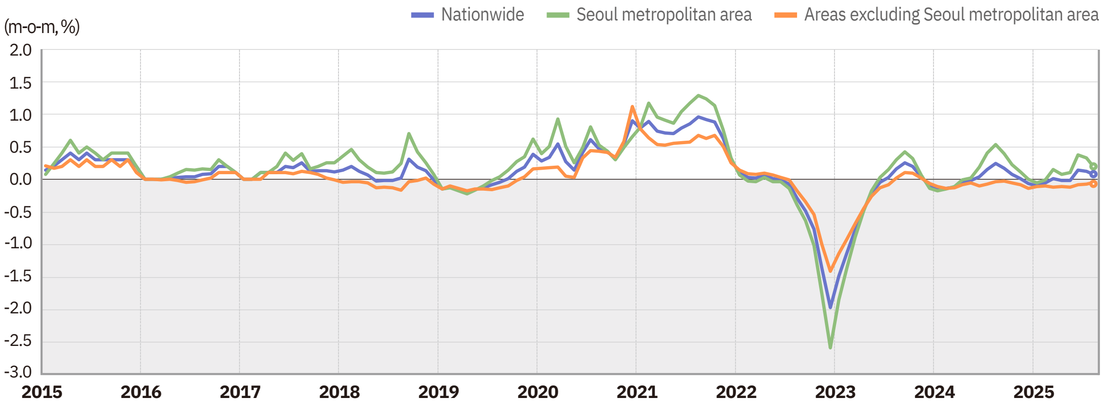
### Housing sales transactions

(Thousand)

| | 2021 | 2022 | 2023 | 2024 | 2024 | | | | | | 2025 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Annual[1] | Annual[1] | Annual[1] | Annual[1] | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul |
| Nationwide | 85 | 42 | 46 | 54 | 68 | 61 | 51 | 57 | 49 | 46 | 38 | 51 | 67 | 65 | 63 | 74 | 64 |

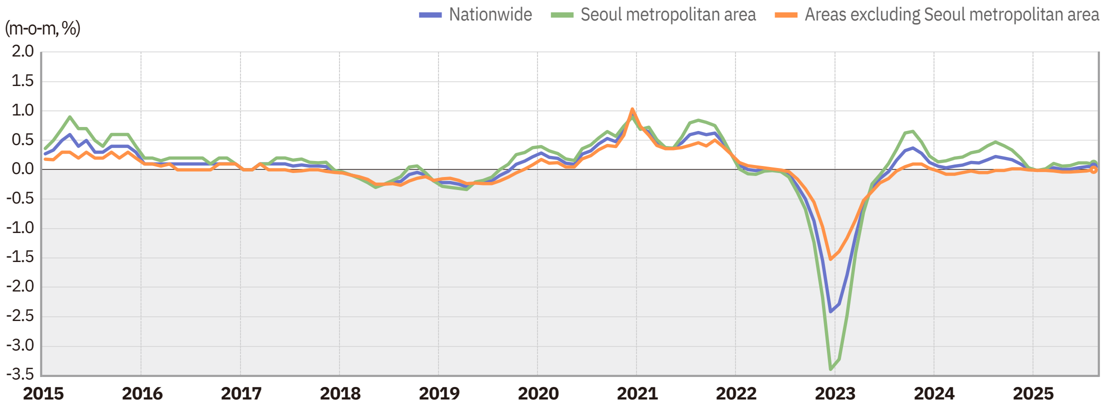
Source: Ministry of Land, Infrastructure and Transport.
[1] Monthly average.

### Housing sales prices




Source: Korea Real Estate Board

### Housing rental prices




Source: Korea Real Estate Board

# Financial Markets

## 1. Stock market

The Korean equity markets, KOSPI and KOSDAQ, fell slightly in August.

| | KOSPI | | | KOSDAQ | | |
|---|---|---|---|---|---|---|
| | Jul 2025 | Aug 2025 | Change | Jul 2025 | Aug 2025 | Change |
| **Stock price index (points)** | 3,245.44 | 3,186.01 | -59.43 (-1.83%) | 805.24 | 796.91 | -8.33 (-1.03%) |
| **Market capitalization (trillion won)** | 2,662.7 | 2,619.0 | -43.7 (-1.64%) | 419.2 | 419.0 | -0.2 (-0.05%) |
| **Daily trade (trillion won)** | 12.9 | 10.4 | -2.5 (-19.38%) | 5.9 | 5.0 | -0.9 (-15.25%) |
| **Foreign stock ownership (%, %p)** | 32.63 | 32.56 | -0.07 (-0.21%) | 10.23 | 10.25 | 0.02 (0.20%) |

Source: Korea Exchange.
Note: The figures are closing rate.

## 2. Bond market

The government issued 21.0 trillion won worth of Treasury bonds in August.

(End-period, trillion won)

| | 2021 | 2022 | 2023 | 2024 | 2024 | | | | | 2025 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Annual | Annual | Annual | Annual | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug |
| **Treasury bonds issuance[1]** | 180.5 | 168.6 | 165.7 | 157.7 | 11.8 | 10.8 | 9.9 | 7.8 | 1.4 | 18.3 | 21.3 | 20.7 | 20.9 | 19.0 | 23.8 | 21.2 | 21.0 |

Source: Monthly public finance, Ministry of Economy and Finance.
[1] Issuance limit is 231.1 trillion won in 2025.

Korean Treasury bond yields fluctuated within a narrow range in August.

