

PRESS RELEASE

February 26, 2026
Research Department &
Office of Economic Modeling and Policy Analysis

Korea Economic Outlook (February 2026)

- Rebounding to 2% Amid Sectoral Imbalance -

Summary

- ▣ Korea's economic growth is projected at 2.0%, well above last year's 1.0% (Nov. '25 forecast: 1.8%).
 - This reflects the robust semiconductor cycle and a favorable global economic backdrop, despite the impact of U.S. tariffs and sluggish construction investment.
- ▣ CPI inflation this year is revised slightly upward to 2.2% (Nov. '25 forecast: 2.1%).
 - Demand-side pressures remain limited; the revision reflects cost-push pressures from certain items, including semiconductors.
- ▣ Going forward, the semiconductor cycle, trade environment, and geopolitical tensions will be key factors shaping the projection trajectory.

<Contacts>	Macro Forecasting & Research Team	Dae Kim Bomin Kang	+82-2-759-4166 (kda14@bok.or.kr) +82-2-759-4172 (bmkang@bok.or.kr)
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Korea Economic Outlook

Rebounding to 2% amid Sectoral Imbalance

Indigo Book

February 2026

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- ▶ The Korean economy is projected to expand by 2.0% in 2026, underpinned by the strengthened semiconductor cycle upturn and a stronger-than-expected global economic backdrop, despite the impact of U.S. tariffs and a sluggish recovery in construction investment.
- ▶ CPI inflation is expected at 2.2%, slightly above the previous forecast, as cost increases in certain items, such as electronic devices and insurance premiums, have added to inflationary pressures, while demand-side pressures remain subdued.

I . Economic Conditions

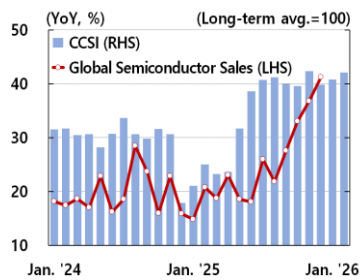
- The global economy is expected to sustain solid growth in the low 3% range, supported by robust AI-related investment and accommodative monetary and fiscal policies in major economies; however, uncertainty surrounding the outlook is assessed to have increased following the court ruling invalidating U.S. reciprocal tariffs.
 - **The United States** is projected to post robust growth, underpinned by expanding AI-related investment and policy support, including the OBBBA. **The euro area** is expected to maintain modest growth, supported by accommodative financial conditions and fiscal expansion, despite constraints from trade conditions including U.S. tariffs. Meanwhile, **China's** growth is expected to be lower than last year due to persistent domestic demand weakness, including the real estate market downturn, and slower export growth, although export market diversification and domestic stimulus measures are projected to partially offset these headwinds.
 - **Global trade growth** is expected to moderate somewhat from last year as trade uncertainty persists, although robust AI-related trade and trade diversification efforts – such as the EU-India FTA – are expected to limit the extent of the slowdown. The **global semiconductor industry** continues to see rapid memory-led gains as AI model deployment expands from training to inference. However, both upside risks – such as the proliferation of physical AI – and downside risks – including an AI investment correction and U.S. tariff imposition – remain significant.
 - **Global oil prices** (Brent crude) have been rising considerably recently amid heightened military tensions between the U.S. and Iran, but are projected to decline gradually over the course of the year as excess supply conditions persist.

□ On the domestic front, income conditions are improving on the back of strong IT corporate earnings and rising stock prices, and economic sentiment* remains favorable. However, the non-IT sector continues to underperform, and FX and financial market volatility remain latent risk factors.

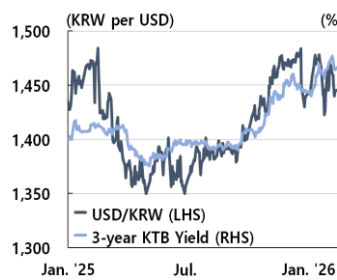
* Composite Consumer Sentiment Index: Jan.-Apr. '25 avg. 93.2 → May 101.7 → Aug. 111.2 → Nov. 112.3 → Feb. '26 112.1

- **Nominal wage growth** is expected to improve gradually, driven in part by strong IT corporate performance.
- **Corporate bond rates** have risen, reflecting diminished expectations for rate cuts and market tightness. **The won to U.S. dollar exchange rate** has declined to the mid-1,400 level, but has exhibited heightened volatility recently, driven by overseas securities investment by residents and co-movement with the yen. **Housing prices** have continued to rise, primarily in the Seoul metropolitan area, but the pace of increase has moderated recently owing to government measures.

