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Steel

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▲ The steel industry led the industrialization of the Korean economy.

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.

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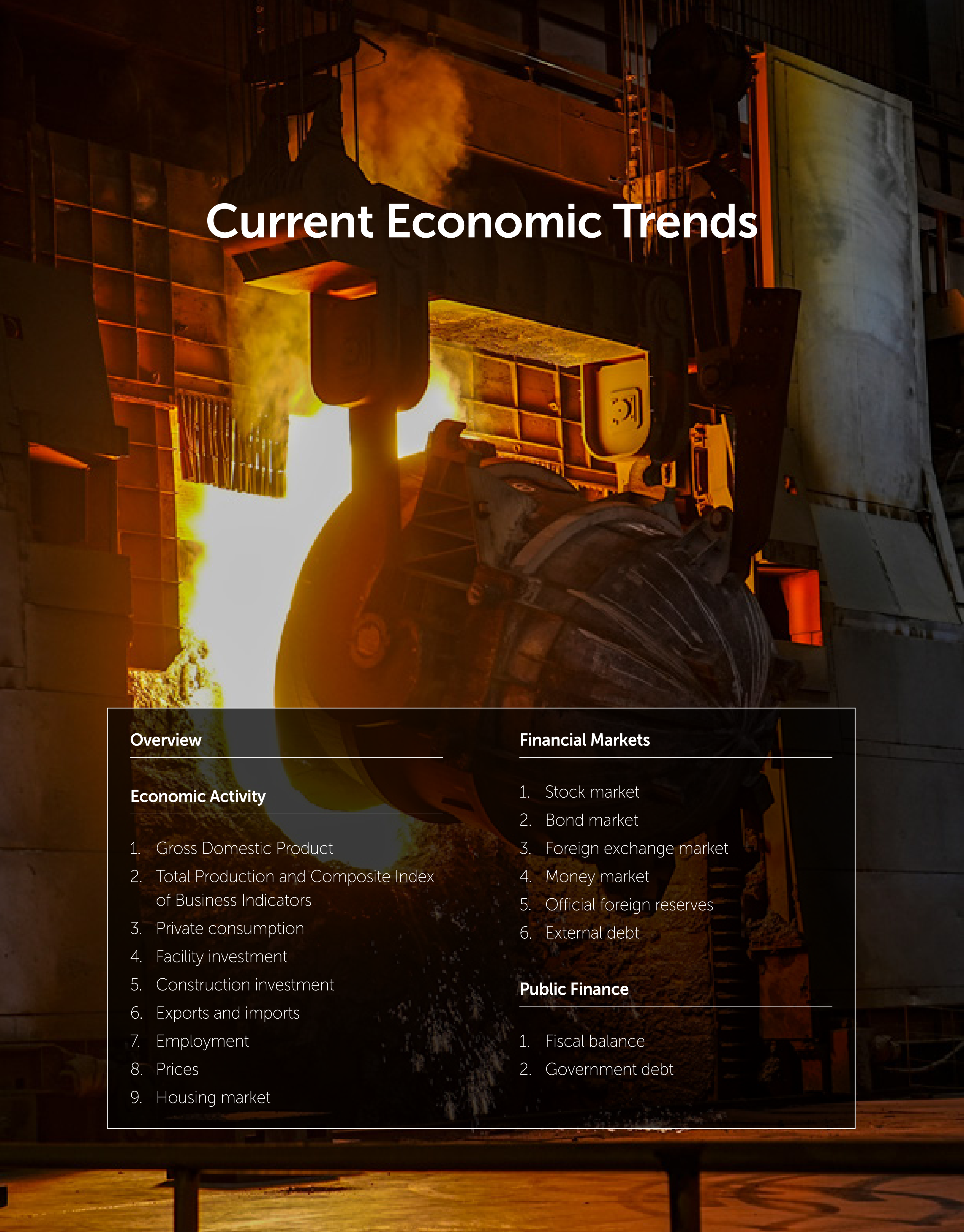


Current Economic Trends

Overview

In June, total industrial production, retail sales, and facility investment increased. In July, employment growth accelerated, while consumer price growth slowed from the previous month.

In June, output increased in industrial sector *(up 6.4% m-o-m and up 5.8% y-o-y)*, services *(up 0.7% m-o-m and up 5.3% y-o-y)* and construction *(up 4.1% m-o-m and down 4.0% y-o-y)*, resulting in an increase in total industrial production *(up 2.3% m-o-m and up 4.2% y-o-y)*.

The cyclical indicator of the coincident composite index for June rose by 0.5 points and the cyclical indicator of the leading composite index increased by 0.9 points.

Facilities investment moved up *(up 5.8% m-o-m and up 21.7% y-o-y)* and retail sales also increased *(up 2.7% m-o-m and up 4.2% y-o-y)*.

In July, the consumer sentiment index (CSI) rose by 0.2 points month-on-month to 106.8. The composite business sentiment index (CBSI) went up by 0.8 points to 98.5 and the CBSI outlook for August increased by 1.3 points to 96.5.

In July, exports climbed by 62.8 percent year-on-year, supported by strong exports of semiconductor, computers, and ships. Average daily exports rose by 69.6 percent in July compared to the same month of last year.

In July, the number of employed persons grew by 108,000 from a year earlier, and the unemployment rate increased by 0.2 percentage points to 2.6 percent.

In July, the year-on-year consumer price index (CPI) climbed by 2.8 percent, down from 3.2 percent last month, while the index excluding food and energy rose by 2.6 percent, the index excluding agricultural products and petroleum products rose by 2.5 percent, and the CPI for living necessities increased by 2.5 percent.

In July, stock prices fell, Korean Treasury Bond yields rose, and the Korean won strengthened against the U.S. dollar.

In July, both housing prices *(up 0.35% m-o-m)* and *Jeonse* (lump-sum deposits with no monthly payments) prices *(up 0.38% m-o-m)* climbed.

The Korean economy has recently shown stronger signs of recovery, with exports increasing sharply and domestic demand, including consumption, continuing to improve.

However, amid persistent uncertainty stemming from the conflict in the Middle East, pressures on livelihoods remain, including inflationary pressures from high oil prices and challenging employment conditions for vulnerable groups and sectors.

The global economy continues to grow at a moderate pace, but uncertainties surrounding the conflict in the Middle East and U.S. tariff measures persist.

The government plans to make every effort to minimize the impact of the Middle East conflict by ensuring stable supplies of key items, maintaining price stability and supporting people's livelihoods, while swiftly implementing the Economic Growth Strategy for the Second Half of 2026 to address structural challenges, including a post-conflict strategy, measures to boost potential growth and efforts to address economic polarization.

Economic Activity

1. Gross Domestic Product (Advance estimate)

In the second quarter of 2026, Korea's real Gross Domestic Product (GDP) amounted to 599.4 trillion won, and real Gross Domestic Income (GDI) was 654.5 trillion won.

(Trillion won, inflation adjusted at 2020 prices)

	2024	2025	2024				2025				2026	
	Annual[1]	Annual[1]	Q1[1]	Q2[1]	Q3[1]	Q4[1]	Q1[1]	Q2[1]	Q3[1]	Q4[1]	Q1[1]	Q2[2]
GDP	2,300.1	2,326.3	552.3	573.8	575.3	598.6	553.2	577.9	587.3	607.9	574.1	599.4
(Seasonally adjusted)	-	-	575.2	574.3	574.6	576.0	575.0	578.7	586.6	586.0	596.7	600.4
- Private consumption	1,100.90	1,117.40	274.3	270.1	276.8	279.6	275.7	273	282.4	286.4	283.1	279.8
- Facility investment	214.9	218.0	50.9	53.8	52.6	57.6	53.3	55.3	53.0	56.5	55.7	58.7
- Construction investment	293.9	265.4	63.5	82.2	72.5	75.6	55.5	73.0	66.8	70.1	54.4	72.0
- Total export	922.1	962.0	222.9	228.4	230.2	240.6	226.3	238.3	245.8	251.6	253.0	259.7
- Total import	780.8	806.9	194.6	190.2	195.6	200.5	197.7	196.7	204.4	208.2	214.5	209.0
GDI	2,243.7	2,288.9	540.7	557.4	561.3	584.3	541.5	566.3	576.3	604.8	612.8	654.5
(Seasonally adjusted)	-	-	562.5	558.8	559.1	563.3	562.5	568.7	573.4	584.3	635.4	658.5

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

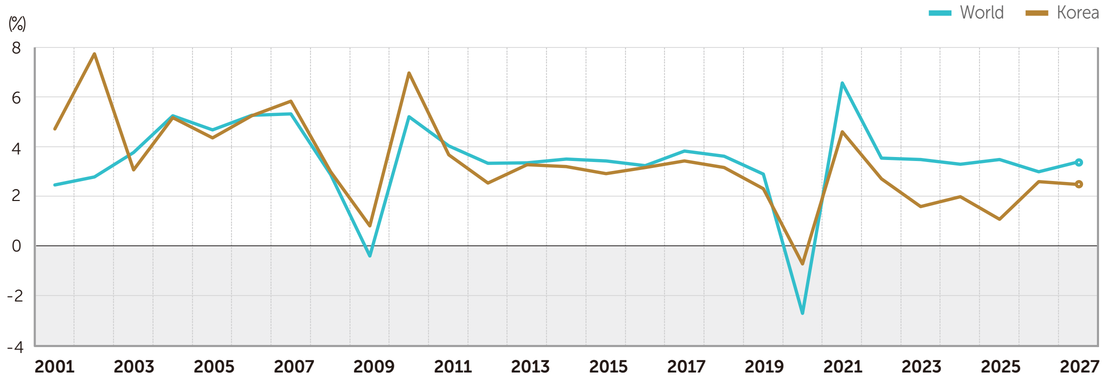
In the second quarter of 2026, real GDP grew 3.7 percent year-on-year, and seasonally adjusted GDP grew 0.6 percent quarter-on-quarter. Real GDI rose 15.6 percent year-on-year, and seasonally adjusted GDI also increased 3.6 percent quarter-on-quarter.

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

	2024	2025	2024				2025				2026	
	Annual[1]	Annual[1]	Q1[1]	Q2[1]	Q3[1]	Q4[1]	Q1[1]	Q2[1]	Q3[1]	Q4[1]	Q1[1]	Q2[2]
GDP	2.2	1.1	3.6	2.6	1.6	1.1	0.2	0.7	2.1	1.6	3.8	3.7
(Seasonally adjusted[3])	-	-	1.0	-0.2	0.1	0.2	-0.2	0.6	1.4	-0.1	1.8	0.6
- Private consumption	1.3	1.5	1.4	1.2	1.6	1.1	0.5	1.0	2.0	2.4	2.7	2.5
- Facility investment	1.0	1.5	-1.4	-2.9	5.6	3.1	4.7	2.7	0.7	-1.9	4.4	6.3
-Construction investment	-2.0	-9.7	1.6	-0.2	-4.5	-4.5	-12.7	-11.3	-7.9	-7.2	-1.9	-1.3
- Total export	7.6	4.3	10.1	9.9	7.0	3.9	1.5	4.3	6.8	4.6	11.8	9.0
- Total import	3.8	3.3	0.3	5.0	6.3	3.6	1.6	3.4	4.5	3.9	8.5	6.3
GDI	4.3	2.0	6.7	5.3	3.0	2.3	0.1	1.6	2.7	3.5	13.2	15.6
(Seasonally adjusted[2])	-	-	2.2	-0.7	0.1	0.7	-0.1	1.1	0.8	1.9	8.7	3.6

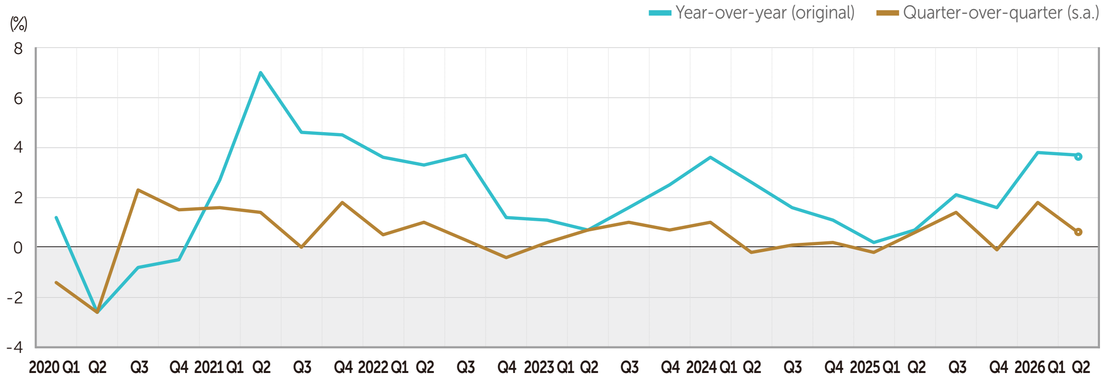
Source: Bank of Korea.
[1] Preliminary estimate.
[2] Advance estimate.
[3] Percentage change from previous period.

GDP growth: World and Korea



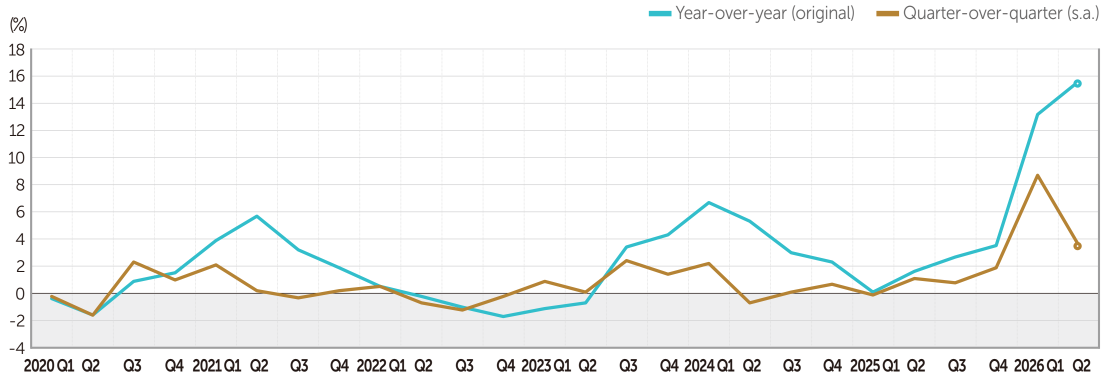
Source: IMF

GDP growth: Korea



Source: Bank of Korea.

GDI growth: Korea



Source: Bank of Korea.

2. Total Production and Composite Index of Business Indicators

In June, the Total Index of Industrial Production rose 2.3 percent month-on-month. Industrial production *(up 6.4 %)*, construction *(up 4.1%)* and services production *(up 0.7 %)* rose, while public spending *(down 4.0%)* declined. The index climbed 4.2 percent year-on-year.

Coincident composite index

The cyclical indicator of the coincident composite index rose 0.5 points month-on-month to 100.3. More specifically, imports, value of construction completed, and industrial production index rose, while, retail sales index and the number of employed persons excluding agriculture, forestry and fishing declined.

Leading composite index

The cyclical indicator of the leading composite index rose 0.9 points month-on-month to 105.7. Within the leading composite index, the KOSPI, the net barter terms of trade, and the economic sentiment index rose, while construction orders received and the inventory circulation indicator fell.

	2025						2026					
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr[1]	May[1]	Jun[1]
Total Index of Industrial Production (m-o-m, %)	-0.3	-0.1	1.2	-2.2	0.7	1.2	-0.8	2.1	0.4	-0.5	-0.4	2.3
(y-o-y, %)	2.8	0.2	8.0	-3.5	0.7	2.1	4.9	0.1	3.7	2.4	1.9	4.2
Cyclical indicator of coincident composite index	99.6	99.8	99.8	99.4	99.2	99.0	99.0	99.6	100.0	100.2	99.8	100.3
(m-o-m, p)	0.0	0.2	0.0	-0.4	-0.2	-0.2	0.0	0.6	0.4	0.2	-0.4	0.5
Coincident composite index (2020=100)	114.3	114.7	114.9	114.6	114.5	114.5	114.7	115.5	116.2	116.5	116.2	116.9
(m-o-m, %)	0.2	0.3	0.2	-0.3	-0.1	0.0	0.2	0.7	0.6	0.3	-0.3	0.6
Cyclical indicator of leading composite index	100.5	100.9	100.9	100.9	101.1	101.6	102.2	102.8	103.5	104.1	104.8	105.7
(m-o-m, p)	0.5	0.4	0.0	0.0	0.2	0.5	0.6	0.6	0.7	0.6	0.7	0.9
Leading composite index (2020=100)	120.1	120.9	121.2	121.5	122.2	123.1	124.2	125.2	126.4	127.5	128.7	130.2
(m-o-m, %)	0.8	0.7	0.2	0.2	0.6	0.7	0.9	0.8	1.0	0.9	0.9	1.2

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 Jun 2026 (m-o-m, %)

Imports	4.3
Value of construction completed	1.6
Industrial production index	0.9
Retail sales index	-0.4
Number of employed persons excluding agriculture, forestry and fishing	-0.1

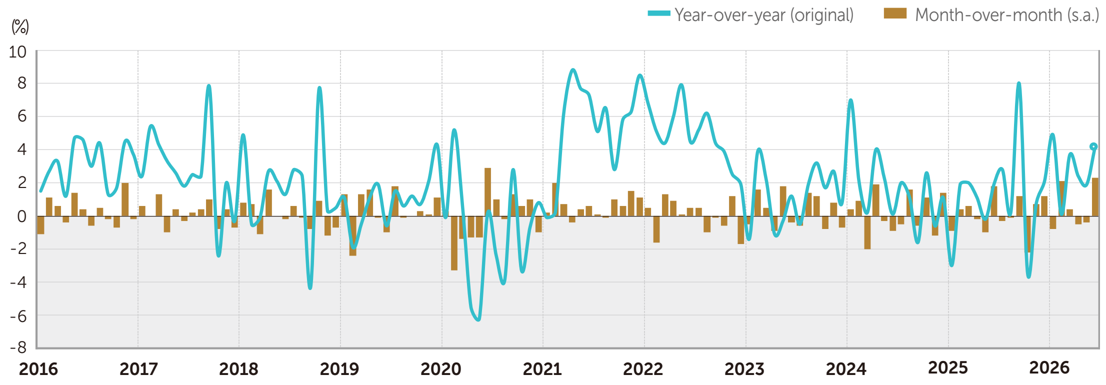
Source: Industrial activity trends, Statistics Korea.

Leading composite index in Jun 2026 (m-o-m, %)

KOSPI	15.3
Net barter terms of trade	4.7
Economic sentiment index (p)	0.9
Construction orders received	-12.8
Inventory circulation indicator (%p)	-1.3

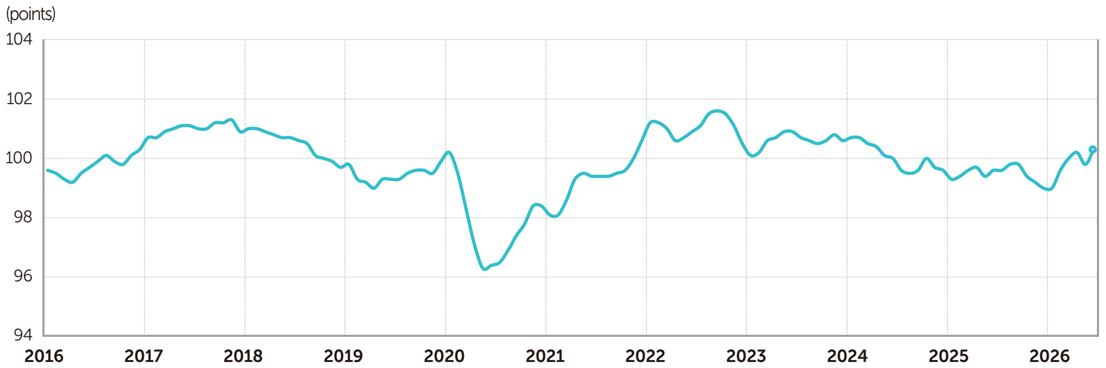
Source: Industrial activity trends, Statistics Korea.

