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GMSI MACRO SENTIMENT · SOUTH KOREA · MID-YEAR 2026

Korea's chip windfall is outrunning the economy

Real domestic income jumped 15.6% y-o-y in Q2. The windfall remains concentrated in technology, with only a limited pass-through to jobs, construction and household demand.

Latest sentiment	National accounts	Coverage
22 July 2026	Q2 release · 23 July 2026	Growth · trade · inflation · rates

EXECUTIVE READ

Income has leapt. The domestic economy has not.

15.6%	3.7%	2.5%	-0.9%
Real domestic income (y-o-y)	Real GDP growth (y-o-y)	Private consumption (y-o-y)	Industrial-production component

Korea's second-quarter accounts show an unusually wide gap between national income and domestic activity. Real gross domestic income rose 15.6% y-o-y, the strongest increase since early 1988, while GDP grew 3.7%, household consumption 2.5% and the Bank of Korea's industrial-production component contracted 0.9%.

GDP still advanced 0.6% q-o-q, above both consensus and the central bank's projection, after a 1.8% first-quarter rise.

> A firm Q2 expansion, alongside an income gain on a very different scale.

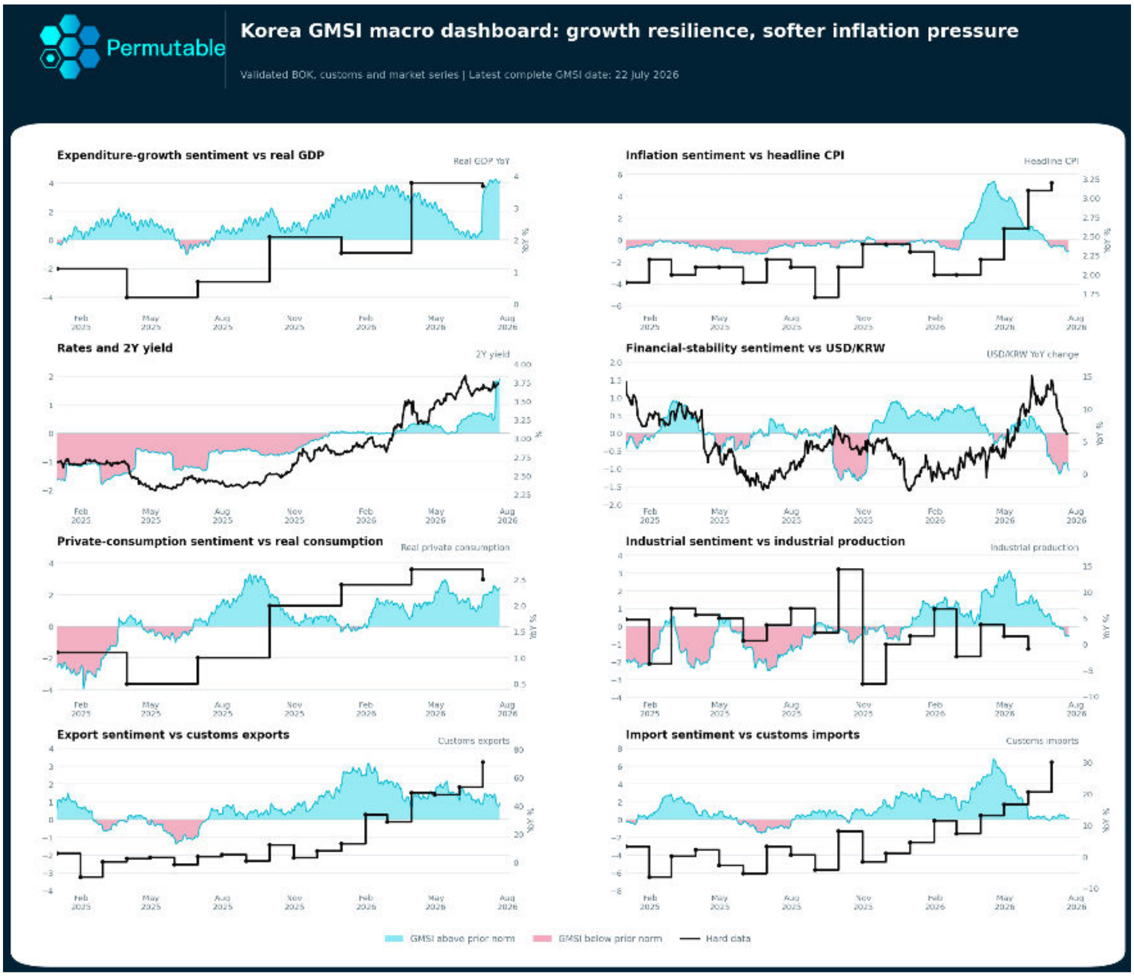

Chart 1. Korea GMSI macro dashboard: firm growth and policy newsflow, with softer inflation, industrial and financial-stability readings. Latest complete GMSI observation: 22 July 2026.

