Korean Economic Snapshot

| July 2026 |

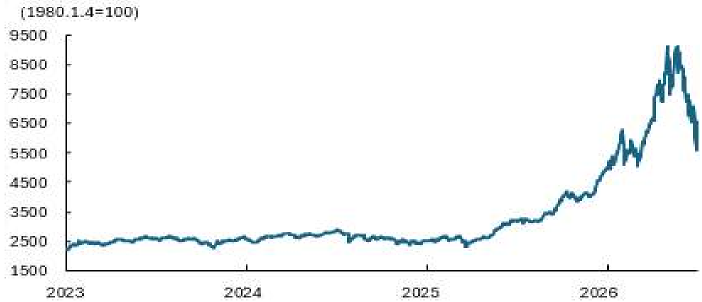
CIFC
Council on International Financial Cooperation

Indicators

GDP

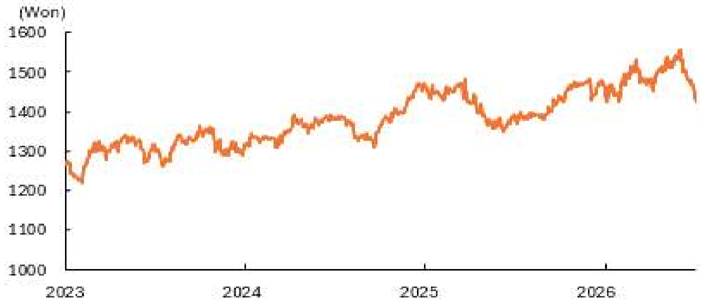
- Korea posted GDP growth rate for 2Q of 3.7% YoY and 0.6% QoQ, exceeding market forecast.
- The growth is led by increased semiconductor exports (9.0%) and facility investment (6.3%)

KOSPI Index



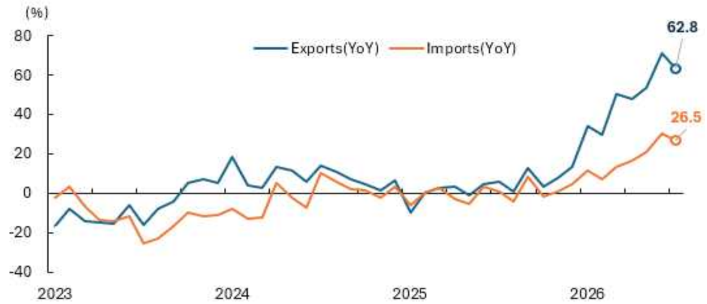
- KOSPI experienced volatility in July, ending the month with 22.19% decline, a steepest decline since 2008.
- The volatility is caused by fall in Samsung Electronics and SK hynix due to tech-sector corrections.
- Foreigners net-sold 18 trillion won ($13B) worth of stocks.

Exchange Rate



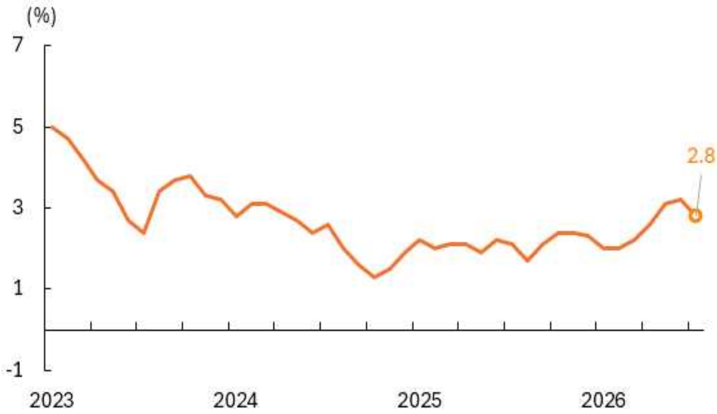
- The won-dollar exchange rate hovered around KRW 1,550 per dollar at the beginning of July before falling to the mid-/low-KRW 1,400s at month-end.
- SK hynix's ADR issuance improved dollar supply and drove the sharp decline.

Exports and Imports



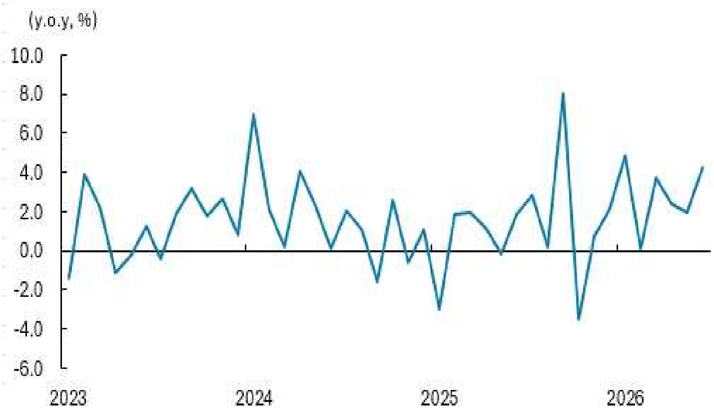
- Exports surged 62.8% YoY in July, driven by strong semiconductor demand, marking the second-highest monthly figure on record. Imports increased 26.5% YoY in July.