Total index of Industrial Production



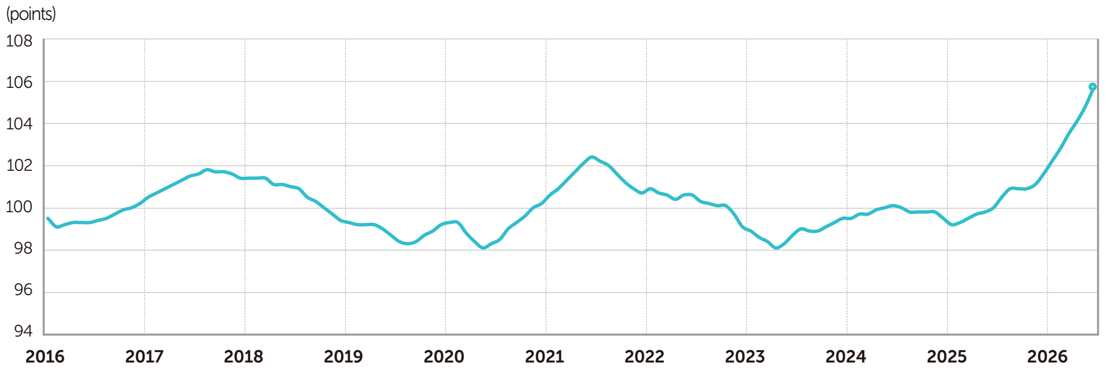
Source: Industrial activity trends, Statistics Korea.

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 *(advance estimate of GDP)* in the second quarter of 2026 increased by 0.4 percent quarter-on-quarter and by 2.5 percent year-on-year.

(Percentage change from previous period)

	2024	2025	2024				2025				2026	
	Annual	Annual[1]	Q1	Q2	Q3	Q4	Q1[1]	Q2[1]	Q3[1]	Q4[1]	Q1[1]	Q2[2]
Private consumption	-	-	0.8	0.0	0.3	0.0	0.2	0.7	1.1	0.4	0.6	0.4
(y-o-y)	1.3	1.5	1.4	1.2	1.6	1.1	0.5	1.0	2.0	2.4	2.7	2.5

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

Retail sales increased 2.7 percent month-on-month in June. Sales of durable goods *(up 12.6%)* and nondurable goods *(up 0.2%)* rose, while sales of semi-durable goods *(down 1.7%)* fell. The year-on-year index climbed 4.2 percent.

(Percentage change from previous period)

	2024	2025	2024				2025				2026				
	Annual	Annual	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2[1]	Apr	May[1]	Jun[1]
Retail sales	-	-	-1.2	-0.7	0.4	-0.6	0.6	-0.6	1.2	0.6	2.4	-1.7	-3.7	0.1	2.7
(y-o-y)	-1.9	0.3	-1.5	-3.0	-1.4	-1.8	-0.8	-0.1	1.6	0.9	3.2	2.4	1.4	1.5	4.2
- Durable goods	-3.6	3.8	-4.1	-2.6	4.3	-2.4	3.7	-1.1	4.8	-3.8	6.5	-4.0	-11.0	-3.4	12.6
· Automobiles	-7.3	11.0	-11.8	1.0	6.8	0.3	2.8	4.3	3.1	-3.2	6.0	-4.3	-6.5	-10.9	21.8
- Semi-durable goods	-3.0	-2.1	-0.1	-0.3	-2.4	0.9	-2.3	-1.0	2.9	0.1	3.0	-1.2	-0.6	2.5	-1.7
- Nondurable goods	-0.8	-0.2	-0.2	0.1	-0.3	-0.2	0.1	-0.1	-1.1	2.8	0.4	-0.8	-1.2	0.8	0.2

Source: Statistics Korea.
[1] Preliminary.

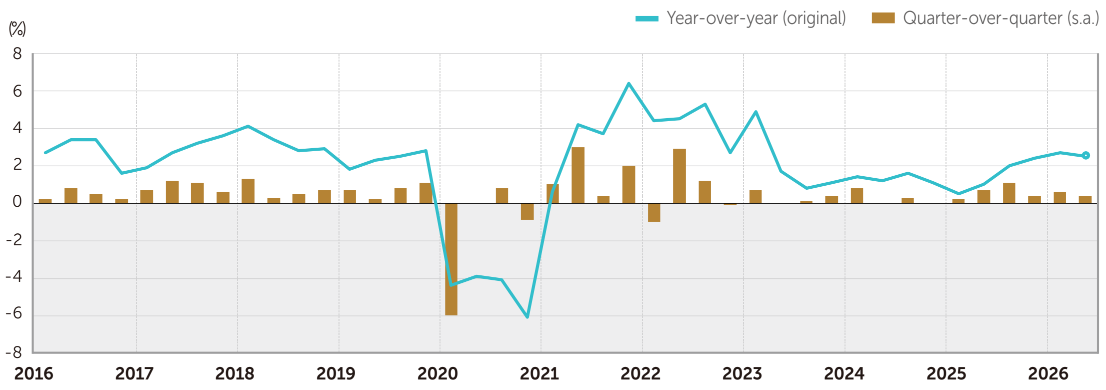
The retail sales index outlook for July is expected to be mixed, as increases in the consumer sentiment index is offset by a decrease in card sales at home.

(Percentage change from same period in previous year)

	2025		2026						
	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Car sales at home	-4.4	-0.9	11.2	-13.3	8.0	-8.0	-14.2	5.0	-1.8
Department store sales	2.0	5.0	-0.7	30.3	10.1	14.2	17.1	13.3	6.6
Large discount store sales	-3.8	-5.1	-17.0	18.7	-6.7	-7.4	-4.1	-9.6	-8.9
Credit card spending at home[1]	6.6	4.3	4.7	6.3	8.4	.3	7.0	6.0	3.7
Consumer sentiment index[2]	112.4	109.9	110.8	112.1	107.0	99.2	106.1	106.6	106.8
Number of Chinese tourists[3]	26.8	28.8	14.8	40.5	19.8	28.2	15.4	33.6	27.3

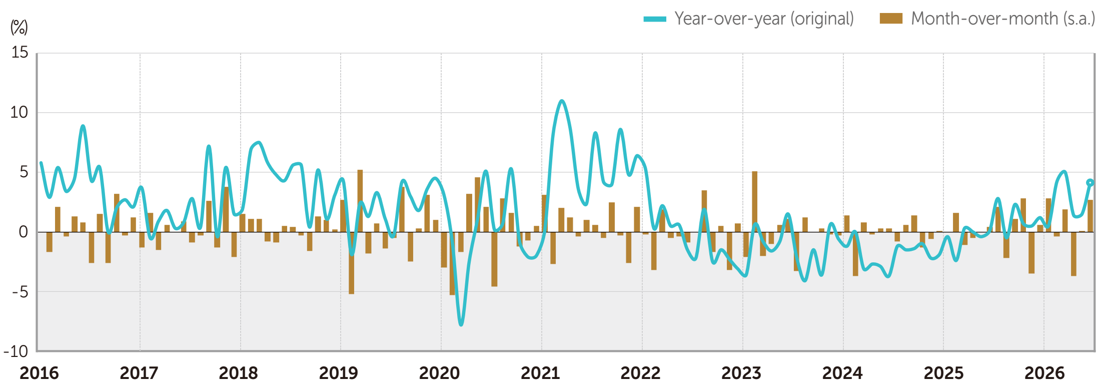
Sources: Korea Automobile Manufacturers Association; The Credit Finance Association; Bank of Korea; Korea Culture & Tourism Institute; data provided by retail industries.
[1] Utility bills are excluded.
[2] Level value.
[3] Advance estimate based on total entries, The figure can be different from the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

Private consumption



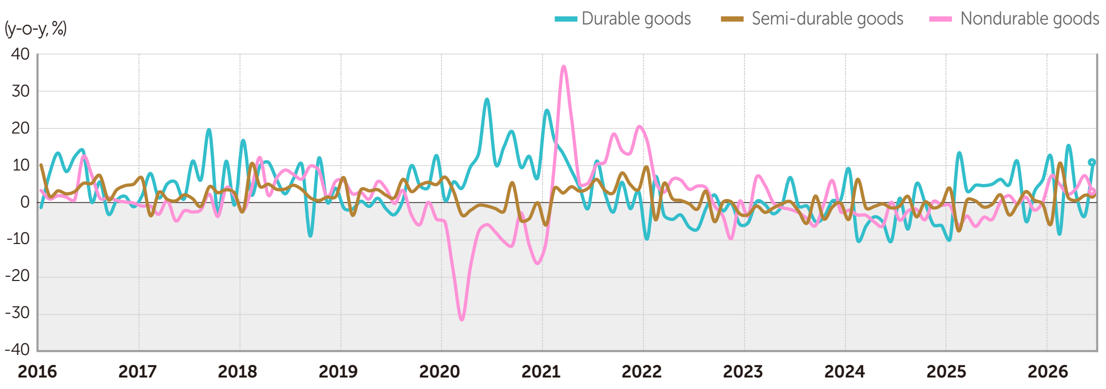
Source: National account, Bank of Korea.

Retail sales



Source: Industrial activity trends, Statistics Korea.

Retail sales by type



Source: Industrial activity trends, Statistics Korea.

4. Facility investment

Facility investment *(advance estimate of GDP)* in the second quarter of 2026 grew by 0.2 percent quarter-on-quarter and by 6.3 percent year-on-year.

(Percentage change from previous period)

	2024	2025	2024				2025				2026	
	Annual	Annual[1]	Q1	Q2	Q3	Q4	Q1[1]	Q2[1]	Q3[1]	Q4[1]	Q1[1]	Q2[2]
Facility investment	-	-	-1.5	-0.2	3.8	0.8	0.2	-1.8	1.3	-1.6	6.6	0.2
(y-o-y)	1.0	1.5	-1.4	-2.9	5.6	3.1	4.7	2.7	0.7	-1.9	4.4	6.3
- Machinery	-0.1	1.1	0.9	-1.9	3.6	1.3	-2.5	0.1	3.0	-0.8	6.5	-
- Transportation equipment	5.1	2.5	-9.8	6.0	4.5	-0.8	9.3	-8.0	-4.4	-4.4	7.1	-

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

In June, the facility investment index increased by 5.8 percent month-on-month, as both the machinery investment index and transportation equipment climbed. The index also rose by 21.7 percent year-on-year.

(Percentage change from previous period)

	2024	2025	2024				2025				2026				
	Annual	Annual	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2[1]	Apr	May[1]	Jun[1]
Facility investment index	-	-	-3.0	0.4	6.0	1.8	-2.2	0.3	0.6	-3.8	13.0	3.6	-4.0	0.3	5.8
(y-o-y)	3.0	1.2	-1.5	-3.4	11.4	5.6	5.4	5.5	1.2	-6.2	9.8	13.0	7.6	9.7	21.7
Machinery	2.0	0.6	0.7	0.1	1.9	5.3	-3.0	-2.8	3.4	-1.9	9.1	4.1	-0.2	0.7	6.9
Transportation equipment	5.3	2.3	-12.4	1.1	16.5	-5.8	-0.3	7.5	-5.3	-8.2	22.5	2.5	-11.4	-0.7	3.4

Source: Statistics Korea.
[1] Preliminary.

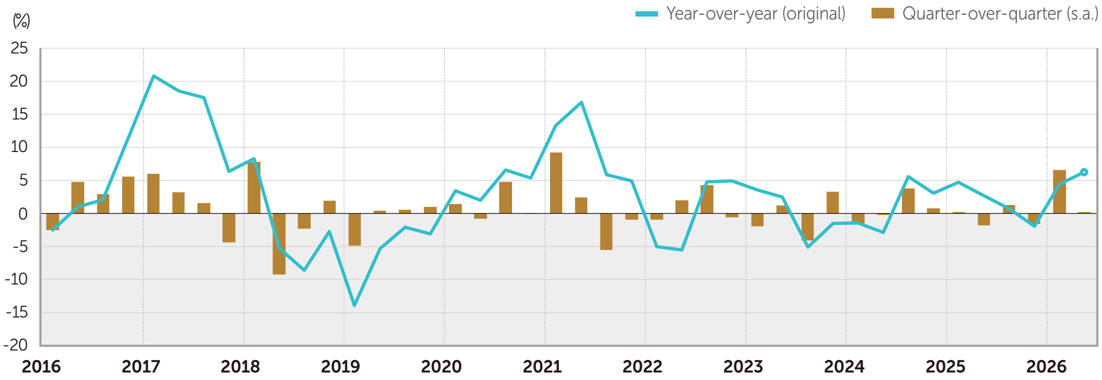
The facility investment outlook is mixed, as an increase in domestic machinery orders received is expected to be offset by ongoing uncertainty surrounding the Middle East conflict.

(Percentage change from same period in previous year)

	2024	2025	2024				2025				2026			
	Annual	Annual	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2[1]	May[1]	Jun[1]
Domestic machinery orders received	-3.1	1.8	-7.6	-7.2	15.5	-10.6	13.8	6.1	-14.4	3.5	-2.8	19.5	24.0	52.1
(% change from previous period)	-	-	-15.0	2.9	22.8	-17.9	11.3	-5.5	-3.5	4.0	0.7	19.1	25.2	12.9
- Public	-21.2	-10.1	-63	-42.4	169.3	-40.6	14.4	-24.7	-37.2	72.2	-29.9	-29.3	-36.2	-21.3
- Private	-0.8	3.0	2.6	-1.6	4.8	-8.0	13.8	9.0	-10.4	-0.4	-1.0	22.6	26.8	56.5
Machinery imports	1.8	8.1	-7.4	-12.4	18.2	12.7	11.5	13.5	6.1	2.2	17.1	17.1	14.1	21.8
Average capacity utilization rate[2]	72.6	72.6	72.4	73.3	72.1	72.5	72.9	72.9	73.1	71.4	73.3	73.0	70.9	74.9
Facility investment pressure[3]	3.5	0.7	4.5	4.1	1.6	3.1	0.8	1.0	5.2	-3.7	2.1	1.4	-1.9	5.7

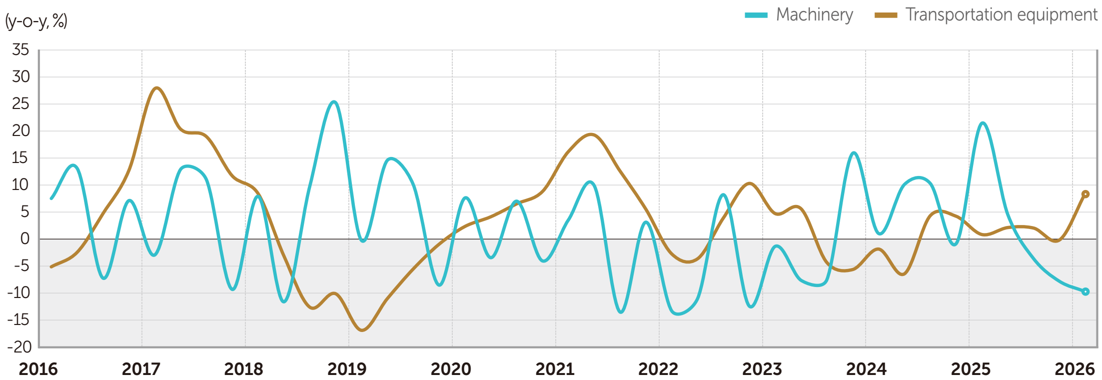
Sources: Statistics Korea; Korea International Trade Association.
[1] Preliminary.
[2] Utilization rate for the period, %.
[3] Production growth rate minus production capacity growth rate in the manufacturing sector, %p.

Facility investment



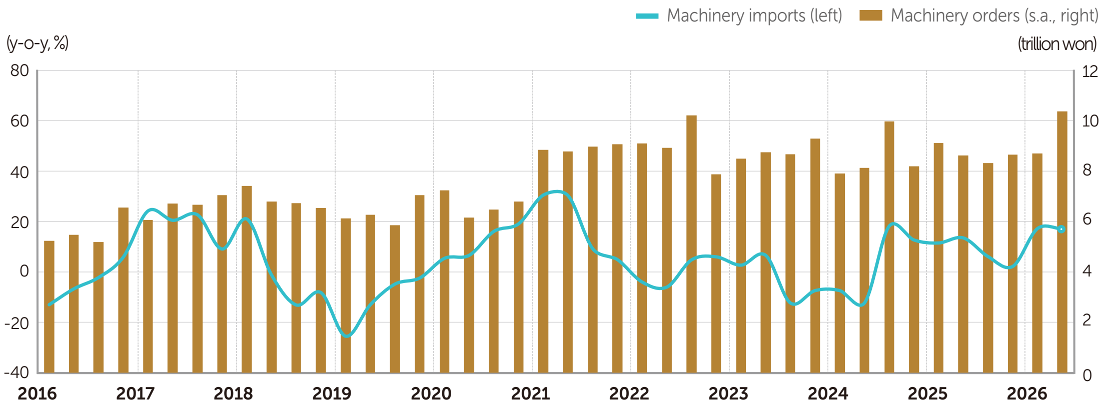
Source: National account, Bank of Korea.

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 *(advance estimate of GDP)* in the second quarter of 2026 fell by 0.2 percent quarter-on-quarter, and declined by 1.3 percent year-on-year.

(Percentage change from previous period)

	2024	2025	2024				2025				2026	
	Annual	Annual[1]	Q1	Q2	Q3	Q4	Q1[1]	Q2[1]	Q3[1]	Q4[1]	Q1[1]	Q2[2]
Construction investment	-	-	4.9	-2.3	-3.4	-3.5	-4	-0.7	0.2	-2.6	1.4	-0.2
(y-o-y)	-2.0	-9.7	1.6	-0.2	-4.5	-4.5	-12.7	-11.3	-7.9	-7.2	-1.9	-1.3
- Building construction	-3.9	-10.4	5.4	-3.1	-4.0	-2.4	-5.3	-0.3	-0.8	-0.7	0.2	-
- Civil engineering works	2.8	-8.0	3.5	-0.2	-2.0	-6.0	-0.9	-1.6	2.7	-7.0	4.2	-

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

In June, construction completed *(constant)* climbed by 4.1 percent month-on-month, led by an increase in building construction. The index declined 4.0 percent year-on-year.

