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▲ Korea's agriculture sector is securing export competitiveness through ICT technologies.

Republic of Korea **Economic Bulletin**

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

October 2026 Vol.**48** No.**10**

CONTENTS

Current Economic Trends

Policy Issue

Economic News Briefing

Current Economic Trends

Overview

In July, total industrial production remained unchanged, retail sales declined, and facility investment increased. In August, employment growth accelerated, while consumer price growth picked up from the previous month.

In July, output declined in the services sector *(down 1.3% m-o-m and up 3.5% y-o-y)* and construction *(down 1.1%, down 3.2%)*, while output in the industrial sector increased *(up 0.2%, up 3.6%)*, leaving overall industrial production unchanged *(0.0%, up 3.1%)*.

The cyclical indicator of the coincident composite index for July rose by 0.8 points and the cyclical indicator of the leading composite index increased by 0.4 points.

In July, retail sales decreased *(-2.4% m-o-m, -0.8% y-o-y)*, and facility investment moved up *(+7.5%, +24.9%).*

The consumer sentiment index (CSI) fell by 2.3 points month-on-month to 104.5 in August. The composite business sentiment index (CBSI) went up by 1.1 points to 99.6 and the CBSI outlook for September increased by 3.1 points to 99.6.

In August, exports grew by 68.7 percent year-on-year, supported by strong exports of semiconductors, computers, and cosmetics. Average daily exports rose by 72.5 percent in August compared to the same month of last year.

In August, the number of employed persons grew by 184,000 year-on-year, with the unemployment rate remaining unchanged from a year earlier at 2.0%.

The consumer price index (CPI) climbed by 3.1 percent year-on-year (2.8% in July → 3.1% in August), with the index excluding food and energy rising by 3.4 percent, the index excluding agricultural products and petroleum products by 3.1 percent, and the CPI for living necessities by 3.2 percent.

In August, stock prices moved up, Korean Treasury Bond yields rose, and the Korean won strengthened against the U.S. dollar.

In August, both housing prices *(up 0.32% m-o-m)* and *Jeonse* (lump-sum deposits with no monthly payments) prices *(up 0.35% m-o-m)* climbed.

The Korean economy continues to show a solid recovery, supported by strong export growth and improving domestic demand, including consumption.

However, uncertainties have increased somewhat amid the conflict in the Middle East, with pressures on livelihoods persisting due to high oil prices and difficult 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 closely manage the supply and demand of key items to minimize the impact of the Middle East conflict and ensure the smooth implementation of key measures under the Chuseok Livelihood Stabilization Plan, including efforts to stabilize prices of major holiday items. It also plans to swiftly implement a range of policy measures under the Economic Growth Strategy for the Second Half of 2026, including a post-conflict strategy, measures to boost potential growth and address economic polarization.

Economic Activity

1. Gross Domestic Product (Preliminary estimate)

In the second quarter of 2026, Korea's real Gross Domestic Product (GDP) amounted to 599.5 trillion won, and real Gross Domestic Income (GDI) was 655.0 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[1]
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	599.5
(Seasonally adjusted)	-	-	575.2	574.3	574.6	576.0	575.0	578.7	586.6	586.0	596.7	600.5
- 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	279.6
- Facility investment	214.9	218.0	50.9	53.8	52.6	57.6	53.3	55.3	53.0	56.5	55.7	72.1
- Construction investment	293.9	265.4	63.5	82.2	72.5	75.6	55.5	73.0	66.8	70.1	54.4	58.8
- Total export	922.1	962.0	222.9	228.4	230.2	240.6	226.3	238.3	245.8	251.6	253.0	259.5
- Total import	780.8	806.9	194.6	190.2	195.6	200.5	197.7	196.7	204.4	208.2	214.5	208.8
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	655.0
(Seasonally adjusted)	-	-	562.5	558.8	559.1	563.3	562.5	568.7	573.4	584.3	635.4	659.0

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

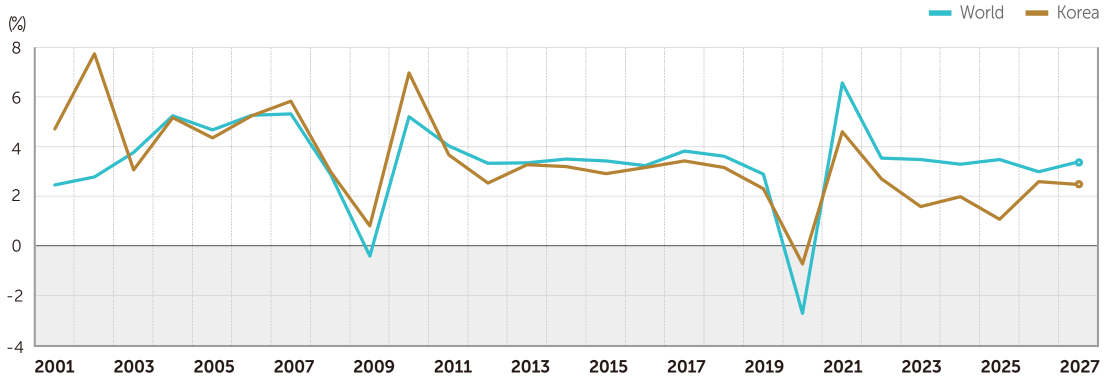
In the second quarter of 2026, real GDP grew 3.7 percent year-on-year, and seasonally adjusted GDP grew 0.6 percent quarter-on-quarter. Real GDI rose 15.7 percent year-on-year, and seasonally adjusted GDI also increased 3.7 percent quarter-on-quarter.

(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[1]
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[2])	-	-	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	2.4
- 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	-1.2
- Total export	7.6	4.3	10.1	9.9	7.0	3.9	1.5	4.3	6.8	4.6	11.8	8.9
- Total import	3.8	3.3	0.3	5.0	6.3	3.6	1.6	3.4	4.5	3.9	8.5	6.2
GDI	4.3	2.0	6.7	5.3	3.0	2.3	0.1	1.6	2.7	3.5	13.2	15.7
(Seasonally adjusted[2])	-	-	2.2	-0.7	0.1	0.7	-0.1	1.1	0.8	1.9	8.7	3.7

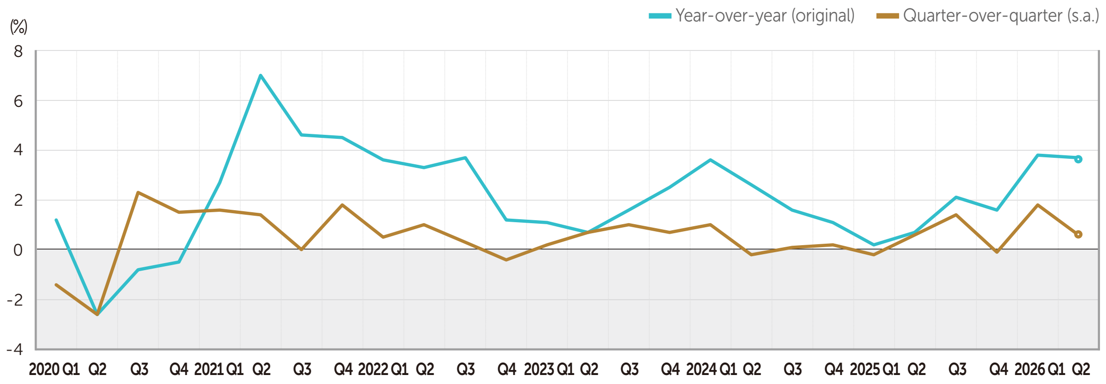
Source: Bank of Korea.
[1] Preliminary estimate.
[2] Percentage change from previous period.

GDP growth: World and Korea



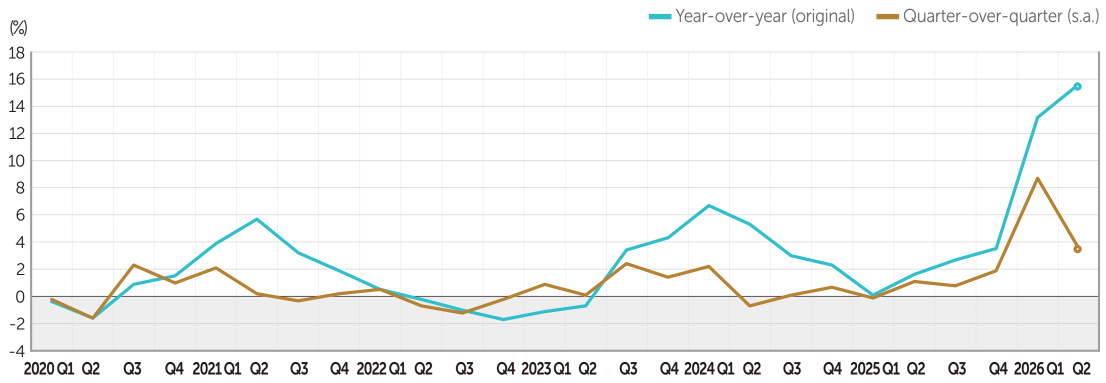
Source: IMF

GDP growth: Korea



Source: Bank of Korea.

GDI growth: Korea



Source: Bank of Korea.

2. Total Production and Composite Index of Business Indicators

In June, the Total Index of Industrial Production remained unchanged month-on-month. Industrial production *(up 6.4%)* and public spending *(up 10.4%)* rose, while construction *(down 1.1%)* and services production *(down 0.7%)* declined. The index climbed 3.1 percent year-on-year.

Coincident composite index
The cyclical indicator of the coincident composite index rose 0.8 points month-on-month to 101.2. More specifically, imports, value of construction completed, and shipment index for domestic market rose, while the retail sales index and the number of employed persons excluding agriculture, forestry and fishing remained unchanged.

Leading composite index
The cyclical indicator of the leading composite index rose 0.4 points month-on-month to 104.2. Within the leading composite index, the KOSPI, producer's shipment index of machinery for domestic demand, and the net barter terms of trade rose, while construction orders received and the inventory circulation indicator fell.

	2025					2026						
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May[1]	Jun[1]	Jul[1]
Total Index of Industrial Production (m-o-m, %)	-0.1	1.2	-2.2	0.7	1.2	-0.8	2.1	0.4	-0.5	-0.4	2.4	0.0
(y-o-y, %)	0.2	8.0	-3.5	0.7	2.1	4.9	0.1	3.7	2.4	1.9	4.4	3.1
Cyclical indicator of coincident composite index	99.9	99.9	99.5	99.3	99.1	99.1	99.7	100.1	100.3	99.9	100.4	101.2
(m-o-m, p)	0.2	0.0	-0.4	-0.2	-0.2	0.0	0.6	0.4	0.2	-0.4	0.5	0.8
Coincident composite index (2020=100)	114.7	114.9	114.6	114.5	114.5	114.7	115.5	116.2	116.5	116.2	116.9	118.1
(m-o-m, %)	0.3	0.2	-0.3	-0.1	0.0	0.2	0.7	0.6	0.3	-0.3	0.6	1.0
Cyclical indicator of leading composite index	99.8	99.7	99.6	99.8	100.2	100.7	101.2	101.8	102.3	102.9	103.8	104.2
(m-o-m, p)	0.4	-0.1	-0.1	0.2	0.4	0.5	0.5	0.6	0.5	0.6	0.9	0.4
Leading composite index (2020=100)	120.9	121.2	121.5	122.2	123.1	124.2	125.2	126.4	127.5	128.7	130.2	131.2
(m-o-m, %)	0.7	0.2	0.2	0.6	0.7	0.9	0.8	1.0	0.9	0.9	1.2	0.8

Source: Industrial activity trends, Statistics Korea.
[1] Figures for the last three months of coincident composite index are preliminary, while figures for the last two months of leading composite index are preliminary.

Coincident composite index in Jul 2026 (m-o-m, %)

Imports	5.6
Value of construction completed	2.1
Shipment index for domestic market	1.5
Number of employed persons excluding agriculture, forestry and fishing	0.1
Retail sales index	0.0

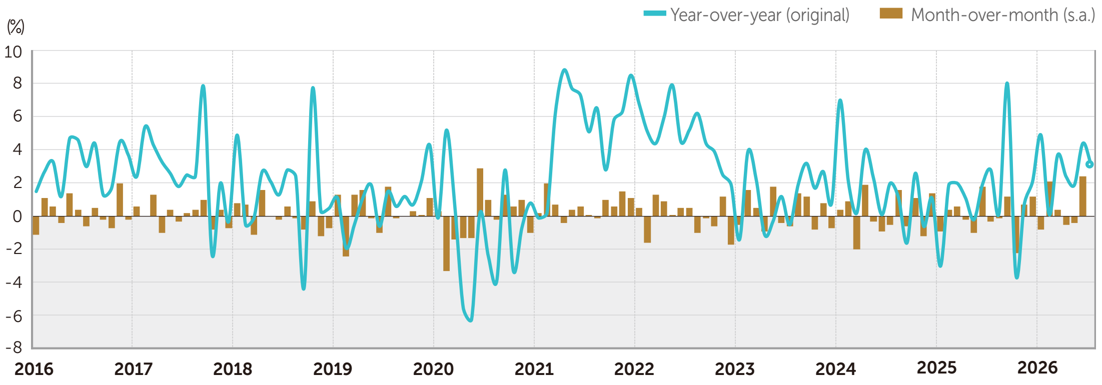
Source: Industrial activity trends, Statistics Korea.

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

KOSPI	4.2
Producer's Shipment Index, Machinery for Domestic Demand	4.0
Net barter terms of trade	2.2
Construction orders received	-12.4
Inventory circulation indicator (%p)	-0.5

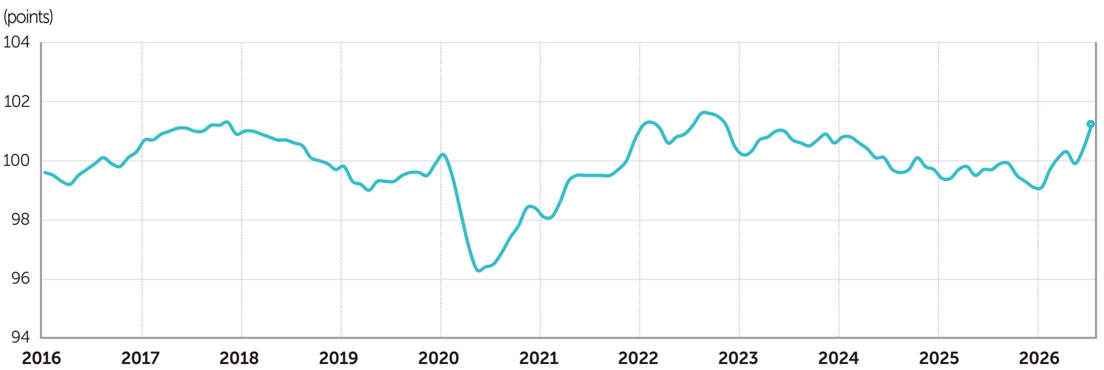
Source: Industrial activity trends, Statistics Korea.

Total index of Industrial Production



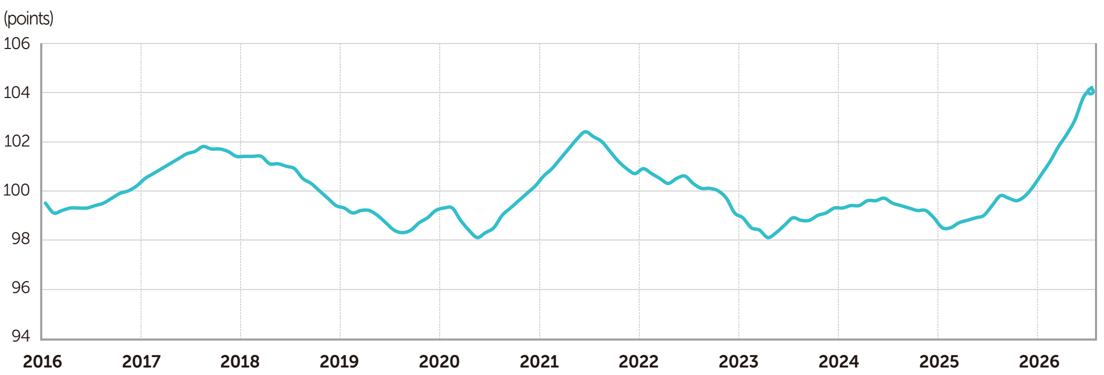
Source: Industrial activity trends, Statistics Korea.