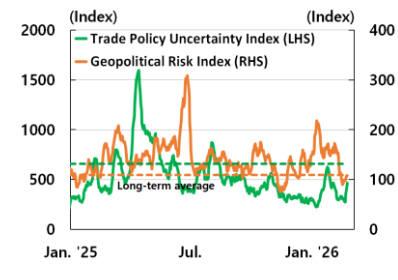
Global Semiconductor Sales and CCSI USD/KRW and the Treasury Yield External Uncertainty Indices¹⁾



Sources: Bank of Korea, WSTS.



Sources: Bank of Korea, Korea Financial Investment Association.



Note: 1) 7-day moving avg. of daily data. Sources: Caldara et al. (2019, 2021).

Table 1. Assumptions for the Global Economy¹⁾

(%)	2024	2025		2026 ^{e)}		2027 ^{e)}		
	Year	H1	H2 ²⁾	Year ²⁾	H1	H2	Year	Year
Global Economic Growth ³⁾	3.3	3.4	3.2	3.3 [3.0]	3.0	3.1	3.1 [2.9]	3.2 [3.1]
• United States	2.8	2.1	2.3	2.2 [1.9]	2.8	1.9	2.3 [2.1]	2.1 [2.0]
• Euro Area	0.9	1.4	1.5	1.5 [1.3]	1.1	1.3	1.2 [1.1]	1.4 [1.4]
• China	5.0	5.3	4.6	5.0 [4.9]	4.5	4.6	4.6 [4.4]	4.4 [4.3]
Global Trade Growth ³⁾	3.3	4.6	4.1	4.3 [3.6]	2.2	2.8	2.5 [2.4]	3.2 [3.0]
Brent Oil Prices ⁴⁾	80	71	66	68 [69]	65	63	64 [63]	65 [65]

Notes: 1) Figures in [] are November '25 projections. 2) Global economic and trade growths are projections.

3) Year-on-Year. 4) USD/barrel, by period average.

Sources: Statistics Offices of each region, Bloomberg, Research Department.

U.S. Tariff Policy: Status and Assumptions

- **[Status]** The U.S. reciprocal tariffs, including fentanyl tariffs, have been invalidated; instead, a temporary 15% global tariff is imposed for up to 150 days. The product scope is broadly in line with the former reciprocal tariffs. However, product-specific tariffs imposed on automobiles, steel, etc. remain in effect.

* A 10% tariff was imposed on February 24 (local time), and procedures are currently underway to raise it to 15%

- **[Tariff Changes]** The U.S. average tariff rate on Korea remains unchanged, while the global average tariff rate has declined slightly.

* Average tariff rates (based on 2024 U.S. import values): [Global] Pre-ruling 13.3% → Post-ruling 11.6% (-1.7%p)

[Korea] 13.6% → 13.6% (unchanged)

- The decline is concentrated in countries previously subject to fentanyl tariffs, such as China, or high reciprocal tariffs (Brazil, Indonesia, etc.).

- **[Tariff Assumptions]** Upon expiration of the temporary tariff in late July, new tariffs are assumed to be imposed under alternative legal bases (e.g., Trade Act Section 301), and countries that saw a temporary reduction in tariff rates are assumed to revert to pre-ruling levels.

* This assumption reflects the fact that the U.S. government had already been preparing for the tariff invalidation ruling, and the need to maintain trade and investment agreements with major partners is expected to motivate restoration of the pre-ruling tariff framework.

- Regarding tariffs on semiconductors and pharmaceuticals, considering the recent surge in semiconductor prices and the resulting domestic price pressures in the U.S., the assumed timing of tariff imposition has been deferred from Q3 2026 to Q1 2027.