GROWTH

Sentiment strengthened before the Q2 release

The GMSI panel gives a more current view of the cycle's composition. Expenditure-growth sentiment stands at +4.1z, private-consumption sentiment at +2.4z and policy-outlook sentiment at +3.8z.

Employment sentiment has fallen to -2.4z, industrial sentiment to -0.5z and inflation sentiment to -1.0z. Growth, spending and policy discussion strengthened even as the newsflow tied to production, jobs and prices lost intensity.

+4.1z	+2.4z	-2.4z
Expenditure growth	Private consumption	Employment

The late rise in growth sentiment belongs to the opening of Q3, but was visible before the 23 July GDP release. It should be read as the discussion entering the release, not the average signal for Q2 itself.

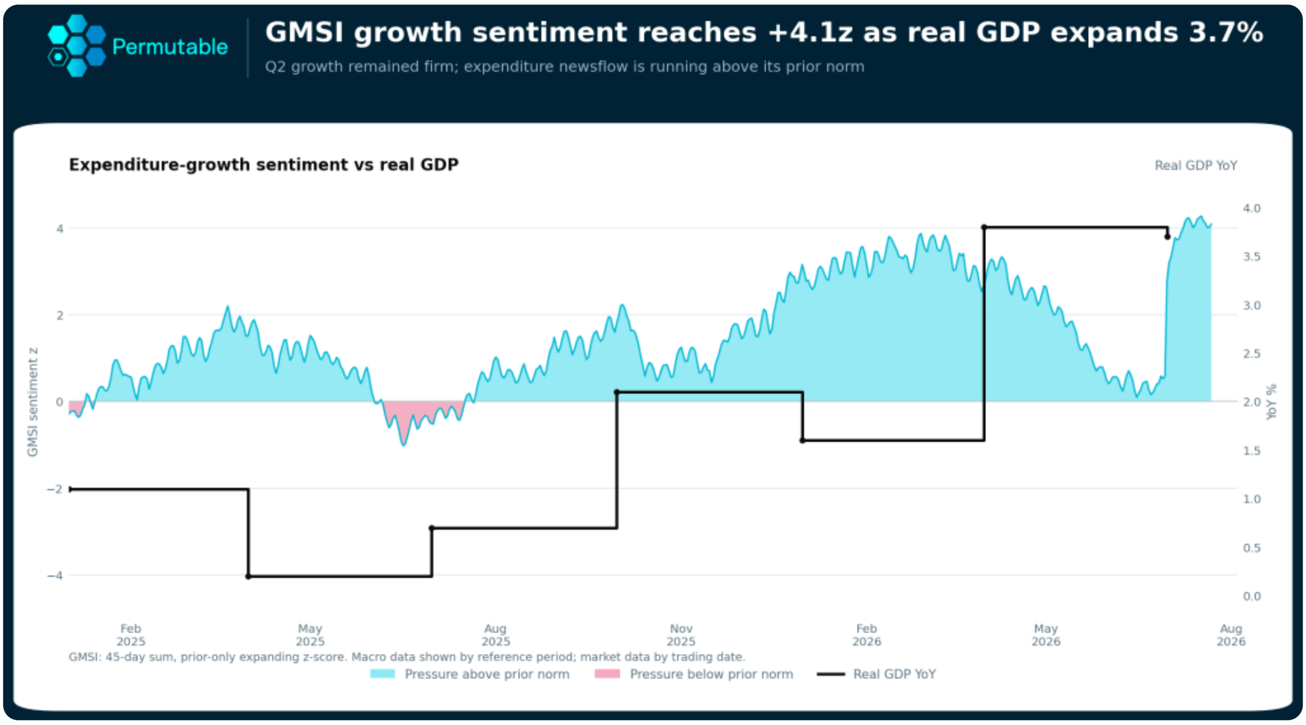

Chart 2. Expenditure-growth sentiment reached +4.1z ahead of the Q2 GDP release; real GDP grew 3.7% y-o-y.