Cyclical indicator of coincident composite index



Source: Industrial activity trends, Statistics Korea.

Cyclical indicator of leading composite index



Source: Industrial activity trends, Statistics Korea.

3. Private consumption

Private consumption *(preliminary estimate of GDP)* in the second quarter of 2026 increased by 0.4 percent quarter-on-quarter and by 2.4 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[1]
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	2.4

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

Retail sales decreased 2.4 percent month-on-month in July. Sales of durable goods *(down 7.7%),* semi-durable goods *(down 1.4%),* and nondurable goods *(down 0.1%)* all fell. The year-on-year index declined 0.8 percent.

(Percentage change from previous period)

	2024	2025	2024				2025				2026				
	Annual	Annual	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2[1]	May	Jun[1]	Jul[1]
Retail sales	-	-	-1.2	-0.7	0.4	-0.6	0.6	-0.6	1.2	0.6	2.4	-1.8	-0.1	2.7	-2.4
(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	2.2	1.4	3.9	-0.8
- Durable goods	-3.6	3.8	-4.1	-2.6	4.3	-2.4	3.7	-1.1	4.8	-3.8	6.5	-4.4	-4.1	12.8	-7.7
· Automobiles	-7.3	11.0	-11.8	1.0	6.8	0.3	2.8	4.3	3.1	-3.2	6.0	-4.5	-10.9	21.4	-11.1
- 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	-1.5	2.7	-2.8	-1.4
- 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	0.8	0.3	-0.1

Source: Statistics Korea.
[1] Preliminary.

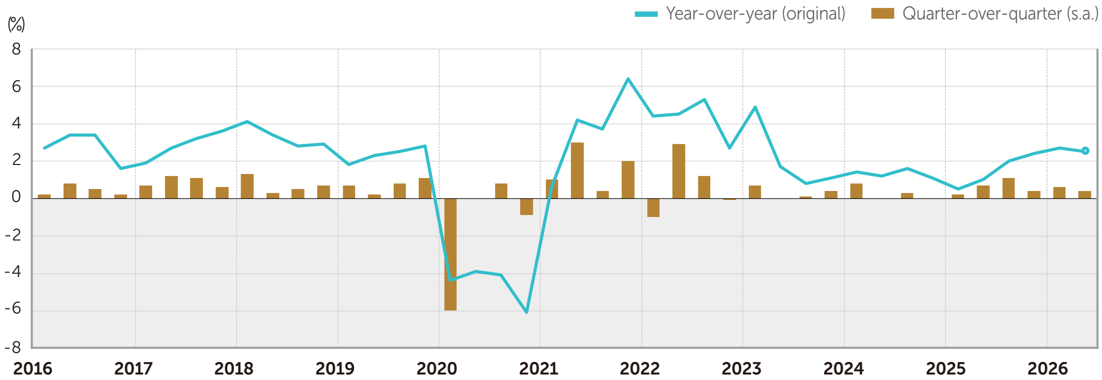
The retail sales index outlook for August is expected to be mixed, as an increase in credit card spending at home is offset by a decrease in car sales at home.

(Percentage change from same period in previous year)

	2025	2026							
	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Car sales at home	-0.9	11.2	-13.3	8.0	-8.0	-14.2	5.0	-1.8	-28.3
Department store sales	5.0	-0.7	30.3	10.1	14.2	17.1	13.3	6.6	6.0
Large discount store sales	-5.1	-17.0	18.7	-6.7	-7.4	-4.1	-9.6	-8.9	-1.3
Credit card spending at home[1]	4.3	4.7	6.3	8.4	7.3	7.0	6.0	3.7	4.9
Consumer sentiment index[2]	109.9	110.8	112.1	107.0	99.2	106.1	106.6	106.8	104.5
Number of Chinese tourists[3]	28.8	14.8	40.5	19.8	28.2	15.4	33.6	27.3	33.1

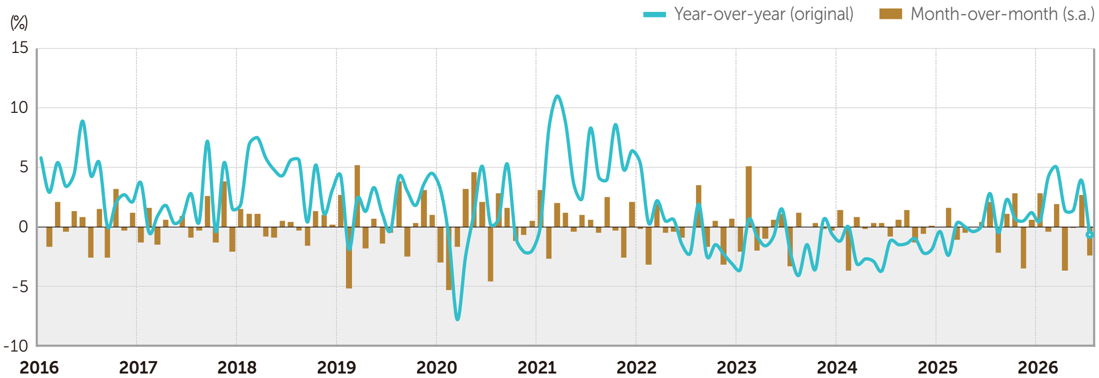
Sources: Korea Automobile Manufacturers Association; The Credit Finance Association; Bank of Korea; Korea Culture & Tourism Institute; data provided by retail industries.
[1] Utility bills are excluded.
[2] Level value.
[3] Advance estimate based on total entries, The figure can be different from the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

Private consumption



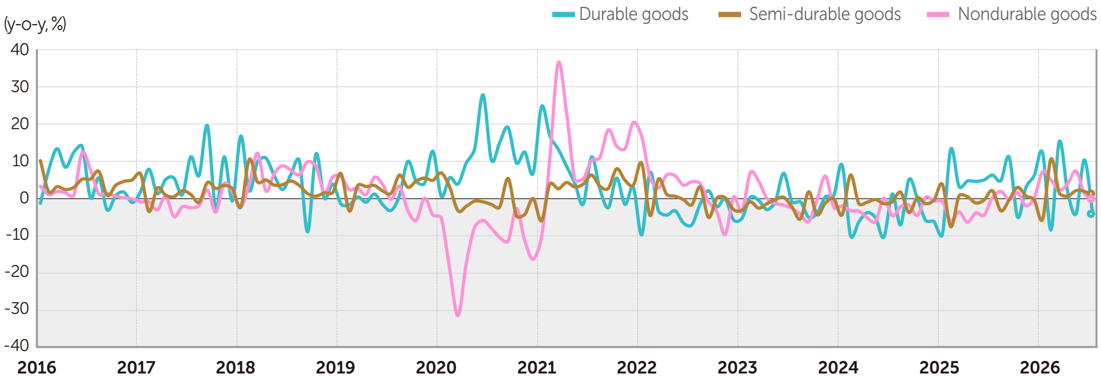
Source: National account, Bank of Korea.

Retail sales



Source: Industrial activity trends, Statistics Korea.

Retail sales by type



Source: Industrial activity trends, Statistics Korea.

4. Facility investment

Facility investment *(preliminary estimate of GDP)* in the second quarter of 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[1]
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	2.3
- Transportation equipment	5.1	2.5	-9.8	6.0	4.5	-0.8	9.3	-8.0	-4.4	-4.4	7.1	-7.7

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

In July, the facility investment index increased by 7.5 percent month-on-month, as both the machinery investment index and transportation equipment climbed. The index also rose by 24.9 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]	May	Jun[1]	Jul[1]
Facility investment index	-	-	-3.0	0.4	6.0	1.8	-2.2	0.3	0.6	-3.8	13.0	3.7	-0.1	6.9	7.5
(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	13.2	9.3	22.5	24.9
Machinery	2.0	0.6	0.7	0.1	1.9	5.3	-3.0	-2.8	3.4	-1.9	9.1	4.3	0.2	8.2	4.2
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	-0.9	3.8	15.4

Source: Statistics Korea.
[1] Preliminary.

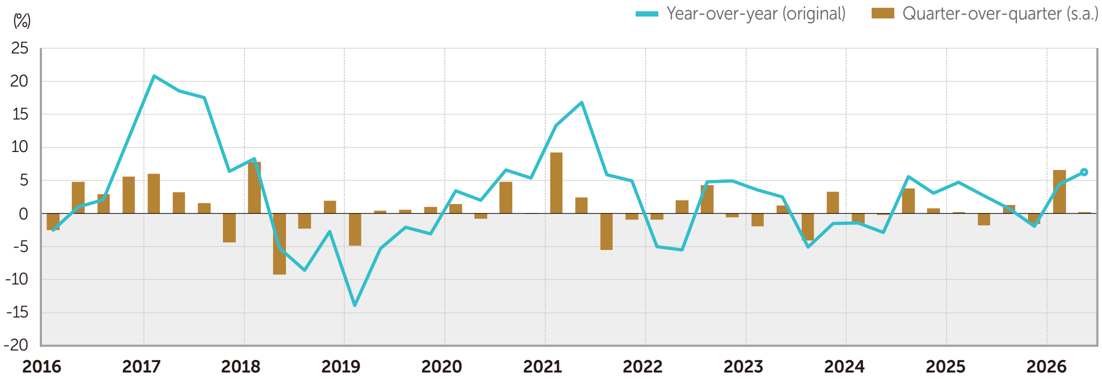
Continued uncertainty surrounding the war in the Middle East is expected to weigh on future facility investment, while a significant increase in domestic machinery orders is expected to have a positive effect.

(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	Jun[1]	Jul[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	19.3	23.0	52.4	25.4
(% change from previous period)	-	-	-15	2.9	22.8	-17.9	11.3	-5.5	-3.5	4.0	0.7	18.8	24.2	13.9	-22.8
- Public	-21.2	-10.1	-63.0	-42.4	169.3	-40.6	14.4	-24.7	-37.2	72.2	-29.9	-28.7	-36.2	-19.1	-3.4
- Private	-0.8	3.0	2.6	-1.6	4.8	-8.0	13.8	9.0	-10.4	-0.4	-1.0	22.4	25.8	56.6	27.0
Machinery imports	1.8	8.1	-7.4	-12.4	18.2	12.7	11.5	13.5	6.1	2.2	17.2	17.1	14.1	21.8	23.5
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	72.9	70.8	74.7	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	1.3	-2.1	5.7	3.4

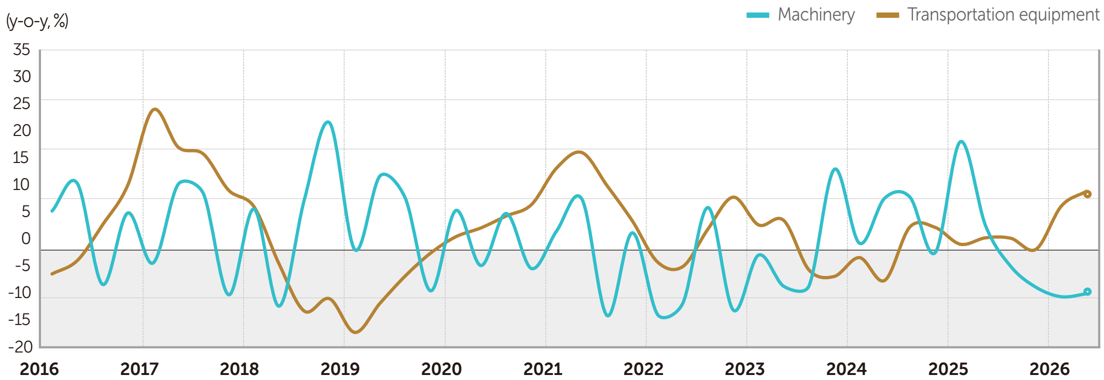
Sources: Statistics Korea; Korea International Trade Association.
[1] Preliminary.
[2] Utilization rate for the period, %.
[3] Production growth rate minus production capacity growth rate in the manufacturing sector, %p.

Facility investment



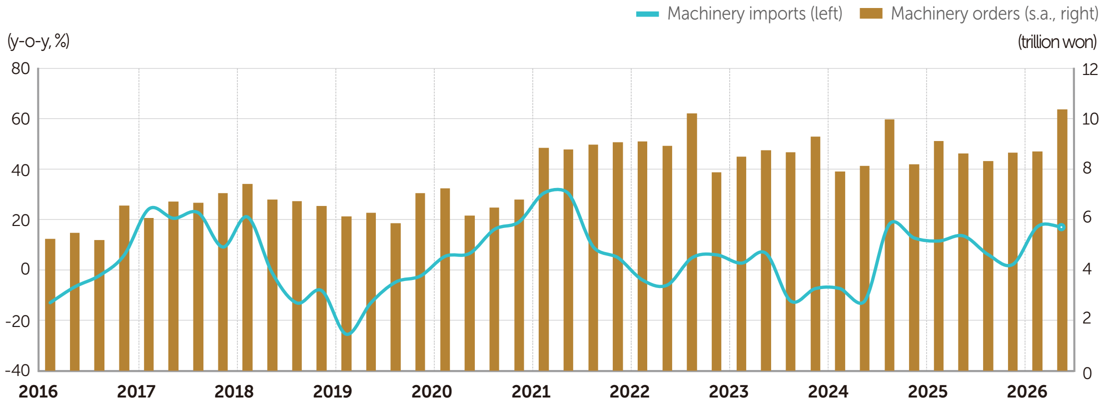
Source: National account, Bank of Korea.

Facility investment by type



Source: National account, Bank of Korea.

Leading indicators of facility investment



Sources: Statistics Korea; Korea International Trade Association.

5. Construction investment

Construction investment *(preliminary estimate of GDP)* in the second quarter of 2026 fell by 0.1 percent quarter-on-quarter, and declined by 1.2 percent year-on-year.

(Percentage change from previous period)

	2024	2025	2024				2025				2026	
	Annual	Annual1	Q1	Q2	Q3	Q4	Q1[1]	Q2[1]	Q3[1]	Q4[1]	Q1[1]	Q2[1]
Construction investment	-	-	4.9	-2.3	-3.4	-3.5	-4	-0.7	0.2	-2.6	1.4	-0.1
(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	-1.2
- Building construction	-3.9	-10.4	5.4	-3.1	-4.0	-2.4	-5.3	-0.3	-0.8	-0.7	0.2	2.8
- 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	-6.8

Source: National accounts, Bank of Korea.

[1] Preliminary estimate.

In July, construction completed *(constant)* fell by 1.1 percent month-on-month, led by a decrease in building construction. The index also declined 3.2 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]	May	Jun[1]	Jul[1]
Construction completed (constant)	-	-	4.5	-5.5	-4.6	-4.6	-7.2	-2.6	-0.8	-4.1	0.5	0.1	3.3	4.2	-1.1
(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	-4.8	-3.7	-4.3	-3.2
- Building construction	-6.6	-17.5	4.9	-6.7	-5.4	-4.1	-7.8	-2.9	-1.5	-2.7	-2.4	3.6	4.3	5.7	-7.4
- 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	-9.0	0.3	-0.3	18.5

Source: Statistics Korea.

[1] Preliminary.

The increase in building permits in July is expected to support future construction investment, while the decline in construction orders is expected to weigh on it.

