

Embargo:

Release Date: August 29, 2025

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2026 BUDGET PROPOSAL

I. 2026 Budget Proposal Directions

The 2026 budget proposal mainly focuses on ^①proactively utilizing fiscal policy to drive a major transformation toward a leading economy, ^②strategically investing fiscal resources in high-performing sectors, including the “ultra-innovative economy” and key priority tasks, and ^③pursuing rigorous fiscal restructuring in low-performing sectors.

Key features

(Total revenue) The total government revenue is projected to be 674.2 trillion won (up 22.6 trillion won), an increase by 3.5% compared with the budget for 2025 mainly driven by domestic demand-led economic recovery and efforts to secure tax revenue.

(Total expenditure) The total government expenditure for 2026 is set at 728 trillion won (up 54.7 trillion won), a 8.1% increase compared to the previous year. The total expenditure growth rate was significantly raised (2.5% in 2025 → 8.1% in 2026) with an aim to support economic growth and recovery by fulfilling its catalyst role.

	2025 Budget		2026 Budget Proposal (B)	Changes	
	Original (A)	Supplementary		B-A	B-A(%)
Total Government Revenue	651.6	642.4	674.2	+22.6	3.5
Total Government Expenditure	673.3	703.3	728.0	+54.7	8.1

(trillion, %)

(Fiscal Balance / Government Debt)

Consolidated fiscal balance is set to pose a deficit of 2.0% of GDP, while the managed fiscal balance is projected to record a deficit of 4.0% of GDP, a deterioration of 1.2%p from the previous year.

Government debt is expected to grow by 3.5%p to 51.6% of GDP from that of the 2025 budget.

(trillion, %)

	2025 Budget		2026 Budget Proposal (B)	Changes (B - A)
	Original (A)	Supplementary		
Consolidated Fiscal Balance (% to GDP)	-21.7 (-0.8)	-60.8 (-2.3)	-53.8 (-2.0)	-32.1 (-1.1%p)
Managed Fiscal Balance (% to GDP)	-73.9 (-2.8)	-111.6 (-4.2)	-109.0 (-4.0)	-35.1 (-1.2%p)
Government Debt (% to GDP)	1,273.3 (48.1)	1,301.9 (49.1)	1,415.2 (51.6)	+141.8 (+3.5%p)

(Mid-term fiscal management plan) The government aims to maintain the managed fiscal balance at around a deficit of 4% of GDP, while gradually reducing the total expenditure growth rate to the level of nominal GDP growth. Government debt will be managed at the upper 50% range of GDP by 2029.

Budgets by Sector

(trillion)

	2025 Original Budget (A)	2026 Budget Proposal (B)	Changes	
			B-A	B-A (%)
Total Expenditures	673.3	728.0	+54.7	8.1
1. Health, Welfare, Employment	248.7	269.1	+20.4	8.2
2. Education	98.5	99.8	+1.4	1.4
3. Culture, Sports, Tourism	8.8	9.6	+0.8	8.8
4. Environment	13.0	14.0	+1.0	7.7
5. R&D	29.6	35.3	+5.7	19.3
6. Industry, SME, Energy	28.2	32.3	+4.1	14.7
7. SOC	25.4	27.5	+2.0	7.9
8. Agriculture & Forestry, Fishery, Food	25.9	27.9	+2.0	7.7
9. National defense	61.2	66.3	+5.0	8.2
10. Diplomacy, Reunification	7.7	7.0	-0.7	-9.1
11. Social order, Safety	25.0	27.2	+2.2	8.8
12. Public administration, Local governments	110.7	121.1	+10.4	9.4

II. The three pillars of the 2026 budget proposal

1. Realizing an ultra-innovative economy driven by technology
2. Building a resilient and inclusive society
3. Ensuring public safety and pursuing diplomacy and security centered on national interests

1. Realizing an ultra-innovative economy driven by technology

- 1) Implement a major transformation to position Korea among the top three global AI leaders.

The government plans to invest 10.1 trillion won in the AI sector in 2026, representing a more than threefold increase compared to the previous year.

- Invest approximately 6 trillion won over five years in key industrial sectors such as robotics, automobiles, shipbuilding, and manufacturing in order to establish regional hubs for developing and demonstrating AI Transformation (AX) innovation technologies linked to regional specialized industries.
 - Inject approximately 100 billion won in 24 AI/AX graduate schools in order to nurture 11,000 highly skilled professionals, the essential source of AI competitiveness while developing tailored AI education programs and organizing AI competitions to support all citizens in building AI capabilities.
 - Purchase an additional 15,000 GPUs to secure the government's target of 35,000 units ahead of schedule, and steadily establish cutting-edge AI research foundations, including private-sector-led AGI¹ preparation projects and the establishment of Vertical AI Research Support Centers.
- 2) Secure future growth engines by supporting investment in new industries and the global expansion of K-Culture.
 - Increase the R&D budget by a record 19.3% to accelerate the pace of innovation; shore up investment in the development of core technologies in six high-tech industries – AI (A), Bio (B), Content (C), Defense (D), Energy (E), and Manufacturing (F) – by 2.6 trillion won, while setting aside 1.4 trillion won for securing talent in these sectors.
 - Inject 1 trillion won in fiscal resources next year to create a new National Growth Fund exceeding 100 trillion won over the next five years while making a record 2 trillion won contribution to the Korea Fund of Funds, thereby supporting the scale-up of promising SMEs and venture firms.
 - Expand investments to boost the Hallyu (Korean Wave) from 2.3 trillion won this year to 3.2 trillion won; provide K-Tourism Pass to 40,000 foreign visitors, offering them affordable access to transportation and tourist attractions and provide comprehensive support for K-Food and K-Beauty to expand globally through flagship stores, distribution networks, and consulting services.
 - 3) Take proactive measures to address global challenges, including trade risks and climate change.
 - Allocate 1.9 trillion won in fiscal resources in the Korea Development Bank (KDB) and the Export-Import Bank of Korea (Korea Eximbank) in order to ensure smooth progress in tariff