CPI



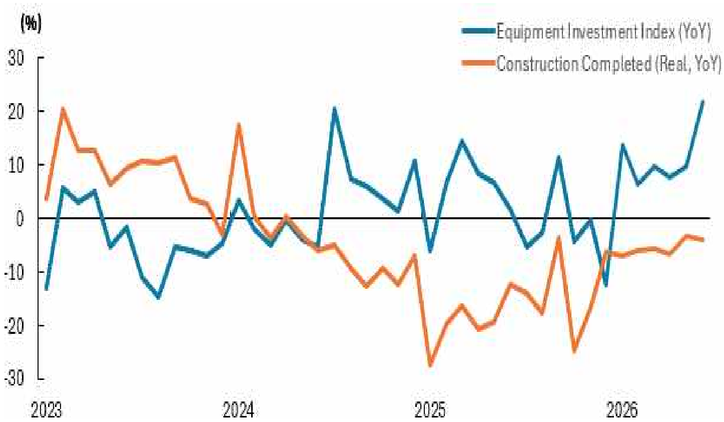
- CPI in July marked 2.8% YoY, a three-month low and a decline from 3.2% in June.
- Fall in oil prices as well as BOK's interest rate hike contributed to the decline of CPI.

Industrial Output (YoY %)



- Industrial output in June marked 4.2% increase YoY and 2.3% increase MoM.
- MoM increase is led by surge in automobiles (15.4%), machineary (8.6%) and semiconductors (4.5%)

Facility Investment & Construction Completion Rate (YoY %)



- Facility Investment rose 21.7% YoY and 5.8% MoM in June while construction completion ratio marked –4.0% YoY.

* All data are current as of the date of publication

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CIFC hosts Korea-Australia Financial Cooperation Forum

CIFC hosted Korea-Australia Financial Cooperation Forum in Sydney, on 15 July under the theme "Financial Stability and Long-term Financial Security." The Forum, co-hosted by Korea's Financial Services Commission and Australia's Treasury, brought together professionals and experts to discuss financial stability, housing finance, pensions, and AI, with high-level discussions involving the Australian Treasury and Australian Prudential Regulation Authority (ARPA).

CIFC Members

KAMCO Supports Indonesia's Digital State Asset Management

KAMCO conducted a capacity-building program for officials from Indonesia's Directorate General of State Assets. The program forms part of a three-year project launched in 2025 to enhance Indonesia's state asset management and online asset disposal system. Participants reviewed the implementation of the improvement plan developed in 2025 and discussed follow-up projects. The program covered AI applications in state asset management, measures to expand use of the online disposal system, and proposals for local implementation and cooperation.

KFTC Expands Korea's Deposit-Token Payment Infrastructure

Korea is expanding deposit-token infrastructure linked to the Bank of Korea's Project Hangang. The Korea Financial Telecommunications and Clearings Institute (KFTC) was selected to lead the project with support from the Ministry of Science and ICT, Korea Internet and Security Agency, and the Bank of Korea. The system will connect deposit-token and government voucher payments to Project Hangang through nine banks, eight payment gateway companies, and two convenience store operators. It aims to reduce merchant fees, shorten settlement periods, prevent misuse of public funds through smart contracts, and allow users to make payments and use government vouchers through one bank wallet. The project will also test the use of digital vouchers for government expenses.

KFTC Expand Cross-Border QR Payments in Korea

Korea Financial Telecommunications & Clearings Institute (KFTC) signed an MOU with BC Card to expand cross-border QR payment services for foreign visitors to Korea. BC Card will connect KFTC's cross-border QR network with its domestic payment infrastructure, allowing travelers to use mobile payment apps from their home countries without additional registration or app installation. The service, currently available to visitors from Taiwan and Japan, will expand to other Asian markets and cover about 300,000 Paybooc QR merchants, including convenience stores and duty-free shops.

Financial Authorities and Policies

FSC Unveils Policy Finance for Growth Industries

The FSC will expand National Growth Fund from KRW 150 trillion to KRW 200 trillion over five years and add aerospace to its target sectors. For strategic technologies, the FSC plans to establish Korea Strategic Technology Partners (KSTP) and supply up to KRW 10 trillion over five years. It will also launch a KRW 880 billion ultra-long-term technology investment fund. In physical AI, the FSC and the industry ministry will use the National Growth Fund and the Manufacturing AX Frontier Project to supply about KRW 16 trillion this year to AI, robotics, future mobility, defense, semiconductors, and secondary batteries.