(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	Jun[1]	Jul[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	27.1	70.3	-17.8	-34
(% change from previous period)	-	-	-0.2	19.5	-10.3	3.9	-6.1	8.6	17.0	-17.6	21.8	18.8	28.0	-53.3	8.4
- Building construction	17.4	14.6	-13.7	23.8	27.9	28.2	23.2	13.7	28.6	2.2	24.1	22.5	71.4	-25.1	-23.2
- 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	46.0	62.6	7.9	-55.0
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	49.2
Apartment presales[3]	25	21.8	5.8	5.8	5.7	7.7	2.3	4.7	7.4	7.3	3.9	7.4	2.5	2.3	1.9

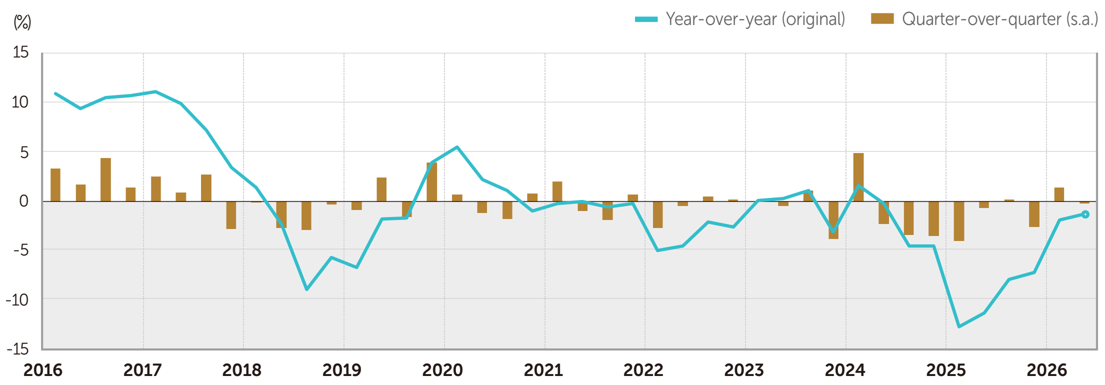
Sources: Statistics Korea; Ministry of Land Infrastructure and Transport; Real Estate 114.

[1] Preliminary.

[2] Gross Floor Area.

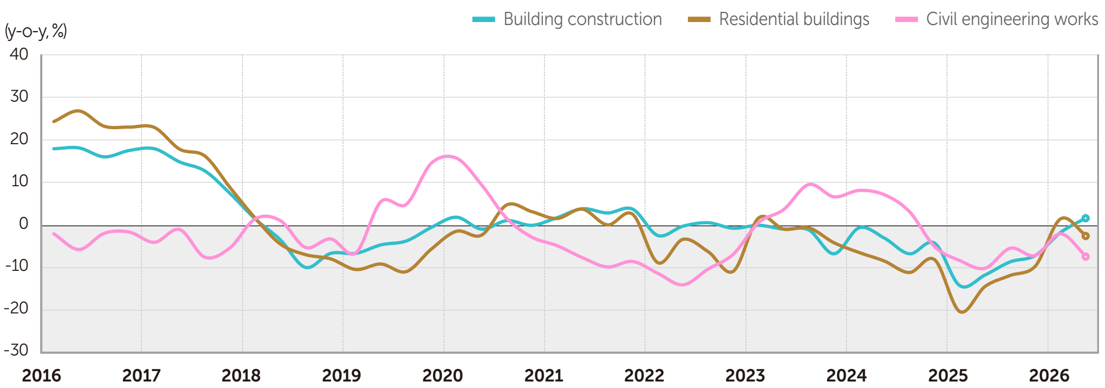
[3] Thousand housing units.

Construction investment



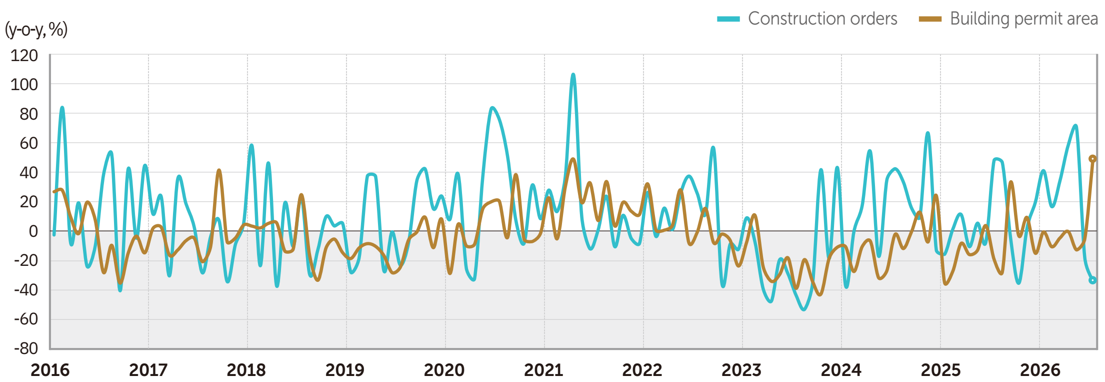
Source: National account, Bank of Korea.

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 68.7 percent year-on-year to US $98.3 billion in August.
Exports of semiconductor, computers, cosmetics, and secondary batteries increased, while exports of automobiles and ships decreased. In terms of export markets, exports to China, US, and ASEAN increased while exports to the Middle East and 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 22.5 percent year-on-year to US $63.5 billion in August.

The trade balance recorded a surplus of US $34.8 billion in August.

(US $ billion)

	2024	2025	2025				2026			
	Annual	Annual	Q1	Q2	Q3	Q4	May	Jun	Jul	Aug
Exports	683.6	709.4	159.5	175.1	184.9	189.8	87.6	102.0	99.0	98.3
(y-o-y, %)	8.1	3.8	-2.3	2.1	6.5	8.4	52.9	70.4	63.0	68.7
Average daily exports	2.5	2.6	2.5	2.4	2.6	2.9	4.3	4.5	4.1	4.5
Imports	631.8	631.8	152.6	154.3	162.4	162.2	60.8	66.1	68.6	63.5
(y-o-y, %)	-1.6	-0.0	-1.4	-1.7	1.5	1.4	20.7	30.0	26.5	22.5
Average daily imports	2.3	2.4	2.4	2.3	2.6	2.5	3.0	2.9	2.9	2.9
Trade balance	51.8	77.7	6.9	20.9	22.5	27.7	26.8	35.9	30.4	34.8

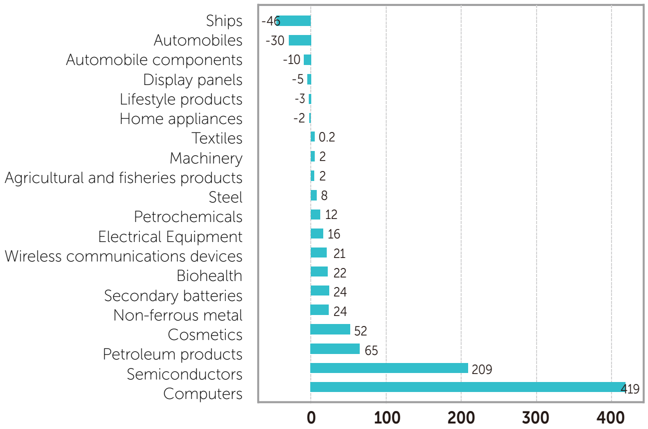
Source: Korea Customs Service.

Export growth and share by region in Aug 2026

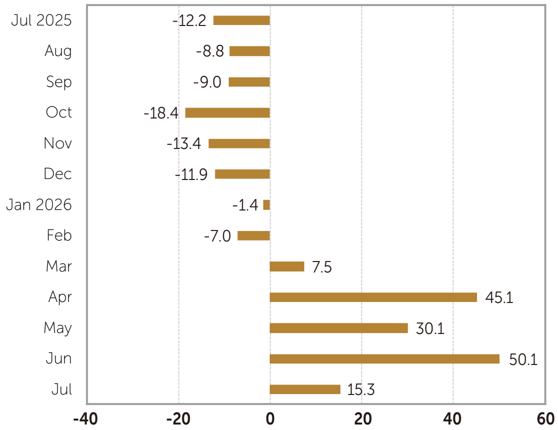
	Growth (y-o-y, %)	Share (%)[1]
China	119.3	21.0
US	89.3	18.4
ASEAN countries	75.4	18.2
India	47.3	2.4
Latin America	24.8	3.3
EU	14.6	8.0
Japan	12.9	3.1
Middle East	-15.0	1.7
CIS countries	-25.1	-

[1] Cumulative total since January 2026.

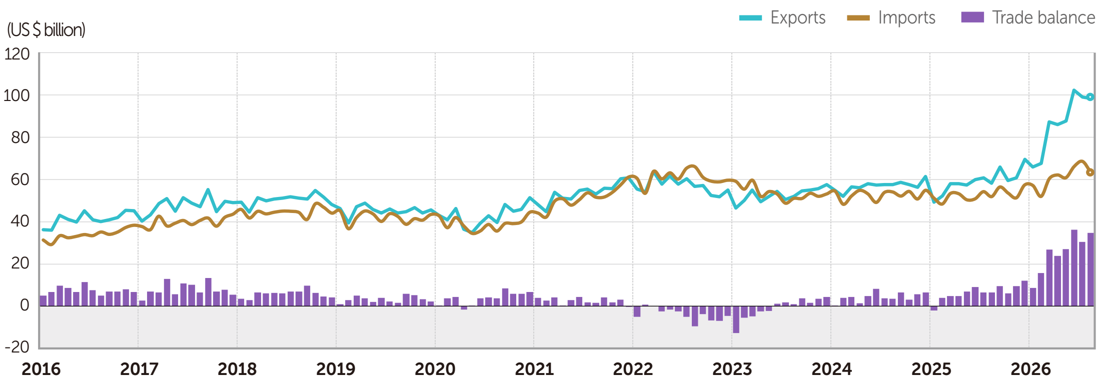
Export growth by item in Aug 2026 (y-o-y, %)



Energy Imports (y-o-y, %)

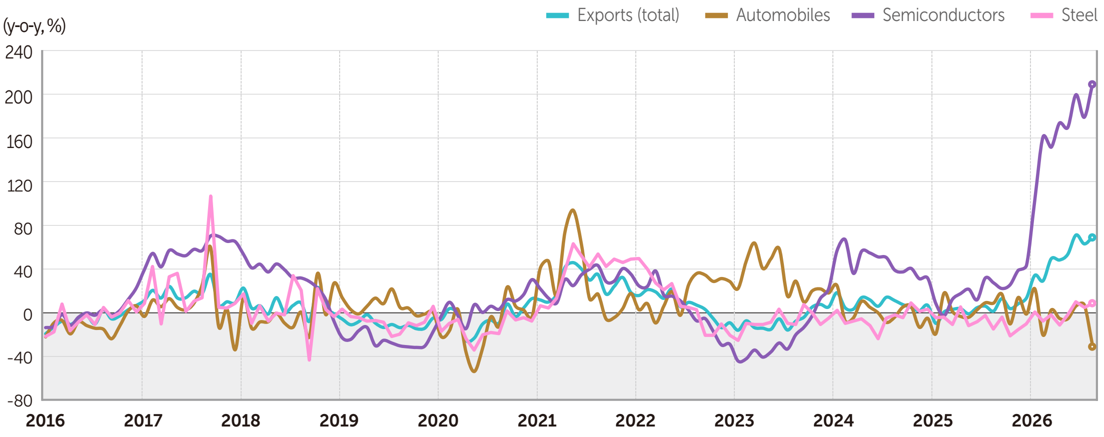


Exports and imports



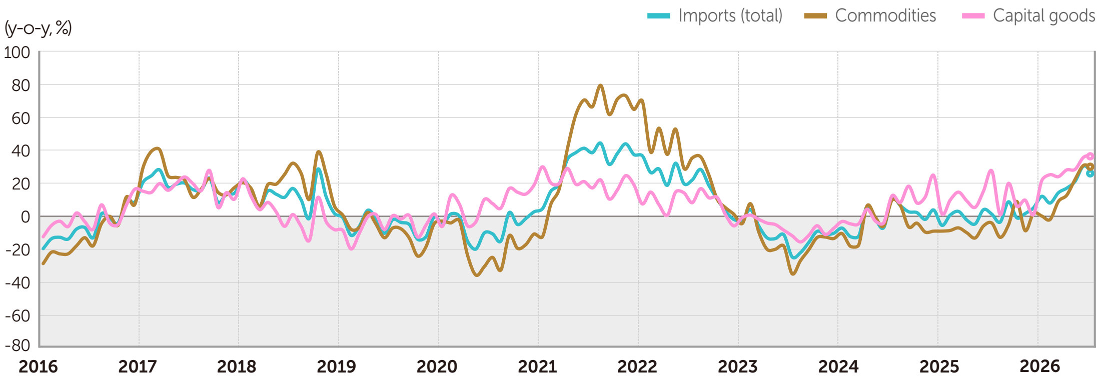
Sources: Korea Customs Service.

Export growth by item



Sources: Korea Customs Service.

Import growth by category



Sources: Korea Customs Service.

7. Employment

In August, the number of employed workers increased by about 184,000 year-on-year to 29,151,000 and the employment rate *(aged 15 and above)* stayed unchanged at 63.3 percent.

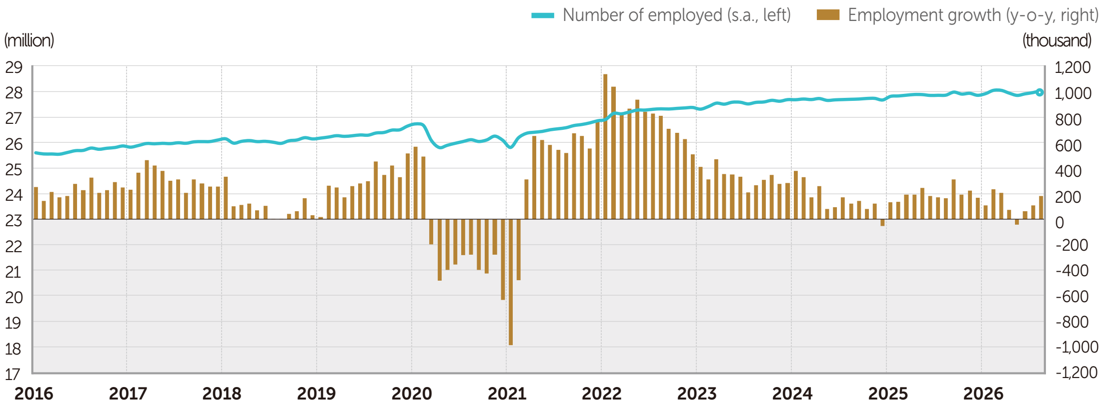
By sector, employment growth continued to accelerate in the services sector, and the decline in employment growth in the manufacturing sector and construction sector narrowed.