GMSI scores are standardised against each series' own prior history. The sentiment score and the hard-data growth rate do not share a common scale.

EXPORTS

Prices supplied the larger share of the windfall

A Korean saying compares an easy task to swimming while your feet still touch the bottom. The export arithmetic in Q2 carried some of that advantage: volumes rose strongly, and prices rose faster still.

June exports reached US$102.25bn, the first monthly total above US$100bn, with semiconductors accounting for US$44.82bn. Export volumes increased by about 30% y-o-y, export prices by almost 49%, and the terms of trade improved by roughly 16%.

Customs exports rose 70.9% y-o-y in June, while GMSI export sentiment eased from above +3z in February to +0.9z by 22 July. The boom is firmly visible in the reported data, but the newsflow is no longer strengthening at the pace seen earlier in the year.

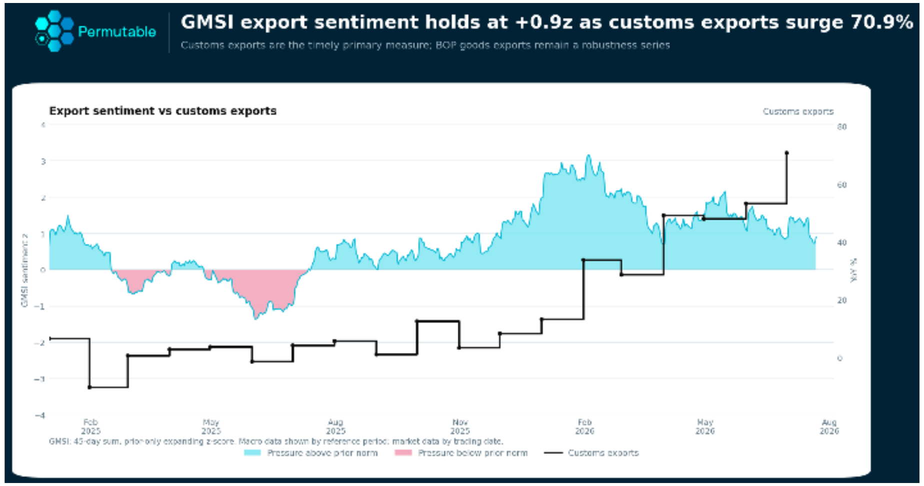

Chart 3. Export sentiment remains positive after easing from its early-2026 peak; customs exports rose 70.9% y-o-y in June.

IMPORTS

Import growth is stronger than the underlying demand signal

Customs imports rose 30.1% y-o-y, while GMSI import sentiment fell to +0.2z. Higher energy costs and a weak comparison period lifted the annual rate, but the newsflow offers less evidence of a broad acceleration in underlying import demand.

The gap matters for the growth mix. A strong customs figure can reflect prices and base effects without signalling a comparable rise in domestic demand for imported goods. With export sentiment also below its February peak, the second half may depend more on semiconductor pricing holding firm than on another acceleration in external trade.

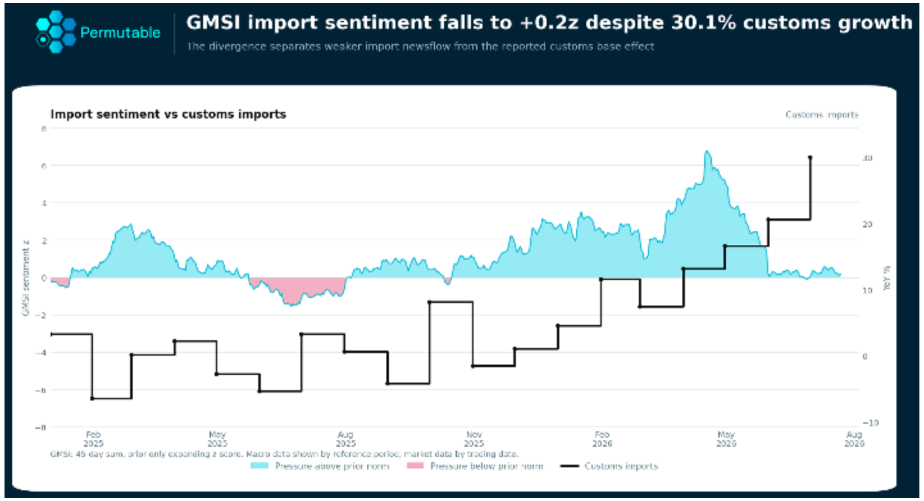

Chart 4. Import sentiment has returned close to neutral even as customs import growth remains elevated by energy costs and base effects.