(Percentage change from previous period)

	2024	2025	2024				2025				2026				
	Annual	Annual	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2[1]	Apr	May[1]	Jun[1]
Construction completed (constant)	-	-	4.5	-5.5	-4.6	-4.6	-7.2	-2.6	-0.8	-4.1	0.5	0.4	-2.8	3.7	4.1
(y-o-y)	-4.6	-16.5	4.1	-3.1	-9.0	-9.5	-21.1	-17.3	-11.9	-15.1	-6.1	-4.6	-6.6	-3.2	-4.0
- Building construction	-6.6	-17.5	4.9	-6.7	-5.4	-4.1	-7.8	-2.9	-1.5	-2.7	-2.4	4.1	-1.8	5.0	5.9
- Civil engineering works	2.0	-13.5	3.4	-1.7	-2.3	-5.8	-5.3	-2.0	1.1	-8.1	8.9	-9.4	-5.6	0.2	-1.3

Source: Statistics Korea.
[1] Preliminary.

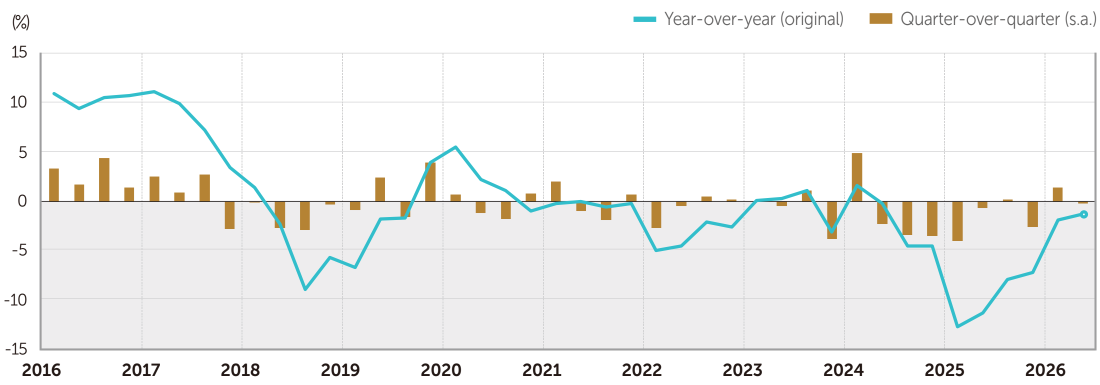
The construction investment outlook is mixed, as an increase in construction orders received in the second quarter is expected to be offset by a decrease in building permits.

(Percentage change from same period in previous year)

	2024	2025	2024				2025				2026			
	Annual	Annual	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2[1]	May[1]	Jun[1]
Construction orders received (current value)	10.8	4.9	-11.4	20.5	28.6	9.1	-0.1	-5.1	27.4	1.1	30.7	22.3	69.9	-28.1
(% change from previous period)	-	-	-0.2	19.5	-10.3	3.9	-6.1	8.6	17.0	-17.6	21.8	15.6	27.7	-59.0
- Building construction	17.4	14.6	-13.7	23.8	27.9	28.2	23.2	13.7	28.6	2.2	24.1	17.2	71.0	-36.9
- Civil engineering works	-2.2	-17.7	-6.8	14.1	30.6	-22.7	-43.1	-43.9	24.1	-2.0	57.2	43.5	62.4	3.2
Building permits[2]	-9.0	-10.5	-16.2	-22.2	-5.4	10.8	-23.3	-8.7	-5.6	-5.0	-5.0	-5.7	-12.6	-5.2
Apartment presales[3]	25	21.8	5.8	5.8	5.7	7.7	2.3	4.8	7.4	7.3	3.9	7.4	2.5	2.3

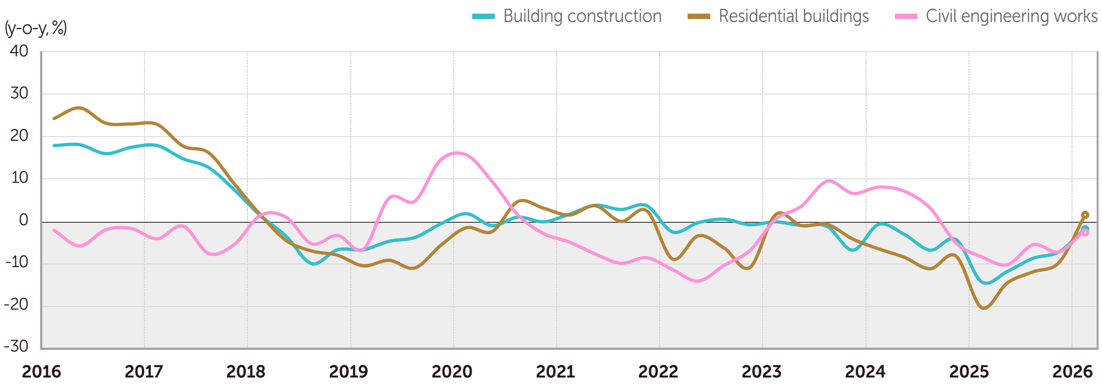
Sources: Statistics Korea; Ministry of Land Infrastructure and Transport; Real Estate 114.
[1] Preliminary.
[2] Gross Floor Area.
[3] Thousand housing units.

Construction investment



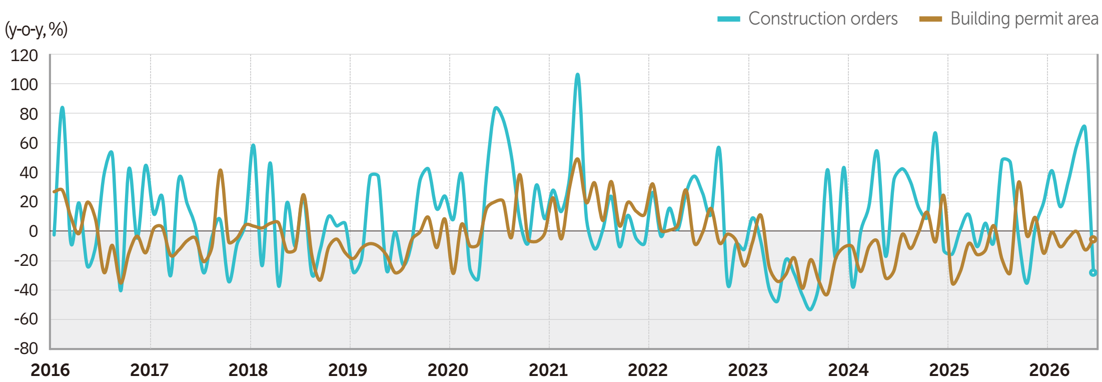
Source: National account, Bank of Korea.

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 62.8 percent year-on-year to US $98.9 billion in July.
Exports of semiconductor, computers, ships, cosmetics, and automobiles increased, while exports of home appliances decreased. In terms of export markets, exports to China, US, ASEAN, and the Middle East increased while exports to CIS declined. The average daily amount of exports, which factors in the number of working days, rose by 69.6 percent year-on-year to US $4.1 billion.

Imports rose by 26.5 percent year-on-year to US $68.6 billion in July.

The trade balance recorded a surplus of US $30.3 billion in July.

(US $ billion)

	2024	2025	2025				2026			
	Annual	Annual	Q1	Q2	Q3	Q4	Apr	May	Jun	Jul
Exports	683.6	709.4	159.5	175.1	184.9	189.8	85.7	87.6	102.2	98.9
(y-o-y, %)	8.1	3.8	-2.3	2.1	6.5	8.4	47.7	53.0	70.7	62.8
Average daily exports	2.5	2.6	2.5	2.4	2.6	2.9	3.6	4.3	4.5	4.1
Imports	631.8	631.8	152.6	154.3	162.4	162.2	62.1	60.8	66.1	68.6
(y-o-y, %)	-1.6	-0.0	-1.4	-1.7	1.5	1.4	16.6	20.7	30.0	26.5
Average daily imports	2.3	2.4	2.4	2.3	2.6	2.5	2.6	3.0	2.9	2.9
Trade balance	51.8	77.7	6.9	20.9	22.5	27.7	23.7	26.9	36.1	30.3

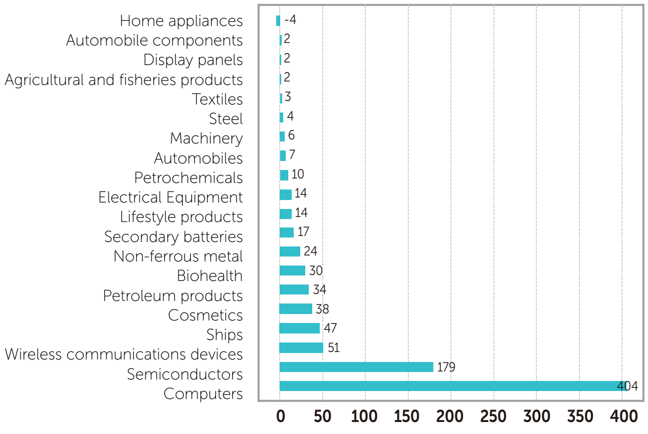
Source: Korea Customs Service.

Export growth and share by region in Jul 2026

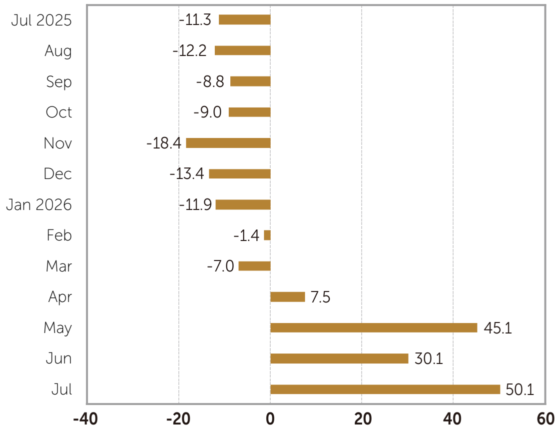
	Growth (y-o-y, %)	Share (%)[1]
China	96.2	20.5
US	68.7	18.6
ASEAN countries	73.7	18.1
EU	55.7	8.2
India	45.0	2.4
Latin America	25.7	3.4
Middle East	24.7	1.7
Japan	11.0	3.2
CIS countries	-8.6	-

[1] Cumulative total since January 2026.

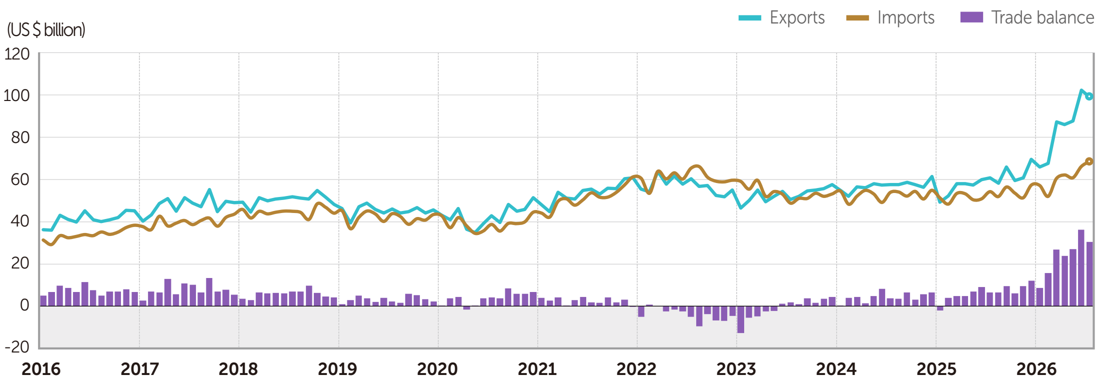
Export growth by item in Jul 2026 (y-o-y, %)



Energy Imports (y-o-y, %)

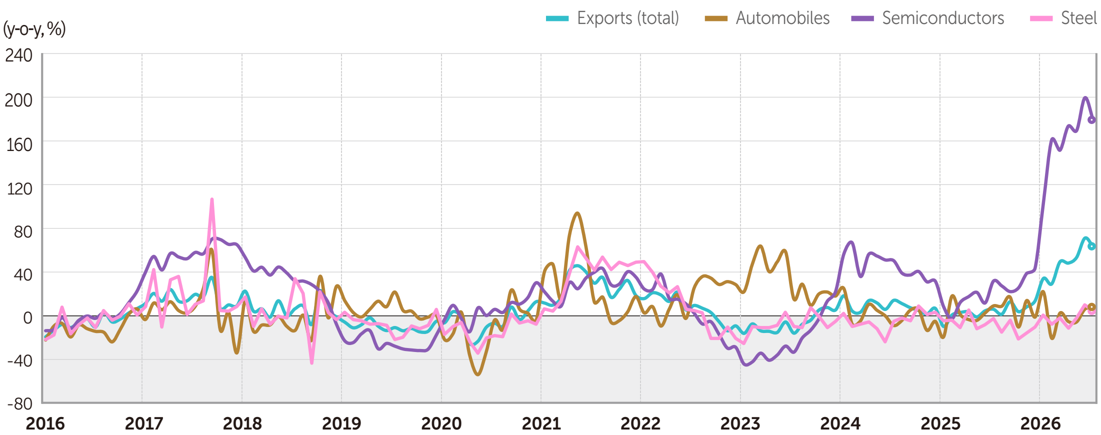


Exports and imports



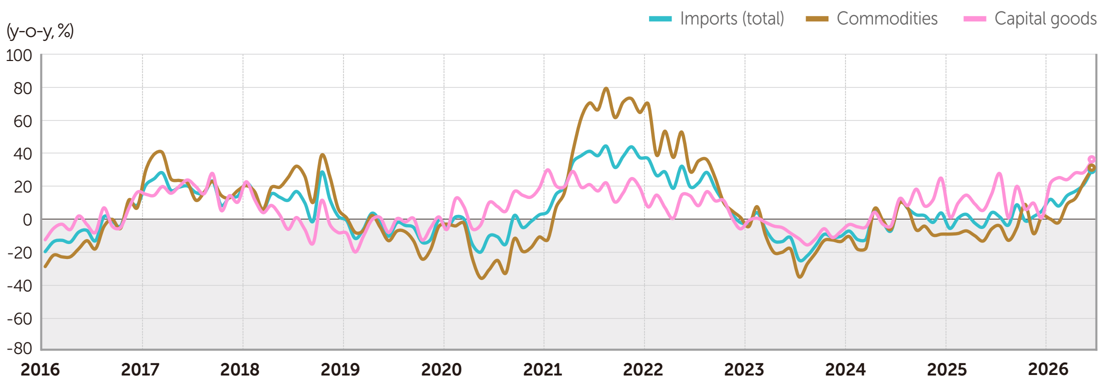
Sources: Korea Customs Service.

Export growth by item



Sources: Korea Customs Service.

Import growth by category



Sources: Korea Customs Service.

7. Employment

In July, the number of employed workers increased by about 108,000 year-on-year to 29,136,000 and the employment rate *(aged 15 and above)* fell by 0.1 percent point to 63.3 percent.

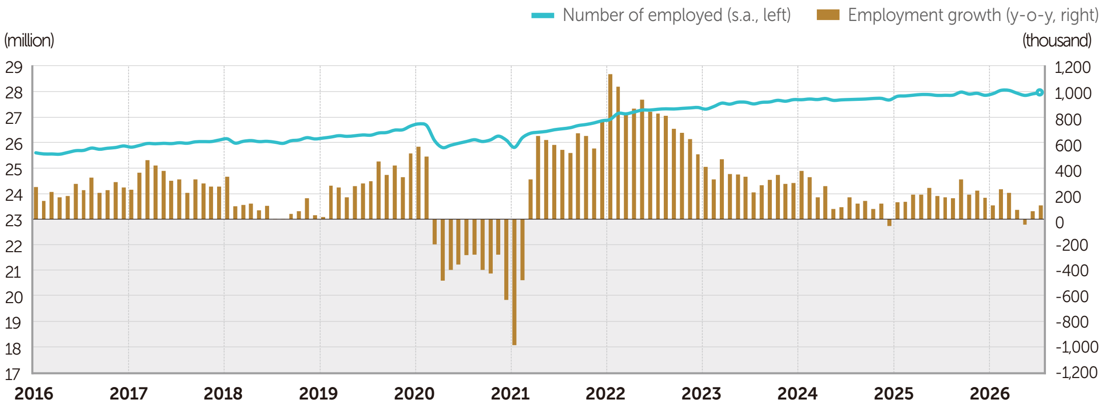
By sector, employment growth accelerated in the services sector, while conditions worsened in the manufacturing sector and construction sector.

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

	2023	2024	2025	2025						2026						
	Annual	Annual	Annual	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Number of employed (million)	28.42	28.58	28.77	29.03	28.97	29.15	29.04	29.05	28.21	27.99	28.41	28.79	28.96	29.16	29.15	29.14
Employment rate (%)	62.6	62.7	62.9	63.4	63.3	63.7	63.4	63.4	61.5	61.0	61.8	62.7	63.0	63.3	63.4	63.3
(Seasonally adjusted)	-	-	-	62.8	62.8	63.1	62.9	62.9	62.7	62.8	63.0	63.0	62.7	62.5	62.6	62.7
- 15 to 64	69.2	69.5	69.8	70.2	69.9	70.4	70.1	70.2	69.6	69.2	69.2	69.7	70.0	70.2	70.2	70.3
Employment growth (y-o-y, thousand)	327	159	193	171	166	312	193	225	168	108	234	206	74	-40	63	108
- Manufacturing	-43	-6	-73	-78	-61	-61	-51	-41	-63	-23	-16	-42	-55	-140	-97	-68
- Construction	-9	-49	-125	-92	-132	-83	-123	-131	-63	-20	-40	-16	-8	-43	-67	-57
- Services	385	239	492	460	484	588	481	516	403	256	374	316	208	248	307	295
· Wholesale & retail	-37	-61	-1	13	0	28	46	11	44	23	22	-18	-52	-36	-44	-5
· Hotels & restaurants	114	25	-3	-71	0	26	22	-22	-22	-16	-27	-2	29	20	10	2
· Healthcare & social welfare service	143	83	237	263	304	304	280	281	220	185	288	294	261	212	214	173
- Wage workers	327	214	275	287	270	386	311	294	214	121	205	113	-43	-115	-81	-11
· Permanent workers	478	183	283	319	348	340	286	258	195	192	158	140	62	-7	16	71
· Temporary workers	-61	154	46	16	-12	2	79	65	-7	-97	8	-59	-127	-121	-51	-40
· Day laborers	-90	-122	-55	-48	-67	44	-55	-29	25	26	39	32	22	14	-45	-41
- Nonwage workers	0	-55	-81	-116	-103	-75	-118	-70	-46	-13	29	93	116	75	144	119
· Self-employed	57	-32	-38	-65	-70	-55	-98	-38	12	45	70	105	140	109	166	150
- Male	24	-29	20	16	20	67	22	22	95	33	20	69	4	-55	37	48
- Female	303	188	174	155	146	244	171	203	73	75	214	137	70	15	26	60
- 15 to 29	-98	-144	-178	-158	-219	-146	-163	-177	-112	-175	-146	-147	-194	-255	-197	-191
- 30 to 39	54	90	102	93	96	133	80	76	83	101	86	112	84	62	65	65
- 40 to 49	-54	-81	-50	-56	-73	-45	-38	-9	-33	-3	0	-5	-17	-43	-19	-31
- 50 to 59	59	28	-26	-49	-38	-11	-19	2	-11	45	6	5	11	25	3	33
- 60 and above	366	266	345	342	401	381	334	333	241	141	287	242	189	171	211	231

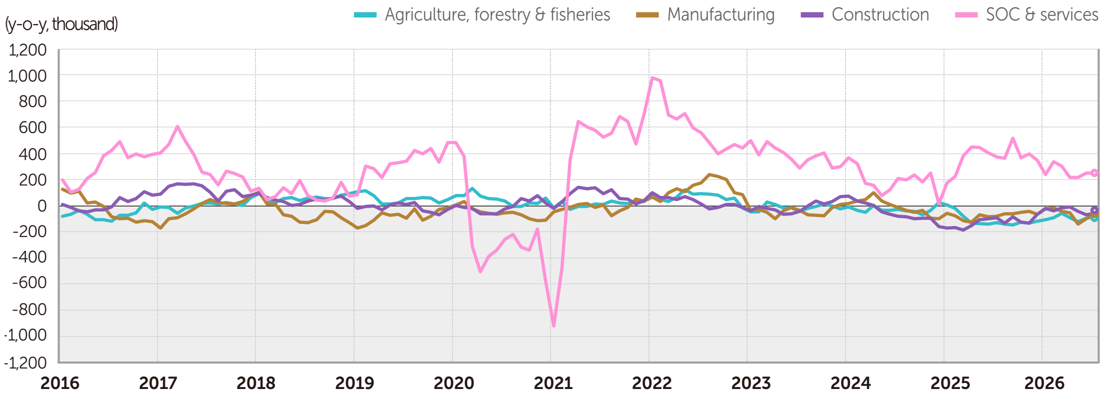
Source: Statistics Korea.