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

	2023	2024	2025	2025					2026							
	Annual	Annual	Annual	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Number of employed (million)	28.42	28.58	28.77	28.97	29.15	29.04	29.05	28.21	27.99	28.41	28.79	28.96	29.16	29.15	29.14	29.15
Employment rate (%)	62.6	62.7	62.9	63.3	63.7	63.4	63.4	61.5	61.0	61.8	62.7	63.0	63.3	63.4	63.3	63.3
(Seasonally adjusted)	-	-	-	62.8	63.1	62.9	62.9	62.7	62.8	63.0	63.0	62.7	62.5	62.6	62.7	62.9
- 15 to 64	69.2	69.5	69.8	69.9	70.4	70.1	70.2	69.6	69.2	69.2	69.7	70.0	70.2	70.2	70.3	70.4
Employment growth (y-o-y, thousand)	327	159	193	166	312	193	225	168	108	234	206	74	-40	63	108	184
- Manufacturing	-43	-6	-73	-61	-61	-51	-41	-63	-23	-16	-42	-55	-140	-97	-68	-38
- Construction	-9	-49	-125	-132	-83	-123	-131	-63	-20	-40	-16	-8	-43	-67	-57	-32
- Services	385	239	492	484	588	481	516	403	256	374	316	208	248	307	295	345
· Wholesale & retail	-37	-61	-1	0	28	46	11	44	23	22	-18	-52	-36	-44	-5	21
· Hotels & restaurants	114	25	-3	0	26	22	-22	-22	-16	-27	-2	29	20	10	2	-61
· Healthcare & social welfare service	143	83	237	304	304	280	281	220	185	288	294	261	212	214	173	186
- Wage workers	327	214	275	270	386	311	294	214	121	205	113	-43	-115	-81	-11	113
· Permanent workers	478	183	283	348	340	286	258	195	192	158	140	62	-7	16	71	180
· Temporary workers	-61	154	46	-12	2	79	65	-7	-97	8	-59	-127	-121	-51	-40	-50
· Day laborers	-90	-122	-55	-67	44	-55	-29	25	26	39	32	22	14	-45	-41	-17
- Nonwage workers	0	-55	-81	-103	-75	-118	-70	-46	-13	29	93	116	75	144	119	71
· Self-employed	57	-32	-38	-70	-55	-98	-38	12	45	70	105	140	109	166	150	109
- Male	24	-29	20	20	67	22	22	95	33	20	69	4	-55	37	48	107
- Female	303	188	174	146	244	171	203	73	75	214	137	70	15	26	60	77
- 15 to 29	-98	-144	-178	-219	-146	-163	-177	-112	-175	-146	-147	-194	-255	-197	-191	-143
- 30 to 39	54	90	102	96	133	80	76	83	101	86	112	84	62	65	65	91
- 40 to 49	-54	-81	-50	-73	-45	-38	-9	-33	-3	0	-5	-17	-43	-19	-31	-17
- 50 to 59	59	28	-26	-38	-11	-19	2	-11	45	6	5	11	25	3	33	62
- 60 and above	366	266	345	401	381	334	333	241	141	287	242	189	171	211	231	191

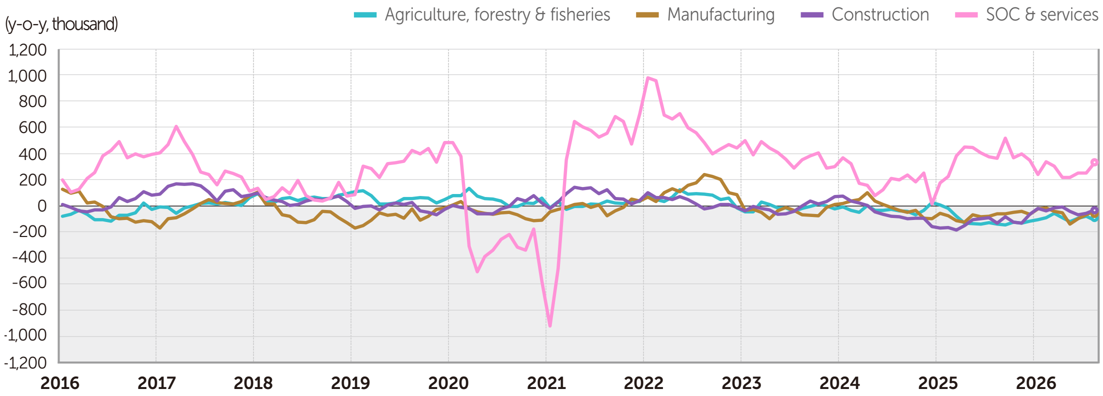
Source: Statistics Korea.

Number of employed workers and employment growth



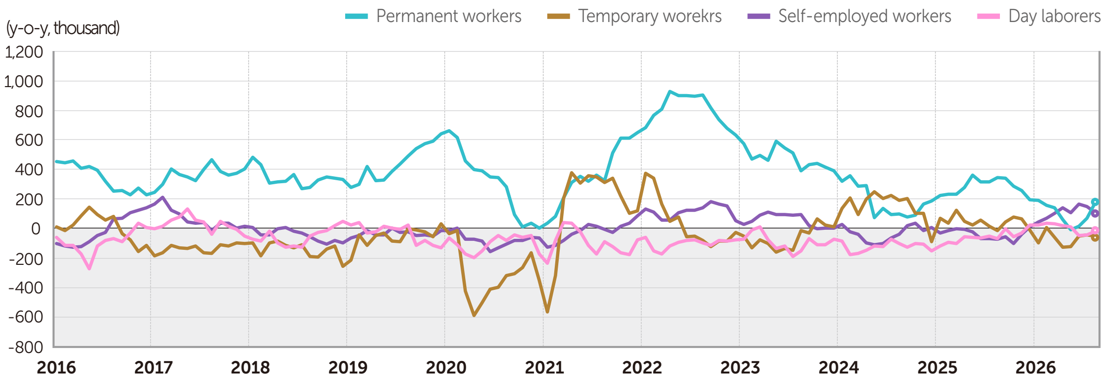
Source: Employment trends, Statistics Korea.

Employment growth by industry



Source: Economically active population survey, Statistics Korea.

Employment growth by type of employment



Source: Economically active population survey, Statistics Korea.

In August, the number of unemployed workers decreased by about 4,000 year-on-year to 588,000 and the unemployment rate remained unchanged at 2.0 percent.

	2023	2024	2025	2025					2026							
	Annual	Annual	Annual	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Number of unemployed (thousand)	787	823	830	592	635	658	661	1,217	1,211	993	884	853	873	834	776	558
Unemployment growth (y-o-y, thousand)	-46	36	7	28	12	-20	5	103	128	54	-35	-2	25	10	50	-4
- Male	-14	18	13	23	52	4	29	47	36	44	-31	-28	5	-26	20	-8
- Female	-32	18	-6	4	-39	-24	-24	55	49	10	-4	26	30	36	31	5
Unemployment rate (%)	2.7	2.8	2.8	2.0	2.1	2.2	2.2	4.1	4.1	3.4	3.0	2.9	2.9	2.8	2.6	2.0
(Seasonally adjusted)	-	-	-	2.6	2.5	2.6	2.7	4.0	3.0	2.9	2.7	2.8	2.8	2.7	2.8	2.7
- 15 to 29	5.9	5.9	6.1	4.9	4.8	5.3	5.5	6.2	6.8	7.7	7.6	7.1	7.2	7.0	6.8	5.4
- 30 to 39	2.6	2.7	2.7	2.5	2.6	2.7	2.9	3.0	3.0	3.6	3.3	3.3	3.2	3.4	3.2	2.4
- 40 to 49	1.9	1.9	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	1.5
- 50 to 59	1.7	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	1.1
- 60 and above	2.6	2.9	2.8	1.0	1.2	1.4	1.2	8.4	8.3	3.7	2.3	2.2	2.3	2.0	1.8	1.2

Source: Statistics Korea.

In August, the economically inactive population increased by 77,000 year-on-year to 16,297,000 and the labor force participation rate stayed unchanged at 64.6 percent.

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

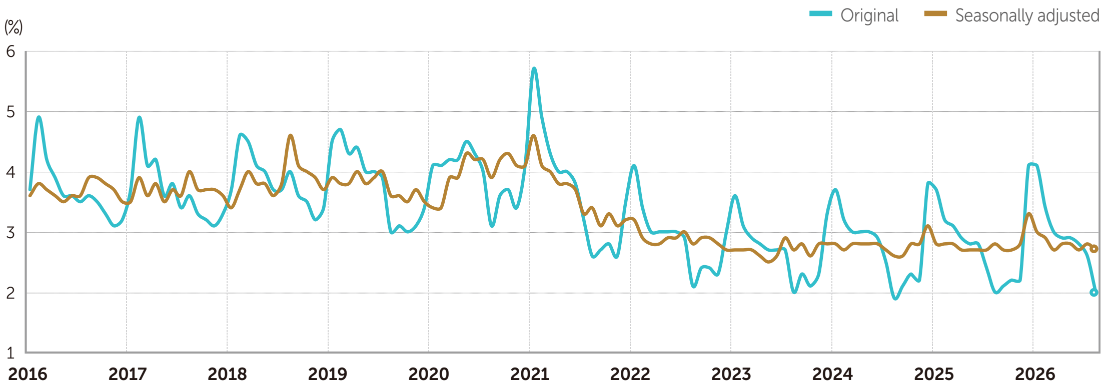
	2023	2024	2025	2025					2026							
	Annual	Annual	Annual	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Economically inactive population (million)	16.2	16.2	16.2	16.2	16.0	16.1	16.1	16.5	16.7	16.5	16.3	16.2	16.0	16.0	16.1	16.3
Labor force participation rate (%)	64.3	64.5	64.7	64.6	65.0	64.8	64.8	64.7	63.6	64.0	64.6	64.9	65.2	65.2	65.0	64.6
(Seasonally adjusted)	-	-	-	64.4	64.8	64.5	64.6	65.0	64.7	64.9	64.8	64.5	64.3	64.4	64.6	64.6
Growth in economically inactive population (y-o-y, thousand)	-134	-32	-8	9	-116	38	-10	-49	4	-39	69	174	264	181	99	77
- Childcare	-140	-113	-64	-48	-68	-63	-65	-90	-95	-98	-83	-79	-88	-73	-76	-42
- Housework	-1	45	7	13	-25	14	-44	-8	-14	-6	28	64	126	89	50	50
- Retraining	11	-54	1	21	25	17	36	-16	34	42	66	96	124	117	134	80
- Old age	-31	47	-28	-50	-40	-41	-16	-11	26	24	58	59	68	56	60	69
- Rest	74	117	88	73	42	135	124	124	110	27	31	63	47	5	-62	-89
- Job seeking	-88	-48	5	11	-8	-38	-13	-37	-28	-27	-51	-43	-41	-26	-3	5

Source: Statistics Korea.

Employment rate

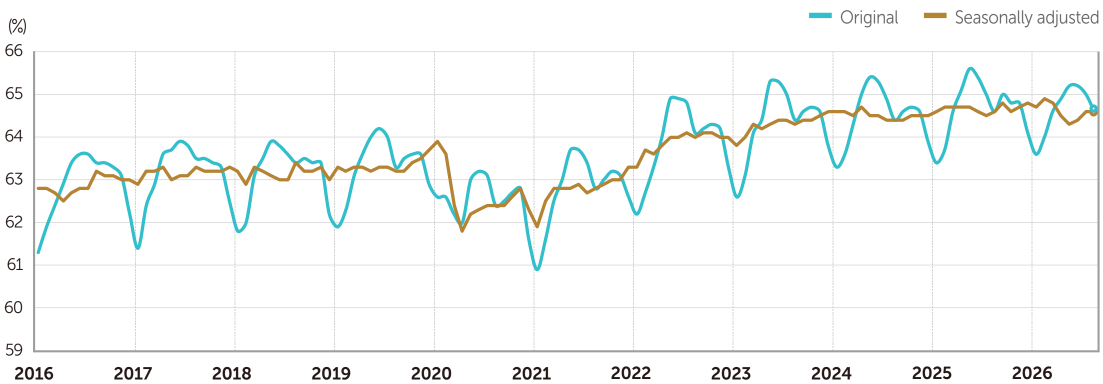
Source: Employment trends, Statistics Korea.

Unemployment rate



Source: Employment trends, Statistics Korea.

Labor force participation



Source: Employment trends, Statistics Korea.

8. Prices

In August, the Consumer Price Index (CPI) grew 3.1 percent from a year ago, and grew 0.2 percent month-on-month.

Prices for consumer goods excluding food and energy rose 3.4 percent year-on-year. Prices for consumer goods excluding crops and oil products rose 3.1 percent.

The price index for basic necessities rose 3.2 percent year-on-year. The fresh food price index fell 6.7 percent.

(Percentage change from same period in previous year)

	2025								2026							
	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
CPI (y-o-y)	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	3.1
(m-o-m)	-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	0.2
Excluding food and energy	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	3.4
Excluding crops and oil products	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	3.1
Basic necessities	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	3.2
Fresh food	-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	-6.7

Source: Statistics Korea.

In August, the price of agricultural goods fell from a month earlier amid consumer discount measures and increased production. The pace of price increases in fishery and livestock slowed. The growth of prices for petroleum products slowed down owing to the implementation of oil price caps.

(Percentage change from same period in previous year)

	Farm and fishery products	Manufactured products	Petroleum products	Public utilities	Housing rents	Public services	Personal services
Jul 2026	0.9	3.7	15.5	0.4	1.1	1.4	3.5
Aug 2026	-2.6	3.7	14.2	0.4	1.2	6.5	3.5
Contribution (%p)	-0.2	1.2	0.5	0.0	0.1	0.7	1.2

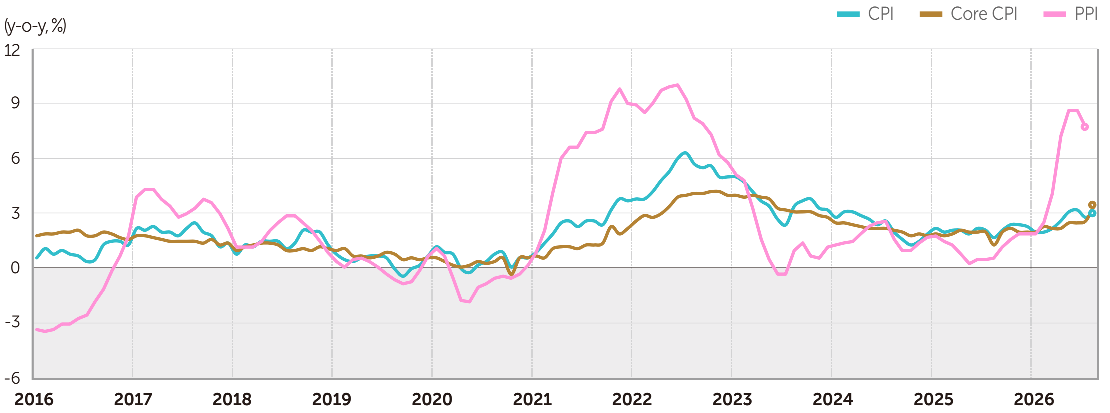
Source: Statistics Korea.

(Won/liter, period average)

	2024	2025	2024				2025				2026			
	Annual	Annual	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Jul	Aug
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	1,882	1,863
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	1,868	1,847

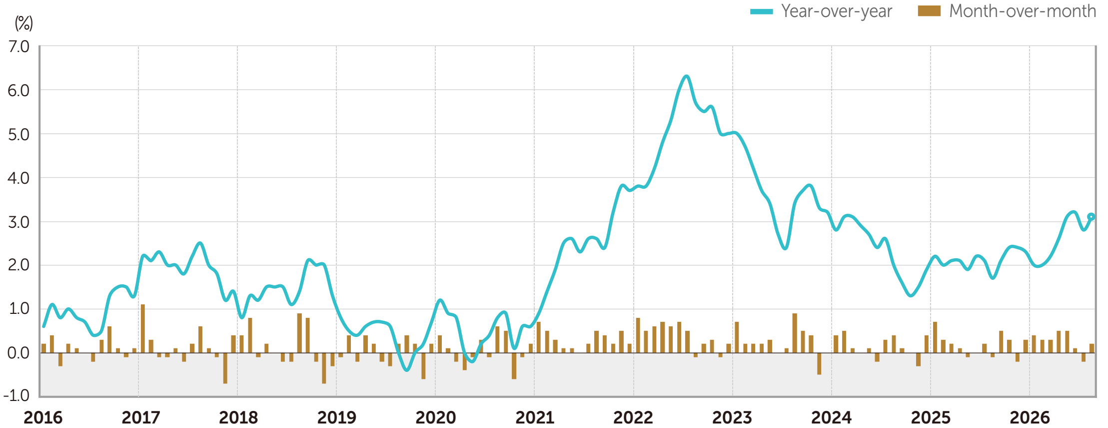
Source: Korea National Oil Corporation.

