



**BANK OF KOREA**

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**PRESS RELEASE**

*FOR IMMEDIATE RELEASE*

May 27, 2021

## **Monetary Policy Decision**

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Currently available information suggests that the recovery of the global economy has strengthened, supported by the economic stimulus in major countries, accelerated vaccinations, and the relaxation of restrictions on economic activity. In global financial markets, the rise in stock prices in major countries has moderated as risk-taking tendencies were offset by factors such as inflation concerns. Government bond yields have fluctuated within a relatively narrow range. Looking ahead, the Board sees global economic growth and global financial markets as likely to be affected largely by the severity of the resurgence of COVID-19 and the status of vaccine distribution, as well as by national policy responses and their effects.

The recovery of the Korean economy has strengthened. Exports have sustained their buoyancy and facilities investment has continued to recover robustly, while private consumption has gradually emerged from its slump. Labor market conditions have continued to improve, with the year-on-year increase in the number of persons employed having risen. Going forward, the recovery of the Korean economy is likely to strengthen thanks to the buoyancy of exports and investment as well as the improvement in private consumption. GDP growth this year is projected to be around 4%, significantly above the February forecast of 3.0%.

Consumer price inflation has risen markedly to the lower-2% level due to the rising prices of petroleum products and agricultural, livestock, and fisheries products as well as the accelerating increase in service prices. Core inflation (excluding changes in food and energy prices from the CPI) has moved up considerably to the lower-1% level. The inflation expectations of the general public have risen slightly within the lower-2% range. It is forecast that consumer price inflation will run at the upper-1% range this year, considerably exceeding the February forecast of 1.3%. Core inflation is forecast to run at the lower-1% range.

In domestic financial markets, long-term market interest rates have risen, affected mainly by strengthened economic recoveries at home and abroad. Stock prices continued to increase before declining moderately due to global financial market movements. The Korean won to US dollar exchange rate has fluctuated slightly. Household loan growth has remained high, and housing prices have continued to increase rapidly in all parts of the country.

The Board will continue to conduct monetary policy in order to support the economy and stabilize consumer price inflation at the target level over a medium-term horizon, while paying attention to financial stability. While the Korean economic recovery is expected to strengthen and inflation to remain at a high level for some time, there are underlying uncertainties surrounding the path of COVID-19 and inflationary pressures on the demand side are forecast to be modest. Thus, the Board will maintain its accommodative monetary policy stance. In this process the Board will assess developments related to COVID-19 and economic developments in major countries, while paying closer attention to the buildup of financial imbalances such as fund flows concentrated in asset markets and household debt growth.