### Yields to maturity in Aug 2025 (m-o-m, basis points)

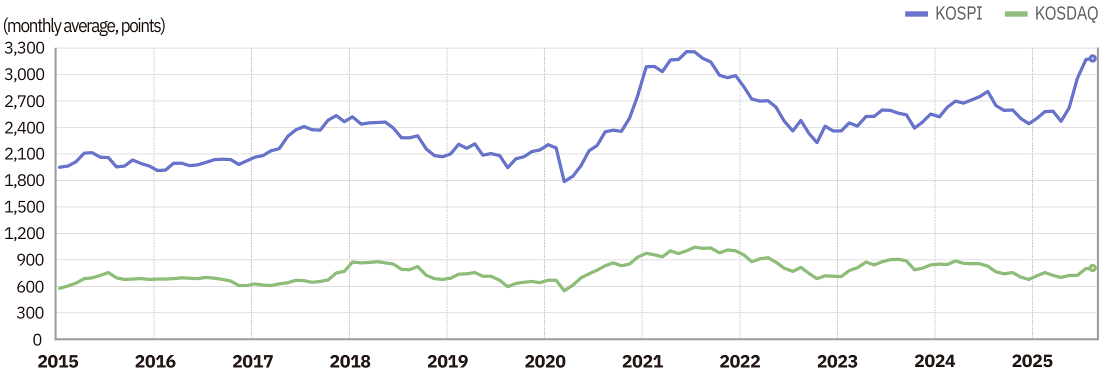
| 3 yrs | 5 yrs | 10 yrs | 20 yrs | 30 yrs |
|---|---|---|---|---|
| -3 | -1 | 3 | 5 | 5 |

(Percent per annum)

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dec | Dec | Dec | Dec | Dec | Dec | Dec | Dec | Jul | Aug | Change[1] |
| **Call rate (1 day)** | 1.58 | 1.89 | 1.39 | 0.61 | 1.44 | 3.38 | 3.91 | 3.33 | 2.51 | 2.52 | 1 |
| **CD (91 days)** | 1.66 | 1.93 | 1.53 | 0.66 | 1.29 | 3.98 | 3.83 | 3.39 | 2.51 | 2.53 | 2 |
| **Treasury bonds (3 yrs)** | 2.14 | 1.82 | 1.36 | 0.98 | 1.80 | 3.72 | 3.15 | 2.60 | 2.46 | 2.43 | -3 |
| **Treasury bonds (5 yrs)** | 2.34 | 1.88 | 1.48 | 1.34 | 2.01 | 3.74 | 3.16 | 2.76 | 2.59 | 2.58 | -1 |
| **Corporate bonds (3 yrs)** | 2.68 | 2.29 | 1.94 | 2.21 | 2.42 | 5.23 | 3.90 | 3.28 | 2.95 | 2.91 | -4 |

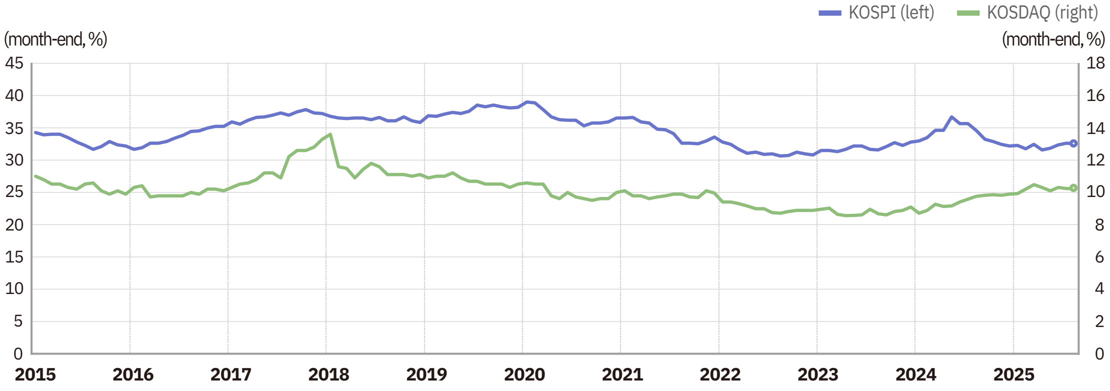
Source: Bank of Korea.
Note: Figures are closing rate.
[1] Change from the previous month as of end-Aug 2025, basis point.

## Stock prices



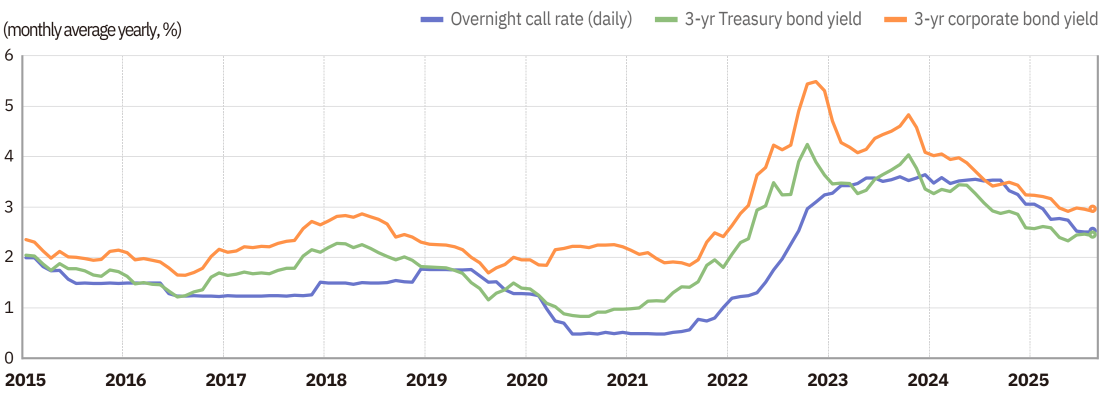

Source: Korea Exchange

## Foreign stock ownership




Sources: Financial Supervisory Service, Korea Exchange

## Interest rates




Source: Bank of Korea.

# 3. Foreign exchange market

The won depreciated against the US Dollar in August compared to the previous month.

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Dec | Dec | Dec | Dec | Dec | Dec | Jul | Aug | Change[1] |
| Dollar-Won | 1,156.4 | 1,086.3 | 1,188.8 | 1,264.5 | 1,288.0 | 1,472.5 | 1,387.0 | 1,390.1 | -0.2 |
| 100 Yen-Won | 1,059.8 | 1,051.2 | 1,032.5 | 945.6 | 912.25 | 943.3 | 926.1 | 944.8 | -2.0 |
| Yuan-Won | 165.6 | 167.0 | 186.6 | 181.6 | 181.17 | 202.6 | 192.5 | 195.0 | -1.3 |

Source: Bank of Korea.
Note: The exchange rate is based on the closing price at 3:30 pm, local time.
[1] Appreciation from the end of the previous month as of end- Aug 2025, %.