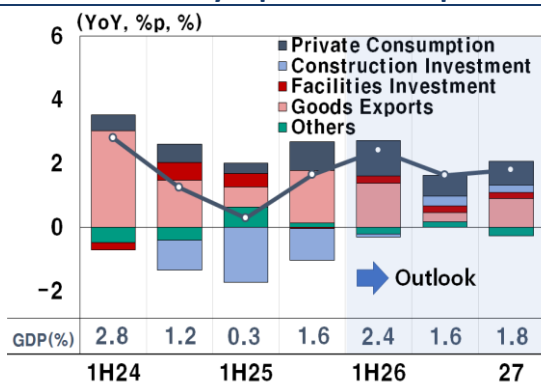
⇒ This year, the average tariff rate on Korea is assumed to remain at its current level, while the global average tariff rate is expected to temporarily decline before reverting to pre-ruling levels in the second half. Next year, global tariffs, including those on Korea, are expected to rise further with the imposition of tariffs on semiconductors and pharmaceuticals.

Projection Month	Key Assumptions of the Baseline Scenario
📅 November 2025	<ul style="list-style-type: none"> · Tariffs on Korea: reciprocal 15%, steel/aluminum/copper 50%, autos/parts 15% (from Nov. 2025), etc. · Semiconductor/pharmaceutical tariffs (15%) assumed from Q3 2026
📅 February 2026	<ul style="list-style-type: none"> · Tariffs on Korea: temporary tariff 15% (Feb. 24 – Jul. 24, 2026), replaced by alternative tariff 15% (from Jul. 24. 2026, substituting former reciprocal tariffs); steel/aluminum/copper 50%, autos/parts 15%, etc. remain · Semiconductor/pharmaceutical tariffs (15%) assumed from Q1 2027

II. Economic Outlook

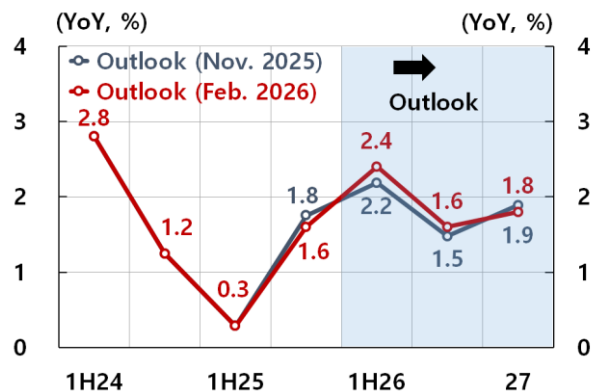
- GDP growth this year is projected at 2.0%, above the November forecast, supported by the strengthened semiconductor cycle upturn and a stronger-than-expected global economic backdrop, despite the impact of U.S. tariffs and a sluggish recovery in construction investment.
 - In **Q1 2026**, private consumption is expected to sustain its recovery, exports are projected to post strong growth led by semiconductors, and base effects from the previous quarter's contraction (-0.3%) – mainly in the investment component – are also at play. As a result, the growth rate is expected to significantly exceed the earlier projection of 0.3%, approaching 1% (0.9%).
 - From **Q2 onward**, the consumption recovery is expected to expand gradually on the back of improving income conditions, while export growth should continue, supported by robust global AI investment and a stronger-than-expected global economic backdrop. However, the sluggish recovery in the non-IT sector, including construction, is expected to partially constrain growth.
 - In **2027**, domestic demand is expected to sustain its recovery, and exports should continue to increase on the back of ongoing global economic growth and expanded semiconductor production capacity, resulting in a solid growth rate of 1.8%.