Prices



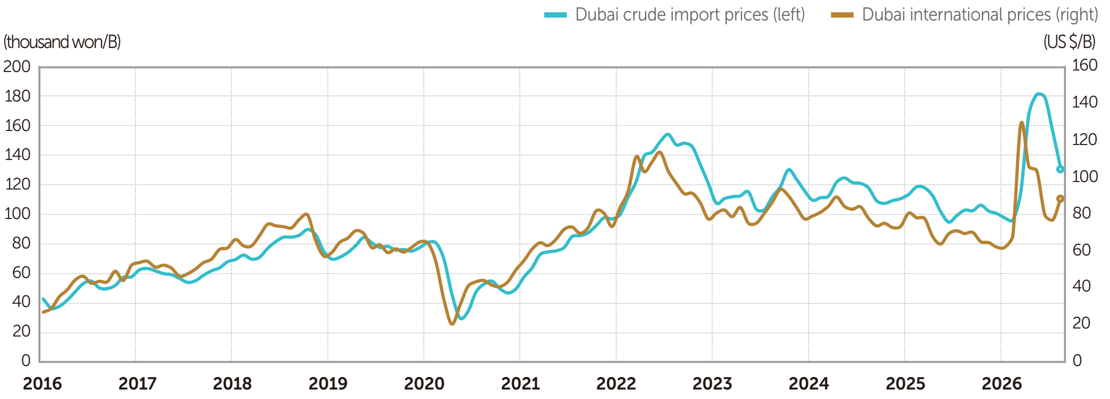
Sources: Consumer price trends, Statistics Korea; Bank of Korea.

Consumer price inflation



Source: Consumer price trends, Statistics Korea.

Dubai crude prices and import prices



Source: Korea National Oil Corporation.

International oil prices rose month-on-month in August, driven by heightened geopolitical risks, including concerns over the safe passage of vessels through the Strait of Hormuz amid stalled U.S.-Iran negotiations and Ukraine's attacks on Russian oil refineries.

International grain prices rose compared to the previous month due to disruptions to export from the Black Sea region and concerns over U.S. crop conditions.

Non-ferrous metal prices also increased month-on-month amid supply concerns stemming from production disruptions.

(Period average)

	2024	2025	2024				2025				2026			
	Annual	Annual	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Jul	Aug
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	76.8	88.8
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	79.2	82.5
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	84.0	88.1
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	3,180	3,222

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 Aug 2026 (m-o-m, %)

Corn	5.6
Wheat	5.3
Soybeans	1.2

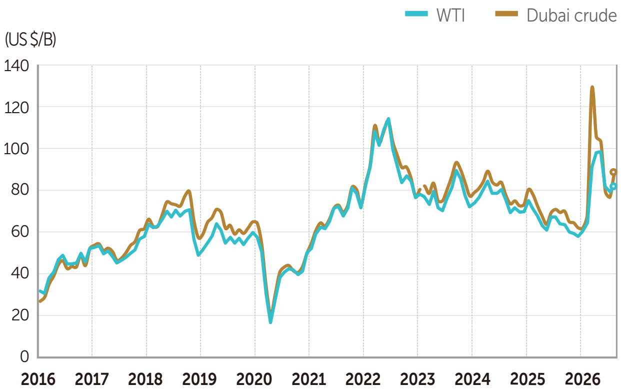
Note: Monthly average prices.

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

Copper	6.1
Aluminium	3.0
Nickel	0.7

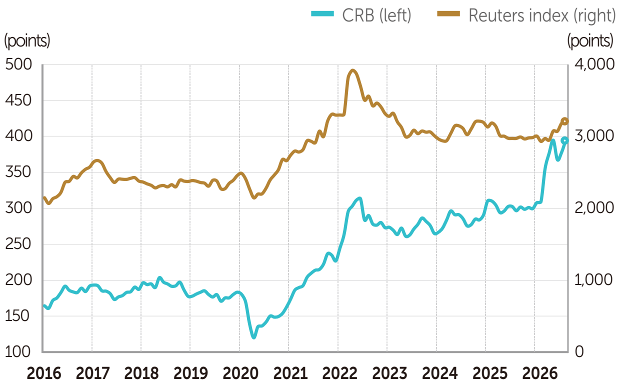
Note: Monthly average prices.

International oil prices



Source: Korea National Oil Corporation.

International commodity prices



Source: Korea PDS

9. Housing market

Nationally, housing sales prices rose 0.32 percent month-on-month in August.
Within the Seoul metropolitan area, housing sales prices rose 0.63 percent, increasing 0.97 percent in Seoul, 0.58 percent in Gyeonggi Province, and decreasing 0.03 percent in Incheon.
In the areas excluding the Seoul metropolitan, housing sales prices rose 0.03 percent. The prices remained unchanged in the five metropolitan cities and 0.29 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	Aug	Cumulative total	Jun	Jul	Aug
Nationwide	9.9	-4.7	-3.6	0.1	1.0	0.06	2.05	0.33	0.35	0.32
Seoul metropolitan area	12.8	-6.5	-3.6	1.4	2.9	0.17	4.06	0.67	0.72	0.63
- Seoul	6.5	-4.8	-2.0	3.2	7.1	0.45	6.68	1.03	1.09	0.97
· Southern Seoul	6.8	-4.1	-1.5	3.6	9.2	0.55	6.08	1.00	0.97	0.71
· Northern Seoul	6.1	-5.4	-2.4	2.8	4.9	0.34	7.34	1.07	1.23	1.25
Areas excluding the Seoul metropolitan area	7.4	-3.0	-3.5	-1.1	-0.7	-0.05	0.20	0.01	0.01	0.03

Source: Korea Real Estate Board.

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

Busan	Daegu	Gwangju	Daejeon	Ulsan	Sejong
-0.04	-0.04	0.13	0.09	0.20	-0.07

Nationally, housing rental prices increased 0.35 percent in July compared to the previous month.
By region, housing rental prices rose 0.63 percent in the Seoul metropolitan area and 0.09 percent in other areas.

Housing rental prices

(Percentage change from previous period)

	2021	2022	2023	2024	2025	2025	2026			
	Annual	Annual	Annual	Annual	Annual	Aug	Cumulative total	Jun	Jul	Aug
Nationwide	6.5	-5.6	-5.1	1.3	0.9	0.04	2.58	0.38	0.38	0.35
Seoul metropolitan area	7.7	-8.0	-5.7	3.1	1.8	0.08	4.30	0.71	0.68	0.63
- Seoul	4.9	-6.5	-5.3	3.3	3.0	0.21	5.91	1.08	1.03	0.83
· Southern Seoul	5.1	-6.9	-5.8	2.9	3.9	0.27	5.26	0.95	0.95	0.67
· Northern Seoul	4.7	-6.2	-4.7	3.6	2.1	0.15	6.63	1.21	1.13	1.00
Areas excluding the Seoul metropolitan area	5.5	-3.3	-4.4	-0.4	0.1	0.00	0.98	0.08	0.10	0.09

Source: Korea Real Estate Board.

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

Songpa	Seongdong	Nowon	Gwangmyeong	Dongtan
0.90	0.75	1.58	1.05	1.55

Source: Korea Real Estate Board.

There were 63,185 housing sales transactions in July, a decrease of 8.2 percent month-on-month *(68,819 in June 2026)* and a decrease of 1.6 percent year-on-year *(64,235 in July 2025)*.

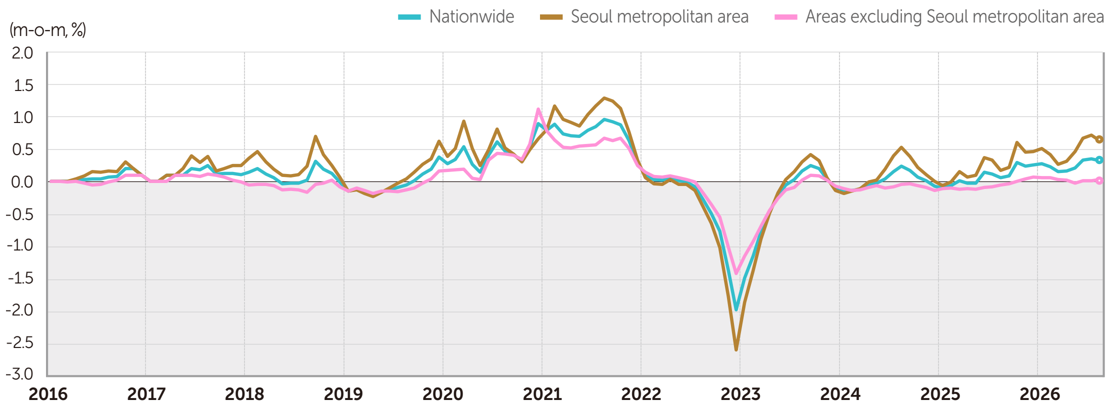
Housing sales transactions

(Thousand)

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

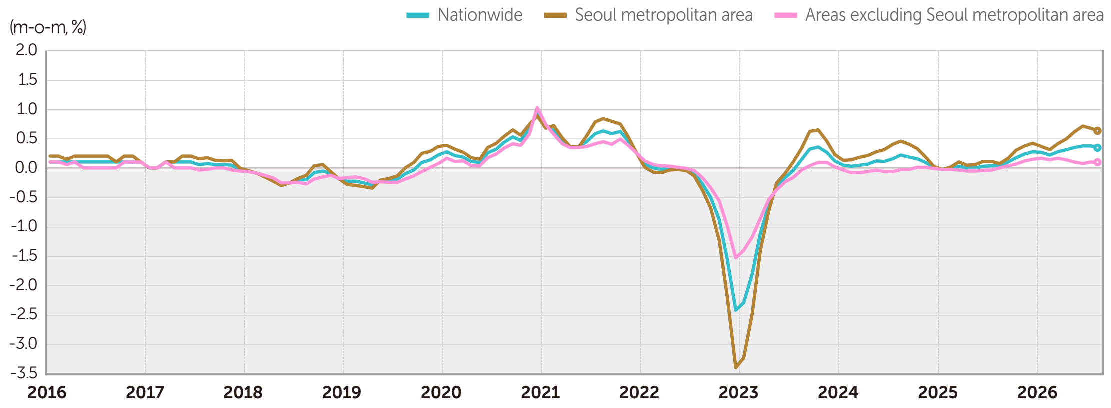
Source: Ministry of Land, Infrastructure and Transport.
[1] Monthly average.

Housing sales prices



Source: Korea Real Estate Board

Housing rental prices



Source: Korea Real Estate Board

Financial Markets

1. Stock market

In August, stock prices driven by expectations of improving business conditions in the AI and semiconductor sectors.

	KOSPI			KOSDAQ		
	Jul 2026	Aug 2026	Change	Jul 2026	Aug 2026	Change
Stock price index (points)	6,595.45	6,820.0	224.55 (3.40%)	719.76	834.3	114.54 (15.91%)
Market capitalization (trillion won)	5,445.2	5,620.1	174.9 (3.21%)	400.2	467.0	66.8 (16.69%)
Daily trade (trillion won)	36.9	25.8	-11.1 (-30.08%)	6.2	6.0	-0.2 (-3.23%)
Foreign stock ownership (%, %p)	40.2	39.4	-0.8 (-1.99%)	12.1	11.8	-0.3 (-2.48%)

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

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

In August, Korean Treasury bond yields rose, driven by renewed tensions in the Middle East and rising long-term yields in major economies.

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

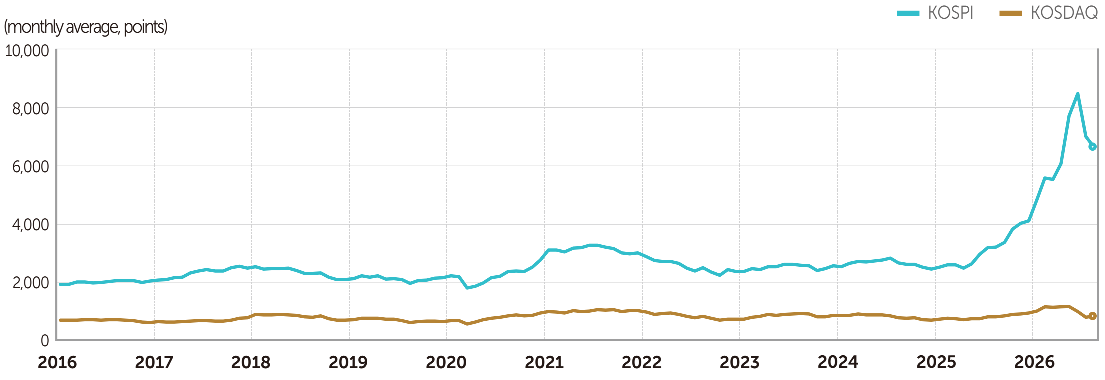
3 yrs	5 yrs	10 yrs	20 yrs	30 yrs
8	3	5	3	2

(Percent per annum)

	2019	2020	2021	2022	2023	2024	2025	2026			
	Dec	Dec	Dec	Dec	Dec	Dec	Dec	Jun	Jul	Aug	Change[1]
Call rate (1 day)	0.61	1.44	3.38	3.91	3.33	2.63	2.59	2.65	2.82	3.06	24
CD (91 days)	0.66	1.29	3.98	3.83	3.39	2.81	2.86	2.92	2.95	3.12	17
Treasury bonds (3 yrs)	0.98	1.80	3.72	3.15	2.60	2.95	3.73	3.70	3.76	3.84	8
Treasury bonds (5 yrs)	1.34	2.01	3.74	3.16	2.76	3.24	3.92	3.93	4.02	4.05	3
Corporate bonds (3 yrs)	2.21	2.42	5.23	3.90	3.28	3.48	4.35	4.38	4.48	4.52	4

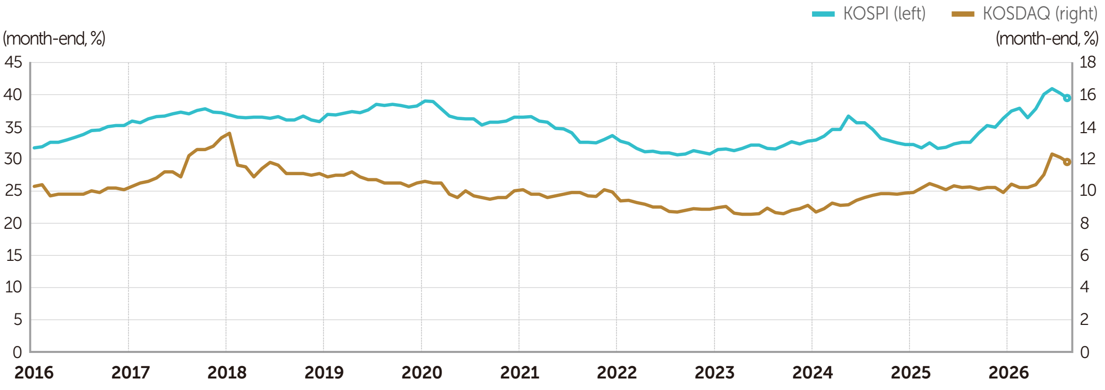
Source: Bank of Korea.
Note: Figures are closing rate.
[1] Change from the previous month as of end-Aug 2026, basis point.

Stock prices



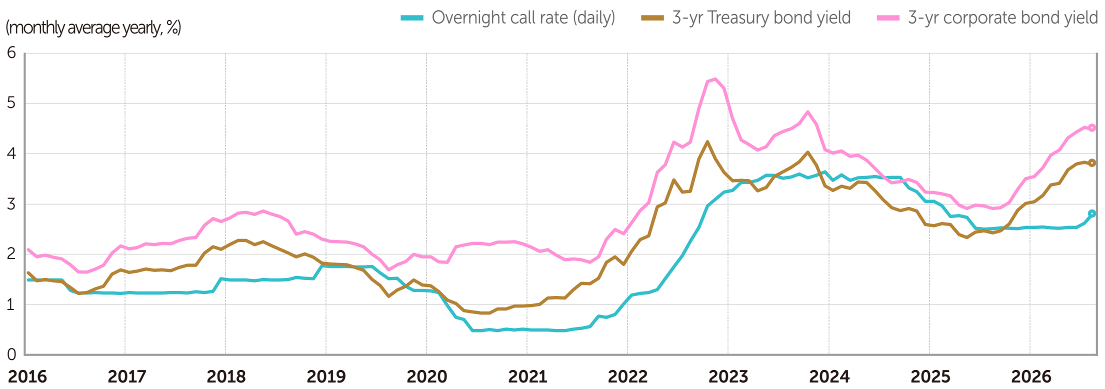
Source: Korea Exchange

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	Jul	Aug	Change[1]
Dollar-Won	1,156.4	1,086.3	1,188.8	1,264.5	1,288.0	1,472.5	1,439.0	1,424.0	1,368.6	4.0
100 Yen-Won	1,059.8	1,051.2	1,032.5	945.6	912.3	934.3	917.6	902.1	859.3	5.0
Yuan-Won	165.6	167.0	186.6	181.6	181.2	202.6	206.0	211.3	203.6	3.8

Source: Bank of Korea.
Note: The exchange rate is based on the closing price at 3:30 pm, local time.
[1] Appreciation from the end of the previous month as of end- Aug 2026, %..