# 4. Money market

M2 *(monthly average)* rose 7.1 percent year-on-year in July.

(Percentage change from same period in previous year)

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Annual | Annual | Annual | Annual | Annual | Annual | Annual | Annual | Jun[1] | Jul[1] | Jul[2] |
| M1[3] | 9.2 | 4.9 | 4.3 | 20.8 | 21.0 | 4.0 | -10.5 | 3.2 | 4.6 | 6.0 | 1,304.0 |
| M2 | 5.5 | 6.3 | 7.0 | 9.3 | 11.7 | 8.5 | 2.9 | 5.6 | 6.7 | 7.1 | 4,345.7 |
| Lf[4] | 6.7 | 7.0 | 7.9 | 8.3 | 9.8 | 7.5 | 3.1 | 5.4 | 6.3 | 6.7 | 5,905.2 |

Source: Bank of Korea.
[1] Preliminary.
[2] Period-average, trillion won.
[3] M1 excludes corporate MMFs and individual MMFs, and includes CMAs.
[4] Liquidity aggregates of financial institutions (mostly identical with M3).

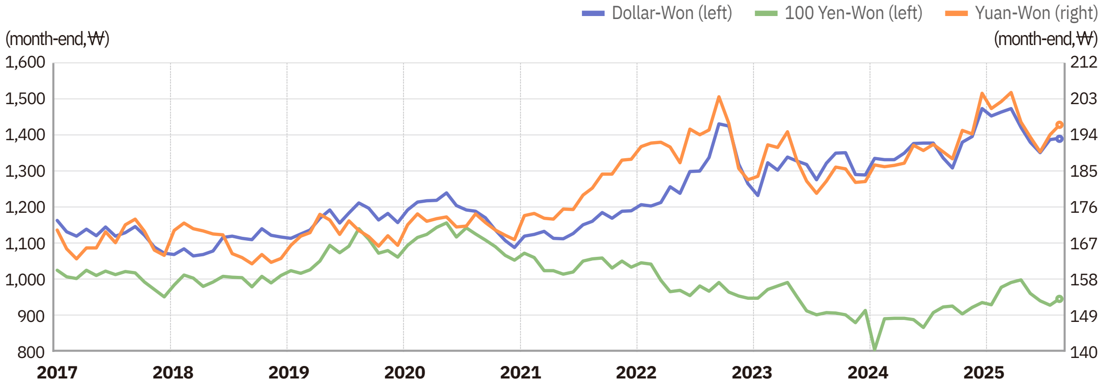
In August, the deposits of banks increased by 32.9 trillion won, and the deposits of Asset Management Companies (AMC) increased by 15.7 trillion won.

(Change from the end of the previous period, trillion won)

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Annual | Annual | Annual | Annual | Annual | Annual | Annual | Dec | Jun | Jul | Aug | Aug[1] |
| Bank deposits | 79.5 | 91.6 | 106.3 | 188.4 | 198.5 | 107.4 | 76.4 | 16.5 | 27.3 | -11.4 | 32.9 | 2,481.5 |
| AMC deposits | 27.9 | 53.8 | 98.6 | 42.2 | 93.9 | 44.4 | 93.7 | -23.3 | -1.3 | 46.6 | 15.7 | 1,230.9 |

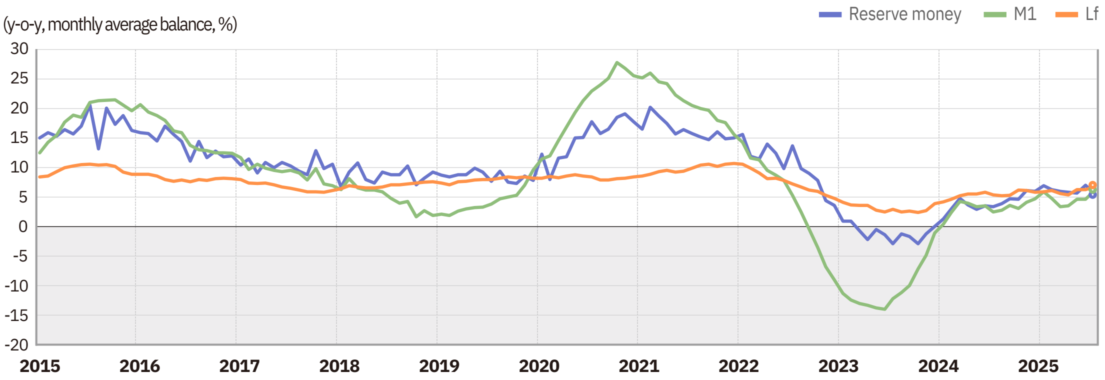
Source: Bank of Korea.
[1] Balance at end-2025.

## Foreign exchange rates



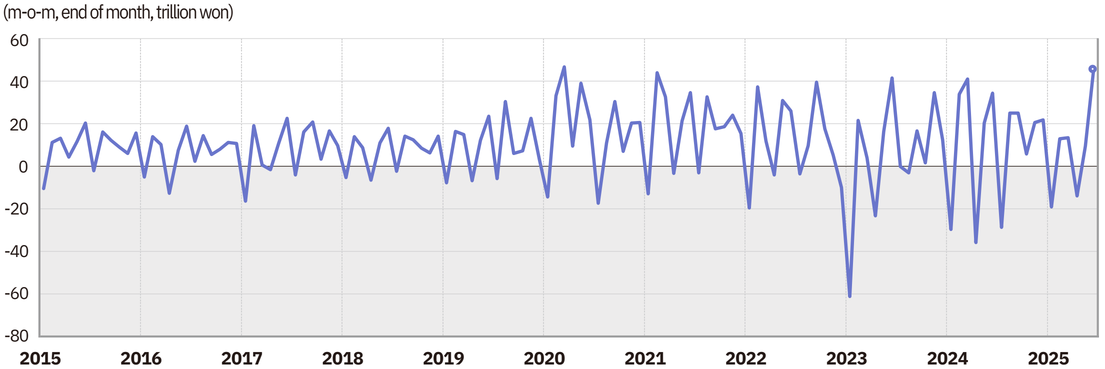

Source: Bank of Korea.