Contribution by Expenditure Component



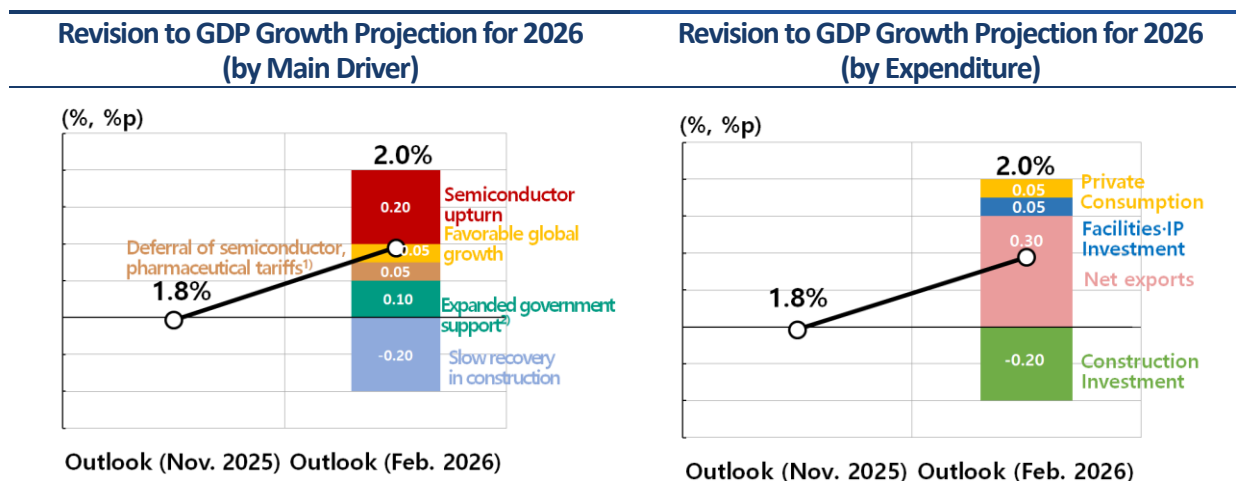
Source: Bank of Korea.

Outlook for GDP Growth



Source: Bank of Korea.

- The 0.2%p upward revision to this year’s GDP growth reflects the fact that, despite a drag from the sluggish construction recovery (-0.2%p), upward pressure was exerted by the semiconductor cycle upturn (+0.2%p), a stronger-than-expected global economy (+0.05%p), postponed imposition of semiconductor and pharmaceutical tariffs in the baseline assumption (+0.05%p), and government consumption and investment support measures (+0.1%p).



Notes: 1) Q3 2026 → Q1 2027

2) The selection of investment targets for the National Growth Fund, the extension of the reduction in the individual consumption tax on automobiles, increased public institution investment, and expanded facility financing support.

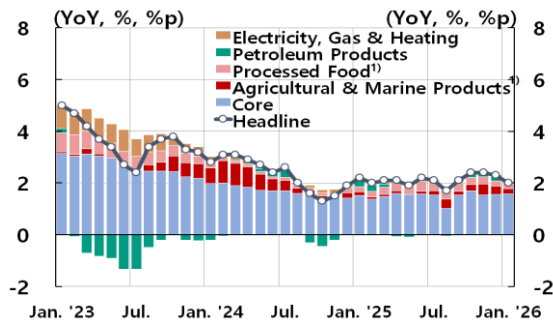
- CPI inflation is expected at 2.2%, slightly above the previous forecast*, as cost increases in certain items, such as electronic devices and insurance premiums, have added to inflationary pressures, while demand-side pressures remain subdued**.

* The core inflation forecast for this year stands at 2.1%, up 0.1%p from the prior projection of 2.0%.

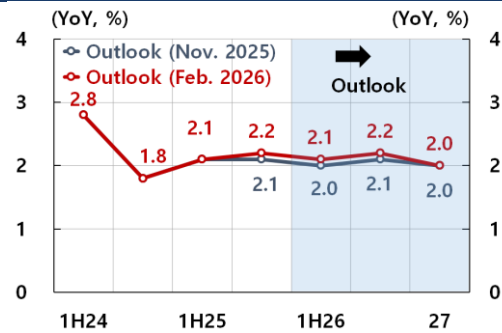
** Driven primarily by the persistence of a negative GDP gap, growth difference between IT and non-IT sectors (K-shaped recovery), etc.

- The CPI inflation rate, which edged up slightly (2.4%) in Q4 of last year, is expected to hover near the 2% level during the course of this year before converging to the target of 2.0% next year.
- In January, the CPI inflation rate declined markedly from the previous month (Dec. 2025: 2.3% → Jan. 2026: 2.0%), as the petroleum product inflation rate fell sharply, driven by base effects, and the pace of increase in agricultural and marine product prices moderated thanks to favorable weather conditions.

