Economic Snapshot 2026 vol. 8

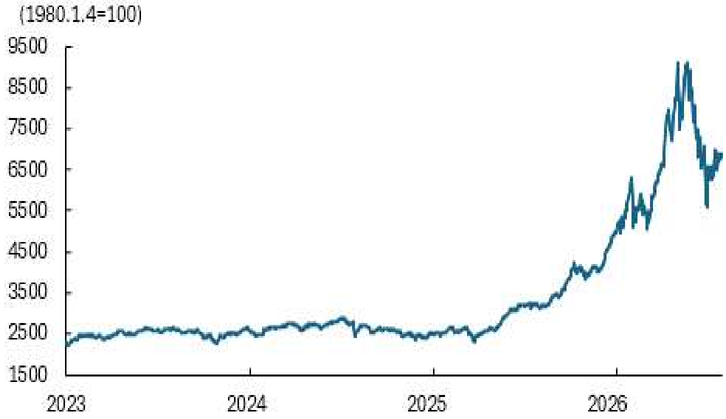
Korean Economic Snapshot

| August 2026 |

CIFC
Council on International Financial Cooperation

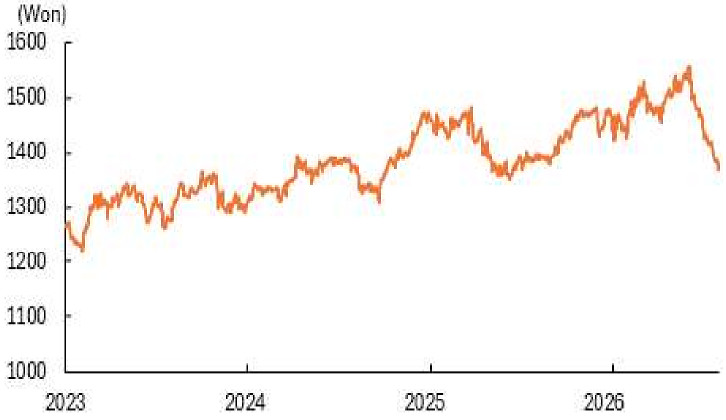
Indicators

KOSPI Index



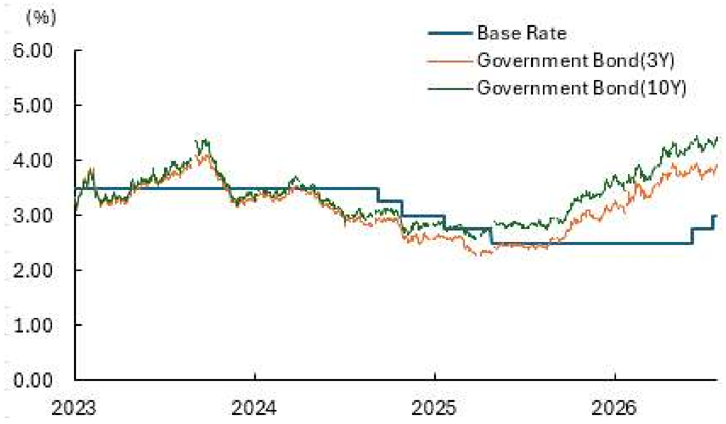
- KOSPI closed August at 6,820.02, a 3.40% rebound from July when the index experienced its deepest decline since 2008.

Exchange Rate



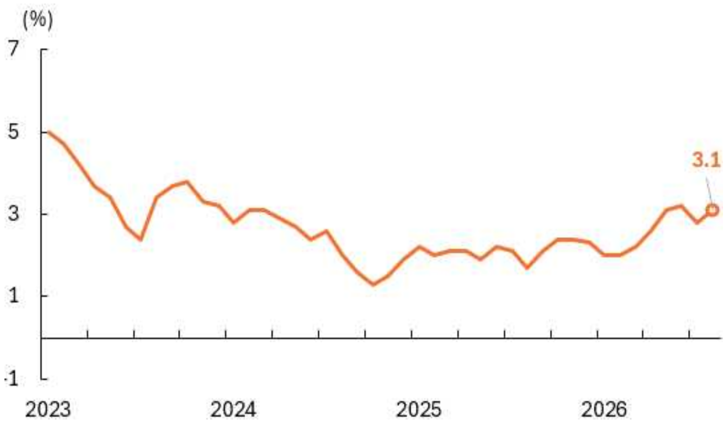
- The Korean won strengthened against USD in August, reaching a 13-month high at 1,368.6 from 1,424 a month earlier.