4. Money market

In July, M2 *(monthly average)* rose 5.8 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	May	Jun	Jul[1]	Jul[2]
M1[3]	9.5	4.7	3.9	20.9	21.5	4.2	-10.6	2.9	5.2	9.9	10.0	6.4	1,375.9
M2	6.8	5.7	6.2	11.1	11.4	9.8	3.8	3.3	4.5	5.8	6.0	5.8	4,223.4
Lf[4]	7.4	6.4	7.8	8.4	8.6	8.3	3.5	6.4	6.9	8.0	8.5	7.5	6,349.0

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

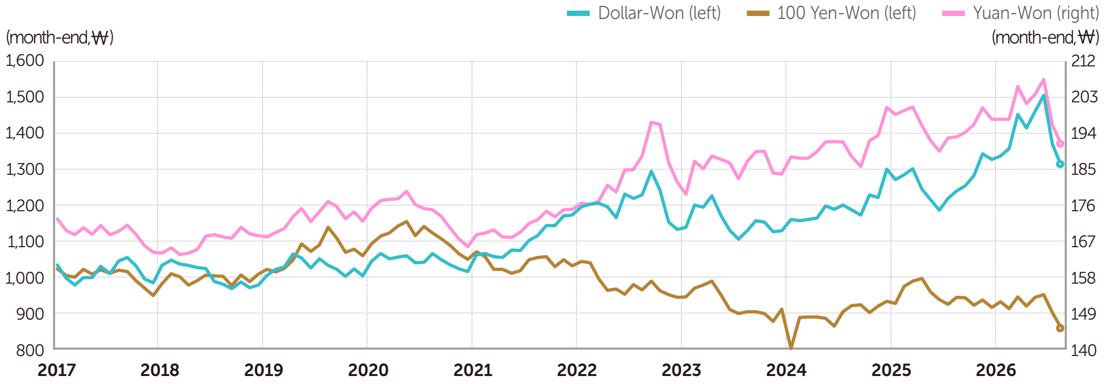
In August, total deposits increased for banks and for Asset Management Companies (AMC).

(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	May	Jun	Jul	Aug	Aug[1]
Bank deposits	79.5	91.6	106.3	188.4	198.5	110.4	76.4	111.7	100.2	48.8	28.8	-30.0	0.1	2,592.6
AMC deposits	27.9	53.8	98.6	42.2	93.9	45.4	93.7	117.2	241.0	86.4	-11.7	-42.8	23.5	1,549.4

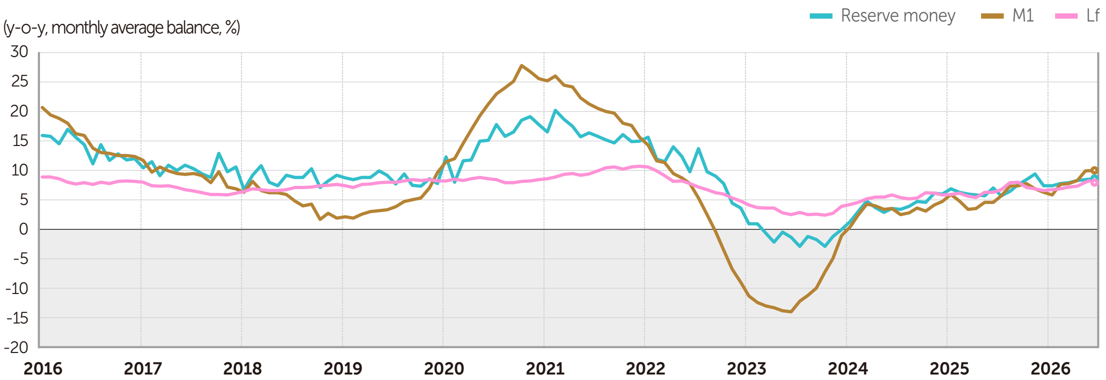
Source: Bank of Korea.
[1] Balance at end- Aug 2026.

Foreign exchange rates



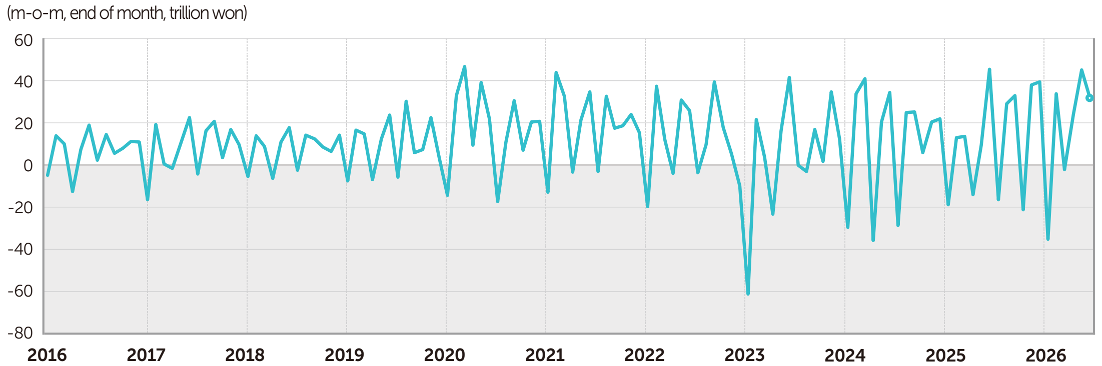
Source: Bank of Korea.

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 $442.3 billion as of the end of August.

(US $ billion)

	2022	2023	2024	2025	2026		
					Jun	Aug	Change (m-o-m)
Official foreign reserves	423.2	420.2	415.6	428.1	428.0	442.3 (100.0%)	14.3
- Securities[1]	369.7	373.7	366.7	371.1	380.0	387.1 (87.5%)	7.1
- Deposits	29.4	22.0	25.2	31.9	23.1	30.3 (6.9%)	7.2
- SDRs	14.8	15.1	14.7	15.9	15.7	15.8 (3.6%)	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 20.1 trillion won in July, a decrease of 37.4 trillion won year-on-year. The managed fiscal balance also recorded a deficit of 64.8 trillion won, a decrease of 22.0 trillion won year-on-year.

(Trillion won, percent)

	2025					2026[1]			Change
	Supplementary budget (a)	Settlement (b)	Jul (Cumulative, c)	(c)/(a)	(c)/(b)	Supplementary budget (d)	Jul (Cumulative, e)	(e)/(d)	(e)-(c)
A. Total revenue	642.4	637.4	385.0	59.9	60.4	700.6	456.1	65.1	71.1
B. Total spending	703.3	684.1	442.5	62.9	64.7	753.1	476.2	63.2	33.7
C. Consolidated fiscal balance (A-B)	-60.8	-46.7	-57.5	-	-	-52.5	-20.1	-	37.4
D. Net social security fund[2]	50.8	57.5	29.3	-	-	55.1	44.7	-	15.4
E. Managed fiscal balance (C-D)	-111.6	-104.2	-86.8	-	-	-107.6	-64.8	-	22.0

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	-43.9
Managed fiscal balance	-22.7	-18.5	-10.6	-54.4	-112.0	-90.6	-117.0	-87.0	-104.8	-89.6	-84.4

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

2. Government debt

The total amount of central government debt in July was 1,354.2 trillion won, up 15.7 trillion won from a month earlier. Korean Treasuries totaled 1,352.5 trillion won, which is comprised of bonds at 1,244.4 trillion won, national housing bonds at 73.0 trillion won, and foreign exchange stabilization bonds at 35.1 trillion won.

(Trillion won)

	2020	2021	2022	2023	2024	2025	2026[1]	
	Annual	Annual	Annual	Annual	Annual	Annual	Jun	Jul
Central gov't debt	819.2	939.1	1,033.4	1,092.5	1,141.2	1,268.1	1,338.5	1,354.2
(% 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	1,336.8	1,352.5
· Bonds	726.8	843.7	937.5	998.0	1,047.9	1,161.3	1,229.7	1,244.4
· National housing bonds	78.9	82.2	82.2	81.6	79.1	75.6	73.3	73.0
· Foreign exchange stabilization bonds	9.5	11.2	11.8	11.5	12.8	29.5	33.8	35.1
- 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

- **2027 Budget Proposal**

  The 2027 budget proposal mainly focuses on (i) realizing a structural rebound in potential growth, (ii) alleviating K-shaped polarization, and (iii) overhauling the fiscal management paradigm, including intensive spending restructuring.

2027 Budget Proposal

I. 2027 budget proposal directions

The 2027 budget proposal mainly focuses on (i) realizing a structural rebound in potential growth, (ii) alleviating K-shaped polarization, and (iii) overhauling the fiscal management paradigm, including intensive spending restructuring. The key features are as follows.

- **Total Revenue**
  The total government revenue is projected to be 880.8 trillion won (up 205.6 trillion won), an increase by 30.4% year-on-year, mainly boosted by the national tax revenue surge from corporate and income taxes driven by the semiconductor boom.

- **Total Expenditure**
  The total government expenditure for 2027 is set at 820.9 trillion won (up 93 trillion won), a 12.8% increase compared to the previous year. The total expenditure was significantly increased (727.9 in 2026 → 820.9 trillion won in 2027) with an aim to enhance the potential growth rate and alleviate polarization.

(Trillion, %)

	2026 Budget		2027 Budget Proposal(B)	Changes	
	Original (A)	Supplementary		B-A	B-A(%)
Total Government Revenue	675.2	700.6	880.8	+205.6	30.4
Total Government Expenditure	727.9	753.0	820.9	+93.0	12.8

- **Shift in Fiscal Management Paradigm**
  The government aims to overhaul the fiscal system based on the principles of "future, regional autonomy, fairness, and performance", in response to fundamental condition changes such as increased tax revenue volatility and the emphasis on the active role of public finance.

- **The Future Fund**
  The Future Fund works as a strategic investment platform that utilizes additional tax revenues for productive expenditures rather than single-year consumption spending, combined with a fiscal stabilization mechanism to bolster fiscal capacity when necessary.

  The 2027 Revenue Plan is set at 162.3 trillion won, mainly generated from setting aside additional tax revenue that exceeds the 10-year domestic tax trend line(2015-2025, 6.2%) and from separately accumulating the financial resources, that fall below the recent 10-year trend line of internal revenue among the savings resulting from the reform of the Education Grant, in the Education and Talent Account.

  The 2027 Expenditure Plan is set at 45.4 trillion won, centering on projects aligning with the NEXT[1] Principles across 4 key areas; youth, growth engines, regions, and education & talent.

  The government bond issuance for 2027 was scaled back at 12.5 trillion won.

  Surplus Funds for 2027 is set at approximately 104.4 trillion won, and flexible response will be possible through fund revisions without a supplementary budget if policy needs arise.

- **Expenditure Restructuring**
  Through comprehensive spending reviews, underperforming and inefficient projects will be boldly reduced or reorganized for reinvestment in key national agenda items.

[1] New-Capital, Enterprising, fleXible, Timely

- **(Discretionary Spending)** The government achieved the 15% reduction target by cutting a record-high 38.6 trillion won, closing down over 2,100 projects which is more than 10% of the total.
- **(Mandatory Spending)** The government exceeded the target 10% by cutting 69 trillion won through fundamental structural reform. As for the Education Grant, the national tax-linked structure was reformed for the first time in 55 years, enabling reinvestment in talent cultivation. The job-seeking benefits system was also reformed, including the exclusion of unpaid days (7 → 6 days a week), to strengthen job incentives and reinvest the savings in low birth rate countermeasures.

In addition, the government will concentrate on improving the system by converting tax expenditures into fiscal spending in order to enhance income redistribution and public perception, and ensuring that the benefits of fiscal support flow back to the public.

- **Fiscal Balance / Government Debt**

Managed Fiscal Balance improved by 3.8%p of GDP compared to the previous year, narrowing the deficit to -0.1%.

Government debt decreased by 3.3%p compared to the previous year to 48.3% of GDP.

(Trillion, %)

	2026 Budget		2027 Budget Proposal(B)
	Original (A)	Supplementary	
Consolidated Fiscal Balance (% to GDP)	-52.7 (-1.9)	-52.5 (-1.9)	+59.9 (+1.9)
Managed Fiscal Balance (% to GDP)	-107.8 (-3.9)	-107.6 (-3.8)	-3.1 (-0.1)
Government Debt (% to GDP)	1,413.8 (51.6)	1,412.8 (50.6)	1,519.8 (48.3)

- **Mid-term fiscal management plan**

The total expenditure growth rate was revised upward compared to the original plan(2025-2029). The government aims to maintain the Managed Fiscal Balance at around a deficit of 3% of GDP, securing fiscal room for active investment to drive a structural rebound in potential growth. Government debt will be managed at the upper 40% range of GDP by 2030, with an aim to see an improvement of over 10%p compared to the original forecast trend.

Budgets by Sector

(Trillion)

	2026 Original Budget (A)	2027 Budget Proposal (B)	Changes	
			B-A	B-A (%)
Total Expenditures	727.9	820.9	+93.0	12.8
1. Health, Welfare, Employment(old criteria)	264.4(269.1)	289.0(293.9)	+24.6(+24.8)	9.3(9.2)
2. Education(excluding grants)	99.9(28.3)	110.7(31.9)	+10.8(+3.6)	10.8(12.8)
3. Culture, Sports, Tourism	9.6	11.6	+2.0	20.4
4. Environment	13.9	14.6	+0.7	5.2
5. R&D	35.5	39.5	+4.0	11.2
6. Industry, SME, Energy	31.8	41.2	+9.4	29.7
7. SOC	27.7	28.9	+1.2	4.0
8. Agriculture & Forestry, Fishery, Food	28.0	30.7	+2.7	9.5
9. National defense*(old criteria)	67.7(65.9)	73.3(71.8)	+5.6(+5.9)	8.2(9.0)
10. Diplomacy, Reunification	7.0	7.1	+0.1	1.1
11. Social order, Safety	27.3	28.8	+1.5	5.3
12. Public administration, Local governments(excluding grant revenue)	121.4(52.0)	149.0(71.8)	+27.6(+19.8)	22.8(38.1)

* To improve statistical consistency, the Military Pension Fund is transferred from the health, welfare, and employment sector to the defense sector, and defense expenditures are restructured from the general account gross total to a total expenditure basis

II. The five pillars of the 2027 budget proposal

1. Securing full support for 3 Mega-projects and AI technology
2. Generating future growth engines
3. Building comprehensive lifecycle-based support for the youth
4. Countering K-shaped polarization and ensuring growth for all
5. Ensuring public safety and national security

1. Maximizing full support for 3 Mega-projects and AI technology

The government plans to invest 21.3 trillion won in 3 Mega-projects as well as AI technology in 2027, a significant increase from the previous year's budget of 10.8 trillion won.

1) Take proactive measures to position Korea as the number-one semiconductor powerhouse (3.4 trillion won)

- Allocate 2 trillion won to establish a secure investment infrastructure through semiconductor special account; accelerate the construction of semiconductor production bases in the Seoul metropolitan area and the Southwest regions, and provide full support for the rapid commencement of the Southwest Cluster construction.
- Invest 1.3 trillion won for a full lifecycle support in securing original technology and raising talent in these sectors; advance domestic AI semiconductors and secure a super-gap technology edge, and establish an step-by-step support system by growth stage and region.