Number of employed workers and employment growth



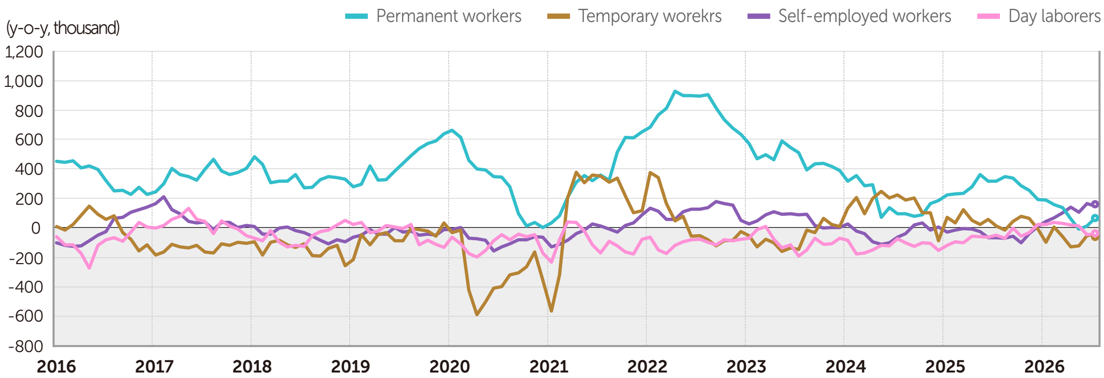
Source: Employment trends, Statistics Korea.

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 July, the number of unemployed workers increased by about 50,000 year-on-year to 776,000 and the unemployment rate rose by 0.2 percent points at 2.6 percent.

	2023	2024	2025	2025						2026						
	Annual	Annual	Annual	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Number of unemployed (thousand)	787	823	830	726	592	635	658	661	1,217	1,211	993	884	853	873	834	776
Unemployment growth (y-o-y, thousand)	-46	36	7	-11	28	12	-20	5	103	128	54	-35	-2	25	10	50
- Male	-14	18	13	16	23	52	4	29	47	36	44	-31	-28	5	-26	20
- Female	-32	18	-6	-27	4	-39	-24	-24	55	49	10	-4	26	30	36	31
Unemployment rate (%)	2.7	2.8	2.8	2.4	2.0	2.1	2.2	2.2	4.1	4.1	3.4	3.0	2.9	2.9	2.8	2.6
(Seasonally adjusted)	-	-	-	2.5	2.6	2.5	2.6	2.7	4.0	3.0	2.9	2.7	2.8	2.8	2.7	2.8
- 15 to 29	5.9	5.9	6.1	5.5	4.9	4.8	5.3	5.5	6.2	6.8	7.7	7.6	7.1	7.2	7.0	6.8
- 30 to 39	2.6	2.7	2.7	2.5	2.5	2.6	2.7	2.9	3.0	3.0	3.6	3.3	3.3	3.2	3.4	3.2
- 40 to 49	1.9	1.9	2.0	2.0	1.7	1.7	1.7	1.8	1.9	1.8	1.9	1.8	1.9	2.1	1.9	1.8
- 50 to 59	1.7	1.8	1.8	1.8	1.4	1.6	1.5	1.4	1.6	1.7	1.9	2.0	1.8	1.8	1.6	1.5
- 60 and above	2.6	2.9	2.8	1.7	1.0	1.2	1.4	1.2	8.4	8.3	3.7	2.3	2.2	2.3	2.0	1.8

Source: Statistics Korea.

In July, the economically inactive population increased by 99,000 year-on-year to 16,103,000 and the labor force participation rate stayed unchanged at 65.0 percent.

The number of people economically inactive because of childcare fell, while the number of people economically inactive because of old age or retraining increased.

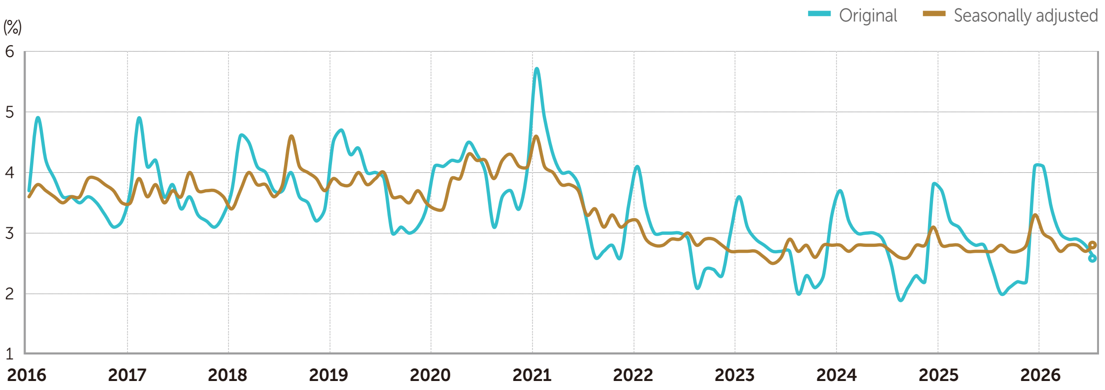
	2023	2024	2025	2025						2026						
	Annual	Annual	Annual	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Economically inactive population (million)	16.2	16.2	16.2	16.0	16.2	16.0	16.1	16.1	16.5	16.7	16.5	16.3	16.2	16.0	16.0	16.1
Labor force participation rate (%)	64.3	64.5	64.7	65.0	64.6	65.0	64.8	64.8	64.7	63.6	64.0	64.6	64.9	65.2	65.2	65.0
(Seasonally adjusted)	-	-	-	64.4	64.4	64.8	64.5	64.6	65.0	64.7	64.9	64.8	64.5	64.3	64.4	64.6
Growth in economically inactive population (y-o-y, thousand)	-134	-32	-8	8	9	-116	38	-10	-49	4	-39	69	174	264	181	99
- Childcare	-140	-113	-64	-29	-48	-68	-63	-65	-90	-95	-98	-83	-79	-88	-73	-76
- Housework	-1	45	7	60	13	-25	14	-44	-8	-14	-6	28	64	126	89	50
- Retraining	11	-54	1	47	21	25	17	36	-16	34	42	66	96	124	117	134
- Old age	-31	47	-28	-36	-50	-40	-41	-16	-11	26	24	58	59	68	56	60
- Rest	74	117	88	69	73	42	135	124	124	110	27	31	63	47	5	-62
- Job seeking	-88	-48	5	-12	11	-8	-38	-13	-37	-28	-27	-51	-43	-41	-26	-3

Source: Statistics Korea.

Employment rate

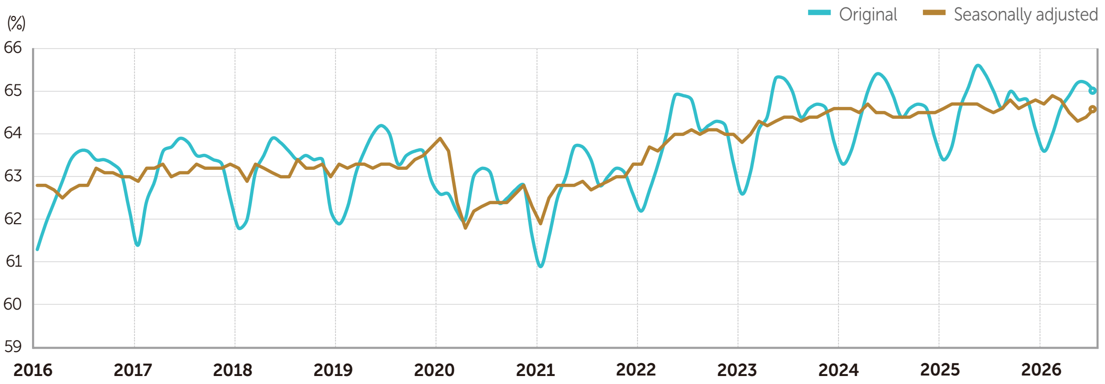
Source: Employment trends, Statistics Korea.

Unemployment rate



Source: Employment trends, Statistics Korea.

Labor force participation



Source: Employment trends, Statistics Korea.

8. Prices

In July, the Consumer Price Index (CPI) grew 2.8 percent from a year ago. The CPI fell 0.2 percent month-on-month.

Prices for consumer goods excluding food and energy rose 2.6 percent year-on-year in July. Prices for consumer goods excluding crops and oil products rose 2.5 percent.

The price index for basic necessities rose 2.5 percent year-on-year in July. The fresh food price index fell 2.3 percent.

(Percentage change from same period in previous year)

	2025									2026						
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
CPI (y-o-y)	2.1	1.9	2.2	2.1	1.7	2.1	2.4	2.4	2.3	2.0	2.0	2.2	2.6	3.1	3.2	2.8
(m-o-m)	0.1	-0.1	0.0	0.2	-0.1	0.5	0.3	-0.2	0.3	0.4	0.3	0.3	0.5	0.5	0.1	-0.2
Excluding food and energy	2.1	2.0	2.0	2.0	1.3	2.0	2.2	2.0	2.0	2.0	2.3	2.2	2.2	2.5	2.5	2.6
Excluding crops and oil products	2.4	2.3	2.4	2.3	1.9	2.4	2.5	2.3	2.3	2.3	2.5	2.3	2.2	2.5	2.4	2.5
Basic necessities	2.4	2.3	2.5	2.5	1.5	2.5	2.5	2.9	2.8	2.2	1.8	2.3	2.9	3.3	3.4	2.5
Fresh food	-1.9	-5.0	-1.7	-0.5	2.1	-2.5	-0.8	4.1	1.8	-0.2	-2.7	-6.6	-6.1	-1.4	0.4	-2.3

Source: Statistics Korea.

In July, the price of agricultural, fishery and livestock goods fell from a month earlier. The price of petroleum products and domestic oil fell from the previous month following the implementation of a lower cap on 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
Jun 2026	3.2	4.4	24.7	0.1	1.0	1.6	3.4
Jul 2026	0.9	3.7	15.5	0.4	1.1	1.4	3.5
Contribution (%p)	0.1	1.2	0.6	0.0	0.1	0.2	1.2

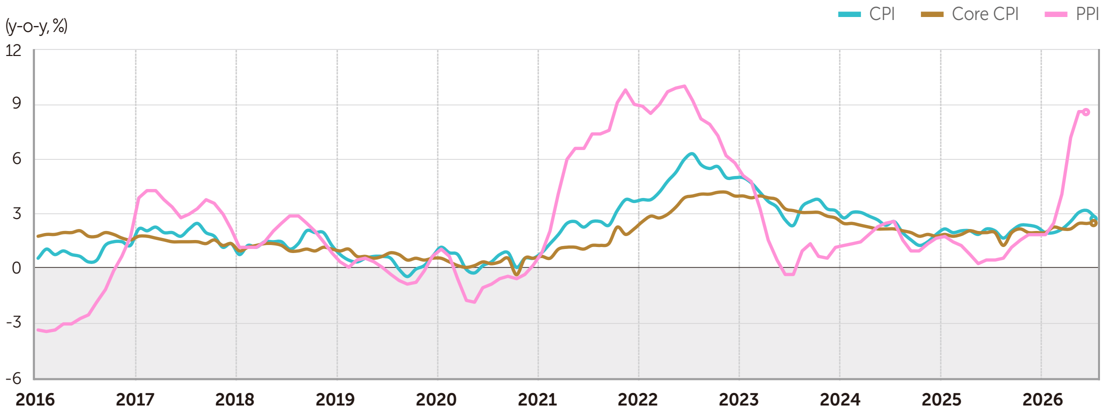
Source: Statistics Korea.

(Won/liter, period average)

	2024	2025	2024				2025				2026			
	Annual	Annual	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Jun	Jul
Gasoline prices	1,647	1,680	1,607	1,681	1,674	1,624	1,708	1,642	1,665	1,707	1,745	2,001	2,005	1,882
Diesel prices	1,503	1,553	1,512	1,528	1,510	1,460	1,570	1,507	1,533	1,602	1,675	1,995	1,999	1,868

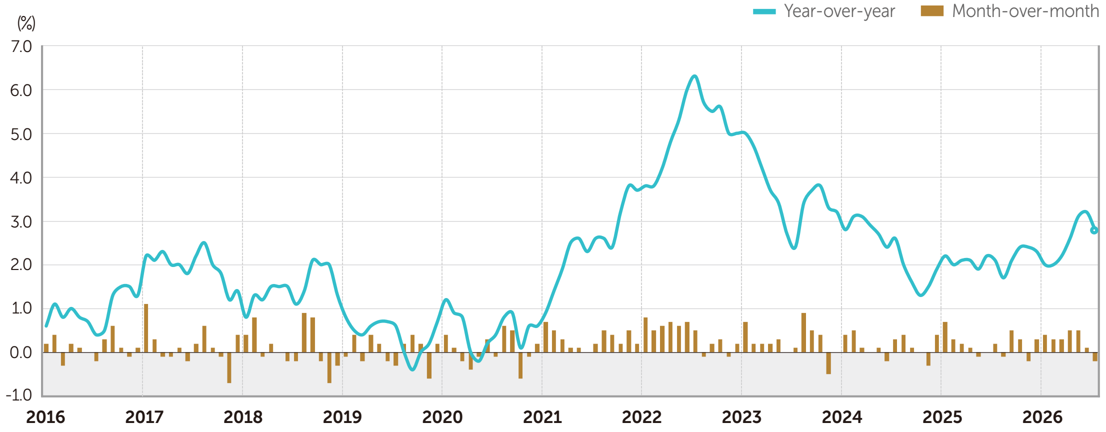
Source: Korea National Oil Corporation.

Prices



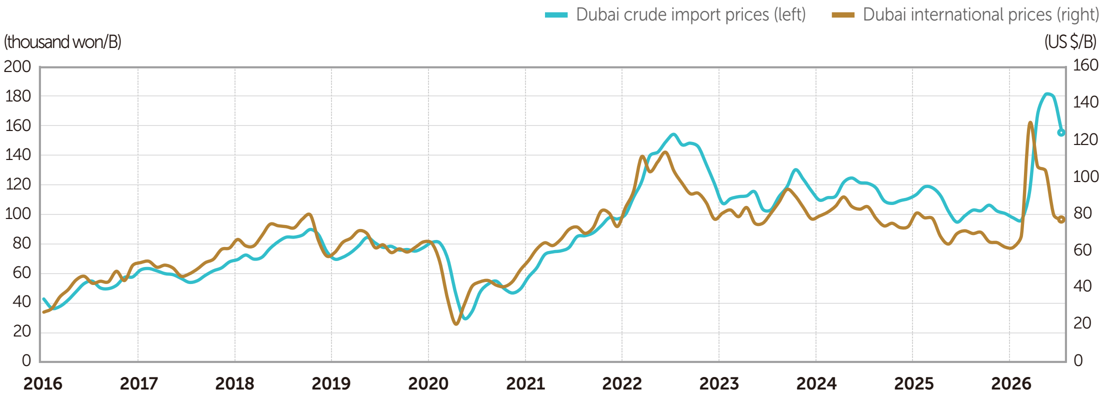
Sources: Consumer price trends, Statistics Korea; Bank of Korea.

Consumer price inflation



Source: Consumer price trends, Statistics Korea.

Dubai crude prices and import prices



Source: Korea National Oil Corporation.

In July, international oil prices fell from the previous month as OPEC+ member nations agreed to increase oil production.

International grain prices rose compared to the previous month as unfavorable weather conditions resulted in lower yields from harvest.

Non-ferrous metal prices fell month-on-month, led by price drops in nickel and aluminum.

(Period average)

	2024	2025	2024				2025				2026			
	Annual	Annual	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Jun	Jul
Dubai crude[1]	79.6	69.4	81.2	85.3	78.5	73.6	76.9	67.0	70.1	63.8	86.3	96.1	79.5	76.8
WTI crude[1]	75.8	64.7	76.9	80.7	75.3	70.3	71.4	63.7	65.0	59.1	71.9	92.8	81.8	79.2
Brent crude[1]	79.9	68.2	81.8	85.0	78.7	74.0	75.0	66.7	68.2	63.1	77.9	96.9	84.4	84.0
Reuters Index[2]	3,086	3,025	2,949	3,112	3,081	3,203	3,151	2,996	2,979	2,975	2,969	3,031	3,071	3,180

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 in Jul 2026 (m-o-m, %)

Corn	10.3
Wheat	9.8
Soybeans	5.7

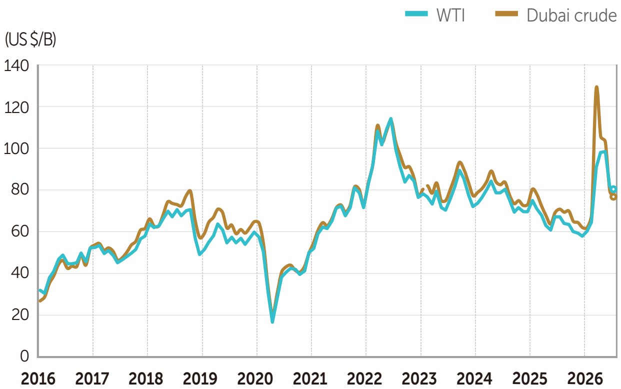
Note: Monthly average prices.

Nonferrous metal prices growth in Jul 2026 (m-o-m, %)

Nickel	-8.8
Aluminum	-5.7
Copper	-0.4

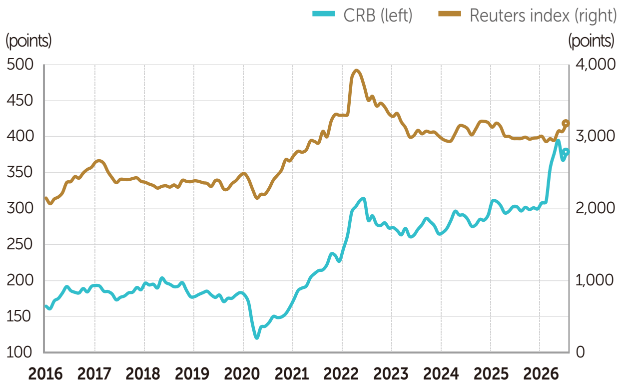
Note: Monthly average prices.