Contribution to Headline CPI Inflation



Outlook for CPI Inflation



Note: 1) Excluding core items.

Sources: Ministry of Data and Statistics, Bank of Korea.

Source: Ministry of Data and Statistics.

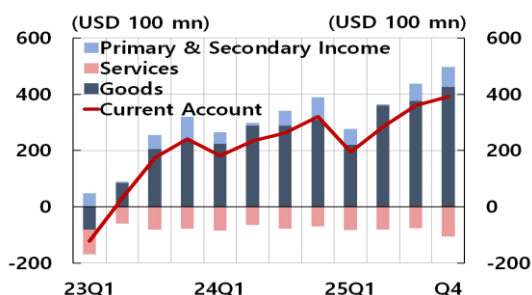
□ The current account surplus this year is expected to significantly exceed the prior forecast path, reaching USD 170 billion.

- The **goods balance** surplus is expected to widen substantially on the back of sharply higher semiconductor prices. The **services balance** deficit is projected to widen, reflecting increased demand for industrial services (patent royalties, etc.) accompanying the economic recovery, as well as rising expenditures on digital services (platform subscription fees, etc.).

□ The increase in the number of employed persons is expected to moderate from 190,000 last year to 170,000 this year, though conditions in private-sector employment are expected to improve.

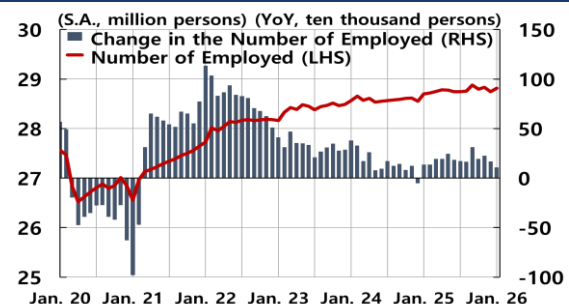
- Total employment growth is expected to narrow from the previous year due to the decline in the working-age population, among other factors. However, private-sector employment is expected to improve, supported by better business conditions in the services sector and an easing of the construction downturn.
- On the employment forecast path, the government's youth employment measures constitute an upside risk, while the impact of restructuring in certain industries represents a downside risk.

Current Account



Source: Bank of Korea.

Changes in Employment



Source: Ministry of Data and Statistics.

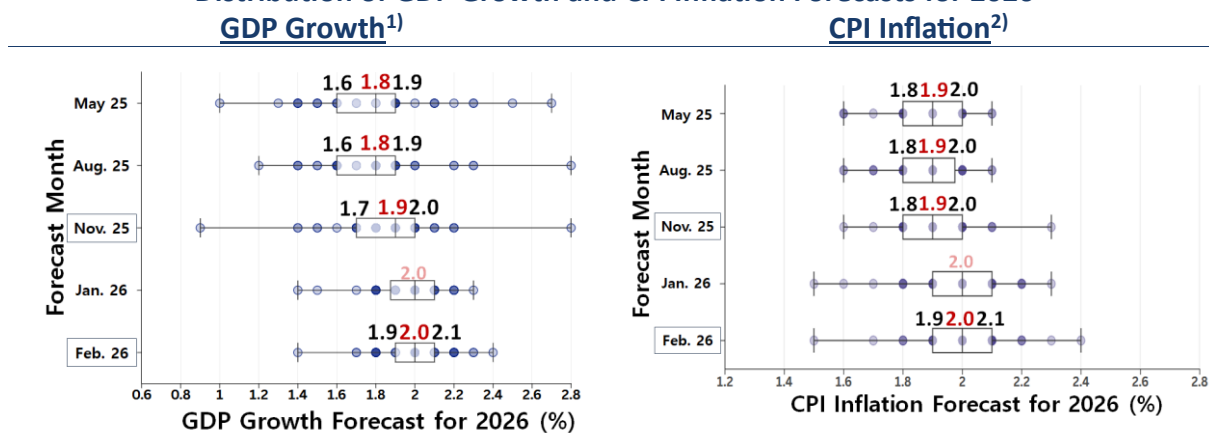
III. Risks to the Outlook

□ The growth forecast path is subject to substantial uncertainty surrounding the semiconductor cycle, global trade environment, and international financial markets. For inflation, oil price and exchange rate movements constitute the key risk factors.