2) Take a leap towards become a leading nation in Physical AI (3.1 trillion won)

- Support Physical AI demonstration projects spanning eight key industrial and public sectors, including autonomous manufacturing, smart factory, national defense, construction, logistics, agriculture & food, care services, and ports.
- Secure core Physical AI technology by backing AI solution utilizing tacit knowledge, full-stack AI factory, and advancing the robot ecosystem.
- Build training centers and data factories focusing on producing training data for Physical AI, and utilizing such facilities as data libraries.

3) Foster an industrial ecosystem centering on sovereign AI Data Centers (500 billion won)

- Establish Test Labs for performance testing of core components of AIDC, and support commercialization of promising enterprises by providing export information and consultations.
- Promote new R&D investment in technology development and performance enhancement for materials, parts, and equipment, as well as for cloud technology.

4) Provide full support for Power, Water, and Industrial Complex infrastructures (2.1 trillion won)

- Inject 88.1 billion won in strengthening the national power grid infrastructure in order to support surging energy demands from semiconductor industry complexes, expand renewable energy grid connections and surplus power storage and utilization, as well as reinforce funding for power grid investment.

- Invest 610.8 billion won in active support for grid stabilization, such as deploying Energy Storage Systems(ESS), to expand renewable energy grid integration and enhance surplus power storage and utilization; and 350 billion won in funding new capital into KEPCO and providing new electrical welfare discount support for vulnerable groups.
- Allocate 400 billion won in supplying water for industrial complexes in the Southwest and Chungcheong regions, as well as investing capital into K-Water to boost investment capacity.
- Invest 200 billion won for building high-tech industrial infrastructure in Saemangeum Industrial Complex, thereby building shared logistics centers and improving accessibility through constructing inter-regional connecting roads and railways.

5) Build sovereign independent AI models and establish an AI for All foundation (12.2 trillion won)

- Invest a total of 5.2 trillion won, over a twofold increase from the previous year's 2.2 trillion won budget; 4.7 trillion won in securing 10,000 GPUs, data, and talent in order to develop independent AI models, thereby providing technological self-sufficiency and competitive edge against global giants; and 70 billion won in developing quality AI security models in order to tackle AI-based cyber security threats.
- Expand investment from 1.4 trillion won to 2.4 trillion won to provide independent AI model-based AI for All services to the general public, and implement tailored education and training for populations including students, job seekers, workers, and the general public on strengthening of basic AI skills.

2. Generating future growth engines

6) Foster advanced strategic industries to become a super-gap industrial power (41.4 trillion won)

- Nurture 10 next-generation(NEXT) strategic technologies including AI, advanced biotechnology, quantum technology, semiconductors and more, to grow them into super-gap industries.
- Invest 39.5 trillion won in; strengthening research foundations and securing next-generation core technologies including 7 SEED (Strategic Emerging Engines for Disruptive innovation) sectors[2], which will drive national competitiveness and become Korea's new growth engine; implementing innovative investment-driven R&D based on local industry-academia-research cooperation; as well as advancing the research ecosystem by establishing a stable research foundation and investing in talent cultivation.

7) Achieve a great energy transition (6.6 trillion won)

- Invest 2.8 trillion won in expanding renewable energy through solar panel installation and building solar income villages (700 → 2,200), creating a new Solar Income Cooperative Guarantee (24.9 billion won) to reduce the burden of energy transition investment on the private sector, and expanding the Customized Maritime Wind Power Guarantee (40 → 60 billion won).
- Inject 3.8 trillion won in accelerating zero-emission vehicle transitions and drastically expand electric vehicle subsidies to cover 430,000 vehicles, scaling up heat pump deployment fivefold to single-family homes and welfare facilities, and expanding investment in green finance aimed at providing loans, guarantees, and funds to green enterprises that contribute to greenhouse gas reduction and the commercialization of environmental technologies.

[2] SMR(Small Modular Reactors), Nuclear Fusion, Renewable Energy, Quantum Technology, Space and Aviation, Advanced Bio, Critical Supply Chain

8) Enable an open startup innovation ecosystem (4.5 trillion won)

- Invest 3.5 trillion won to link fragmented startup ecosystems and support aspiring founders; promote the Startup for All program, which includes expanding the selection quota (15,000 → 20,000) and increasing commercialization funding (2 million → 5 million won); expand non-metropolitan startup hubs (4 → 10 cities) and provide intensive support to regional startup packages and Regional Growth Funds; as well as expand investment in startup funds (240 billion → 480 billion won) and support loans for startups (1.3 trillion → 1.7 trillion won), while operating a regulatory reform support systems for startups.
- Allocate a total of 1 trillion won in providing a second chance for aspiring founders; establish 19 new 'Second-chance schools nationwide, diagnose failure causes for 500 second-chance entrepreneurs, as well as provide tailored housing and business incubation support; strengthen the re-start growth ladder for re-starting businesses by expanding the Re-start Success package and provide new support for partnerships between large and small-medium businesses.

1) Take a leap towards becoming a cultural powerhouse (3.7 trillion won)

- Build a safety net for creative activities; invest 900 billion won in improving the living conditions of artists through expansion of livelihood stability loans, and establishing aspiring local artists.
- Boost global competitiveness through revitalizing local tourism; invest 2.8 billion won in providing tailored financial support (1.5 → 2.2 trillion won) for content creation as well as its commercialization, distribution, and global expansion, and building major tourism districts targeted at encouraging regional tourism by foreign visitors.
- Invest 152.3 billion won in establishing new special loans and interest subsidies to support the construction of 5-star hotels in regions currently lacking them.

9) Support growth, scale-up, export of small and medium-sized businesses (6.6 trillion won)

- To bolster the corporate growth ladder, invest a total of 5.4 trillion won; in inter-ministerial selection of 300 businesses in emerging sectors and establish growth management programs that provide tailored support for its targets; and in expansion and reform of the Jump-up program which help promising small and medium-sized businesses expand and grow into new markets.
- Back the overseas expansion of small and medium-sized and mid-sized businesses; allocate 1.2 trillion won in drastically expanding Export Voucher Program (40.2 → 73.4 billion won) and K-Export Star 500[3] (7,000 → 10,000), and strengthen the export of K-consumer goods.

3. Building comprehensive lifecycle-based support for the youth

1) Nurture high-tech talent and boost AI capabilities (8.0 trillion won)

- Expand the number of participants in Advanced AI Industry Talent Development Bootcamp; invest 7.3 trillion won in providing education opportunities for the youth by seeking a twofold increase in bootcamp applicants, implementing problem-solving workshops targeting university students, and expanding basic AI education in order to equip university students with AI capabilities.
- Provide career opportunities and enhance AI capabilities of the youth; allocate 700 million won in internships for university students thereby providing them with work experiences before graduation, and establishment of AI-focused universities as well as Regional Lifelong Education Support programs.

[3] Goal to develop 500 promising small and mid-sized enterprises into major exporters with at least $10 million in annual sales by 2030.

2) Support 720,000 young people through job experience and training (5.1 trillion won)

- Increase job training in high-tech sectors by twofold; invest 2.1 trillion won in training the youth in sectors such as semiconductor, future mobility, AI-based digital training, and more, and expanding job opportunities (40,000 → 110,000) through domestic and overseas internship programs and others.
- Strengthen employment connections through customized job seeking support; inject 1.8 trillion won in providing expanded support through Youth Employment Leap Grant, and newly establishing Youth First Job Support Program.
- Establish startup insurance and offer premium subsidies that cover up to 60-80% to provide a safety net for young micro-business owners; allocate 1.3 trillion won in providing premium subsidies for young early-stage startup founders, and expand the Youth-exclusive Startup Financing (200 → 400 billion won) and the Youth Startup Fund (20 → 40 billion won).

3) Provide full support for lifecycle-based asset formation (4.2 trillion won)

- Inject 2.3 trillion won in Our Child Independence Fund, which provides annual support of up to 1.2 million won from a child's birth to age 18.
- Allocate 500 billion won in Youth Opportunity Fund which provides unemployed youth with interest-free loans of up to 20 million won until they find a job or start a business, after which the loan is repaid at a low interest rate of 2-4%.
- Invest 1.9 trillion won in expanding and restructuring the Youth Future Savings Account to support young adults entering society in building stable seed money and participating in the asset market, as well as in supporting stable investment programs to help young people who have saved up seed money share in the fruits of economic growth.

4) Alleviate housing cost burdens through expanding housing for the youth (18.5 trillion won)

- Allocate 18.1 trillion won in supplying 106,000 public rental housing units for the youth, providing a total of over 450,000 housing units until 2030; provide 20,000 housing units in station-adjacent locations and 10,000 affordable housing units especially for the youth.
- Reinforcing the housing ladder; (monthly rent) relax the income requirements for Youth Monthly Rent Support to benefit more young people, and introduce a new loan product for semi-jeonse[4] deposit to ease financial burdens, (jeonse) expand eligibility for the "jeonse deposit return guarantee fee support" program and raise the deposit and support limits, and (owned house) establish the Youth Future Bogeumjari Loan and expand housing subscription opportunities by easing eligibility criteria for Housing Dream Subscription Savings.

5) Introduce a 3-part package to address the low birth rate (6.1 trillion won)

- Establish a new three-part marriage, childbirth, and childcare package that significantly expands beneficiary benefits by shifting regressive tax expenditures and consolidating complex cash support programs; (marriage) transition the marriage tax credit into a new marriage support subsidy, providing 1 million won to newlyweds who register their marriage, (childbirth) establish a new child endowment by restructuring the tax credit for childbirth and adoption and integrating it with the First Encounter Voucher and parental benefits, which will be paid in 4 quarterly installments over a year, and (childcare) introduce universal child allowance (age 0-12) thereby expanding the reorganizing the existing child allowance, with an additional monthly payment of 300,000 won for children aged 0-1 cared for at home.

[4] Lump-sum housing deposit

6) Improve cultural enjoyment and living conditions of the youth (1.4 trillion won)

- Allocate 800 billion won in expanding the eligibility of the Youth Culture and Arts Pass to all young people and include sports in its allowed uses.
- Alleviate living expense burdens; invest 600 billion won in budget for Everyone's Card to lessen public transit fare burdens, provide quality meals for university students through increased subsidy for the 1,000-won Breakfast program, and actively promote support for youth in crisis, mainly carried out by the Youth Future Center.
- Implement injury insurance for soldiers and post-discharge medical insurance support; inject 10 billion won in group injury insurance for soldiers to compensate for service-related injuries, and full support for Post-discharge Post Office Indemnity Health Insurance premiums for 18 months after discharge to ensure young people can return to society in good health after their mandatory military service.

4. Countering K-shaped polarization and ensuring growth for all

1) Bolster national land transformation through region-led growth (33 trillion won)

- Foster region-led growth through "5 Mega-Region and 3 Special-Province" growth engines; inject 9.8 trillion won in large-scale corporate investment subsidies for growing regional growth engines(900 billion won), region-autonomous R&D projects, and commercialization package support, building a region-led AX innovative ecosystem which connects local industry-based AI development with real-world field testing, and supporting the expansion of local finance for regional industry and infrastructure investment.
- Expand support for essential local medical services; invest 1.3 trillion won in establishing region-led support programs to address healthcare gaps, providing intensive support for national university hospitals in 5 mega-regions and 3 special-provinces to build self-sufficient healthcare systems in these areas, and expanding recruitment support for essential doctors and senior doctors in local areas.
- Boost education and research support for local learning and growth; provide full tuition scholarship for freshmen at 30 regional national universities starting in 2027 (excluding medical, dental, pharmacy, and veterinary medicine program students), provide funding for Future Talent Growth, and establish foundations for science and engineering education and research for private universities as well as research-focused universities.
- Promote community infrastructure and enhance cultural enjoyment; allocate 1.7 trillion won in constructing National Living Convenience Complexes, and expanding high-quality exhibitions and performances in regional areas.

2) Stabilize the livelihoods of small business owners, farmers, fishermen, and vulnerable workers (15.4 trillion won)

- Expand safety nets; provide special debt adjustment of long-term delinquencies of business owners hit by the COVID pandemic, strengthen the safety net through introduction of parenting allowance for those not covered by employment insurance and industrial accident compensation insurance support, and provide win-win delivery app discount coupons as well as expanded issuance of Onnuri gift certificates.
- Expand rural basic income to half of the target areas (69 regions), raise the subsidy rate to ease the local financial burden (200 billion → 1.2 trillion won), introduce a joint-farming package to support agricultural scaling as well as usage of Physical AI, and bring innovation in distribution structures and vitalization of online trading.
- Expand the protection of rights and strengthen the role of exemplary users; invest 200 billion won in protecting rights and improving work conditions for labor providers, bolstering support for foreign workers through education and support centers, and ensuring payment of adequate wages (118% of the minimum wage) and fair allowances to irregular workers.
- Provide K-Livelihood Safeguard Loans of 600 billion won, and expand the supply scale for Sunshine Loan special guarantees to benefit vulnerable borrowers with limited access to institutional finance.

3) Promote active welfare safeguarding people's everyday life (68.4 trillion won)

- Allocate 62.2 trillion won for robust income support for vulnerable groups; raise the standard median income by a record-high 6.7% to respond to the K-shaped polarization, significantly expanding the four major benefits (22.4 → 27.1 trillion won); expand job opportunities for seniors as well as expanding the eligibility for the disabled pension to include single grade-3 persons with disabilities.
- Address blind spots in regional and disability care by injecting 5.6 trillion won; increase provision of local integrated care services to a maximum of 1.6 billion won, and improve care services for people with disabilities by expanding support targets for disability activity support (140,000 → 149,000) and daytime/after-school activity services for people with development disabilities (27,000 → 33,000).
- Strengthen detection of vulnerable households and suicide prevention; allocate 600 billion won in identifying households in crisis and providing proactive support to eliminate blind spots, and bolstering management and support for high-risk suicide groups.

4) Foster a Social Solidarity Economy(SSE) ecosystem (300 billion won)

- Back the growth of social solidarity organizations including support for discovering 500 high-performing startup models, commercializing 180 new collaboration packages, and driving AI transformation for 1,000 businesses.
- Provide youth work experience opportunities in social solidarity economy organizations and support talent growth by nurturing young leaders and regional talents.
- Establish social solidarity economy policy research centers and build new integrated platforms.

5. Ensuring public safety and national security

1) Realize self-reliant national defense by fostering a smart and elite military (30 trillion won)

- Inject 21.3 trillion won in securing essential equipment and weapon system for a seamless wartime operational control(OPCON) transition, and ensuring the seamless introduction of core independent defense capabilities, such as nuclear-powered submarines and the KF-21.
- Allocate 300 billion won in improving treatment for junior officers and building elite reserve forces; raise the total compensation for junior officers to approximately 3 million won per month to expand the recruitment of technology-intensive non-commissioned officers, introduce a substantial increase in short-term service incentives as well as new savings programs, and actively utilize outsourcing for non-combat missions.
- Invest 1.2 trillion won in establishment of a manned-unmanned teaming system including AI, robots, and drones; expand investment in transition to intelligent surveillance systems, actively promote the D.AX project optimized for the defense environment and develop military-specific AI models, and significantly expand drone forces and construct watertight anti-drone defense network to prepare for modern warfare.
- Increase veterans' honorary allowances and enhance the treatment of people of national merit through; a 5% increase in veterans' compensation and a 50,000 won increase in veterans' honorary allowances, provision of tailored medical support through significant expansion of medical expense support for veterans, and elimination of healthcare blind spots.

2) Build a safe society for all (4.3 trillion won)

- Inject 3.2 trillion won in order to; respond to the climate crisis, expand flood prevention infrastructure (1.1 → 1.3 trillion won), and introduce advanced equipment including firefighting robots and coastal patrol drones; provide full support for intensive pollution source management and water quality improvement across major river systems.

- Invest 600 billion won to create a safe and healthy work environment; expand specialized support for workplaces vulnerable to fire and explosion, improve high-risk small workplaces, and expand on-site inspections and consulting; strengthen health management and support for high-risk workers, introduce a pre-compensation system for injured workers, and expand return-to-work-support.
- Allocate 130 billion won to establish a lifecycle-based anti-drug response system; prevent drug abuse through strengthened education for specific target groups such as youth, and block overseas influx of drugs by expanding rewards for reporting smuggling; prevent drug recidivism and support social reintegration through expanded treatment infrastructure and follow-up care.