International oil prices



Source: Korea National Oil Corporation.

International commodity prices



Source: Korea PDS

9. Housing market

Nationally, housing sales prices rose 0.35 percent month-on-month in July.
Within the Seoul metropolitan area, housing sales prices rose 0.72 percent, increasing 1.09 percent in Seoul, 0.65 percent in Gyeonggi Province, and 0.02 percent in Incheon.
In the areas excluding the Seoul metropolitan, housing sales prices rose 0.01 percent. The prices increased 0.01 in the five metropolitan cities and 0.31 percent in the eight provinces on average.

Housing sales prices

(Percentage change from previous period)

	2021	2022	2023	2024	2025	2025	2026			
	Annual	Annual	Annual	Annual	Annual	Jul	Cumulative total	May	Jun	Jul
Nationwide	9.9	-4.7	-3.6	0.1	1.0	0.12	1.73	0.21	0.33	0.35
Seoul metropolitan area	12.8	-6.5	-3.6	1.4	2.9	0.33	3.41	0.46	0.67	0.72
- Seoul	6.5	-4.8	-2.0	3.2	7.1	0.75	5.66	0.90	1.03	1.09
· Southern Seoul	6.8	-4.1	-1.5	3.6	9.2	0.89	5.33	0.86	1.00	0.97
· Northern Seoul	6.1	-5.4	-2.4	2.8	4.9	0.60	6.02	0.94	1.07	1.23
Areas excluding the Seoul metropolitan area	7.4	-3.0	-3.5	-1.1	-0.7	-0.08	0.17	-0.02	0.01	0.01

Source: Korea Real Estate Board.

Housing sales prices in six major cities in Jul 2026 (m-o-m, %)

Busan	Daegu	Gwangju	Daejeon	Ulsan	Sejong
-0.04	-0.08	0.07	0.05	0.30	-0.04

Nationally, housing rental prices increased 0.38 percent in July compared to the previous month.
By region, housing rental prices rose 0.68 percent in the Seoul metropolitan area and 0.10 percent in other areas.

Housing rental prices

(Percentage change from previous period)

	2021	2022	2023	2024	2025	2025	2026			
	Annual	Annual	Annual	Annual	Annual	Jul	Cumulative total	May	Jun	Jul
Nationwide	6.5	-5.6	-5.1	1.3	0.9	0.04	2.22	0.35	0.38	0.38
Seoul metropolitan area	7.7	-8.0	-5.7	3.1	1.8	0.11	3.65	0.61	0.71	0.68
- Seoul	4.9	-6.5	-5.3	3.3	3.0	0.24	5.04	0.91	1.08	1.03
· Southern Seoul	5.1	-6.9	-5.8	2.9	3.9	0.28	4.56	0.84	0.95	0.95
· Northern Seoul	4.7	-6.2	-4.7	3.6	2.1	0.20	0.68	0.98	1.21	1.13
Areas excluding the Seoul metropolitan area	5.5	-3.3	-4.4	-0.4	0.1	-0.03	0.90	0.10	0.08	0.10

Source: Korea Real Estate Board.

Housing rental prices in major districts in Jul 2026 (m-o-m, %)

Songpa	Seongdong	Nowon	Gwangmyeong	Dongtan
1.45	1.35	1.69	1.79	1.68

Source: Korea Real Estate Board.

There were 68,819 housing sales transactions in June, an increase of 3.5 percent month-on-month *(66,490 in May 2026)* and a decrease of 6.0 percent year-on-year *(73,838 in June 2025)*.

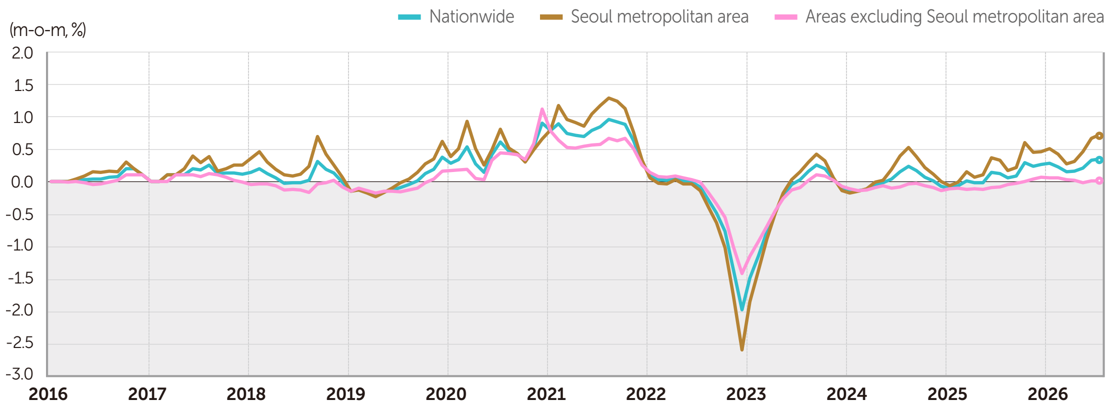
Housing sales transactions

(Thousand)

	2022	2023	2024	2025	2025								2026				
	Annual[1]	Annual[1]	Annual[1]	Annual[1]	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Nationwide	42	46	54	61	74	64	46	63	70	61	63	61	58	72	70	66	69

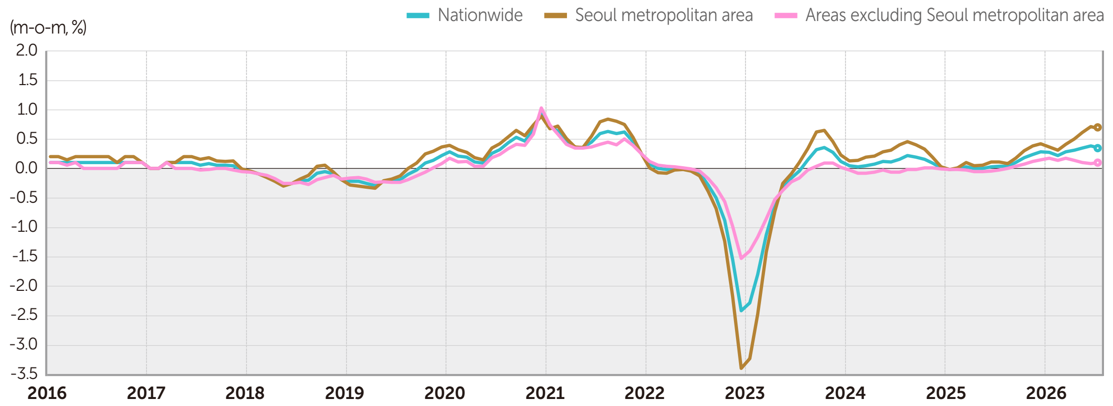
Source: Ministry of Land, Infrastructure and Transport.
[1] Monthly average.

Housing sales prices



Source: Korea Real Estate Board

Housing rental prices



Source: Korea Real Estate Board

Financial Markets

1. Stock market

In July, stock prices fell from a month earlier.

	KOSPI			KOSDAQ		
	Jun 2026	Jul 2026	Change	Jun 2026	Jul 2026	Change
Stock price index (points)	8,476.48	6,595.45	-1,881.03 (-22.19%)	916.18	719.76	-196.42 (-21.44%)
Market capitalization (trillion won)	6,929.5	5,445.2	-1,484.3 (-21.42%)	513.9	400.2	-113.7 (-22.12%)
Daily trade (trillion won)	50.3	36.9	-13.4 (-26.64%)	10.0	6.2	-3.8 (-38.00%)
Foreign stock ownership (%, %p)	40.9	40.2	-0.7 (-1.71%)	12.3	12.1	-0.2 (-1.63%)

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

2. Bond market

The goverment issued 17.0 trillion won worth of treasury bonds in July.

(End-period, trillion won)

	2022	2023	2024	2025	2025						2026						
	Annual	Annual	Annual	Annual	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Treasury bonds issuance[1]	168.6	165.7	157.7	226.2	21.2	21.0	21.5	17.7	15.6	5.4	17.9	22.4	21.2	22.6	22.9	17.1	17.0

Source: Monthly public finance, Ministry of Planning and Budget.
[1] Issuance limit is 225.7 trillion won in 2026.

In July, Korean Treasury bond yields rose, long tenor bonds.

Yields to maturity in Jul 2026 (m-o-m, basis points)

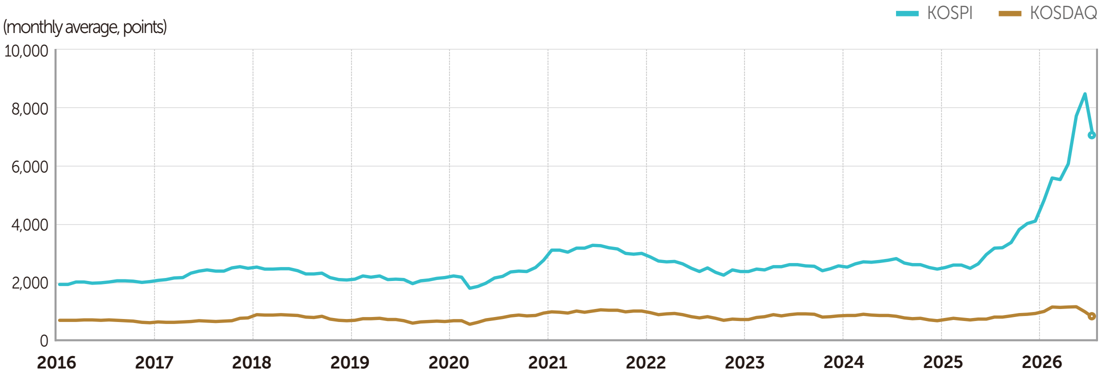
3 yrs	5 yrs	10 yrs	20 yrs	30 yrs
6	9	17	19	16

(Percent per annum)

	2019	2020	2021	2022	2023	2024	2025	2026			
	Dec	Dec	Dec	Dec	Dec	Dec	Dec	May	Jun	Jul	Change[1]
Call rate (1 day)	0.61	1.44	3.38	3.91	3.33	2.63	2.60	2.59	2.65	2.82	17
CD (91 days)	0.66	1.29	3.98	3.83	3.39	2.81	2.81	2.86	2.92	2.95	3
Treasury bonds (3 yrs)	0.98	1.80	3.72	3.15	2.60	2.95	3.04	3.73	3.70	3.76	6
Treasury bonds (5 yrs)	1.34	2.01	3.74	3.16	2.76	3.24	3.28	3.92	3.93	4.02	9
Corporate bonds (3 yrs)	2.21	2.42	5.23	3.90	3.28	3.48	3.64	4.35	4.38	4.48	10

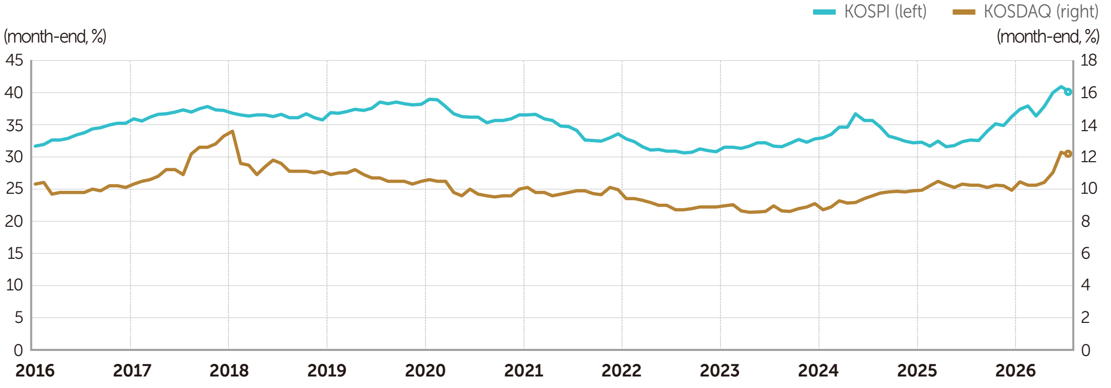
Source: Bank of Korea.
Note: Figures are closing rate.
[1] Change from the previous month as of end-Jul 2026, basis point.

Stock prices



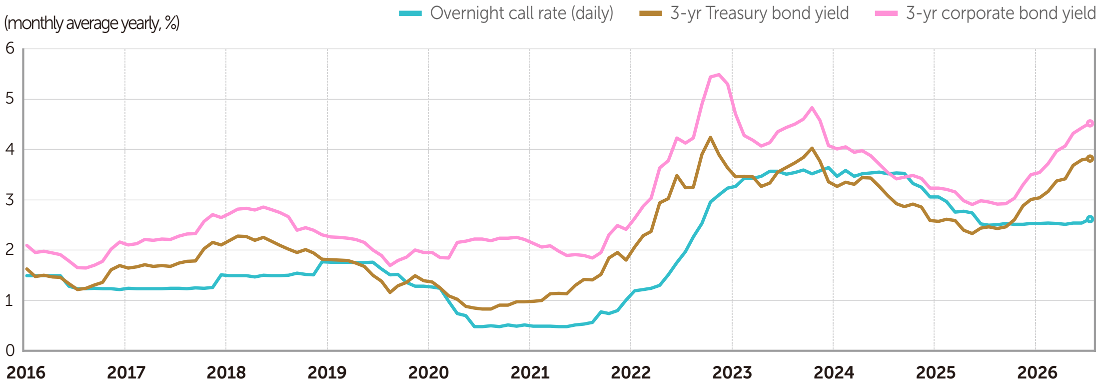
Source: Korea Exchange

Foreign stock ownership



Sources: Financial Supervisory Service, Korea Exchange

Interest rates



Source: Bank of Korea.

3. Foreign exchange market

The won appreciated against the US Dollar in July compared to the previous month.

	2019	2020	2021	2022	2023	2024	2025	2026		
	Dec	Dec	Dec	Dec	Dec	Dec	Dec	Jun	Jul	Change[1]
Dollar-Won	1,156.4	1,086.3	1,188.8	1,264.5	1,288.0	1,472.5	1,439.0	1,549.4	1,424.0	8.8
100 Yen-Won	1,059.8	1,051.2	1,032.5	945.6	912.3	934.3	917.6	952.0	902.1	7.5
Yuan-Won	165.6	167.0	186.6	181.6	181.2	202.6	206.0	228.2	211.3	8.0

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- Jul 2026, %.

4. Money market

In June, M2 *(monthly average)* rose 6.0 percent year-on-year.

(Percentage change from same period in previous year)

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026			
	Annual	Annual	Annual	Annual	Annual	Annual	Annual	Annual	Annual	Apr	May	Jun[1]	Jun[2]
M1[3]	9.5	4.7	3.9	20.9	21.5	4.2	-10.6	2.9	5.2	8.3	9.9	10.0	1,407.8
M2	6.8	5.7	6.2	11.1	11.4	9.8	3.8	3.3	4.5	5.7	5.8	6.0	4,209.9
Lf[4]	7.4	6.4	7.8	8.4	8.6	8.3	3.5	6.4	6.9	7.3	8.0	8.5	6,361.2

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).

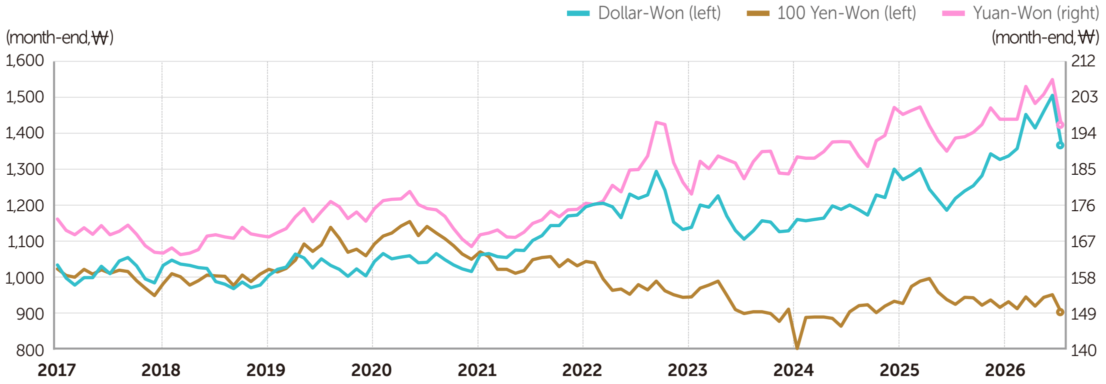
In July, total deposits decreased for banks and for Asset Management Companies (AMC).

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

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026				
	Annual	Annual	Annual	Annual	Annual	Annual	Annual	Annual	Annual	Apr	May	Jun	Jul	Jul[1]
Bank deposits	79.5	91.6	106.3	188.4	198.5	110.4	76.4	111.7	100.2	-6.8	48.8	28.8	-30.0	2,592.6
AMC deposits	27.9	53.8	98.6	42.2	93.9	45.4	93.7	117.2	241.0	99.6	86.4	-11.7	-42.8	1,525.9

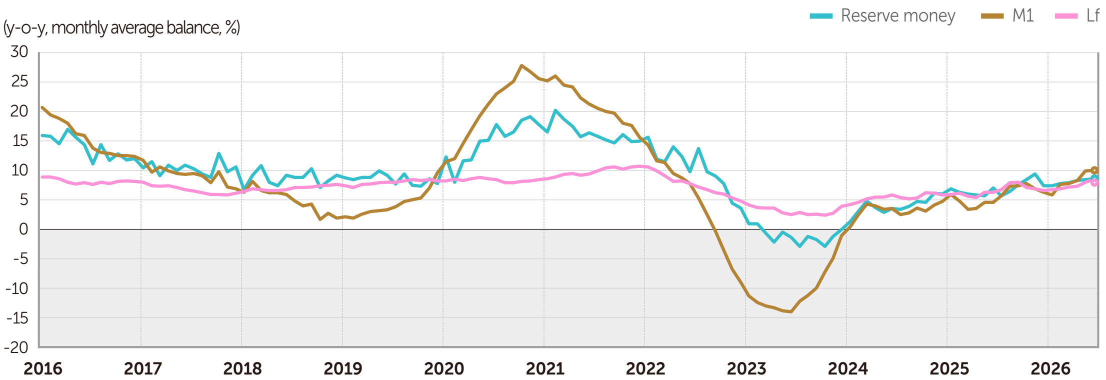
Source: Bank of Korea.
[1]Balance at end- Jul 2026.

Foreign exchange rates



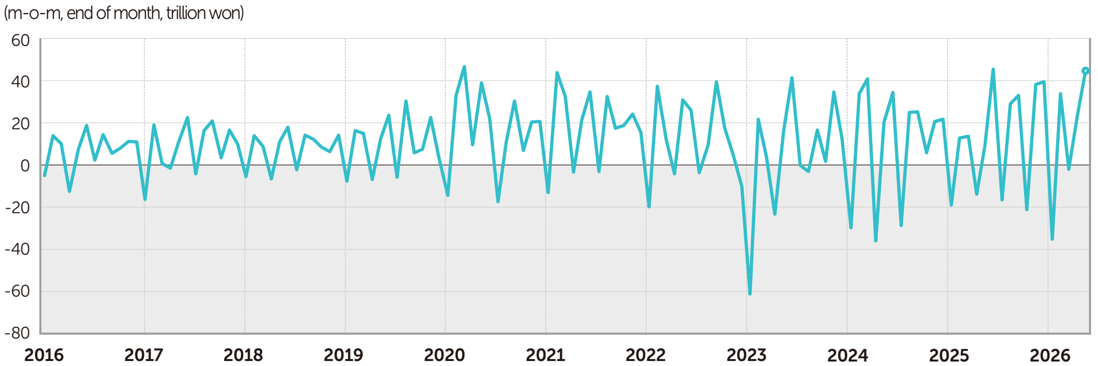
Source: Bank of Korea.