Base Rates nd Bond Yields



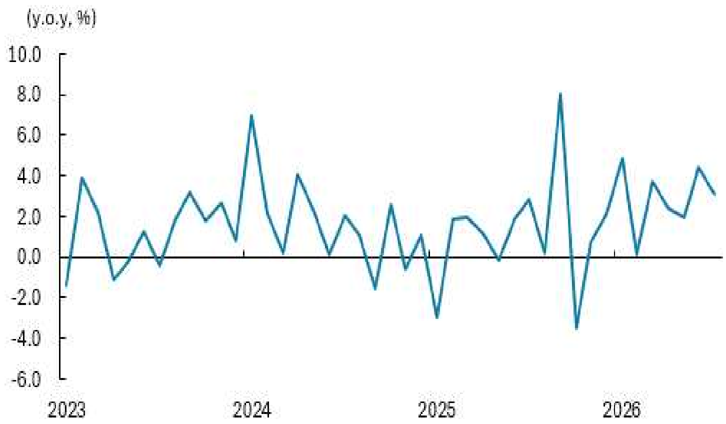
- [Base Rates] The Bank of Korea raised base rate by 25bp to 3.00% in August, marking two consecutive rate hikes.
- [Bond Rates] Both 3-year (3.669 → 3.888) and 10-year government bond yields (4.150 → 4.367) rose with the base rate hike.

CPI



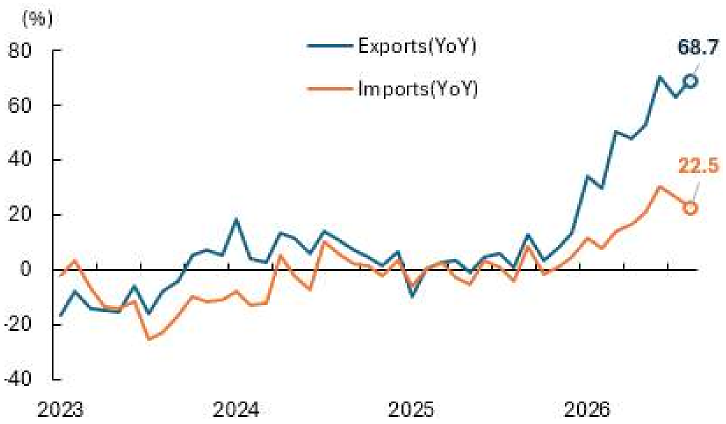
- CPI rose 3.1% in August, remaining above 3% in three of the past four months since May.
- Petroleum prices increased by 14.2% while the prices of agricultural products fell by 2.6%.

Industrial Output (YoY %)



- Industrial output in July rose 3.1% YoY, indicating ongoing general improvement in production activities.

Exports and Imports



- Exports increased by 68.7% YoY to USD 98.25B while imports increased by 22.5% YoY to USD 63.51B in August.
- The export surge is led by semiconductors that rose 209% YoY. On the other hand, exports of automobiles fell 29.8%.
- Energy imports increased 15.3% while non-energy imports rose by 24.4%.

* All data are current as of the date of publication

CIFC Members

KCIS Expands Financial Infrastructure for AI and Climate Finance

Korea Credit Information Services (KCIS) is expanding financial infrastructure for AI and climate finance. KCIS plans to evaluate open-source language models for financial sectors in terms of performance, security, legal compliance, and associated risks. This framework could reduce the costs of selecting and testing AI models, especially for small and mid-sized financial institutions. KCIS has also launched a Climate Finance Web Portal that helps financial institutions identify green companies, assess compliance with the Korean Taxonomy, access corporate climate data, arrange external reviews, and monitor compliance.

IBK Expands Overseas Network to Support Korean SMEs

Industrial Bank of Korea (IBK) is expanding its global network to support Korean SMEs operating in major manufacturing hubs. After establishing a subsidiary in Warsaw in 2025, IBK also plans to launch a subsidiary in Vietnam in October 2026. The Polish subsidiary serves Korean battery and automotive companies, while the Vietnamese subsidiary will expand services beyond Hanoi and Ho Chi Minh City to industrial areas such as Hai Phong. IBK is expanding its global operations despite foreign exchange losses, which contributed to a 7.5% decline in its first-quarter net profit.

KRX and NYSE Partner on Trading Hours and T+1 Settlement

The Korea Exchange (KRX) signed an MOU with the New York Stock Exchange (NYSE) to cooperate on extended trading hours and T+1 settlement. KRX plans to launch an after-hours session in September 2026 and build a 24-hour trading system by the end of 2027. These measures align Korea’s capital market infrastructure with global standards and improve market access for foreign investors.

Financial Authorities and Policies

Korea Tightens Rules for Single-Stock Leveraged ETFs and ETNs

The FSC will require first-time retail investors in single-stock leveraged and inverse ETFs and ETNs to complete simulated trading before buying the products. Investors must complete at least five hours of simulated trading over five trading days through the Korea Exchange, then register their completion with their securities firm. The rule follows a July 31 increase in the basic cash deposit requirement from KRW 10 million to KRW 30 million. Financial authorities are also considering account-level investment limits, higher transaction costs, and market stabilization measures.