3) Pursue pragmatic diplomacy centered on national interests (1.5 trillion won)

- Inject 1.3 trillion won in expanding the K-initiative through strategic ODA; spread the K-initiative and actively support companies' overseas expansion by expanding strategic projects in key areas such as AI, culture, and tech; actively support follow-up measure for summit diplomacy with Ukraine, India, and Vietnam, while discovering and supporting linked projects to secure supply chains.
- Allocate 200 billion won in; supporting companies' overseas expansion by utilizing overseas diplomatic missions as hubs, thereby actively supporting the global expansion of strategic industries, including defense, culture, and AI; establishing a preemptive prevention and rapid response system for overseas crises and accidents by strengthening the safety net for overseas Koran nationals.

4) Ensure economic security through supply chain stabilization (2.5 trillion won)

- Secure crude oil and critical minerals by establishing a resource security fund; invest 2.1 trillion won in expanding new storage facilities (20 million barrels) and increasing stockpiled volumes (2 million barrels) to strengthen responsiveness to oil supply and demand crises, actively supporting securing critical minerals, and investing in facilities for recycling these materials, while establishing the Resource Security Fund aimed at responding to the supply chain crises and investing in core resource security sectors from a long-term perspective.
- Inject 200 billion won in enhancing overseas supply chain investment through securing local equity and establishing new overseas subsidiaries to prepare for supply chain crises.
- Allocate 200 billion won in launching pilot operations of the Arctic Shipping Route to counter geopolitical risks, supporting the construction of 11 eco-friendly vessels and 2 icebreaking ships, as well as in creating an ecosystem for related industries including policy, technology, manpower, and overseas expansion.

III. Conclusion

The 2027 budget proposal aims to promote economic growth through strategic future investments and long-term fiscal management.

The proposal mainly focuses on realizing a structural rebound in potential growth while alleviating K-shaped polarization by stressing five major pillars, namely AI technology, future growth engines, support for the youth, growth for all, and national security.

In particular, the government will strive to obtain fiscal sustainability by concentrating on the paradigm shift in fiscal management through means including the Future Fund and expenditure restructuring.

With the 2027 budget proposal as a starting point, the government remains committed to rigorous budget evaluations centered on efficiency and results, taking a great leap forward into an Irreplaceable Republic of Korea.

Economic News Briefing

- Korea's GDP Increased by 0.6 % in Q2 2026 (Preliminary estimate)
- Korea-World Bank Partnership Facility Global Forum 2026 Held
- Korea and Africa Set Out a New Blueprint for Economic Cooperation Centered on AI and Digital Transformation
- Deputy Prime Minister and Minister of Finance and Economy Koo Yun Cheol Meets with ADB President Masato Kanda

Korea's GDP Increased by 0.6 % in Q2 2026 (Preliminary estimate)

In the second quarter of 2026, Korea's real gross domestic product (GDP) grew by 0.6 percent quarter-on-quarter and 3.7 percent year-on-year, according to the Bank of Korea's preliminary estimate released on September 8.

On the production side, agriculture, forestry and fisheries declined by 7.2 percent quarter-on-quarter. Manufacturing increased by 1.4 percent on the back of an increased production in computer, electronic and optical products. Electricity, gas, and water supply decreased by 0.6 percent. Construction also decreased by 1.9 percent as civil engineering decreased. Services grew by 1.0 percent owing to increases in wholesale and retail trades, accommodation and food services, finance and insurance as well as information and communication.

On the expenditure side, private consumption grew by 0.4 percent, driven by increased expenditure both on goods (e.g., household appliances) and services (e.g., restaurants & accommodation). Construction investment declined by 1.9 percent, as civil engineering decreased. Facilities investment grew by 0.2 percent, as machinery (e.g., semiconductor manufacturing equipment) increased. Exports rose by 1.3 percent as exports of semiconductors as well as machinery and equipment increased. Imports increased by 0.7 percent, mainly due to increases in the imports of machinery and equipment as well as in motor vehicles.

Real GDP growth by Production and Expenditure

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

	2024	2025	2024				2025				2026	
	Annual	Annual[1]	Q1	Q2	Q3	Q4	Q1[1]	Q2[1]	Q3[1]	Q4[1]	Q1[1]	Q2[1]
GDP	2.2	1.1	1.0	-0.2	0.1	0.2	-0.2	0.6	1.4	-0.1	1.8	0.6
(y-o-y % change of original data)			(3.6)	(2.6)	(1.6)	(1.1)	(0.2)	(0.7)	(2.1)	(1.6)	(3.8)	(3.7)
Agriculture, forestry & fisheries	0.7	0.5	2.3	2.2	-0.9	0.2	0.8	-1.7	1.7	-1.1	4.3	-7.2
Manufacturing	4.9	2.4	1.2	0.4	0.3	0.6	-0.6	2.1	1.7	-0.6	3.9	1.4
Electricity, gas & water supply	4.2	-0.6	-2.7	-0.3	4.9	-4.4	4.4	-6.0	4.9	-6.5	3.1	-0.6
Construction	-3.3	-9.2	5.4	-4.6	-4.0	-3.0	-1.5	-2.0	-0.3	-3.7	2.2	-1.9
Services[2]	1.7	1.7	0.4	0.2	0.3	0.4	-0.1	0.7	1.2	0.6	0.6	1.0
Private consumption	1.3	1.5	0.8	0.0	0.3	0.0	0.2	0.7	1.1	0.4	0.6	0.4
Government spending	2.2	2.7	1.1	0.7	1.0	0.3	0.0	1.2	1.4	1	-0.4	0.1
Construction investment	-2.0	-9.7	4.9	-2.3	-3.4	-3.5	-4.0	-0.7	0.2	-2.6	1.4	-0.1
Facility investment	1.0	1.5	-1.5	-0.2	3.8	0.8	0.2	-1.8	1.3	-1.6	6.6	0.2
Intellectual property investment	2.4	3	1.6	-0.3	0.1	1.6	0.8	0.9	0.9	-0.2	0.9	3.4
Exports	7.6	4.3	1.3	1.4	0.2	0.9	-0.9	4.1	2.6	-1.1	5.9	1.3
Imports	3.8	3.3	1.4	1.2	0.8	0.2	-0.5	3.0	1.6	-0.2	3.9	0.7

[1] Preliminary estimate.

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

Korea-World Bank Partnership Facility Global Forum 2026 Held

On September 3, the Ministry of Finance and Economy (MOFE) and the World Bank (WB) held the Korea-World Bank Partnership Facility (KWPF) Global Forum 2026 in Seoul.

This year's forum, held under the theme "AI for Education and Skills: Harnessing Digital Innovation for Future-Ready Learners and Workforce," brought together around 150 participants, including representatives from the World Bank's external relations and education teams; education ministry officials from 19 recipient countries, including Ethiopia, Cambodia, Kenya and the Kyrgyz Republic; representatives from Korean institutions, including the Ministry of Education, the Korea education and Research Information Service (KERIS) and the Korea Digital Education Association; and Korean EdTech companies.

Through the forum, MOFE and the World Bank shared best practices from recipient countries that have applied Korea's development experience and expertise in AI-powered education and skills development, including AI-based vocational training. The event also featured demonstrations of AI-driven education innovation programs and products offered by leading Korean EdTech companies.

In his opening remarks, MOFE Director General for Development Finance Kang Yoon Jin highlighted the growing importance of investing in future talent development amid advances in AI technology, noting that the event comes at a particularly timely moment for recipient countries. He also explained that, since the launch of the KWPF in 2013, the Korean government has contributed approximately USD 550 million to the facility, supporting more than 230 projects in recipient countries. He highlighted that the KWPF demonstrates a "virtuous cycle of mutually beneficial development cooperation," in which Korea's knowledge and experience are piloted in local contexts and projects proven effective are scaled up into larger programs or World Bank-financed projects, ultimately translating Korea's knowledge into tangible changes on the ground. He added that, beyond financial contributions, the government plans to continue supporting AI development cooperation projects that provide Korea's technology, infrastructure, human resources and institutional expertise as an integrated package, making such projects a priority for the KWPF.

In a separate meeting with Special Adviser to the World Bank Managing Director Akihiko Nishio, Director General Kang reaffirmed Korea's commitment to continued support for AI-integrated cooperation projects across a broad range of sectors, extending beyond AI education. He also called on the World Bank to play an active role and make concerted efforts to ensure that the KWPF effectively supports recipient countries' AI transformation (AX) and delivers greater development outcomes amid the rapidly evolving AI landscape.

Korea and Africa Set Out a New Blueprint for Economic Cooperation Centered on AI and Digital Transformation

On September 9, the Ministry of Finance and Economy (MOFE) held the main session of the 8th Korea-Africa Economic Cooperation (KOAFEC)[1] Ministerial Conference in Seoul. Marking the 20th anniversary of KOAFEC, the conference brought together ministerial-level officials in finance and ICT from 45 African countries to discuss the future direction of Korea-Africa economic cooperation under the theme "Harnessing AI and Digital Infrastructure for Africa's Transformation."

Korea-Africa Cooperation for "AI for All"

In her congratulatory remarks at the opening ceremony, Prime Minister Han Seong Sook introduced President Lee Jae Myung's vision of "AI for All," emphasizing the need for solidarity and cooperation within the international community to ensure that all countries and people can benefit from the opportunities presented by AI. Building on the trust Korea and Africa have cultivated through KOAFEC over the past two decades, she proposed taking Korea-Africa cooperation on AI to the next level by combining Korea's AI and digital capabilities with Africa's growth potential.

Deputy Prime Minister and Minister of Finance and Economy Koo Yun Cheol then outlined measures to advance Korea-Africa cooperation on AI in his opening remarks. He identified three key areas of cooperation – expanding AI infrastructure, deploying AI solutions across sectors and developing AI talent – and proposed advancing cooperation in these areas through concrete cooperation projects, including the K-AI Package.[2]

Discussing AI Applications alongside Digital Infrastructure

At the ministerial roundtable that followed, Deputy Prime Minister Koo and African Development Bank (AfDB) President Sidi Ould Tah served as co-chairs and discussed ways to apply AI across industries and public services, as well as ways to build the digital and power infrastructure needed to support its use.

In the first session, participants shared Korea's experience in developing AI infrastructure and fostering AI talent, and explored how specific technologies and solutions, including AI-powered smart agriculture and disease diagnosis, could be applied to the agricultural and healthcare sectors in Africa. In the second session, participants exchanged views on expanding digital infrastructure, including data centers and power supply, to support AI adoption across Africa.

Based on the discussions, the two sides adopted the "2026 KOAFEC Joint Declaration" and agreed to expand cooperation across a range of areas, including industrialization, education, healthcare and agriculture, with a focus on the AI ecosystem and digital infrastructure. To implement the Joint Declaration, the two sides also formulated the "2027/28 KOAFEC Action Plan," setting out concrete directions for cooperation over the next two years, and approved 13 KOAFEC Trust Fund projects across seven areas: AI and digital transformation, urban development, education and capacity building, agriculture, energy, environment and healthcare. Korean institutions and companies specializing in AI and digital innovation will participate in these projects as partners, bringing Korea's technologies and experience to development efforts on the ground in Africa.

[1] An economic cooperation framework launched in 2006 to promote high-level economic policy dialogue and identify development cooperation projects between Korea and Africa.

[2] A development cooperation model that combines EDCF-financed infrastructure with AI solutions, AI data centers, power supply facilities and other support in areas where Korea has strengths, including water resources, healthcare, energy, transportation and agriculture.

Extending Korea-Africa AI Cooperation to the Private Sector

The KOAFEC Ministerial Conference also focused on taking Korea-Africa cooperation on AI beyond the intergovernmental level by fostering private-sector collaboration and business initiatives. As part of these efforts, a ceremony was held to present K-AI Cloud Vouchers to participating African startups. The program, supported by the KOAFEC Trust Fund, provides African startups with access to Korea's GPU- and NPU-based cloud infrastructure and technologies and supports them in developing AI products and services tailored to local needs in collaboration with Korean companies. On the Korean side, Elice Group will provide AI cloud services, while HealthOnCloud and Varo AI, among others, will work with African startups to develop relevant technologies and services. Going forward, additional participating companies will be selected, with support provided for business matching and the establishment of joint ventures (JVs) to facilitate local commercialization. Deputy Prime Minister Koo personally presented cloud vouchers to participating African companies and visited promotional booths set up by Korean companies and institutions in the AI and digital sectors, encouraging efforts to identify business opportunities that match Korean technologies with African needs.

Meanwhile, a KSP Regional Seminar for Africa was held in conjunction with the KOAFEC Ministerial Conference to review the achievements of the Knowledge Sharing Program (KSP) in the region. With around 100 attendees, including representatives from KSP-related organizations and other participants, the seminar showcased KSP success stories supporting industrial structural transformation in Africa and discussed future directions for cooperation.

On September 14, Deputy Prime Minister and Minister of Finance and Economy Koo Yun Cheol met with Asian Development Bank (ADB) President Masato Kanda in Seoul. They exchanged views on ways to strengthen cooperation in areas including critical mineral supply chains, artificial intelligence (AI), and energy.

Deputy Prime Minister Koo welcomed President Kanda on his first visit to Korea since taking office and discussed ways to transform Korea's cooperation with the ADB in climate technology, AI, and critical minerals into concrete projects and tangible outcomes. President Kanda thanked Korea for its continued support and looked forward to closer cooperation between the two sides.

Regarding cooperation in Central Asia, Deputy Prime Minister Koo noted that the Korea-Central Asia Summit and the Korea-Uzbekistan Summit would provide an opportunity to bolster the Korea- ADB partnership in support of the region's economic development. In particular, he proposed strengthening ties between Korea and Uzbekistan, with a focus on critical minerals, to foster local industrial development and enhance supply chain stability for Korean industries. President Kanda said that the ADB stood ready to support cooperation between Korea and Central Asia, including through co- financing for major projects. He also expressed hope that collaboration with Korea in the critical minerals sector would lead to concrete investments.

Deputy Prime Minister Koo also called for the prompt launch of the ADB's Center for AI Innovation and Development (CAID). He proposed pursuing cooperation that connects Korea's technology and experience with developing countries' demand for AI transformation and asked the ADB to play an active role in the Global AI Hub initiative being advanced by Korea. President Kanda said that he expected that CAID, which is scheduled to be established in Korea, to further strengthen partnership between Korea and the ADB in the field of AI.

Deputy Prime Minister Koo went on to underscore the importance of energy infrastructure in supporting AI transformation. The two sides discussed ways to utilize Korea's technologies and operational expertise in power generation, transmission, and distribution in regional energy projects being pursued by the ADB. They also exchanged views on the future direction of the ADB's energy policy in light of its decision to allow support for nuclear power projects.

Building on the foundation for cooperation established to date, Deputy Prime Minister Koo and President Kanda agreed to identify and advance specific projects that deliver substantive results. Looking ahead, the two sides agreed to continue deepening the Korea-ADB partnership.

Deputy Prime Minister and Minister of Finance and Economy Koo Yun Cheol Meets with ADB President Masato Kanda

On September 14, Deputy Prime Minister and Minister of Finance and Economy Koo Yun Cheol met with Asian Development Bank (ADB) President Masato Kanda in Seoul. They exchanged views on ways to strengthen cooperation in areas including critical mineral supply chains, artificial intelligence (AI), and energy.

Deputy Prime Minister Koo welcomed President Kanda on his first visit to Korea since taking office and proposed translating the expanding Korea-ADB cooperation in climate technology, AI, and critical minerals into concrete projects and tangible outcomes. President Kanda thanked Korea for its continued support and looked forward to closer cooperation between the two sides.

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Related Websites

Ministry of Finance and Economy
http://english.mofe.go.kr

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

Ministry of Trade Industry and Resources
https://english.motir.go.kr/

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

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https://www.customs.go.kr/english/main.do

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

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