## Total money supply




Source: Bank of Korea.

## Total deposits of banks




Source: Bank of Korea.

# 5. Official foreign reserves

Korea's official foreign reserves increased month-on-month, totaling US $416.3 billion as of the end of August.

(US $ billion)

| | 2021 | 2022 | 2023 | 2024 | 2024 | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Jul | Aug | | Change (m-o-m) |
| Official foreign reserves | 463.1 | 423.2 | 420.2 | 415.6 | 411.3 | 416.3 | (100.0%) | 5.0 |
| - Securities[1] | 421.7 | 369.7 | 373.7 | 366.7 | 365.1 | 366.2 | (88.8%) | 1.1 |
| - Deposits | 16.6 | 29.3 | 22.0 | 25.2 | 21.3 | 25.0 | (5.2%) | 3.7 |
| - SDRs | 15.4 | 14.8 | 15.1 | 14.7 | 15.7 | 15.8 | (3.8%) | 0.1 |
| - IMF position[2] | 4.6 | 4.5 | 4.6 | 4.2 | 4.5 | 4.8 | (1.1%) | 0.3 |
| - Gold | 4.8 | 4.8 | 4.8 | 4.8 | 4.5 | 4.5 | (1.2%) | 0.0 |

Source: Bank of Korea.
[1] Including government bonds, government agency bonds, debentures, MBSs, ABSs, etc.
[2] Claims related to the IMF composed of the reserve tranche position (RTP) and loans.

# 6. External debt

External debt amounted to US $735.6 billion as of the second quarter of 2025, up US $52.1 billion quarter-on-quarter. Short-term debt was US $167.1 billion *(up US 17.7$ billion q-o-q)*, and long-term debt was US $568.5 billion *(up US $34.4 billion q-o-q)*. Net external assets decreased by US $10.7 billion to US $357.2 billion.

(End-period, US $billion)

| | 2024[1] | | | | 2025[1] | | Change (q-o-q) |
|---|---|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | |
| External assets (in debt instruments, A) | 1,042.5 | 1,031.2 | 1,072.5 | 1,060.0 | 1,051.3 | 1,092.8 | 41.4 |
| Total debt (B) | 671.2 | 665.7 | 705.0 | 672.9 | 683.4 | 735.6 | 52.1 |
| - Short-term | 141.1 | 142.1 | 158.5 | 146.5 | 149.3 | 167.1 | 17.7 |
| - Long-term | 530.0 | 523.6 | 546.5 | 526.4 | 534.1 | 568.5 | 34.4 |
| Short-term/Total debt (%) | 21.0 | 21.3 | 22.5 | 21.8 | 21.9 | 22.7 | 0.9%p |
| Short-term/Reserve assets (%) | 33.7 | 34.5 | 37.7 | 35.3 | 36.5 | 40.7 | 4.3%p |
| Net external assets (A-B) | 371.4 | 365.5 | 367.6 | 387.1 | 367.9 | 357.2 | -10.7 |

Source: Ministry of Economy and Finance, Bank of Korea.
[1] Preliminary.

# Public Finance

## 1. Fiscal balance

The consolidated fiscal balance recorded a deficit of 57.5 trillion won in July a decrease of 5.1 trillion won year-on-year. The managed fiscal balance also recorded a deficit of 86.8 trillion won, a decrease of 3.6 trillion won year-on-year.

(Trillion won, percent)

| | 2024 | | | | | 2025[1] | | | Change |
|---|---|---|---|---|---|---|---|---|---|
| | Main budget (a) | Settlement (b) | Jul (Cumulative, c) | (c)/(a) | (c)/(b) | 2nd supplementary budget (d) | Jul (Cumulative, e) | (e)/(d) | (e)-(c) |
| A. Total revenue | 612.2 | 594.5 | 357.2 | 58.3 | 60.1 | 345.4 | 385.0 | 1.6 | 27.8 |
| B. Total spending | 656.6 | 638.0 | 409.5 | 62.4 | 64.2 | 703.3 | 442.5 | 0.6 | 33.0 |
| C. Consolidated fiscal balance (A-B) | -44.4 | -43.5 | -52.3 | - | - | -60.8 | -57.5 | - | -5.1 |
| D. Net social security fund[2] | 47.2 | 61.2 | 30.8 | - | - | 50.8 | 29.3 | - | -1.5 |
| E. Managed fiscal balance (C-D) | -91.6 | -104.8 | -83.2 | - | - | -111.6 | -86.8 | - | -3.6 |

Source: Monthly public finance and Open fiscal data, Ministry of Economy and Finance.
[1] Preliminary.
[2] National Pension Fund, Private School Personnel Pension Fund, Industrial Accident Compensation Insurance & Prevention Fund and Employment Insurance Fund.

### Fiscal balance and outlook

(Trillion won)

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Consolidated fiscal balance | -0.2 | 16.9 | 24.0 | 31.2 | -12.0 | -71.2 | -30.5 | -64.6 | -36.8 | -43.5 | -68.6 |
| Managed fiscal balance | -38.0 | -22.7 | -18.5 | -10.6 | -54.4 | -112.0 | -90.6 | -117.0 | -87.0 | -104.8 | -94.3 |

## 2. Government debt

The total amount of central government debt in July was 1,240.5 trillion won, up 22.1 trillion won from a month earlier. Korean Treasuries totaled 1,239.1 trillion won, followed by bonds at 1,138.0 trillion won, national housing bonds at 77.4 trillion won, and foreign exchange stabilization bonds at 23.7 trillion won.