Financial Regulators Expand AI-Based Supervision

Korean financial regulators are expanding the use of AI in fraud prevention and market surveillance. The Financial Services Commission's Anti-phishing Sharing and Analysis Platform shared data on 463,000 voice phishing cases among 130 financial institutions between October 2025 and July 2026, suspending transactions involving 7,009 suspected accounts and preventing KRW 66.4 billion in losses. The Financial Supervisory Service has also developed a surveillance system that uses generative AI and machine learning to detect crypto market manipulation, fraudulent trades, and online misconduct while automating trade analysis and report generation. These initiatives expand the use of AI across consumer protection, digital asset oversight, and enforcement.

FSC Strengthens Registration and AML Rules for VASPs

The Financial Services Commission has strengthened registration and anti-money laundering requirements for virtual asset service providers (VASPs). VASPs and their major shareholders must meet financial soundness, governance, cybersecurity, staffing, and internal control standards. The travel rule will apply to all domestic virtual asset transfers, regardless of amount, while overseas transfers of KRW 10 million or more must be reported to the Korea Financial Intelligence Unit (FIU). The rules also strengthen customer due diligence for high-risk customers and transactions.

Korea Adopts Fair Value Standard for Listed Company Mergers

Korea's National Assembly passed an amendment to the FSCMA that replaces the market-price standard for listed-company mergers with a fair value framework based on share prices, asset values, and earnings. The new standard applies to mergers, spin-offs, and split-mergers, major business or asset transfers, comprehensive share exchanges, and the determination of purchase prices for dissenting shareholders. Listed companies must disclose board opinions on the purpose, expected effects, and fairness of transaction prices, obtain external valuations, and report conflicts of interest in affiliate M&A deals. The amendment aims to prevent the use of undervalued market prices and strengthen minority shareholder protection.

Market

Central Bank Raises Interest Rate for Second Consecutive Meeting

The Bank of Korea raised its interest rate by 0.25%p to 3.00% for a second consecutive Monetary Policy Board meeting, amid strong inflationary pressure driven by a stronger-than-expected semiconductor boom, high oil prices due to conflicts in the Middle East and the prolonged high exchange rates. Concerns are raised over vulnerable borrowers as elevated interest rates could increase repayment pressure.

Korean Economy Broadens Growth as Semiconductor Exports Surge

Korea's economy is showing broader growth, led by semiconductors, according to the Korea Development Institute (KDI), a think tank. Exports, equipment investment, consumption, manufacturing, and services recorded gains, while July exports rose 63% year on year to USD 98.9 billion. Semiconductor exports increased 179% to USD 41 billion driven by strong demand from AI data centers and higher memory chip prices. KDI said U.S. tariff policies, Middle East tensions, inflation, and weaker employment conditions remain risks. Consumer inflation eased to 2.8% in July, while employment rose by 63,000 jobs in June despite continued job losses in manufacturing.

Household Debt Nears KRW 2 Quadrillion

Korea's household credit is projected to exceed KRW 2 quadrillion due to growth in mortgage lending and borrowing for stock investment. Household loans increased by KRW 21.1 trillion in 2Q, including KRW 14 trillion in mortgages. Debt risks are rising following a recent hike in the benchmark interest rate while the banks' household-loan delinquency rate reached 0.4% in 1Q. To ease financing constraints for borrowers with housing needs, authorities raised the 2026 household loan growth target from 1.5% to 3%, adding KRW 30 trillion in lending capacity. Group loans for housing purchases will be excluded from institutional lending caps, while authorities plan to direct the added credit toward end-user housing demand.

Korea Pairs Won Stablecoin Legislation with Foreign Exchange Reforms

Korea aims to pass the second phase of the Digital Asset Basic Act along with foreign exchange reforms by year-end, establishing a legal framework for won-denominated stablecoins ahead of the implementation of the US GENIUS Act in January 2027. Backed by a joint roadmap from the Ministry of Economy and Finance, the FSC, and the BOK, the push addresses the USD's dominance (99.4%) of the stablecoin markets and seeks to save $1.23 billion annually by reducing delays associated with SWIFT transactions. The framework pairs issuer licensing and debates over a 51% ownership requirement with 24-hour offshore real-time gross settlement (RTGS), and integration with the BIS Project Agorá. Projections indicate that more than 96% of bank deposits will remain intact.

Korean Securities Firms Expand Global Operations

Sixteen Korean securities firms operate 93 overseas offices across 15 countries, including 83 subsidiaries and 10 representative offices, generating USD 455.8 million in net income, up more than 67% YoY. The firms follow a two-track strategy: investment banking, principal investment, and sales and trading in developed markets, and retail brokerage in developing countries. Mirae Asset, Korea Investment & Securities, NH Investment & Securities, and KB Securities are leading this global expansion. However, only 49 subsidiaries were profitable, with earnings concentrated among large firms and boosted by non-recurring investment gains.

Connect for Shared Prosperity

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