	Upside Risks	Downside Risks
Growth	<ul style="list-style-type: none"> • Further expansion of semiconductor cycle upturn • Strengthened stimulus by domestic/foreign governments • Easing of trade environment uncertainty 	<ul style="list-style-type: none"> • Further escalation of U.S. tariff policy uncertainty • International financial market instability (AI overinvestment, fiscal concerns in major economies) • Deepened weakness in non-IT sector
Inflation	<ul style="list-style-type: none"> • Intensified geopolitical instability • Persistence of elevated exchange rate 	<ul style="list-style-type: none"> • Deepened global crude oil oversupply • Strengthened government price stabilization measures

□ The median forecasts of major forecasting institutions for Korea’s 2026 growth and inflation have been revised slightly upward since the November forecast round. The median GDP growth forecast among market participants stands at 2.0%, up 0.1%p from the November forecast of 1.9%. The CPI inflation forecast has also risen 0.1%p from 1.9% to 2.0%.

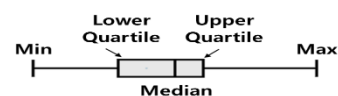
Distribution of GDP Growth and CPI Inflation Forecasts for 2026



Notes: 1) Based on 38-41 institutions.

2) Based on 28-37 institutions.

Sources: Bloomberg (Retrieved on Feb. 9)



□ **Market sentiment remains divided between expectations for an acceleration of AI industry growth and concerns about AI overinvestment. Against this backdrop, alternative scenarios for the trajectory of Korea’s semiconductor exports were analyzed.**

* Under the baseline scenario, the growth rate of semiconductor export volumes is assumed to gradually decelerate from 16% last year to around 10% this year (7% assumed at the time of the November 2025 forecast) and around 8% (5%) next year.

- **Optimistic Scenario (Sustained High Export Growth)**: The proliferation of physical AI intensifies competition to secure semiconductors, and state-led AI initiatives accelerate, sustaining Korea’s semiconductor export volume growth near the 2025 level. Under this scenario, GDP growth would be +0.2%p higher this year and +0.3%p higher next year relative to the baseline, while the CPI inflation rate would be +0.1%p higher in both years.
- **Pessimistic Scenario (Sharply Decelerating Export Growth)**: AI profitability falls short of expectations, and physical bottlenecks such as power shortages intensify during data center expansion, causing semiconductor export volume growth to decelerate rapidly to around 6% this year and around 3% next year. Under this scenario, GDP growth would be -0.2%p lower this year and -0.3%p lower next year, while the CPI inflation rate would be -0.1%p lower in both years.

Assumptions for Semiconductor Exports by Scenario		Growth and Inflation Outlook by Scenario			
		GDP Growth			
		(%, %p)	2025	2026 ^{e)}	2027 ^{e)}
Baseline	▶ Semiconductor export volume growth gradually decelerates. (2025: 16% → 2026: around 10% → 2027: around 8%)	Baseline Projection	1.0	2.0	1.8
		Optimistic		+0.2	+0.3
		Pessimistic		-0.2	-0.3
		CPI Inflation			
		(%, %p)	2025	2026 ^{e)}	2027 ^{e)}
Optimistic	▶ Export volume growth persists near the level in 2025 (16%).	Baseline Projection	2.1	2.2	2.0
		Optimistic		+0.1	+0.1
		Pessimistic		-0.1	-0.1
Pessimistic	▶ Growth decelerates rapidly from around 6% in 2026 to around 3% in 2027.	Baseline Projection	2.1	2.2	2.0
		Optimistic		+0.1	+0.1
		Pessimistic		-0.1	-0.1

Note: 1) The figures are based on the semiconductor export volume index.

Source: Bank of Korea.