(Trillion won)

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025[1] | |
|---|---|---|---|---|---|---|---|---|
| | Annual | Annual | Annual | Annual | Annual | Annual | Jun | Jul |
| Central gov't debt | 699.0 | 819.2 | 939.1 | 1,033.4 | 1,092.5 | 1,141.2 | 1,218.4 | 1,240.5 |
| (% of GDP) | 34.3 | 39.8 | 42.3 | 44.5 | 45.5 | 44.8 | - | - |
| - Treasuries (total)[2] | 696.3 | 815.2 | 937.0 | 1,031.5 | 1,091.1 | 1,139.8 | 1,217.0 | 1,239.1 |
| · Bonds | 611.5 | 726.8 | 843.7 | 937.5 | 998.0 | 1,047.9 | 1,119.1 | 1,138.0 |
| · National housing bonds | 76.4 | 78.9 | 82.2 | 82.2 | 81.6 | 79.1 | 77.8 | 77.4 |
| · Foreign exchange stabilization bonds | 8.3 | 9.5 | 11.2 | 11.8 | 11.5 | 12.8 | 20.1 | 23.7 |
| - Loans | 2.6 | 3.3 | 2.0 | 1.9 | 1.2 | 1.2 | 1.2 | 1.2 |
| - Treasury commitments | 0.1 | 0.7 | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 |

Source: Monthly public finance and Open fiscal data, Ministry of Economy and Finance.
[1] Preliminary.
[2] Including debt-equity swap securities for international organizations.

# Poilcy Issue

- **2026 Budget Proposal**
  The 2026 budget proposal mainly focuses on i) proactively utilizing fiscal policy to drive a major transformation toward a leading economy, ii) strategically investing fiscal resources in high-performing sectors, including the “ultra-innovative economy” and key priority tasks, and iii) pursuing rigorous fiscal restructuring in low-performing sectors.

# 2026 Budget Proposal

## I. 2026 Budget Proposal Directions

The 2026 budget proposal mainly focuses on i) proactively utilizing fiscal policy to drive a major transformation toward a leading economy, ii) strategically investing fiscal resources in high-performing sectors, including the "ultra-innovative economy" and key priority tasks, and iii) pursuing rigorous fiscal restructuring in low-performing sectors.

### 1. Key features

- **(Total revenue)** The total government revenue is projected to be 674.2 trillion won (up 22.6 trillion won), an increase by 3.5% compared with the budget for 2025, mainly driven by domestic demand-led economic recovery and efforts to secure tax revenue.

- **(Total expenditure)** The total government expenditure for 2026 is set at 728 trillion won (up 54.7 trillion won), an 8.1% increase compared to the previous year. The total expenditure growth rate was significantly raised (from 2.5% in 2025 to 8.1% in 2026) with an aim to support economic growth and recovery by fulfilling its catalyst role.

(Trillion won)

| | 2025 Budget | | 2026 Budget Proposal (B) | Changes (B-A) |
|---|---|---|---|---|
| | Original (A) | Supplementary | | |
| Total Government Revenue | 651.6 | 642.4 | 674.2 | 22.6 (3.5%) |
| Total Government Expenditure | 673.3 | 703.3 | 728.0 | 54.7 (8.1%) |

- **(Fiscal Balance and Government Debt)** Consolidated fiscal balance is set to pose a deficit of 2.0% of GDP, while the managed fiscal balance is projected to record a deficit of 4.0% of GDP, a deterioration of 1.2%p from the previous year.

  Government debt is expected to grow by 3.5%p to 51.6% of GDP from that of the 2025 budget.

(Trillion won)

| | 2025 Budget | | 2026 Budget | Changes (B-A) |
|---|---|---|---|---|
| | Original (A) | Supplementary | | |
| Consolidated Fiscal Balance | -21.7 | -60.8 | -53.8 | -32.1 |
| (% to GDP) | (-0.8) | (-2.3) | (-2.0) | (-1.1%p) |
| Managed Fiscal Balance | -73.9 | -111.6 | -109.0 | -35.1 |
| (% to GDP) | (-2.8) | (-4.2) | (-4.0) | (-1.2%p) |
| Government Debt | 1,273.3 | 1,301.9 | 1,415.2 | 141.8 |
| (% to GDP) | (48.1) | (49.1) | (51.6) | (3.5%p) |

- **(Mid-term fiscal management plan)** The government aims to maintain the managed fiscal balance at around a deficit of 4% of GDP, while gradually reducing the total expenditure growth rate to the level of nominal GDP growth. Government debt will be managed at the upper 50% range of GDP by 2029.

**Budgets by Sector**

(Trillion won)

| | 2025 Original Budget (A) | 2026 Budget Proposal (B) | Changes (B-A) | |
|---|---|---|---|---|
| Total Expenditures | 673.3 | 728.0 | 54.7 | 8.1% |
| 1. Health, Welfare, Employment | 248.7 | 269.1 | 20.4 | 8.2% |
| 2. Education | 98.5 | 99.8 | 1.4 | 1.4% |
| 3. Culture, Sports, Tourism | 8.8 | 9.6 | 0.8 | 8.8% |
| 4. Environment | 13.0 | 14.0 | 1.0 | 7.7% |
| 5. R&D | 29.6 | 35.3 | 5.7 | 19.3% |
| 6. Industry, SME, Energy | 28.2 | 32.3 | 4.1 | 14.7% |
| 7. SOC | 25.4 | 27.5 | 2.0 | 7.9% |
| 8. Agriculture & Forestry, Fish-ery, Food | 25.9 | 27.9 | 2.0 | 7.7% |
| 9. National defense | 61.2 | 66.3 | 5.0 | 8.2% |
| 10. Diplomacy, Reunification | 7.7 | 7.0 | 0.7 | -9.1% |
| 11. Social order, Safety | 25.0 | 27.2 | 2.2 | 8.8% |
| 12. Public administration, Local governments | 110.7 | 121.1 | 10.4 | 9.4% |

## II. The three pillars of the 2026 budget proposal

1. Realizing an ultra-innovative economy driven by technology
2. Building a resilient and inclusive society
3. Ensuring public safety and pursuing diplomacy and security centered on national interests

### 1. Realizing an ultra-innovative economy driven by technology

**1) Implement a major transformation to position Korea among the top three global AI leaders.**

The government plans to invest 10.1 trillion won in the AI sector in 2026, representing a more than threefold increase compared to the previous year.