PRIVATE CONSUMPTION

The consumer is stirring, not surging

Private consumption rose 0.4% q-o-q and 2.5% y-o-y in Q2. Real spending growth has increased steadily from about 0.5% in mid-2025. GMSI consumption sentiment has risen to +2.4z and expenditure-growth sentiment to +4.1z.

Households therefore entered Q3 in better shape than they had a year earlier. The response remains modest beside the rise in national income, but the domestic economy is not simply standing still.

> Consumption has improved. The stronger question is whether wages and employment can sustain it once the memory-price impulse begins to fade.

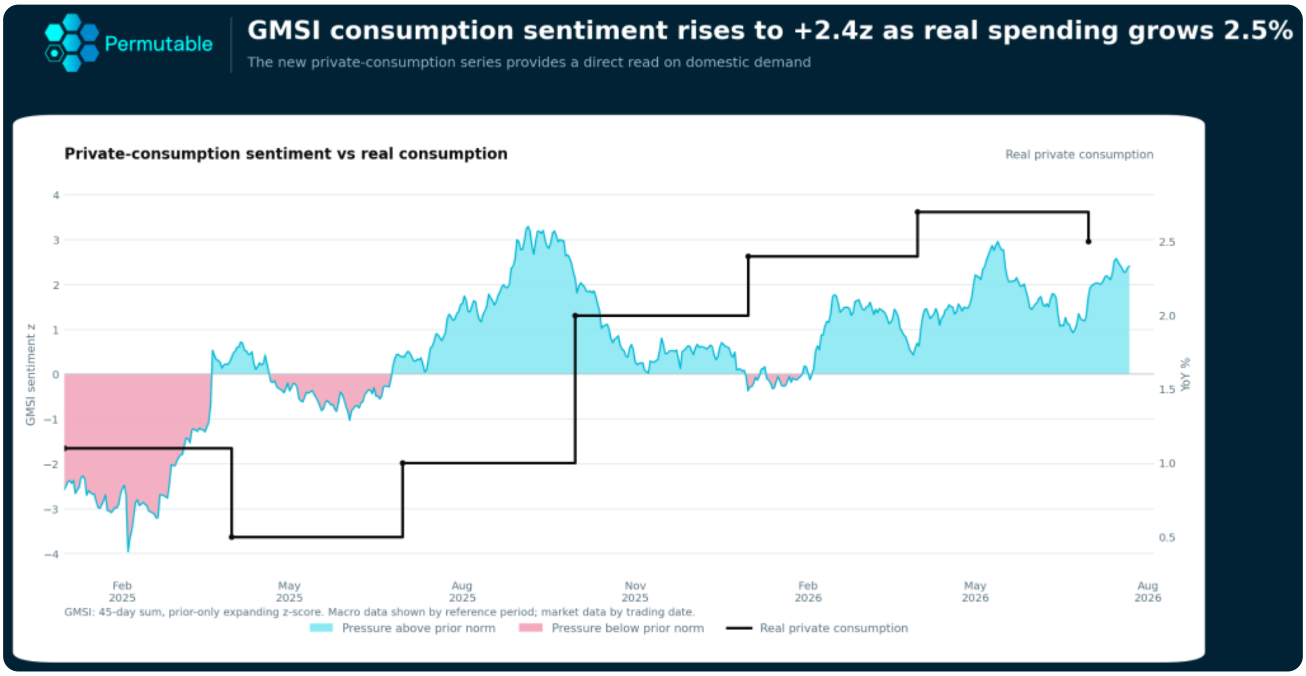

Chart 5. Private-consumption sentiment stands at +2.4z; real consumption grew 2.5% y-o-y in Q2.

0.4%	3.3%	+3.0z
Private consumption (q-o-q)	Intellectual-property investment (q-o-q)	Innovation and R&D sentiment

PRODUCTION AND EMPLOYMENT

The chip boom is capital-rich and job-poor

The strongest domestic gains remain close to technology. Intellectual-property investment increased 3.3% q-o-q, its fastest rise in more than fourteen years, as companies raised research spending. Manufacturing output rose 1.2% and services 1.1%.