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 $428.0 billion as of the end of July.

(US $ billion)

	2022	2023	2024	2025	2026		
					Jun	Jul	Change (m-o-m)
Official foreign reserves	423.2	420.2	415.6	428.1	427.4	428.0 (100.0%)	0.6
- Securities[1]	369.7	373.7	366.7	371.1	380.3	380.0 (88.8%)	-0.3
- Deposits	29.4	22.0	25.2	31.9	22.3	23.1 (5.4%)	0.9
- SDRs	14.8	15.1	14.7	15.9	15.6	15.7 (3.7%)	0.1
- IMF position[2]	4.5	4.6	4.2	4.4	4.3	4.3 (1.0%)	0.0
- Gold	4.8	4.8	4.8	4.8	4.8	4.8 (1.1%)	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 $812.8 billion as of the end of the second quarter of 2026, up US $38.4 billion quarter-on-quarter. Short-term debt was US $198.5 billion *(up US$ 14.9 billion q-o-q)*, and long-term debt was US $614.3 billion *(up US$ 23.5 billion q-o-q)*. Net external assets increased by US $2.3 billion to US $367.8 billion.

(End-period, US $billion)

	2025[1]				2026[1]		Change (y-o-y)
	Q1	Q2	Q3	Q4	Q1	Q2	
External assets (in debt instruments, A)	1,057.0	1,099.6	1,127.8	1,143.2	1,139.9	1,180.6	40.7
Total debt (B)	687.9	739.6	741.8	770.2	774.4	812.8	38.4
- Short-term	149.8	168.0	162.8	179.4	183.6	198.5	14.9
- Long-term	538.1	571.6	579.0	590.8	590.8	614.3	23.5
Short-term/Total debt (%)	21.8	22.7	21.9	23.3	23.7	24.4	0.7%p
Short-term/Reserve assets (%)	36.6	40.9	38.6	41.9	43.3	46.5	3.2%p
Net external assets (A-B)	369.1	360.0	386.1	373.1	365.5	367.8	2.3

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

Public Finance

1. Fiscal balance

The consolidated fiscal balance recorded a deficit of 43.9 trillion won in June, a decrease of 24.7 trillion won year-on-year. The managed fiscal balance also recorded a deficit of 84.4 trillion won, a decrease of 9.9 trillion won year-on-year.

(Trillion won, percent)

	2025					2026[1]			Change
	Supplementary budget (a)	Settlement (b)	Jun (Cumulative, c)	(c)/(a)	(c)/(b)	Main budget (d)	Jun (Cumulative, e)	(e)/(d)	(e)-(c)
A. Total revenue	642.4	637.4	320.6	49.9	50.3	700.6	381.9	54.5	61.3
B. Total spending	703.3	684.1	389.2	55.3	56.9	753.1	425.8	56.5	36.6
C. Consolidated fiscal balance (A-B)	-60.8	-46.7	-68.6	-	-	-52.5	-43.9	-	24.7
D. Net social security fund[2]	50.8	57.5	25.7	-	-	55.1	40.5	-	14.8
E. Managed fiscal balance (C-D)	-111.6	-104.2	-94.3	-	-	-107.6	-84.4	-	9.9

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

Fiscal balance

(Trillion won)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025[1]	2026[1]
Consolidated fiscal balance	16.9	24.0	31.2	-12.0	-71.2	-30.5	-64.6	-36.8	-43.5	-43.3	-23.4
Managed fiscal balance	-22.7	-18.5	-10.6	-54.4	-112.0	-90.6	-117.0	-87.0	-104.8	-89.6	-54.2

Source: Open fiscal data, Ministry of Planning and Budget.
[1] Preliminary.

2. Government debt

The total amount of central government debt in June was 1,338.5 trillion won, down 6.7 trillion won from a month earlier. Korean Treasuries totaled 1,336.8 trillion won, which is comprised of bonds at 1,229.7 trillion won, national housing bonds at 73.3 trillion won, and foreign exchange stabilization bonds at 33.8 trillion won.

(Trillion won)

	2020	2021	2022	2023	2024	2025	2026[1]	
	Annual	Annual	Annual	Annual	Annual	Annual	May	Jun
Central gov't debt	819.2	939.1	1,033.4	1,092.5	1,141.2	1,268.1	1,345.2	1,338.5
(% of GDP)	39.8	42.3	44.5	45.5	44.8	47.6	-	-
- Treasuries (total)[2]	815.2	937.0	1,031.5	1,091.1	1,139.8	1,266.5	1,343.6	1,336.8
· Bonds	726.8	843.7	937.5	998.0	1,047.9	1,161.3	1,233.9	1,229.7
· National housing bonds	78.9	82.2	82.2	81.6	79.1	75.6	75.4	73.3
· Foreign exchange stabilization bonds	9.5	11.2	11.8	11.5	12.8	29.5	34.2	33.8
- Loans	3.3	2.0	1.9	1.2	1.2	1.5	1.5	1.5
- Treasury commitments	0.7	0.1	0.1	0.2	0.2	0.1	0.1	0.1

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

Poilcy Issue

- **Roadmap for KRW Internationalization**

  The Korea government establishes a KRW internationalization roadmap that reflects Korea's level of economic maturity while ensuring robust risk management. With the goal of converting KRW from restricted currency to freely convertible currency, the policy has three strategies including ① building the infrastructure and regulatory framework for seamless KRW trading anytime and anywhere, ② expanding KRW demand across capital and current transactions and deepening KRW liquidity, and ③ developing a multi-layered risk management framework.

- **2026 Tax Revision Bill**

  With the policy goal of supporting the next economic leap toward an indispensable Korea, the 2026 Tax Revision Bill includes the following measures: ① supporting a rebound in potential growth beyond the semiconductor upcycle, ② supporting low- and middle-income households, youth, and regional development, ③ advancing tax reform for a fairer tax system, and ④ modernizing the tax system and enhancing taxpayer convenience.

Roadmap for KRW Internationalization

I. Overview of KRW Internationalization

The Korea government establishes a KRW internationalization roadmap that reflects Korea's level of economic maturity while ensuring robust risk management.

- **(Concept)** KRW internationalization refers to a state in which non-residents can freely obtain and use KRW in offshore markets without regulatory or operational constraints.
  - **(Infrastructure and institutional framework)** A comprehensive offshore trading and settlement infrastructure for KRW should be established, with no institutional restrictions on KRW transactions.
  - **(Demand and supply)** KRW should be widely used in both current account and capital account transactions, and non-residents should have reliable access to KRW liquidity.

- **(Background)** Given the advancement of Korea's economic fundamentals and the ongoing development of its capital markets, promoting KRW internationalization has become an important policy priority.
  - As the international use of the KRW becomes more established, it is expected to deliver meaningful economic benefits, including deeper capital markets and lower transaction costs for businesses.
    - Improved access to Korea's capital markets for foreign investors (demand side), together with broader product offerings by domestic financial institutions (supply side), will foster both the depth and sophistication of Korea's capital markets.
    - Businesses will benefit from lower funding, currency conversion, and FX hedging costs, while the impact of exchange rate volatility on the real economy will also be mitigated.

- **(Considerations)** KRW internationalization may expand the FX market and increase the scale and speed of cross-border capital flows, both of which require careful management.
  - A broader and deeper FX market can enhance market resilience by reducing the influence of individual market participants on overall market conditions.
  - At the same time, closer integration between Korea's FX market and global financial markets may accelerate the transmission of external shocks and increase market volatility.

II. Constraints on KRW Internationalization

- **(Regulatory constraints)** There is currently no offshore infrastructure that enables non-residents to freely obtain and settle KRW, while regulatory requirements—such as prior reporting for capital transactions—continue to restrict offshore KRW transactions.
  - Until recently, FX market operating hours did not fully overlap with the business hours of major global financial centers. (The Korean FX market has operated on a 24-hour basis since July 6, 2026.)
  - Non-residents are required to open a KRW account with an FX bank in Korea in order to settle transactions in KRW.
  - Prior reporting is required for offshore KRW capital transactions conducted by foreign investors.

- **(Practical constraints)** Practical factors—including time zone differences with major international financial centers, the existence of a developed offshore NDF market, and the dominant role of the U.S. dollar in international trade—continue to limit broader international use of the KRW.

- The time-zone differences between Korea and major financial centers such as New York and London constrain KRW trading during their local business hours (which correspond to nighttime in Korea).[1]
- A highly liquid offshore NDF market is already well established.[2]
- Strong network effects and path dependency centered on the U.S. dollar continue to weigh on the use of KRW in current account transactions.[3]

III. Policy Priorities

With the goal of converting KRW from restricted currency to freely convertible currency, the policy has three strategies including ① building the infrastructure and regulatory framework for seamless KRW trading anytime and anywhere, ② expanding KRW demand across capital and current transactions and deepening KRW liquidity, and ③ developing a multi-layered risk management framework. The policy tasks will be implemented in a manner that balances transactional convenience and effective risk management, as outlined below.

1. Building Offshore KRW Infrastructure and Reforming FX Regulations

Build the infrastructure for 24-hour KRW trading and offshore KRW settlement, and comprehensively reform FX regulations and market practices, so that non-residents can transact in KRW without time or location constraints.

1) Establish a 24-Hour FX Market

▶ Extend FX market operating hours to fully overlap with the business hours of major global financial centers, including London and New York.

- **(24-hour onshore FX trading)** Extend the operating hours of the interbank spot and FX swap markets from the current closing time of 2:00 a.m. to continuous 24-hour operation.
  - Brokerage platforms will operate on all business days except weekends and January 1, providing uninterrupted service from 6:00 a.m. Monday to 6:00 a.m. Saturday (KST) during U.S. daylight saving time.[4]
- **(Enhancing market practices)** Revise relevant rules and market practices to enable domestic banks to participate effectively in overnight trading.
  - Adopt TWAP (Time-Weighted Average Price) in place of MAR (Market Average Rate as the methodology for calculating Korea's reference exchange rate. (Jan 2027)
  - Issue e-FX (electronic trading) guidelines to facilitate automated overnight trading without requiring dedicated on-site personnel. (Aug 2026)
- **(Pursuing WMR inclusion)** Pursue inclusion of the KRW in the WMR benchmark, a global reference exchange rate widely used by international investors for portfolio valuation.

[1] Currencies other than the US dollar tend to experience a sharp decline in FX trading during the counterpart region's nighttime hours.

[2] Although physical delivery of KRW is not possible in the NDF market, abundant offshore liquidity enables efficient hedging and trading activities, potentially reducing incentives to develop offshore deliverable KRW transactions.

[3] While demand for KRW in capital-account transactions has increased alongside growing investor interest in KRW-denominated assets, demand for KRW in current account transactions remains limited due to the entrenched practice of settling international trade in U.S. dollars.

[4] During U.S. standard time, operating hours will be from 7:00 a.m. Monday to 7:00 a.m. Saturday (KST).

2) Establish the Offshore KRW Settlement System

▶ Enable non-residents to use KRW freely outside Korea by liberalizing offshore KRW transactions and establishing the Offshore KRW Settlement Network.

◦ **(Liberalizing offshore KRW trading)** Facilitate KRW transactions between non-residents through Registered Financial Institutions for KRW services (hereafter, RFI-K).[5]

- Non-residents will be able to conduct KRW transactions through KRW accounts maintained with RFI-Ks, without opening accounts with domestic financial institutions in Korea.
- KRW capital transactions between non-residents conducted through RFI-Ks will generally be exempt from prior-reporting requirements, with streamlined bank verification.

KRW transactions conducted by non-residents without using an RFI-K remain subject to existing procedures under FX-law, including prior-reporting requirements and banks' verification obligations.

Streamlined regulations through RFI-Ks

Regulation	Current	Improved
Prior reporting of capital transactions	In principle, must be reported to an FX bank, the Bank of Korea *(BOK)*, or the Ministry of Finance and Economy *(MOFE)*	Exempt *(except for real estate transactions in Korea between non-residents)*
Banks' verification obligation	Banks must verify transaction information and completion of any required prior-reporting before transferring funds.	Banks need only verify minimal information, such as account details *(The exact scope will be determined during implementation to enable real-time transfers.)*

◦ **(Establishing the KRW Settlement Network)** Establish the Offshore KRW Settlement Network (Officially named as BOK-Wire^{Int}) at the BOK to support the final settlement of KRW transactions between non-residents.

- Through the 24-hour Offshore KRW Settlement Network, non-residents will be able to settle KRW transactions without time-zone constraints.

◦ **(Operational Support)** In light of staffing constraints at foreign bank branches in Korea, review measures to facilitate overnight (KST) FX trading and settlement operations.

◦ **(Promoting deliverable forwards)** Develop measures to strengthen incentives[6] for FX banks to engage in deliverable forward (DF) transactions, with a view to gradually shifting trading activity from NDFs to DFs. (Sep. 2026)

3) Ease FX Transaction Regulations

▶ Substantially liberalize KRW transactions by raising the thresholds for prior reporting of capital transactions, including KRW lending to non-residents, and by streamlining verification procedures for FX banks.

◦ (**Prior-reporting requirements)** Raise the prior-reporting thresholds for capital transactions under the Foreign Exchange Transactions Act and its subordinate statutes to at least twice the current levels. (H2 2026)

[5] RFI-K refers to financial institutions located outside of Korea that provide KRW-related services (deposits, loans, remittances, etc.) to non-residents overseas and are registered with the MOFE.

[6] For example, provide preferential regulatory treatment for DF transactions relative to NDF transactions when calculating FX forward position limits and the FX Stability Levy.

Proposed Changes to Prior-Reporting Requirements under the Foreign Exchange Transactions Act and Related Regulations (Draft)

Party	Counterparty	Transaction	Current	Proposed
FX bank	Non-resident	Foreign currency borrowing	Report to the MOFE if the amount exceeds USD 50 million and the maturity exceeds one year	Raise thresholds to at least twice the current levels
		KRW lending	Report to an FX bank for amounts between KRW 1 billion and KRW 30 billion per borrower; report to the BOK for amounts exceeding KRW 30 billion	
Resident	Non-resident	KRW borrowing	Report to the MOFE if the cumulative annual amount exceeds KRW 1 billion; report to an FX bank for KRW 1 billion or less	
Domestic company / Foreign invested company	Overseas subsidiary / head office	Centralized cash management	Cap of USD 50 million	
Resident[7]/ Non-resident	Resident/ Non-resident	Issuance of KRW-denominated securities	Report to MOFE[8]	Shift to ex-post reporting below a set threshold

◦ **(Regulatory easing for financial institutions)** Rationalize the regulatory framework by easing restrictions on offshore account management and by allowing foreign financial institutions to act as counterparties in third-party FX transactions.

- Review raising the discretionary limit on transfers from onshore to offshore accounts (currently 10% of the average balance of offshore foreign currency assets) to facilitate FX banks' liquidity management.
- Amend the relevant regulations to allow foreign financial institutions (e.g., asset managers) to act as counterparties in third-party FX transactions.[9]

◦ **(Consolidating KRW account structures)** Consolidate the existing KRW account structure[10] and simplify the rules governing deposits and withdrawals for each account type.

◦ **(Transition to ex-post reporting)** Conduct a comprehensive review of the capital transactions currently subject to prior reporting and consider a phased transition to an ex-post reporting framework.

4) Build Settlement Infrastructure for Digital Assets

▶ Establish a regulatory framework for digital assets, including KRW-denominated stablecoins, and play a leading role in developing blockchain- and CBDC-based cross-border payment and settlement infrastructure.

◦ **(Establishing a legal framework for stablecoins)** Establish the legal framework governing the issuance, distribution, and trading of KRW-denominated stablecoins, and put in place a framework for their cross-border use.

- Pursue amendments to the Foreign Exchange Transactions Act and related legislation in line with the enactment of the Framework Act on Digital Assets. (2027)

◦ **(Tokenization of government bonds)** Pursue a proof-of-concept pilot project for the tokenization of government bonds linked to the BOK's wholesale CBDC. (2027)

[7] Where a resident intends to issue KRW-denominated securities abroad.

[8] Issuance by non-residents of KRW-linked foreign currency securities of USD 50 million or less has already been switched to ex-post reporting. (Mar. 2026)

[9] Currently, in third-party FX transactions, FX banks conduct real-name verification on a fund-by-fund basis. Following the revision, taking into account the substantive party to the transaction, real-name verification may be conducted at the level of the foreign financial institution.

[10] Currently, investment-dedicated KRW accounts (for securities investment), free KRW Accounts (for external payments), and non-resident KRW Accounts (for domestic use), etc.

◦ **(Cross-border digital payment and settlement)** Continue to participate as a full member in Project Agorá[11], an initiative to develop a blockchain- and CBDC-based cross-border payment and settlement platform.

- Share Korea's experience from Project Hangang[12], the BOK's blockchain-based wholesale CBDC[13] and deposit token infrastructure, in support of the development of international standards.
- Support Korean financial institutions in capturing business opportunities as Project Agorá moves toward commercialization.

2. Expanding Demand for the KRW

Expand demand for the KRW by improving foreign investors' access to Korea's capital markets and strengthening incentives for KRW-denominated current account transactions.

1) Broaden Foreign Investors' Access to Korea's Capital Markets

▶ Building on the 22 completed MSCI Market Accessibility measures (out of 25), further strengthen investor confidence and implement the remaining three measures as scheduled.

◦ **(Completed measures – 22)** Continue to monitor implementation and address practical issues in completed reforms that have yet to translate into tangible benefits for foreign investors.

- Launch the Global Core Investors Council[14] (from Jul 2026) and strengthen regular dialogue with foreign investors.
- Continue operating the MSCI Task Force and holding regular meetings with foreign investors to identify operational bottlenecks and clarify regulatory issues.

◦ **(Remaining measures – 3)** Implement the remaining three measures as scheduled: ❶ Automated securities trading and settlement infrastructure, ❷ Improvements to the investor registration framework, ❸ Expansion of English-language corporate disclosures.

- Link the KSD (Korea Securities Depository) settlement system with global platforms such as CTM and ALERT to automate securities trading and settlement, improving operational efficiency and accuracy. (2027)
- Upgrade financial institutions' systems to allow investor identification numbers to be converted from the IRC to the LEI or passport number without closing and reopening accounts. (H2 2026)
- Expand mandatory English-language disclosure requirements to all KOSPI-listed companies (currently limited to companies with assets of KRW 2 trillion or more). (Mar 2027)

2) Expand the Use of KRW-Denominated Assets

▶ Expand the usability of KRW-denominated bonds held by foreign investors and broaden the range of investable KRW-denominated assets to strengthen investment incentives.

◦ **(Enhancing the usability of bonds)** Review measures to expand the use of Korean Treasury Bonds (KTBs) and Monetary Stabilization Bonds (MSBs).