- Invest approximately 6 trillion won over five years in key industrial sectors such as robotics, automobiles, shipbuilding, and manufacturing in order to establish regional hubs for developing and demonstrating AI Transformation (AX) innovation technologies linked to regional specialized industries.
- Inject approximately 100 billion won in 24 AI/AX graduate schools in order to nurture 11,000 highly skilled professionals, the essential source of AI competitiveness while developing tailored AI education programs and organizing AI competitions to support all citizens in building AI capabilities.
- Purchase an additional 15,000 GPUs to secure the government's target of 35,000 units ahead of schedule, and steadily establish cutting-edge AI research foundations, including private-sector-led AGI[1] preparation projects and the establishment of Vertical AI Research Support Centers.

**2) Secure future growth engines by supporting investment in new industries and the global expansion of K-Culture.**

- Increase the R&D budget by a record 19.3% to accelerate the pace of innovation; shore up investment in the development of core technologies in six high-tech industries – AI (A), Bio (B), Content (C), Defense (D), Energy (E), and Manufacturing (F) – by 2.6 trillion won, while setting aside 1.4 trillion won for securing talent in these sectors.
- Inject 1 trillion won in fiscal resources next year to create a new National Growth Fund exceeding 100 trillion won over the next five years while making a record 2 trillion won contribution to the Korea Fund of Funds,

[1] Artificial General Intelligence.

thereby supporting the scale-up of promising SMEs and venture firms.
- Expand investments to boost the Hallyu (Korean Wave) from 2.3 trillion won this year to 3.2 trillion won; provide K-Tourism Pass to 40,000 foreign visitors, offering them affordable access to transportation and tourist attractions and provide comprehensive support for K-Food and K-Beauty to expand globally through flagship stores, distribution networks, and consulting services.

**3) Take proactive measures to address global challenges, including trade risks and climate change.**

- Allocate 1.9 trillion won in fiscal resources in the Korea Development Bank (KDB) and the Export-Import Bank of Korea (Korea Eximbank) in order to ensure smooth progress in tariff negotiations with the United States, and 70.8 billion won to actively support global cooperation in the shipbuilding industry, including U.S. naval vessel MRO[2] projects.
- Strengthen support to accelerate the energy transition and carbon neutrality in people's daily life; significantly expand loans and subsidies for renewable energy transition from 500 billion won to around 900 billion won, while newly investing approximately 300 billion won in the establishment of RE100[3] industrial complexes and the development of AI-based distributed power grids.

## 2. Building a resilient and inclusive society

**1) Foster local regions as engines of growth by making comprehensive investments across education, industry, and people's everyday life.**

- Invest 900 billion won to transform flagship national universities into education and research hubs connected to regional strategic industries, by enhancing educational competitiveness, nurturing specialized fields, and advancing their role as regional hubs.
- Fundamentally improve living conditions in local regions; allocate 1.1 trillion won, expanded by 200 billion won, to strengthen facilities and equipment at regional medical institutions, while providing 1.7 trillion won to establish metropolitan railway networks, thereby enhancing inter-regional accessibility.

**2) Reverse the declining birth rate and prepare for population aging by providing tailored support for children, youth, and the elderly.**

- Raise the upper age limit for child allowance eligibility from seven to eight years, and expand the income threshold for child care support from 200% to 250% of the median income.
- Introduce a Youth Future Savings Account with a monthly contribution limit of 500,000 won to help young people prepare for the future, and provide a matching contribution of 6% or 12% by the government.
- Expand the community-based integrated care system nationwide so that seniors can live healthily in their own communities; increase the number of senior jobs from 1.1 million to 1.15 million.

**3) Build a robust social safety net for vulnerable populations.**

- Raise the standard median income by a record 6.51%, increasing the monthly livelihood allowance for a four-person household to over 2 million won.
- Increase the number of beneficiaries for day activity services for individuals with developmental disabilities by approximately 3,000 (from 12,000 to 15,000), and expand employment opportunities for persons with disabilities by over 2,000.

**4) Boldly implement policies aimed at reducing living costs for low-income households and protecting vulnerable workers.**

[2] Maintenance, Repair, Overhaul.
[3] 100% Renewable Electricity.

- Introduce a new flat-rate public transportation pass, allowing unlimited use of subways and buses for up to 200,000 won per month, regardless of region, at a monthly cost of 50,000 – 60,000 won (62,000 won for the general public, 55,000 won for youth and seniors).
- Supply 194,000 public housing units in 2026, with a total of 1.1 million units supplied by 2030, to ensure housing stability for youth and newlyweds.
- Bolster investment to prevent industrial accidents and strengthen the employment safety net from 16 trillion won to 17.6 trillion won.

### 3. Ensuring public safety and pursuing diplomacy and security centered on national interests

**1) Protect citizens from large-scale disasters and crimes.**

- Enhance disaster and emergency prediction capabilities using AI and drones, and establish a 20 billion won National Safety Fund to promote the disaster safety industry.
- Recruit 6,400 new police officers, an increase of 1,600 compared to the previous year, to strengthen criminal investigation capabilities.

**2) Boost the pride of the armed forces and foster a future-ready, strong military.**

- Increase the salaries of junior officers by up to 6.6% and introduce a new savings account that provides a monthly matching contribution of 300,000 won for long-serving personnel, and significantly improve overall military living conditions, including raising the meal allowance, which had remained unchanged for three years, from 13,000 won to 14,000 won.
- Invest 3.2 trillion won, representing an increase of over 1 trillion won, in the development of advanced weapons such as AI, drones, and Korea's indigenous fighter jets.

**3) Pursue foreign and security policies with the national interest as the highest priority.**

- Normalize the ODA[4] budget, which has increased sharply in recent years, by assessing the outcomes of projects.
- Increase the Inter-Korean Cooperation Fund by approximately 200 billion won, expanding it to a total of 1 trillion won.

## III. Conclusion

To ensure that the fiscal investment initiatives bear fruit going forward, the government will continue to thoroughly review the budget with a focus on public efficacy and outcomes – concentrating support on necessary projects while steadily restructuring low-performing ones.

This budget, which combines innovation in both investment and expenditure, is not merely a one-year plan but a milestone that sets the course for the nation's governance over the next five years.