¹ Artificial General Intelligence

negotiations with the United States, and 70.8 billion won to actively support global cooperation in the shipbuilding industry, including U.S. naval vessel MRO² projects.

- Strengthen support to accelerate the energy transition and carbon neutrality in people's daily life; significantly expand loans and subsidies for renewable energy transition from 500 billion won to around 900 billion won, while newly investing approximately 300 billion won in the establishment of RE100³ industrial complexes and the development of AI-based distributed power grids.

2. Building a resilient and inclusive society

- 1) Foster local regions as engines of growth by making comprehensive investments across education, industry, and people's everyday life.
 - Invest 900 billion won to transform flagship national universities into education and research hubs connected to regional strategic industries, by enhancing educational competitiveness, nurturing specialized fields, and advancing their role as regional hubs.
 - Fundamentally improve living conditions in local regions; allocate 1.1 trillion won, expanded by 200 billion won, to strengthen facilities and equipment at regional medical institutions, while providing 1.7 trillion won to establish metropolitan railway networks, thereby enhancing inter-regional accessibility.
- 2) Reverse the declining birth rate and prepare for population aging by providing tailored support for children, youth, and the elderly.
 - Raise the upper age limit for child allowance eligibility from seven to eight years, and expand the income threshold for child care support from 200% to 250% of the median income.
 - Introduce a Youth Future Savings Account with a monthly contribution limit of 500,000 won to help young people prepare for the future, and provide a matching contribution of 6% or 12% by the government.
 - Expand the community-based integrated care system nationwide so that seniors can live healthily in their own communities; increase the number of senior jobs from 1.1 million to 1.15 million.
- 3) Build a robust social safety net for vulnerable populations.
 - Raise the standard median income by a record 6.51%, increasing the monthly livelihood allowance for a four-person household to over 2 million won.
 - Increase the number of beneficiaries for day activity services for individuals with developmental disabilities by approximately 3,000 (12,000 → 15,000), and expand employment opportunities for persons with disabilities by over 2,000.
- 4) Boldly implement policies aimed at reducing living costs for low-income households and protecting vulnerable workers.
 - Introduce a new flat-rate public transportation pass, allowing unlimited use of subways and buses for up to 200,000 won per month, regardless of region, at a monthly cost of 50,000 –

² Maintenance, Repair, Overhaul

³ 100% Renewable Electricity

- 60,000 won (62,000 won for the general public, 55,000 won for youth and seniors).
- Supply 194,000 public housing units in 2026, with a total of 1.1 million units supplied by 2030, to ensure housing stability for youth and newlyweds.
 - Bolster investment to prevent industrial accidents and strengthen the employment safety net from 16 trillion won to 17.6 trillion won.

3. Ensuring public safety and pursuing diplomacy and security centered on national interests

1) Protect citizens from large-scale disasters and crimes.

- Enhance disaster and emergency prediction capabilities using AI and drones, and establish a 20 billion won National Safety Fund to promote the disaster safety industry.
- Recruit 6,400 new police officers, an increase of 1,600 compared to the previous year, to strengthen criminal investigation capabilities.

2) Boost the pride of the armed forces and foster a future-ready, strong military.

- Increase the salaries of junior officers by up to 6.6% and introduce a new savings account that provides a monthly matching contribution of 300,000 won for long-serving personnel, and significantly improve overall military living conditions, including raising the meal allowance, which had remained unchanged for three years, from 13,000 won to 14,000 won.
- Invest 3.2 trillion won, representing an increase of over 1 trillion won, in the development of advanced weapons such as AI, drones, and Korea's indigenous fighter jets.

3) Pursue foreign and security policies with the national interest as the highest priority.

- Normalize the ODA⁴ budget, which has increased sharply in recent years, by assessing the outcomes of projects.
- Increase the Inter-Korean Cooperation Fund by approximately 200 billion won, expanding it to a total of 1 trillion won.

III. Conclusion

To ensure that the fiscal investment initiatives bear fruit going forward, the government will continue to thoroughly review the budget with a focus on public efficacy and outcomes – concentrating support on necessary projects while steadily restructuring low-performing ones.

This budget, which combines innovation in both investment and expenditure, is not merely a one-year plan but a milestone that sets the course for the nation's governance over the next five years.

In particular, this budget proposal carries great significance as it is closely linked to the new government's economic growth strategy, which helps build a virtuous cycle between budget and policy.

With the 2026 budget proposal as a starting point, the government will pursue investments that protect the nation's future and fiscal sustainability, while building a better life for the Korean people.

⁴ Official Development Assistance