<Appendix 1> Forecast Summary, February 2026

	2024	2025		2026 ^{e)}			2027 ^{e)}	
	Year	H1	H2 ¹⁾	Year ¹⁾²⁾	H1	H2	Year ²⁾	Year ²⁾
Main Premises of the Baseline Outlook								
Global Economic Growth(% ³⁾)	3.3	3.4	3.2	3.3[+0.3]	3.0	3.1	3.1[+0.2]	3.2[+0.1]
• United States	2.8	2.1	2.3	2.2[+0.3]	2.8	1.9	2.3[+0.2]	2.1[+0.1]
• Euro Area	0.9	1.4	1.5	1.5[+0.2]	1.1	1.3	1.2[+0.1]	1.4[-]
• China	5.0	5.3	4.6	5.0[+0.1]	4.5	4.6	4.6[+0.2]	4.4[+0.1]
• Japan	-0.2	1.8	0.3	1.1[-0.1]	-0.2	1.3	0.6[+0.1]	0.8[-]
Global Trade Growth(% ³⁾)	3.3	4.6	4.1	4.3[+0.7]	2.2	2.8	2.5[+0.1]	3.2[+0.2]
Brent Oil Prices(USD/barrel) ⁴⁾	80	71	66	68[-1]	65	63	64[+1]	65[-]
Domestic Economic Outlook								
GDP Growth(% ³⁾)	2.0	0.3	1.6	1.0[-]	2.4	1.6	2.0[+0.2]	1.8[-0.1]
• Private Consumption	1.1	0.7	1.9	1.3[-]	2.3	1.3	1.8[+0.1]	1.8[+0.1]
• Construction Investment	-3.3	-1.2	-7.5	-9.9[-1.2]	-0.8	2.6	1.0[-1.6]	1.5[-0.4]
• Facilities Investment	1.7	4.5	-0.4	2.0[-0.6]	2.4	2.3	2.4[+0.4]	2.0[+0.1]
• IPP Investment	1.2	1.9	3.8	2.9[-0.1]	3.4	3.5	3.5[+0.4]	2.6[+0.1]
• Goods Exports	6.4	1.7	4.4	3.1[+0.2]	3.5	0.8	2.1[+0.7]	2.3[-0.1]
• Goods Imports	1.3	1.7	2.5	2.1[-0.2]	3.4	1.5	2.5[+0.1]	2.6[-]
Headline CPI Inflation(% ³⁾)	2.3	2.1	2.2	2.1[-]	2.1	2.2	2.2[+0.1]	2.0[-]
• Core Inflation ⁵⁾	2.2	1.9	1.9	1.9[-]	2.1	2.2	2.1[+0.1]	2.0[-]
Current Account(USD billion)	1,000	479	752	1,231[+81]	863	837	1,700[+400]	1,400[+200]
• Goods	1,109	579	802	1,381[+179]	980	915	1,896[+510]	1,592[+304]
• Services	-294	-163	-182	-345[-31]	-200	-212	-411[-50]	-414[-35]
• Primary & Secondary Income	185	63	132	195[-66]	83	134	216[-59]	221[-70]
Change in Number of Employed Persons(10,000 persons) ³⁾	16	18	21	19[+1]	17	18	17[+2]	15[-]
Unemployment Rate(%)	2.8	3.1	2.5	2.8[-]	3.1	2.6	2.8[-]	2.8[-]
Employment Rate(%)	62.7	62.6	63.1	62.9[-]	62.7	63.2	63.0[+0.1]	63.1[+0.1]

Notes: 1) Global economy and trade are forecasts 2) Figures in [] show the changes from projections as of Nov. 2025