Conditions are weaker in sectors with a larger employment base. Facilities investment rose only 0.2% after a 6.6% first-quarter increase. Construction investment fell 0.2% and construction output declined 1.9%. Manufacturing employment was around 97,000 lower than a year earlier.

Korea's earlier export cycles in shipbuilding, steel and autos supported large workforces and extensive supplier networks. Memory production is more capital-intensive. It can raise profits and national purchasing power rapidly without generating a comparable increase in employment or household income.

> GMSI employment sentiment has dropped to -2.4z, the weakest reading in the panel. Industrial sentiment has also moved below its prior norm.

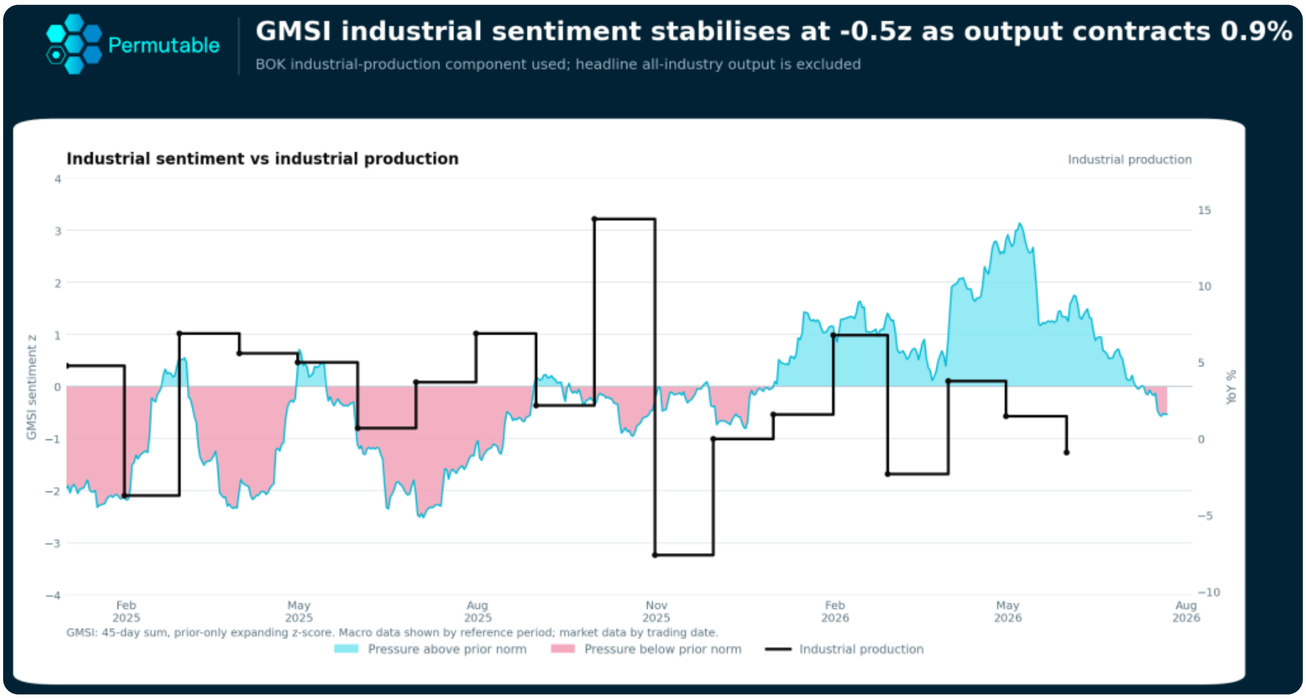

Chart 6. Industrial sentiment has moved below its prior norm as the national-accounts production component contracts.

PRICES

The inflation rise is imported, not demand-led

3.2%
Headline CPI, y-o-y

2.5%
Core CPI, y-o-y

-1.0z
GMSI inflation sentiment

Headline CPI reached 3.2% y-o-y in June, its highest rate since late 2023; core inflation remained at 2.5%. The 70bp gap is consistent with imported energy pressure, not a broad acceleration in domestic demand.

Higher import costs therefore offset part of the semiconductor terms-of-trade gain during the quarter.

GMSI inflation sentiment has fallen sharply since May, moving from the top of its recent range to -1.0z by 22 July. The official CPI is still recording delayed pass-through from the earlier supply shock, while the inflation discussion has become less intense.

