



BANK OF KOREA

PRESS RELEASE

FOR IMMEDIATE RELEASE

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Monetary Policy Decision

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Currently available information suggests that the recovery of the global economy has strengthened, supported by accelerated vaccinations and the relaxation of restrictions on economic activity in major countries. In global financial markets, stock prices have continued to rise, reflecting the economic recovery. The US dollar has strengthened, while long-term government bond yields have declined considerably due mainly to the spread of COVID-19 variants. 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 Korean economy has continued its sound recovery. Exports and facilities investment have sustained their buoyancy and private consumption has shown improvement. Labor market conditions have continued to improve, with the year-on-year increase in the number of persons employed remaining high. Going forward, exports and investment will sustain their buoyancy, while private consumption is forecast to temporarily weaken affected by the coronavirus resurgence but then return to the path of recovery supported by the execution of a supplementary budget. GDP growth this year is projected to be around 4%, consistent with the forecast in May.

Consumer price inflation has remained high at the mid-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 run at the lower-1% level. The inflation expectations of the general public have risen slightly to the lower-to mid-2% range. Looking ahead, it is forecast that consumer price inflation will continue to run in the lower- to mid-2% range for some time, exceeding the path projected in May. Core inflation is forecast to increase gradually to the mid-1% range.

In domestic financial markets, stock prices and the Korean won to US dollar exchange rate have risen, mainly driven by global financial market movements. The 3-year Korean Treasury bond yield has risen considerably, while the 10-year yield has fallen. Household loan growth has remained high, showing a record level on a first-half basis, 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 sustain the recovery of economic growth and stabilize consumer price inflation at the target level over a medium-term horizon, while paying attention to financial stability. The Board will maintain an accommodative stance of monetary policy as there remain uncertainties posed by the virus, although the Korean economy is expected to continue its recovery and inflation to remain at a high level for some time. In this process the Board will judge whether it is appropriate to adjust the degree of accommodation while thoroughly assessing developments related to COVID-19, changes in the pace of growth and inflation, and the risk of a buildup of financial imbalances.