



BANK OF KOREA

PRESS RELEASE

FOR IMMEDIATE RELEASE

November 25, 2021

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, the volatility of government bond yields has increased and the US dollar has strengthened, affected by concerns over the prospect of prolonged global inflation and changes in expectations about monetary policy in major countries. Stock prices, especially in advanced economies, have risen, mainly driven by favorable corporate performances. 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. Although facilities investment has somewhat slowed due to global supply constraints, exports have sustained their buoyancy and private consumption has shown rapid improvement supported by accelerated vaccinations and the easing of domestic COVID-19 restrictions. Labor market conditions have continued to improve, with a sustained year-on-year increase in the number of persons employed. Going forward, the improvement of private consumption is likely to strengthen, while exports and investment are expected to sustain favorable movements. GDP growth is projected to be around 4% in 2021 and around 3% in 2022, consistent with the forecast in August.

Consumer price inflation has risen to the lower-3% level due to the accelerating increase in the prices of petroleum products and the base effect from the decline in the prices of public services last year. Core inflation (excluding changes in food and energy prices from the CPI) has risen to the mid-2% level. The inflation expectations of the general public have increased to the upper-2% level. Looking ahead, it is forecast that consumer price inflation will run considerably above 2%, exceeding the path projected in August, and then decline gradually, running at around 2% for 2022 as a whole. Core inflation is forecast to increase to the upper-1% level.

In domestic financial markets, the Korean Treasury bond yield has increased, especially the 3-year yield, due to heightened expectations for monetary policy normalization at home and abroad. Stock prices have risen slightly, affected by stock price movements in major countries, and the Korean won to US dollar exchange rate has fallen. The amount of increase in household loans has lessened somewhat, 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 the target level for a considerable time, despite underlying 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.