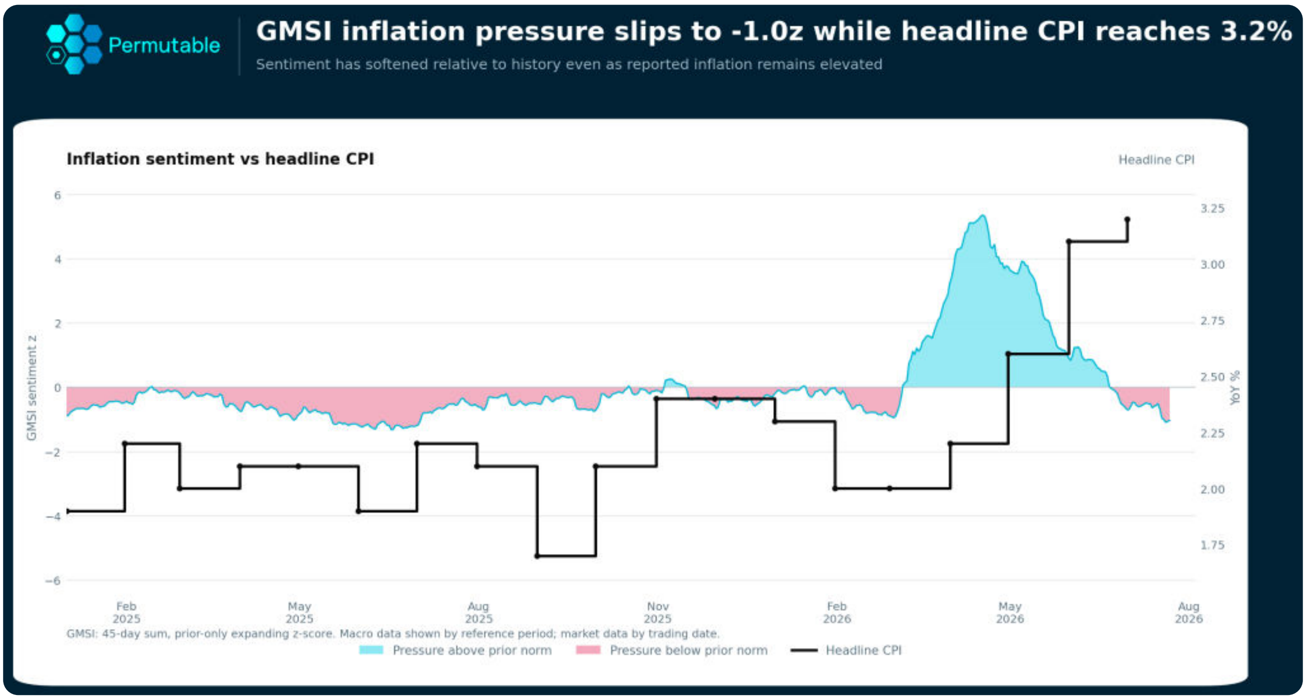

Chart 7. Inflation sentiment has turned negative while headline CPI remains elevated at 3.2% y-o-y.

BANK OF KOREA

Markets tightened before the Bank did

The Bank of Korea raised its base rate by 25bp to 2.75% on 16 July, its first increase since 2023. Stronger national income, higher headline inflation and financial-stability concerns support the decision. The domestic case is less uniform: construction is contracting, manufacturing employment has weakened and core inflation remains at 2.5%.

Policy-outlook sentiment began rising in February and reached +3.8z before the decision. Interest-rate sentiment turned positive in late 2025 and now stands at +1.9z.

Over the same period, the Korea two-year government yield climbed from around 2.3% to 3.741%. The market gave greater weight to stronger income and policy expectations than to the uneven domestic expansion.

The earlier GMSI specification found a forward association between rate sentiment and subsequent changes in the two-year yield. That work is being repeated on the current 45-day, point-in-time construction; until complete, the chart supports a directional interpretation rather than a precise trading coefficient.