3) Year-on-Year

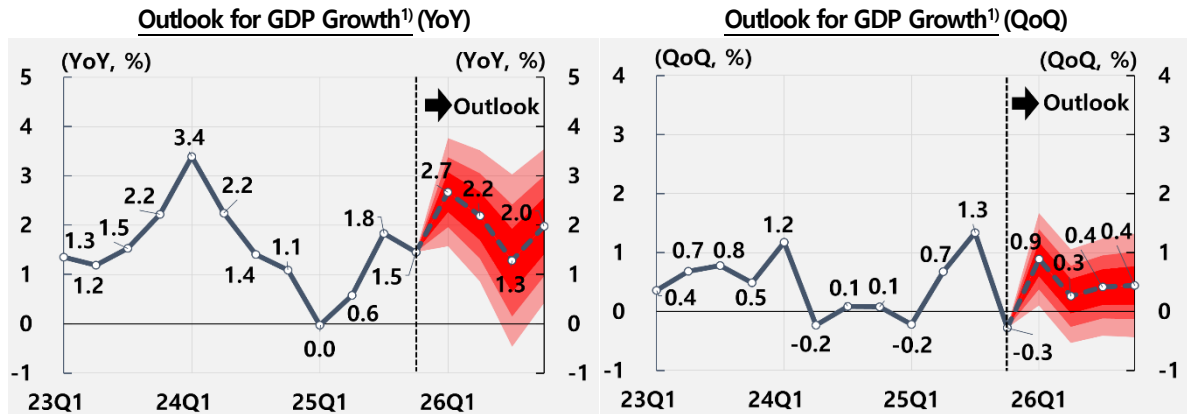
4) By period average

5) Excluding food and energy

Sources: Bank of Korea, Statistics Offices of each region, Bloomberg

<Appendix 2> Quarterly Forecasts for the One-Year-Ahead Horizon

GDP Growth



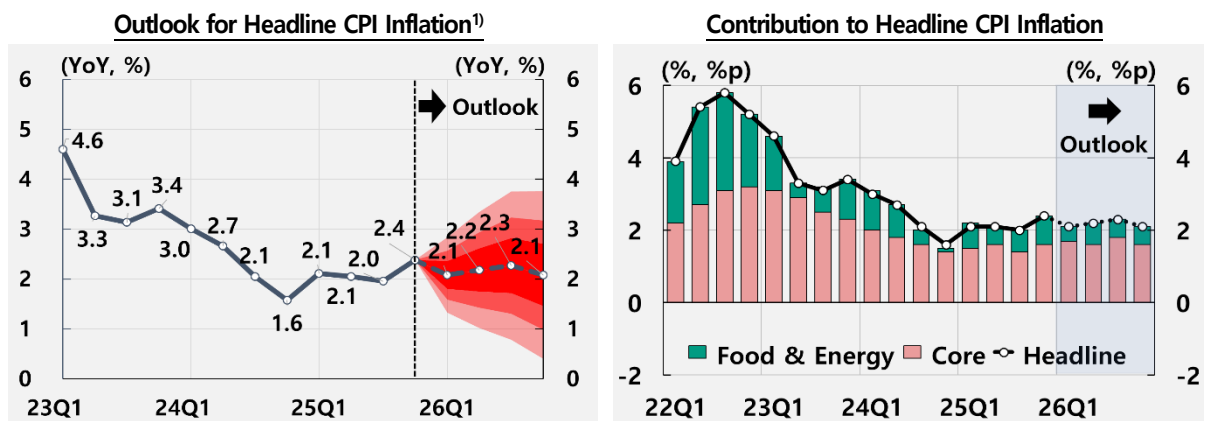
Note: 1) Uncertainty has been estimated using forecast errors from the past 10 years. Shaded areas, starting from darker to lighter colors, represent 30%, 50%, and 70%.

Source: Bank of Korea

(YoY, %)	2025				2026 ^{e)}			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GDP Growth	0.0	0.6	1.8	1.5	2.7	2.2	1.3	2.0
QoQ	-0.2	0.7	1.3	-0.3	0.9	0.3	0.4	0.4

Source: Bank of Korea

CPI Inflation



Note: 1) Uncertainty has been estimated using forecast errors from the past 10 years. Shaded areas, starting from darker to lighter colors, represent 30%, 50%, and 70%.

Source: Bank of Korea

(YoY, %)	2025				2026 ^{e)}			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Headline CPI Inflation	2.1	2.1	2.0	2.4	2.1	2.2	2.3	2.1
• Core Inflation ¹⁾	1.9	2.0	1.7	2.0	2.1	2.0	2.3	2.1

Note: 1) Excluding food and energy

Sources: Bank of Korea, Ministry of Data and Statistics