- Publish English-language guidelines (Aug 2026) to facilitate securities lending for collateral purposes[15] and consider expanding its scope of use.

[11] A BIS-led initiative involving eight central banks (the United States, EU, Japan, the United Kingdom, Switzerland, Korea, Mexico, and Canada), together with private-sector banks, to improve the efficiency of cross-border payments through the use of digital money.

[12] The first phase of the live transaction pilot was completed in June 2025. The second phase is currently under way, and a pilot program for disbursing government funds using digital currency is also in progress.

[13] A payment structure in which deposit tokens issued by commercial banks are used for customer payments, while interbank settlement is conducted using wholesale CBDC issued by the BOK.

[14] Participation by major global asset managers, investment banks, and other key market participants.

[15] Securities lending in which securities are lent solely to provide collateral for the performance of obligations or derivatives transactions, with securities of the same type and quantity returned once the collateral purpose has been fulfilled.

- Expand the permissible uses of KTBs and MSBs by allowing securities lending and borrowing[16] between non-residents through International Central Securities Depositories (ICSDs).

◦ **(Short-term investment)** Amend the FX Transactions Regulations to allow non-residents to invest their temporarily held KRW balances in short-term financial instruments.

◦ **(Facilitating investment by the foreign public sector)** Support investment in Korean bonds by foreign central banks, international financial institutions, and foreign governments.

- Allow foreign public-sector investors to participate in the institutional repo market.
- Review expanding the scope of the BOK's standing proxy services to cover all types of bonds.

3) Expand Incentives for KRW current account transactions

▶ Promote the use of KRW in trade settlement by providing incentives such as preferential financing rates and enhanced trade insurance benefits for domestic companies.

◦ **(Providing preferential trade finance)** Review measures to offer preferential financing rates under policy lending programs and preferential trade insurance treatment for trade transactions settled in KRW.

- **(Preferential financing rates)** Offer lower interest rates on export financing for KRW-invoiced and KRW-settled trade transactions and apply preferential discount rates to KRW-denominated trade receivables.
- **(Preferential trade insurance)** Provide incentives such as enhanced trade insurance coverage limits for trade transactions settled in KRW.

◦ **(Linkage with policy support)** Pursue measures to recognize companies' KRW trade settlement records and plans to expand KRW settlement as preferential criteria when selecting beneficiaries of government budget-supported programs, such as export support programs.

4) Expand Local Currency Transaction frameworks

▶ Expand Local Currency Transaction (LCT) frameworks to reduce currency conversion costs and facilitate cross-border remittances and payments.

◦ **(Expanding LCT frameworks)** Pursue the establishment of Local Currency Transaction (LCT[17]) frameworks with major trading partners, under which exports and imports are settled in the respective local currencies of the two countries (e.g., Korea–Indonesia).

◦ **(Promoting cross-border QR payments[18])** Expand cross-border QR payment interlinkages with key tourist destination countries to facilitate the use of KRW for overseas payments.[19]

◦ **(Multilateral payment networks)** Review participation in multilateral payment and settlement networks (e.g., Project Nexus[20]) to lay the foundation for small-value KRW settlement across Asia.

[16] Currently, sale, collateral, and repo. Following the revision, sale, collateral, repo, and securities lending and borrowing

[17] Local Currency Transactions (LCTs) provide preferential treatment for trade settlement, remittances, lending, and related transactions through designated banks in the participating countries. Under an LCT framework, exporters, importers, and other businesses settle transactions in the counterparty country's currency through designated banks, without converting into U.S. dollars.

[18] Nationals of either participating country can make instant payments using their domestic mobile payment applications without converting into U.S. dollars, reducing payment costs by approximately 2 percentage points compared with credit card transaction fees.

[19] The service was launched in Indonesia (1 Apr 2026), an MOU was signed with India (20 Apr 2026), and a main agreement was signed with Vietnam (23 Apr 2026). QR payment interlinkages will also be expanded to Singapore, Thailand, and other countries.

[20] Project Nexus is a global platform that interconnects participating countries' instant payment systems and is currently being prepared for live operation in 2027. Current participants include Singapore, India, Thailand, Malaysia, the Philippines, and Indonesia, while the European Central Bank's participation is under consideration.

3. Deepening KRW Liquidity

Build a liquidity supply framework for the Offshore KRW Settlement System and enhance KRW liquidity for securities settlement and trade transactions.

1) Build an Offshore Overnight Liquidity Framework

▶ Establish a two-stage backstop for overnight offshore settlement liquidity

◦ **(Stage 1: Private-sector liquidity)** Institutionalize arrangements that enable FX banks to provide KRW liquidity seamlessly to foreign financial institutions participating in the Offshore KRW Settlement System[21].

◦ **(Stage 2: Public-sector backstop)** Review the provision of additional BOK liquidity support if private-sector liquidity proves insufficient.

- Also consider having the Government (Foreign Exchange Stabilization Fund) provide liquidity until the BOK's Offshore KRW Settlement Network has been fully established.

2) Enhance KRW Liquidity for Securities Settlement

▶ Develop measures, including easing borrowing restrictions, to facilitate smooth settlement of KRW-denominated securities by foreign financial institutions

◦ **(SPP reform)** Ease the burden associated with Settlement Progress Payments (SPP) by aligning collateral management with international standards and providing advance payment estimates.

◦ **(Facilitating KRW Borrowing)** Relax borrowing regulations to enable Korean subsidiaries and branches of foreign financial institutions to secure KRW liquidity smoothly from their headquarters and other affiliated institutions.

- Develop policy measures that appropriately balance industry demand and risk considerations. (Sep 2026)

Deregulation Measures for KRW Borrowing from Non-residents (Draft)

Party	Current	Revised
FX Bank	No separate provision	Introduce specific provisions **KRW borrowing limits for FX banks to be classified separately and further expanded*
Local subsidiary	Cumulative amount exceeding KRW 1 billion per year → report to the MOFE; within KRW 1 billion → report to the bank	Raise the reporting thresholds
Local Branch	Borrowing is restricted	Borrowing is permitted

3) Strengthen Custodian Banks' Capabilities

▶ Expand domestic FX banks' participation in the custody business to strengthen KRW liquidity services for foreign investors.

◦ **(Institutionalizing custody services)** Expand the scope of permitted activities for foreign exchange business institutions to include custody services[22].

◦ **(Support framework)** Review the designation of lead custodian banks and incentive schemes to encourage domestic FX banks to enter the custody business.

◦ **(Supporting partnerships)** Support new entrants in establishing their custody business through initiatives such as joint roadshows with the Government and the BOK and by facilitating partnerships with global custodian banks.

[21] Participation by major global asset managers, investment banks, and other key market participants.

[22] e.g., safekeeping, settlement, collateral management, and tax payment services for non-residents' KRW- or foreign currency-denominated financial assets, as well as related foreign exchange transactions.

4) Expand KRW Trade Finance

▶ Expand KRW liquidity for current account transactions by promoting trade finance supported by currency swaps and export financing for foreign government procurement contracts.

◦ **(Use of currency swaps)** Expand to additional countries a trade finance mechanism modeled on the Korea–China currency swap arrangement, under which trade finance is provided using funds made available through the swap[23].

◦ **(Linkage with government contracts)** Review measures to provide preferential export financing for KRW-denominated government procurement contracts in sectors such as defense and nuclear power.[24]

◦ **(Use of relending facilities[25])** When KEXIM extends relending facilities to overseas local banks, also provide KRW-denominated credit lines in addition to existing U.S. dollar credit lines.

- Review measures to provide incentives, such as preferential interest rates, when local companies borrow in KRW to finance imports of Korean products.

4. Strengthening Risk Management

Manage risks through a multi-layered framework by strengthening external buffers, enhancing FX market stabilization policies, and improving policy coordination in line with the progress of KRW internationalization.

1) Strengthen External Buffers

▶ Strengthen external buffers in line with the progress of KRW internationalization to reinforce confidence in the KRW.

◦ **(Market stabilization capacity)** Gradually strengthen FX market stabilization capacity in a market-neutral manner.

◦ **(Public-sector FX liquidity)** Enable public-sector foreign currency assets to serve as a contingent source of FX liquidity (a "second line" of FX reserves).

◦ **(Financial safety nets)** Expand bilateral and multilateral currency swap arrangements.

◦ **(Maintaining external credibility)** Maintain external credibility by preserving sound economic fundamentals consistent with the progress of KRW internationalization and strengthening communication with the international community.

2) Upgrade FX Market Stabilization Policies

▶ Strengthen the foundation for preemptive policy responses through closer policy coordination and enhanced FX market monitoring and response systems.

◦ **(Preemptive response)** Strengthen market resilience through closer policy coordination and other measures, in line with the increasing size and volatility of the FX market.

[23] e.g., ❶ The BOK provides KRW to the counterpart central bank through a currency swap arrangement → ❷ The counterpart central bank lends KRW to local banks → ❸ Local banks provide KRW trade finance to importers → ❹ Payment is made to Korean exporters in KRW.

[24] Where the importing country's government enters into an agreement with the Export-Import Bank of Korea (KEXIM) or another Korean financial institution to settle a specified share of the contract amount in KRW, preferential financing rates and other incentives may be provided.

[25] KEXIM establishes a credit line for a foreign bank → the foreign local bank borrows funds from KEXIM on preferential terms → the local bank extends loans to local companies with business relationships with Korean firms.

◦ **(Market response)** Upgrade the monitoring and response framework for Korea's FX market in line with the progress of KRW internationalization.

- Operate overnight monitoring desks at the MOFE and the BOK to monitor key FX market indicators in real time—including exchange rate volatility, bid-ask spreads, trading volumes, and exchange rate movements—during overnight hours (KST).
- Maintain real-time communication with participants in the Offshore KRW Settlement Network and respond flexibly to changing market conditions using an appropriate mix of policy tools.

3) Redesign the FX Prudential Framework

▶ Phase in an FX prudential framework that incorporates the offshore KRW market into monitoring, systemic risk management, and crisis response. (Apply the framework flexibly to avoid hindering the early-stage development of the offshore KRW market.)

◦ **(Offshore KRW monitoring)** Introduce new monitoring indicators to enable continuous monitoring of liquidity conditions in the offshore KRW market.

- Monitor each RFI-K's available KRW liquidity, funding capacity, and KRW-denominated asset-to-liability ratio through domestic financial institutions.

◦ **(Systemic risk management)** Develop a framework to safeguard the soundness of domestic financial institutions (FIs) against liquidity risks arising from the offshore KRW market and institution-specific risks associated with individual RFI-Ks.

- Consider incorporating offshore KRW market conditions into domestic FIs' prudential ratios and stress testing.

◦ **(Crisis response framework)** Establish a robust market stabilization framework to prevent liquidity disruptions in the offshore KRW market from spilling over into the domestic market during periods of market stress.

4) Enhance Policy Coordination

▶ Strengthen macroeconomic policy coordination in response to the growing influence of global financial markets, while taking into account economic growth, inflation, the exchange rate, and the external balance.

◦ **(Basic direction)** Strengthen cross-policy coordination to address the increasing domestic impact of global financial markets resulting from KRW internationalization.

◦ **(Policy mix)** Enhance policy effectiveness through closer interagency coordination, including a clear division of responsibilities, information sharing, and coordinated policy responses[26].

[26] Clearly define the respective roles of monetary, fiscal, prudential, and foreign exchange policies in responding to capital inflows and outflows, as well as to domestic and external shocks.

2026 Tax Revision Bill

I. Background

- **(Macroeconomic Economy)** The Korean economy maintains strong growth momentum, supported by robust exports driven by the global semiconductor boom and resilient domestic demand underpinned by government policy measures. However, persistent uncertainties, including the conflict in the Middle East and U.S. tariffs, underscore the need to address pressing challenges such as supply chain risks and intensifying competition in high-tech industries.
- **(Household Economic Conditions and Structural Challenges)** Despite the recovery in growth, structural challenges persist, including widening disparities across sectors and regions. K-shaped polarization, inflationary pressures resulting from high oil prices, and rising interest rates and exchange rates continue to place a heavy burden on vulnerable groups, including low- and middle-income households and young people. Amid widening disparities between the Seoul metropolitan area and other regions, driven in part by regional population decline, the government will step up its policy efforts to promote region-led growth.
- **(Revenue Outlook)** Tax revenue is expected to remain on a solid upward trajectory, led by corporate income tax receipts, amid the broad-based economic recovery, the semiconductor upcycle, and stronger stock market activity. However, downside risks associated with the economic cycle, demographic changes, and entrenched tax expenditures could weaken the revenue base over the medium to long term. At the same time, a more proactive fiscal role will be required to meet rising welfare spending driven by population aging, strengthen the competitiveness of future high-tech industries, and address widening economic polarization.

II. Policy Directions for the 2026 Tax Revision Bill

With the policy goal of supporting the next economic leap toward an indispensable Korea, the 2026 Tax Revision Bill includes the following measures: ① supporting a rebound in potential growth beyond the semiconductor upcycle, ② supporting low- and middle-income households, youth, and regional development, ③ advancing tax reform for a fairer tax system, and ④ modernizing the tax system and enhancing taxpayer convenience.

The key initiatives under the 2026 Tax Revision Bill are detailed below:

1. Supporting a Rebound in Potential Growth

1) Enhancing future growth engines

- Introduce a domestic production tax credit: Grant individual and corporate income tax credits based on production volumes for products with a weak domestic production base, including (i) solar power generation equipment, (ii) wind power generation equipment, (iii) secondary batteries, (iv) semiconductors, (v) critical materials, and (vi) AI and robotics components. (Applicable through December 31, 2036)
- Adjust the depreciation cap for environment-friendly business passenger vehicles.
- Expand the scope of national strategic technologies: Broaden the existing hydrogen sector into the future energy sector, including SMR and MMR technologies and facilities.
- Allow the VAT input tax credit for autonomous passenger vehicles used for R&D purposes.
- Provide corporate income tax support for business restructuring in the petrochemical industry.
- Introduce special tax treatment for certified coastal shipping companies.

2) Strengthening the Competitiveness of SMEs and Venture Businesses

- Introduce a gradual phase-out of tax incentives to support SME growth: Establish a three-year phase-out period for the special tax reduction for SMEs and the tax credit for video and webtoon content production costs

  [Current] Benefits expire immediately after the five-year grace period following graduation from SME status.

  [Proposed] Reduced benefits will apply for an additional three years before expiring.

- Introduce accelerated depreciation for SME investments in safety facilities.
- Enhance tax incentives for venture investment: Relax the age requirement for eligible venture companies under venture investment tax incentives by expanding the eligibility period from within seven years to within ten years of establishment, thereby supporting the scale-up of venture businesses.

3) Supporting Productive Finance and the Capital Market

- Introduce a "Productive Finance Individual Savings Account (ISA)" with enhanced tax benefits for domestic investment, including full exemption from tax on interest and dividend income.
- Introduce special tax treatment for Business Development Companies (BDCs): Apply a preferential separate tax rate of 9% to dividend income derived from investments in BDCs, up to an investment amount of KRW 100 million.
- Increase the tax-deductible limit for loan-loss provisions on productive-sector lending.

2. Supporting Households and Regional Development

1) Supporting low- and middle-income households

- Relax the income eligibility requirements and increase the maximum benefit under the Earned Income Tax Credit (EITC) (for dual-income households, raise the income threshold from KRW 44 million to KRW 52 million and the maximum benefit from KRW 3.3 million to KRW 3.6 million).
- Increase the annual rent ceiling eligible for the monthly rent tax credit from KRW 10 million to 12 million.
- Expand eligibility for the basic deduction under the comprehensive income tax.
- Make the income deductions for Housing Subscription Savings Accounts and similar savings plans permanent.
- Lower the withholding tax rate on business income from personal services from 3% to 2%.
- Extend the application period for tax credits on medical expenses and other eligible expenses for qualified business operators.
- Extend the application period of the exemption from deemed rental income taxation for small-scale housing.
- Extend by three years the application period for reductions in the individual consumption tax and related taxes on taxi fuel.
- Extend the application period of the preferential VAT deemed input tax credit for restaurant businesses.
- Extend the application period of special measures, including deferred seizure, for restarting entrepreneurs.
- Increase the limit on gift tax taxable value exclusion for trusts for persons with disabilities.
- Make tax incentives for farmers and fishers permanent and extend their application periods.
- Strengthen oversight of products subject to intensive monitoring under the tariff-rate quota (TRQ) program: Allow customs authorities to order the release of such products from bonded areas and shorten the deadline for filing import declarations.

2) Supporting youth, marriage and childbirth

- Increase the monthly rent tax credit rate for young people from 15% to 17%.
- Increase the tax credit rate for Individual Retirement Pension (IRP) contributions by young people from 12% to 15%.
- Introduce a Youth Productive Finance Individual Savings Account (ISA).
- Exempt public dormitories from VAT to help reduce housing costs for university students.
- Extend the application period of the tax exemption on interest income from the installment savings for future-preparation of military personnel.
- Extend the application period of the VAT exemption on catering services provided to schools, factories, and similar institutions.
- Expand eligibility for the income deduction for principal and interest repayments on housing lease loans.
- Extend eligibility for the fuel tax refund to one vehicle owned by newly married couples where both spouses each own a compact car.
- Expand the employment income tax exemption for childbirth support payments to cover payments made during pregnancy.
- Expand eligibility for the employment income tax exemption on childcare allowances to cover allowances paid in respect of foster children.

3) Strengthening region-led growth

- Provide preferential tax incentives for R&D and investment in regional areas: Apply regional adjustment factors to the basic tax credit rates for the R&D tax credit and the integrated investment tax credit.

  Regional adjustment factors: (i) Seoul metropolitan area: 1.0; (ii) non-capital metropolitan cities and provinces: 1.1; (iii) other non-capital regions: 1.3; and (iv) designated preferential non-capital regions: 1.5.
- Provide preferential tax relief for employees of SMEs working in regional areas and extend the application period.
- Exempt relocation allowances paid to employees relocating to non-metropolitan areas from income tax.
- Provide preferential income tax credits for Hometown Love Donations to regional areas.
- Redesign the tax reduction regime for start-up SMEs.
- Strengthen safeguards against the abuse of tax incentives for business relocation and establishment in special zones.
- Introduce a tax reduction for start-ups established in special zones within the Gwangju-Jeonnam Integrated Special Metropolitan City.
- Extend the application period of the special tax treatment for businesses relocating to Opportunity Development Zones.

3. Advancing Tax Reform for a Fairer Tax System

1) Rationalizing the real estate tax system

• Normalize the tax burden on non-owner-occupied housing and high-value residential properties.

▶ Normalizing the capital gains tax system

- Split the long-term holding deduction into separate schemes for residential properties and non-residential assets, and rename them.

- Reform the long-term residence deduction (formerly the long-term holding deduction for residential properties):

(i) Replace the current homeownership-based deduction with a residency-based deduction to better support owner-occupiers.

(ii) Introduce a cap on the long-term residency income deduction to rationalize the level of the deduction (KRW 2 billion in 2028 → KRW 1 billion from 2029 onward).

(iii) Implement the reform in phases after a one-year grace period.