In particular, this budget proposal carries great significance as it is closely linked to the new government's economic growth strategy, which helps build a virtuous cycle between budget and policy.

With the 2026 budget proposal as a starting point, the government will pursue investments that protect the nation's future and fiscal sustainability, while building a better life for the Korean people.

[4] Official Development Assistance.

# Economic News Briefing

- Korea’s GDP Grew by 0.7% in Q2 2025 (Preliminary Estimate)
- First Implementation Plans for 15 Flagship Projects of the “Ultra-Innovate Economy” Initiative
- Korean OFDI Posts $14.15 billion in Q2 2025

# Korea's GDP Grew by 0.7% in Q2 2025 (Preliminary Estimate)

In the second quarter of 2025, Korea's real Gross Domestic Product (GDP) grew by 0.7 percent quarter-on-quarter and 0.6 percent year-on-year according to the Bank of Korea's preliminary estimate released on September 3.

On the production side, the figure for agriculture, forestry and fisheries declined by 1.2 percent quarter-on-quarter in the second quarter of 2025. Manufacturing rose by 2.5 percent, led by increased production of computer, electronic and optical products, and transportation equipment. Production of electricity, gas and water supply fell by 5.4 percent as a result of a decrease in electricity. Construction fell by 3.6 percent as building construction and civil engineering both declined. Services grew by 0.6 percent with an increase in wholesale and retail trade, accommodation and food services, and transportation and storage offsetting a decrease in information and communication.

On the expenditure side, private consumption increased by 0.5 percent, led by increased spending on goods and services. Government spending also rose by 1.2 percent with increased expenditures on health care benefits. Construction investment decreased by 1.2 percent while facility investment fell by 2.1 percent on the back of decreased spending in machinery and transportation equipment. Exports rose by 4.5 percent as exports of semiconductors, petroleum products, and chemical products increased. Imports increased by 4.2 percent as imports of energy items rose.

### Real GDP growth by Production and Expenditure

(Percentage change from previous period of seasonally adjusted data; inflation adjusted at 2020 prices)

| | 2023 | 2024 | 2023 | | | | 2024 | | | | 2025 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Annual | Annual[1] | Q1 | Q2 | Q3 | Q4 | Q1[1] | Q2[1] | Q3[1] | Q4[1] | Q1[1] | Q2[1] |
| GDP | 1.6 | 2.0 | 0.4 | 0.7 | 0.8 | 0.5 | 1.2 | -0.2 | 0.1 | 0.1 | -0.2 | 0.7 |
| (y-o-y % change of original data) | | | (1.3) | (1.2) | (1.5) | (2.2) | (3.4) | (2.2) | (1.4) | (1.1) | (0.0) | (0.6) |
| Agriculture, forestry & fisheries | -1.8 | 0.6 | -2.3 | 1.5 | -1.5 | -5.6 | 4.1 | 2.0 | 0.7 | -1.8 | 4.4 | -1.2 |
| Manufacturing | 1.5 | 4.3 | 1.6 | 2.5 | 1.7 | 1.6 | 0.9 | 0.9 | 0.0 | 0.1 | -0.6 | 2.5 |
| Electricity, gas & water supply | -2.6 | 3.3 | -7.0 | 3.7 | 1.0 | 2.6 | -1.2 | 0.1 | 5.4 | -5.9 | 5.2 | -5.4 |
| Construction | -0.6 | -3.8 | -0.7 | -2.3 | 1.8 | -3.9 | 5.8 | -5.6 | -3.0 | -4.4 | -0.4 | -3.6 |
| Services[2] | 2.7 | 1.6 | 0.2 | 0.3 | 0.6 | 0.4 | 0.6 | 0.1 | 0.4 | 0.3 | -0.2 | 0.8 |
| Private consumption | 2.0 | 1.1 | 0.6 | 0.0 | 0.1 | 0.3 | 0.5 | 0.0 | 0.4 | 0.2 | -0.1 | 0.5 |
| Government spending | 1.9 | 2.1 | 0.9 | -1.9 | 0.6 | 0.3 | 0.9 | 0.8 | 0.9 | 0.4 | 0.0 | 1.2 |
| Construction investment | -0.5 | -3.3 | -0.2 | -0.5 | 1.5 | -3.9 | 4.5 | -3.3 | -3.6 | -4.1 | -3.1 | -1.2 |
| Facility investment | -0.2 | 1.7 | -1.7 | 0.5 | -3.6 | 2.2 | -1.0 | 0.0 | 5.4 | 0.8 | -0.4 | -2.1 |
| Intellectual property investment | 0.2 | 1.2 | -1.3 | 0.7 | 0.7 | -0.5 | 1.9 | -1.3 | -0.2 | 0.9 | 1.5 | 0.8 |
| Exports | 3.4 | 6.8 | 3.6 | 1.3 | 2.5 | 3.4 | 1.3 | 1.5 | 0.0 | 0.6 | -0.6 | 4.5 |
| Imports | 3.0 | 2.5 | 4.0 | -2.5 | 0.1 | 1.9 | -0.3 | 1.6 | 1.3 | 0.2 | -1.1 | 4.2 |

[1] Preliminary estimate.
[2] Wholesale & retail trade; accommodation & food services; transportation & storage; finance & insurance; real estate; information & communication; business activities; public administration, defense & social security; education; human health & social work; and cultural & other services.

# First Implementation Plans for 15 Flagship Projects of the "Ultra-Innovate Economy" Initiative

On September 10, the Ministry of Economy and Finance held a Growth Strategy Task Force meeting and the Ministerial Meeting on Strengthening Industrial Competitiveness. At the meeting, it announced the first implementation plans for five of the 15 flagship projects aimed at achieving the "ultra-innovative economy".

On August 22, under the New Government's Economic Growth Strategy, 15 flagship projects were unveiled in the three categories of high-tech materials and parts; climate, energy and future preparedness; and K-Boom.

The implementation plan announced this time includes four projects in the area of national strategic high-tech materials and parts – SiC semiconductors, LNG cargo containment systems, graphene, and specialty carbon steel – as well as K-Food in the K-Boom initiative.