Korea Tightens Rules on Split-Off Subsidiary Listings

Korea will limit listings of subsidiaries created through split-offs from listed parent companies to protect minority shareholders and reduce shareholder value dilution. Under new FSC and Korea Exchange rules, such listings will be allowed only in exceptional cases. Parent boards must assess shareholder impact, prepare protection measures, and communicate with investors. The Korea Exchange will also review operational independence, parent-company transaction reliance, and shareholder approval, with controlling shareholders' voting rights capped at 3%.

Korea Sets ESG Disclosure Roadmap

Korea finalized its sustainability disclosure roadmap, requiring major KOSPI-listed companies to file ESG disclosures. KOSPI-listed firms with assets of KRW 10 trillion or more must comply from 2028 for FY2027, followed by firms with KRW 5 trillion or more from 2029. A three-year safe harbor will exempt companies from damages, administrative sanctions, and criminal penalties, except in cases of intentional greenwashing. Scope 3 emissions disclosure will be delayed by three years for each asset tier, starting in 2031. The government plans to introduce an FSCMA revision bill in July and support companies through pilot tests, climate risk tools, Scope 3 guidelines, supply-chain ESG data platforms, and ESG consulting.

Korea Plans Offshore Won Settlement System

Korea announced a won internationalization roadmap to expand overseas use of the won and support foreign investment in Korean markets. The plan centers on an offshore won settlement system, allowing foreign investors and companies to hold and settle won through registered overseas financial institutions without opening Korean bank accounts. The Bank of Korea will launch a 24-hour offshore won settlement network in January, following the start of Korea's 24-hour FX market.

Korea Lays the Groundwork for CBDC and Won Stablecoins

The government placed the Digital Asset Basic Act on its second-half legislative agenda, covering won stablecoin issuance, circulation, reserve management, user protection, anti-money laundering and cross-border flows, while linking digital assets to its won internationalization roadmap. The Bank of Korea continued Project Hangang through deposit-token use cases. Card companies and banks are continuing tests on stablecoin payment, issuances, refudns, settlements, AML and fraud controls. Korea also continued its role in BIS Project Agorá for tokenized cross-border settlement. The main constraint remains legislation, with issuer eligibility and the role of non-bank firms still unresolved.

Market

Leveraged Semiconductor ETFs Drive KOSPI Volatility

KOSPI's year-to-date return volatility reached 61%, exceeding Bitcoin's 50% and nearly double the Nikkei's volatility. Leveraged ETFs linked to Samsung Electronics and SK hynix – chip makers – are pointed as the key factor, along with their underlying shares. Retail investors held 90% of the new single-stock leveraged ETFs listed this year. Financial authorities suspended new listings of single-stock leveraged products on July 16.

Korea Develops Alternative Credit Models for Thin-File Borrowers

The Korea Inclusive Finance Agency plans to develop a credit model that uses telecommunications, public records, e-commerce activity, repayment history, and debt recovery efforts to enhance financial access for thin-file and mid- and low-credit borrowers. Financial companies are also developing models through data and technology partnerships on their own. SBI Savings Bank plans to use Toss Score, while NH NongHyup Bank has formed a consortium with fintech firms, credit bureaus, and AI companies. These models aim to identify borrowers excluded by existing credit assessments, expand mid-rate lending, and create a path from non-bank lenders to banks.

Korean Banks Expand AI Adoption Across Services and Operations

Korean banks are expanding generative AI across mobile apps and branch operations, moving beyond basic transactions to wealth management, lending, customer support, and fraud detection. KB Kookmin Bank is deploying AI financial assistants and kiosks, Shinhan Bank is using spending data for personalized services, Hana Bank is upgrading its AI wealth management platform, Woori Bank is applying AI to fraud detection and customer consultations, and NH NongHyup Bank is using chatbots to improve access for older and rural customers. The Korea Federation of Banks has also begun project to develop an industry-wide AI roadmap. The project will identify AI use cases, compare sovereign and global AI models, and assess single-model and multi-model strategies across cloud, on-premises, and SaaS structures based on performance, security, scalability, total cost of ownership, and regulatory compliance.

KB Financial to Provide KRW 93 Trillion for Strategic Industries by 2030

KB Financial Group will provide KRW 93 trillion to strategic industries and companies by 2030, shifting from collateral-based lending toward technology- and growth-based finance. The plan includes KRW 10 trillion for the National Growth Fund and KRW 15 trillion in group investments targeting AI, semiconductors, biotechnology, batteries, data centers, and renewable energy infrastructure. KB Financial has revised its corporate credit assessment framework, and updated branch key performance indicators. The group has also created a KRW 1 trillion infrastructure fund, a KRW 160 billion deep-tech scale-up fund, and a KRW 100 billion venture fund of funds to support startups from commercialization to overseas expansion.

Connect for Shared Prosperity

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