▶ **Normalizing the comprehensive real estate holding tax (CRET)**

- Adjust the scope of residential properties subject to the comprehensive real estate holding tax: (Households owning a single home) Apply the tax to homes with an officially assessed value exceeding KRW 1.4 billion (approximately KRW 2 billion in market value).
- Adjust the basic deduction for the comprehensive real estate holding tax on residential properties: (Households owning a single home) Increase the basic deduction for owner-occupied homes from KRW 1.2 billion to KRW 1.4 billion, while lowering the basic deduction for homes not occupied by their owners from KRW 1.2 billion to KRW 900 million.
- Increase the fair market value ratio for the comprehensive real estate holding tax on residential properties: (Households owning a single home and households owning one or two homes in non-capital regions) Increase the ratio from 60% to 70%, effective from 2027.
- Gradually unify the residential comprehensive real estate holding tax rates based on property value rather than the number of homes owned.
- Reform the tax credit for households owing a single home under the comprehensive real estate holding tax:

(i) Replace the current holding-period-based tax credit with a residency-period-based tax credit to better support owner-occupiers.

(ii) Introduce a cap on the tax credit (KRW 8 million in 2027 → KRW 6 million from 2028 onward).

- Raise the cap on the comprehensive real estate holding tax liability from 150% to 200%.
- Expand the tax payment deferral program under the comprehensive real estate holding tax.

▶ **Supporting long-term residents, older homeowners, and homes in regional areas, while facilitating home sales by multi-homeowners**

- Increase the basic deduction for capital gains tax on long-term owner-occupied single homes: Increase the annual deduction from KRW 2.5 million to KRW 25 million for households owning a single home that has been owner-occupied for at least 10 years and is sold for KRW 3 billion or less.
- Introduce temporary special tax treatment under the capital gains tax for older owner-occupied single-homeowners.
- Expand special tax treatment for second homes in regional areas under the capital gains tax and the comprehensive real estate holding tax.
- Temporarily ease the higher capital gains tax rates on homes in designated adjustment areas owned by multi-homeowners (2027-2028).

▶ **Rationalizing eligibility requirements for special tax treatment**

- Shorten the special treatment period for temporary two-home ownership in designated adjustment areas from 3 years to 2 years.
- Phase out the exclusion from higher capital gains tax rates and the preferential long-term holding deduction for rental apartments acquired in designated adjustment areas.
- Adjust the exemption from the residence requirement for Win-win Rental Housing.
- Revise special capital gains tax treatment for rental housing and unsold housing by introducing expiration dates.

▶ **Circumstances for deeming periods of non-residence as periods of residence**

- Deem periods of non-residence due to unavoidable circumstances and other qualifying circumstances as periods of residence.

** Qualifying circumstances include education (high school or university), a change of employer or job relocation, medical treatment or recuperation for at least one year due to illness, school transfer (due to school violence), overseas stay (for education, a change of employer, or job relocation), or co-residence with and support for parents or other lineal ascendants aged 60 or older.*

▶ **Supporting housing supply**

- Increase the capital gains tax reduction rate for land transferred to public housing developers and extend the application period.
- Expand the scope of the exclusion from aggregation under the comprehensive real estate holding tax for land designated for new housing construction.

• Normalize taxation of non-business land.

- Exclude non-business land owned by individuals from the long-term holding deduction for capital gains tax.
- Raise the higher income tax and corporate income tax rates on gains from the transfer of non-business land by 10 percentage points.
- Raise the top comprehensive real estate holding tax rates for land subject to aggregate taxation from 3% to 4%.

2) Reforming family business succession tax relief

- Define "family business" as a business possessing specialized technologies or management know-how.
- Select 727 eligible industries for the family business succession tax relief and move the relevant provisions from the Enforcement Decree to the Act.
- Strengthen the eligibility criteria and compliance requirements for family business succession tax relief: Apply the tax relief only if the decedent has continuously operated the family business for at least 30 years (up from 10 years under the current rules), and extend the post-relief compliance period following succession from 5 years to 10 years.
- Adjust the coverage and calculation method of family business succession tax relief: Calculate the tax relief as KRW 2 billion multiplied by the number of years the decedent has managed the family business, while increasing the maximum deduction to KRW 100 billion.
- Introduce special tax treatment to support third-party business succession:

  (Seller) Provide a 20% reduction in capital gain tax, capped at KRW 50 million for each year of business operation.

  (Buyer) Provide a 10% reduction in individual and corporate income taxes for five years, subject to an annual cap of KRW 500 million.

3) Rationalizing tax exemptions and tax reductions (115 out of 241 programs)

• Termination (20 measures)

- Terminate tax expenditures with limited effectiveness, such as those that have fulfilled their policy objectives or seen low utilization: Allow the individual consumption tax reduction for hybrid vehicles, capped at KRW 700,000 per vehicle, to expire; and terminate the VAT refund scheme for accommodation services supplied to foreign tourists after June 30, 2027.

• Conversion to direct fiscal support (17 measures)

- Replace the tax credit for childbirth, adoption, and marriage with direct fiscal support.

- Replace the individual consumption tax reduction for electric and hydrogen-powered vehicles with direct fiscal support.
- Replace the additional income tax deduction for public transportation expenses paid by credit card and other eligible payment methods with direct fiscal support.

• Restructuring (64 measures)

- Rationalize the eligibility for the income tax deduction for interest payments on long-mortgage loans: Limit the deduction to taxpayers who reside in the relevant home.
- Rationalize the scope of the education tax credit for pre-school children.
- Improve the VAT tax credit scheme for credit card sales.
- Increase the preferential income tax rate for foreign workers: Raise the preferential income tax rate for foreign workers from 19% to 21%, taking into account tax equity with domestic workers, and extend the application period by three years (through December 31, 2029).
- Rationalize eligibility for the income tax reduction on contributions to the performance-based compensation fund for key personnel.
- Introduce sunset dates for investment tax credits by detailed technologies and facilities under the new growth engine and original technology and national strategic technology categories.
- Adjust the individual and corporate income tax reduction rates for small-home rental business operators.
- Rationalize eligibility for the integrated employment tax credit.
- Reduce the stamp tax exemption borne by financial institutions on loan documents for start-ups and SMEs.

4. Modernizing the tax system and enhancing taxpayer convenience

1) Rationalize the tax system

- Improve the valuation method for listed shares in cases of suspected share price suppression: Where the relevant presumptive criteria are met, the tax authorities may, following review and resolution by the Valuation Review Committee, extend the valuation period and reassess the value of the shares.
- Exempt VAT on gold bullion withdrawn by the Bank of Korea from a custodian.
- Rationalize the tax treatment of treasury shares.
- Allow the temporary reduced liquor tax rate for draft beer to expire.
- Rationalize the criteria for determining Controlled Foreign Corporations (CFCs): Adjust the effective tax rate threshold for determining CFC status to 15%, in line with the Global Minimum Tax.
- Include Qualified Domestic Minimum Top-up Tax (QDMTT) in the scope of the foreign tax credit.

2) Prevent tax avoidance and evasion and support tax administration

- Reform the reward system.
- Strengthen the oversight of offshore trusts:

  (i) Introduce rewards for reporting failures to submit offshore trust statements.

  (ii) Increase the maximum administrative fine for failure to comply with offshore trust reporting requirements from KRW 100 million to KRW 1 billion.
- Strengthen the requirements for releasing seized assets.
- Introduce a customs compliance verification system.

3) Enhance taxpayer convenience

- Increase the threshold for business promotion expenses that may be claimed without qualified supporting documentation.
- Expand reductions in penalties for late tax returns filed voluntarily within a short period after the statutory filing deadline.
- Expand reductions in late payment interest where a decision on a pre-assessment review is delayed.
- Rationalize business registration rules for trust property consisting of movable assets.
- Introduce criteria for exempting delinquent taxpayers from applications for detention.
- Refine the VAT rules applicable to transactions involving services provided by foreign corporations.
- Rename certain required information on tax invoices.

Economic News Briefing

- Deputy Prime Minister Koo Meets with Uzbek Deputy Prime Minister Jamshid Khodjaev
- FX Soundness Council and TF for Korea's Inclusion in the MSCI Developed Markets Index Convened
- Deputy Prime Minister Koo Shares Korea's Economic Vision and Discuss Ways to Strengthen Cooperation with AMCHAM Korea

Deputy Prime Minister Koo Meets with Uzbek Deputy Prime Minister Jamshid Khodjaev

On August 11, Deputy Prime Minister and Minister of Finance and Economy Koo Yun Cheol met with Uzbek Deputy Prime Minister Jamshid Khodjaev in Seoul. Ahead of the inaugural Korea-Central Asia Summit to be held in Korea this September, Deputy Prime Minister Khodjaev visited Korea to further develop bilateral cooperation projects, accompanied by Governor of Navoi Region Normat Tursunov and eight vice ministers from relevant ministries, including those responsible for investment, industry and trade; economy and finance; digital technologies; transport; and mining and geology.

Deputy Prime Minister Koo and Deputy Prime Minister Khodjaev held their third meeting, following the Korea-Uzbekistan Deputy Prime Ministers' Meeting on Economic Cooperation in December last year and Koo's courtesy call on the President of Uzbekistan and meeting with Khodjaev in May this year. Building on the trust and mutual understanding they have developed through these engagements, the two sides noted the steady progress in bilateral economic cooperation, including expanded trade and improvements in the investment environment. They also reviewed ongoing cooperation projects in areas such as the Economic Development Cooperation Fund (EDCF), supply chains and large-scale infrastructure, and discussed concrete measures to deliver tangible outcomes.

During the meeting, Deputy Prime Minister Koo stressed that amid growing uncertainty in the global environment, AI-driven innovation and the restructuring of global supply chains, Uzbekistan is an important strategic economic partner for Korea. He proposed that the two countries identify and actively pursue priority cooperation projects that leverage their respective strengths and potential and deliver win-win outcomes. In particular, Deputy Prime Minister Koo emphasized the need to further develop cooperation across the entire critical minerals supply chain, from exploration to processing and utilization, and pursue the application of the K-AI Package[1] to EDCF projects in Uzbekistan by integrating sector-specific AI solutions, thereby delivering forward-looking, tangible outcomes that benefit the people of both countries. He also called for continued attention to improving the investment environment and providing incentives so that Korean companies can find greater business opportunities in Uzbekistan.

In response, Deputy Prime Minister Khodjaev agreed that the two countries should continue to broaden and deepen bilateral economic cooperation in areas such as AI data centers and critical minerals. He stated that, to deliver tangible outcomes from bilateral cooperation, Uzbekistan would strengthen communication with the Korean government and Korean companies, while closely monitoring the progress of each cooperation project involving Korean companies and providing necessary support to ensure smooth investment and business operations.

The two sides agreed to use the hotline between the two deputy prime ministers to swiftly advance key cooperation projects being pursued to maximize the outcomes of the Korea-Central Asia Summit in September. They also agreed to strengthen forward-looking cooperation in areas such as AI, supply chains, renewable energy, biotechnology and advanced infrastructure, with the aim of significantly expanding bilateral trade and fostering mutually beneficial economic development.

[1] An initiative designed to support AI-driven economic growth in developing countries by integrating sector-specific AI solutions, AI data centers, renewable energy generation facilities and other components with infrastructure projects financed through the EDCF.

Prior to the meeting, the Korea-Uzbekistan Business Roundtable, chaired by Deputy Prime Minister Khodjaev, brought together eight Uzbek vice ministers, Minister for Trade Yeo Han Koo, Deputy Minister for International Economic Affairs Moon Ji Sung, and representatives from around 30 Korean and Uzbek companies. Participants held in-depth discussions on bilateral economic cooperation projects.

The roundtable provided an opportunity for the Uzbek government to present investment opportunities and key development projects in Uzbekistan, hear the views of Korean companies interested in entering the Uzbek market, and explore ways for both governments to facilitate investment through incentives, regulatory reforms and other support measures.

Deputy Minister Moon emphasized that by combining Uzbekistan's vast potential with Korea's advanced technology, experience and financial capabilities, bilateral cooperation could reach new heights, and called on the two countries to work together to build a Silk Road for a new era. He also noted that the two countries would further strengthen cooperation not only at the bilateral level but also in international fora, including the International Monetary Fund (IMF) and the World Bank (WB). He further stated that, to encourage businesses from both countries to more actively pursue opportunities in Uzbekistan, the Korean government would work to swiftly address challenges they face on the ground and explore ways to support commercially viable projects that benefit both countries through a range of policy financing instruments, including the EDCF and export financing.

FX Soundness Council and TF for Korea's Inclusion in the MSCI Developed Markets Index Convened

On August 14, Second Vice Minister of Finance and Economy Huh Chang held a joint meeting of the Foreign Exchange (FX) Soundness Council and the Task Force (TF) for Korea's Inclusion in the MSCI Developed Markets Index in Seoul.

The meeting brought together officials from the Ministry of Finance and Economy (MOFE), Financial Services Commission (FSC), Bank of Korea (BOK), Financial Supervisory Service (FSS), Korea Exchange (KRX), and Korea Securities Depository (KSD) to review progress in implementing the Roadmap for FX and Capital Market Reform for Korea's Inclusion in the MSCI Developed Markets Index, announced in January, and discuss further implementation plans. To date, 30 of the 39 measures (77%) across the roadmap's eight key areas have been completed. The relevant authorities agreed to implement three additional measures by the end of this year.

At the meeting, participants held in-depth discussions on follow-up measures to enhance transaction and settlement convenience for foreign investors. These included: (i) the distribution of e-FX[1] guidelines to facilitate 24-hour FX trading; (ii) measures to improve the settlement facilitation funding scheme to ease KRW liquidity burdens associated with securities settlement; and (iii) plans for the BOK to establish a 24-hour settlement system that would enable foreign financial institutions to hold, transfer, and settle KRW overseas.

In addition, participants agreed to continue monitoring the smooth functioning of the reforms in the market and progress in addressing issues raised by investors through consultations with key global investors and other channels. They also agreed to share any newly identified challenges with relevant authorities through the MSCI Task Force and formulate and implement necessary follow-up measures.

Participants then reviewed trading developments in the FX market, which has been operating 24 hours a day since July 6. Since the launch of 24-hour FX trading, market infrastructure has operated smoothly without any disruptions, including failed transactions, while the Korean won has remained relatively stable against the U.S. dollar compared with other major currencies. Participants also noted that trading volume has increased from levels recorded prior to the introduction of 24-hour trading.[2] However, they assessed that late-night trading activity has been increasing only gradually, reflecting the early stage of 24-hour trading and time differences with overseas markets, among other factors. The relevant authorities therefore agreed to assign additional weight[3] to late-night trading volume in the selection of leading banks[4] in the KRW/USD market, thereby strengthening incentives for domestic banks to trade during late-night hours.

[1] FX transactions conducted through electronic means, including the electronic provision of price information and the use of automated order-matching functions.

[2] Average daily spot trading volume in the interbank market increased from USD 17.39 billion in H1 2026 to USD 19.14 billion following the extension of trading hours, an increase of 10.1%.

[3] Example weights: 1x (06:00-18:00), 2x (18:00-22:00), 3x (22:00-06:00 the following day).

[4] Introduced in 2022, the program selects domestic banks that have contributed to promoting KRW/USD trading on an annual basis and provides them with incentives, including reductions in the Macroprudential Stability Levy.

Lastly, participants discussed the impact of the sharp rise in domestic stock prices on Korea's external soundness indicators. Second Vice Minister Huh noted that, with the KOSPI rising 68 percent from 5,052 at the end of the first quarter to 8,476 at the end of the second quarter, Korea's net international investment position (NIIP) is expected to decline significantly in the second quarter. He emphasized, however, that this does not indicate any deterioration in Korea's external soundness. Participants also agreed that the decline in the NIIP is not attributable to weaker economic fundamentals, such as a current account deficit or increased external borrowing, but is largely driven by an increase in the value of domestic equities held by foreign investors, reflecting stronger fundamentals, including improved corporate performance.

The relevant authorities will continue to closely monitor the composition of Korea's external assets and liabilities, as well as indicators of its external payment capacity, while actively communicating with market participants to prevent unnecessary misunderstandings.

Deputy Prime Minister Koo Shares Korea's Economic Vision and Discuss Ways to Strengthen Cooperation with AMCHAM Korea

On August 19, Deputy Prime Minister and Minister of Finance and Economy Koo Yun Cheol attended a meeting hosted by the American Chamber of Commerce in Korea (AMCHAM Korea). During the meeting, he outlined the Korean government's economic policy direction and listened to the views of AMCHAM member companies.

The meeting was arranged to follow up on "AMCHAM Special Report: Korea's Financial Hub Agenda," which AMCHAM Korea presented in April.

In his opening remarks, Deputy Prime Minister Koo outlined Korea's economic vision, progress in capital market reforms, and the direction of the country's AI transformation.

First, Deputy Prime Minister Koo noted that Korea's economic growth is expected to accelerate this year, with real GDP growth projected at 3 percent, the highest in five years, and per capita income is increasingly likely to reach USD 40,000. He then introduced the "3·4·5 Vision," which aims to achieve a potential growth rate of 3 percent, position Korea among the world's top four exporters, and raise per capita income to USD 50,000, along with three mega-projects in semiconductors, AI data centers, and physical AI to support these goals.

Deputy Prime Minister Koo then emphasized that the government is positioning the capital market as a key platform for growth and reforming the institutional framework in line with global standards. He highlighted key measures, including amendments to the Commercial Act to extend directors' fiduciary duties to shareholders and Korea's phased inclusion in the World Government Bond Index (WGBI), which began in April 2026. On FX, he stated that, following the announcement of the Roadmap for KRW Internationalization in July and the transition to 24-hour FX market operations on July 6, 2026, the government plans to officially launch an offshore KRW settlement system in January next year and substantially ease FX regulations.

In particular, reflecting recommendations made by AMCHAM Korea in its April report, Deputy Prime Minister Koo announced that the reporting threshold for foreign currency borrowing and the cash pooling limit for foreign bank branches will be raised from USD 50 million to at least USD 100 million.

He also noted that Korea's strengths would be most evident in the era of physical AI, pointing to cooperation agreements worth USD 950 billion reached between Korean companies and major U.S. technology companies at the recent San Francisco AI Summit as "clear evidence of Korea's potential to emerge as a key hub in the global AI supply chain."

Following the opening remarks, a discussion moderated by AMCHAM Korea Chairman James Kim covered a wide range of topics, including key tasks and medium- to long-term growth strategies for achieving the "3·4·5 Vision," strategies to position Korea as a global AI hub, and measures to enhance financial market accessibility. In the area of AI, participants also explored ways to strengthen cooperation between the government and AMCHAM Korea's recently launched AI Leadership Council.

The implementation of the USD 350 billion Korea-U.S. strategic investment initiative was also a key item on the agenda. Deputy Prime Minister Koo noted that, with the Korea-U.S. Strategic Investment Corporation (KUIC) officially launched in June, the institutional framework for implementing the investment initiative is now in place. He stressed the importance of the private sectors of both countries working together to identify commercially viable and mutually beneficial projects, and expressed his hope that AMCHAM Korea would serve as a bridge between the Korean and U.S. governments in this process.

Deputy Prime Minister Koo said, "The Korean government views AMCHAM member companies not as foreign companies, but as members of the Korean economy," noting that their investment and job creation over more than 70 years have become an integral part of Korea's economy. He encouraged AMCHAM members to continue and expand their investment in Korea, provide policy recommendations based on their on-the-ground experience, and help convey Korea's ongoing transformation to global investors.

In closing, Deputy Prime Minister Koo added that the government would closely consult with relevant ministries on the views raised at the meeting and actively incorporate them into future policy improvements where appropriate.

Related Websites

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