



Korea Business Sentiment Report 2025–2026

Executive Summary



EXECUTIVE TAKEAWAY

Moderate Growth, Strategic Relevance. Rising Policy Complexity

Moderate but Resilient Outlook

- Korea's economy is projected to **grow by around 1.9% in 2026**, supported by semiconductor recovery.

Strategic EU-Korea Partnership

- Trade, investment, digital, sustainability and research cooperation continue to deepen.

European business presence is evolving

- European companies are moving beyond sales into advanced manufacturing, R&D, logistics and clean-energy-related sectors.

Policy Complexity is Increasing

- Labour, safety, data governance, corporate governance and ESG obligations are increasing compliance pressure.

1 | Macro Outlook

Resilient, but highly contingent on external developments



External Risks and Market Volatility

- U.S. tariff-policy shifts and geopolitical tensions have disrupted energy and supply chains
- Korea's energy import dependence amplifies sensitivity to price, FX and financial-market volatility

Government Response: Stabilisation and Resilience

- Supply-chain reconfiguration and supplementary-budget support are in progress
- Policy responses are active, focusing on stabilising supply chains and cushioning near-term shocks.



Outlook and Business Implications

- 2026 real GDP growth is projected at around 1.9%, supported by semiconductor recovery.
- Inflation expected to stabilize gradually; energy and trade risks remain material

Implication for Companies

- Adopt rolling scenarios for FX, energy input costs, tariff exposure and export demand instead of relying on a single budget case.



2 | Policy and Regulatory Environment

Key Issues for European Businesses

Supply-Chain Resilience

Korea is positioning itself as a resilient node for critical materials, components and high-value manufacturing.

Clean Energy Policy

Energy security and climate policy are becoming more closely integrated, reinforcing the importance of clean-energy strategy.

Labour & Safety Compliance

Strengthened rules are increasing compliance obligations, legal exposure and operational complexity for companies.

Governance & Capital Markets

Governance reforms are strengthening fiduciary duties, shareholder protections and corporate-value expectations.

3 | EU–Korea Economic Relations

From Trade Agreement to Strategic Partnership

EU–Korea FTA

15th Anniversary

Goods trade has trended upward since inception

Investment Scale

EUR 90bn+

EU FDI > € 50bn in Korea
Korean FDI > € 40bn in Europe

Policy Alignment

Key Policy Channels

Digital Agreement, Horizon Europe, CBAM, CSRD, CSDDD

Trade Foundation

The EU–Korea FTA continues to support strong bilateral trade, with strategic-sector activity in areas such as EVs and batteries.

Mutual Investment Ties

Significant two-way FDI underscores the strategic economic interdependence between the EU and Korea.

Regulatory and Innovation Cooperation

Cooperation is expanding across sustainability, digital governance, research and technology standards.

Business Implication

The relationship is moving beyond trade into regulatory alignment, technology cooperation and supply-chain resilience.

4 | European Business Presence

Shifting toward high-value activities



Moving Up the Value Chain

European companies are expanding beyond sales and distribution into advanced manufacturing, R&D centres and logistics hubs.

Key Sectors

Semiconductor equipment, advanced batteries, biopharmaceuticals, and renewable energy, including offshore wind and hydrogen.

Strategic Fit

Korea offers advanced manufacturing depth, while Europe contributes technology, ESG capability and systems expertise.

Leadership Implication

Prioritise partnerships where Korea can serve as a high-value regional or global supply-chain node.

5 | Key Issues for European Business

Risks requiring attention

01

Tariff Uncertainty

- Renewed U.S. tariff discussions may indirectly affect Korea-linked value chains.
- Tariff changes require vigilant monitoring and scenario planning for supply chain impact.

02

Geopolitical Exposure

- North Korea risks persist and regional relations, while improved, remain sensitive.
- Ongoing security risks may affect investor confidence, contingency planning and regional operating assumptions.
- Local elections in June 2026 may influence policy priorities, particularly in economic management, labour and social policy.

03

Renewable Energy Cost Pressure:

2.8–3.0x global avg

- Renewable generation costs significantly above global average.
- PPAs run around 1.5–2.0x other markets, challenging decarbonisation and cost competitiveness.

04

Supply-Chain Readiness

67.9% of Korean exporting companies underprepared

- Companies need stronger supplier data systems for evolving sustainability reporting and due-diligence requirements.
- Supplier data readiness remains a key gap as EU sustainability reporting and due-diligence requirements are phased in.

Areas for Chamber Engagement

Priority actions

1. Monitor policy and regulatory developments

Track labour, safety, data governance, ESG and corporate-governance changes affecting European businesses.

2. Support EU–Korea policy dialogue

Use chamber channels to raise implementation concerns and promote regulatory clarity.

3. Strengthen supply-chain readiness

Help companies and suppliers understand EU sustainability reporting and due-diligence expectations.

4. Promote strategic sectors

Highlight opportunities in semiconductors, batteries, biopharma, offshore wind, hydrogen, R&D and logistics.

Closing Message

Korea remains strategically important

- For European companies, Korea should not be only viewed as a market, but also as a technology investment and supply-chain partner.

But the operating environment is becoming more complex

- At the same time, rising regulatory complexity, energy-transition costs and supply-chain data requirements create practical challenges for companies.

Kindling businesses

- Continued EU–Korea business dialogue, regulatory clarity and implementation support will be important to sustain European business confidence in Korea.



Thank you

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