



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 global economy has continued to recover despite the spread of COVID-19 variants, supported by accelerated vaccinations and the relaxation of restrictions on economic activity in major countries. In global financial markets, government bond yields in major countries have increased steeply and the US dollar has strengthened while stock prices have fallen, amid growing concerns over the prospect of prolonged global inflation and the rising possibility of the US Federal Reserve's tapering within the year. 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 global inflation movements and monetary policy changes in major countries.

The Korean economy has continued its sound recovery. Exports have sustained their buoyancy and facilities investment has continued its robust trend. Private consumption has recently shown improvement again, after having slowed due to the coronavirus resurgence. Labor market conditions have continued to improve, with a sustained year-on-year increase in the number of persons employed. Going forward, the economy is likely to continue its recovery as private consumption is forecast to improve gradually, affected by vaccinations and the consequent expansion of economic activity as well as the execution of a supplementary budget, while exports and investment are expected to sustain their buoyancy. GDP growth this year is projected to be around 4%, consistent with the forecast in August.

Consumer price inflation has remained high at the mid-2% level due to the accelerating increase in the prices of petroleum products and of services. Core inflation (excluding changes in food and energy prices from the CPI) has risen to the mid-1% level. The inflation expectations of the general public have remained at the mid-2% level. Looking ahead, it is forecast that consumer price inflation will run at the mid-2% level for some time, exceeding the path projected in August, before declining somewhat. Core inflation is forecast to increase to around the upper-1% level.

In domestic financial markets, long-term market interest rates and the Korean won to US dollar exchange rate have risen significantly while stock prices have fallen considerably, mainly driven by global financial market movements. The increase in household loans remains at a high level, 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 appropriately adjust the degree of monetary policy accommodation as the Korean economy is expected to continue its sound growth and inflation to run above 2% for some time, despite ongoing uncertainties over the virus. In this process the Board will judge when to further adjust the degree of accommodation while thoroughly assessing developments related to COVID-19, changes in the pace of growth and inflation, the risk of a buildup of financial imbalances, and monetary policy changes in major countries.