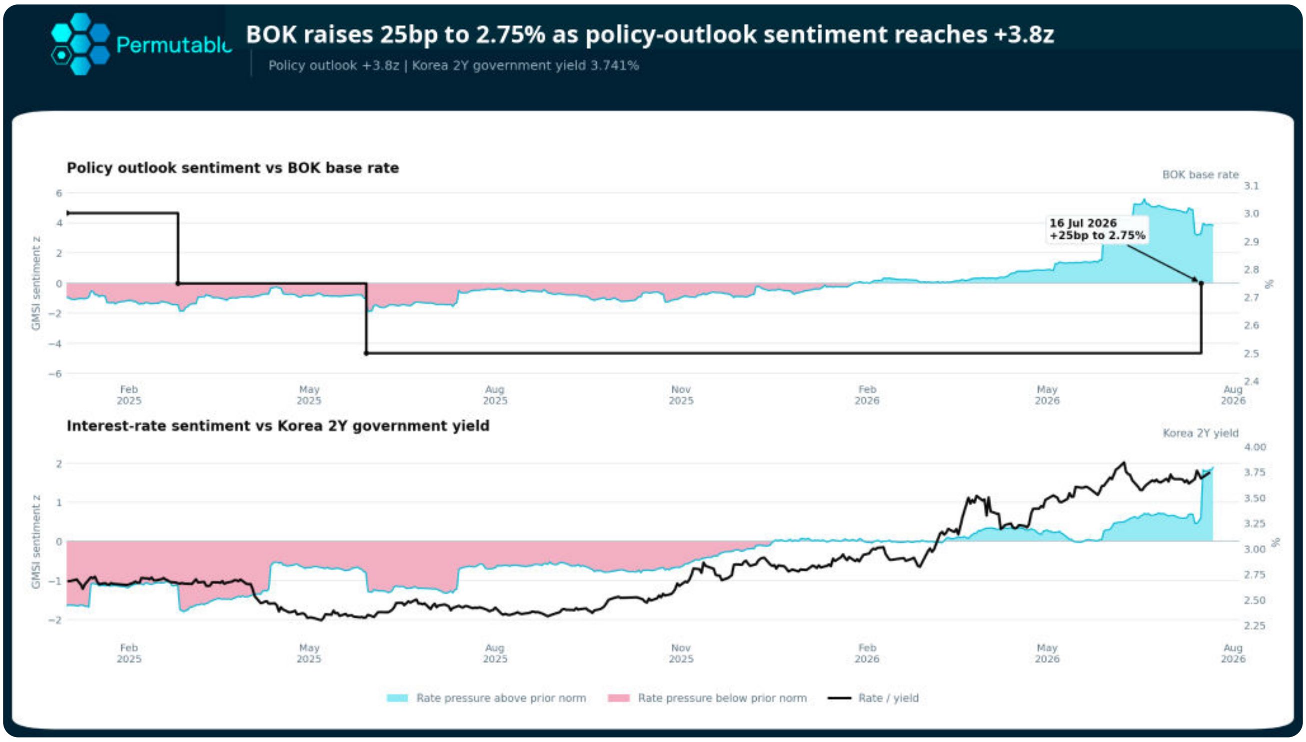

Chart 8. Policy-outlook sentiment reached +3.8z before the Bank of Korea raised the base rate to 2.75%; the two-year yield closed at 3.741% on 20 July.

SECOND-HALF WATCH

The chip boom needs a domestic second act

The Q2 release confirms an unusually large increase in Korea's purchasing power, but the gains remain concentrated. Consumption and technology investment have improved; construction, industrial activity and employment are less secure.

Signs of broadening

Faster wages, stable employment, renewed construction growth and further gains in household spending would show that export income is reaching more of the economy.

External risk

A decline in semiconductor prices before household incomes strengthen would erode the national-income gain before a broader domestic expansion has formed.

Policy risk

A renewed energy shock would lift headline inflation without improving demand and leave the Bank of Korea with a more difficult policy mix.

Financial conditions

The won recovered from near 1,560 per dollar in June to 1,476 on 20 July, with exporter conversion and other flows providing much of the support.

Financial-stability sentiment fell to -1.0z. It describes the prevailing risk discussion rather than a directional signal for USD/KRW.

The structural test

Korea remains exceptionally effective at turning global technology demand into national income. What has changed is the route into the rest of the economy. Memory production employs fewer workers and draws on narrower supplier networks than the shipbuilding, steel and auto cycles that preceded it.

The second half will be judged by whether wages, employment, construction and consumption strengthen before semiconductor pricing loses momentum.

Data and method. GMSI directional sentiment scores are 45-day sums standardised using a prior-only expanding z-score with a 365-day minimum history. Each observation is measured against information available at the time and contains no look-ahead. The latest complete observation is dated 22 July 2026. National accounts are from the Bank of Korea; customs trade data from the Ministry of Trade, Industry and Resources; inflation and labour-market data from Statistics Korea. Associations between sentiment and hard data are not evidence of causality.