The implementation plan announced this time includes four projects in the area of national strategic high-tech materials and parts – SiC semiconductors, LNG cargo containment systems, graphene, and specialty carbon steel – as well as K-Food in the K-Boom initiative.

For SiC semiconductors, the government aims to raise the technology self-sufficiency rate , which is currently 10%, to 20% by 2030. To this end, it will proactively support the development of core technologies across the entire supply chain – from SiC semiconductor materials and devices to modules – and foster specialized talent in power semiconductors.

As for LNG cargo containment systems, although Korea ranks first globally in LNG carrier orders, it currently lacks indigenous technology for LNG cargo containment systems and has been paying royalties for their use. In an effort to achieve technological self-sufficiency, the government will launch a localization demonstration project for LNG cargo containment systems to develop homegrown technologies and advance related materials and parts.

Regarding graphene, for which Korea has secured foundational technologies through substantial investments to date, commercialization remains at an early stage, with only limited areas – such as display thermal management materials – having prototype supply. Under these situations, the government will be committed to actively supporting the development of commercial-ready technologies and promote collaborative projects between buyers and suppliers to generate tangible technological outcomes.

For specialty carbon steel, Korea possesses world-class technologies in high-value-added thick and thin steel plates for shipbuilding and energy, as well as high-value-added low-carbon steel sheets for automotive applications. Facing intense technological competition from the EU, Japan, and other countries, the government is taking proactive measures to support the development of next-generation specialty carbon steels and nurture experts that hold a masters or PhD degree to secure cutting-edge technological capabilities.

Exports of K-Food have achieved record highs for nine consecutive years, riding the wave of global interest in Korean culture and strong demand for K-Food. To build on this success, the government is strengthening export competitiveness of K-Food by designating overseas diplomatic missions as export hubs and expanding joint logistics centers.

The Ministry of Economy and Finance plans to sequentially announce the remaining ten flagship projects under the "ultra-innovative economy" initiative through the Growth Strategy Task Force and related channels. These projects are also intended to be continuously managed by the government through dedicated task forces led by participating companies and relevant ministries, ensuring the achievement of tangible outcomes.

# Korean OFDI Posts $14.15 billion in Q2 2025

In the second quarter of 2025, Korea's outbound foreign direct investment (OFDI) totaled $14.15 billion, marking a 13.4% decrease compared to the same period of the previous year ($16.34 billion). This also represents a decline of 10.1% from the previous quarter ($15.74 billion), though the pace of decline moderated (from a $2.54 billion drop in Q1 to a $1.59 billion drop in Q2).

The decline in OFDI in the second quarter of 2025 is attributed to heightened investment uncertainty stemming from prolonged U.S. tariff negotiations, widening fiscal deficits and the continuation of high interest rates amid inflationary concerns in major economies such as the U.S. and Europe.

The global economy is contracting due to shifts in trade policy, financial market volatility, and geopolitical risks. Under these circumstances, the Korean government plans to closely monitor global economic and financial developments, while also strengthening communication and cooperation with major investment destination countries in various ways, so as to ensure that Korean companies expanding overseas can conduct their business activities in a stable manner.

### Korean OFDI

| | 2023 | | | | 2024 | | | | 2025 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
| Amount invested (US $billion) | 18.3 | 16.1 | 15.1 | 16.6 | 16.6 | 16.3 | 14.6 | 18.3 | 15.7 | 14.2 |
| Y-o-y change (%) | -35.4 | -18.8 | -18.5 | 7.2 | -9.0 | 1.4 | -3.2 | 10.3 | -5.3 | -13.4 |

### Korean OFDI by industry

| | Finance and insurance | manufacturing | Real estate and renting | Mining | Information and Communication |
|---|---|---|---|---|---|
| Q1 2024 (US $100 million) | 55.8 | 38.8 | 13.2 | 11.5 | 6.4 |
| Q1 2025 (US $100 million) | 66.3 | 35.3 | 7.5 | 7.1 | 6.6 |
| Y-o-y change (%) | 18.9 | -9.1 | -43.6 | -37.8 | 1.8 |

### Korean OFDI by region

| | North America | Europe | Asia | Latin America | Oceania | Middle East | Africa |
|---|---|---|---|---|---|---|---|
| Q1 2024 (US $100 million) | 71.4 | 41.5 | 23.9 | 22.7 | 2.8 | 2.6 | 1.1 |
| Q1 2025 (US $100 million) | 58.2 | 33.8 | 30.3 | 22.4 | 5.9 | 0.5 | 0.3 |
| Y-o-y change (%) | -22.7 | -13.2 | 44.4 | -9.6 | -74.7 | -37.9 | -70.6 |

### Korean OFDI by country

| | U.S. | Cayman Islands | Luxemburg | Vietnam | Guernsey |
|---|---|---|---|---|---|
| Q1 2024 (US $100 million) | 60.9 | 11.2 | 10.1 | 9.8 | 1.3 |
| Q1 2025 (US $100 million) | 52.3 | 15.3 | 12.8 | 7.0 | 6.3 |
| Y-o-y change (%) | -14.2 | 36.4 | 25.9 | -29.1 | 388.2 |

## Related Websites

**Ministry of Economy and Finance**
https://english.moef.go.kr/

**Korea Development Institute (KDI)**
https://www.kdi.re.kr/eng/

**Ministry of Trade, Industry and Energy**
https://english.motie.go.kr/www/main.do

**Bank of Korea**
https://www.bok.or.kr/eng/main/main.do

**Statistics Korea**
https://kostat.go.kr/anse/

**Korea Customs Service**
https://www.customs.go.kr/english/main.do

**Ministry of Employment and Labor**
https://www.moel.go.kr/english

**Financial Supervisory Service**
https://www.fss.or.kr/eng/main/main.do?menuNo=400000

**Ministry of Land, Infrastructure and Transport**
https://www.molit.go.kr/english/intro.do

**Korea Real Estate Board**
https://www.reb.or.kr/rebEng/main.do

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https://global.krx.co.kr/main/main.jsp

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https://www.knoc.co.kr/ENG/main.jsp#

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