

## Monetary Policy Decision

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Based on currently available information the Board considers that the global economic recovery has continued to expand. The global financial markets have shown stable movements, with stock prices displaying moderate upward trends for example. Looking ahead the Board sees the global economic recovery as likely to be affected by factors such as the paces of monetary policy normalization in major countries, the directions of the US government's economic policies, and the movements toward spreading trade protectionism.

The Board judges that the solid trend of domestic economic growth has continued, as private consumption has improved moderately and investment has shown favorable movements, while exports have sustained their high rate of increase. The trend of improvement in employment conditions has shown signs of weakening somewhat, with the pace of increase in the number of persons employed in the service sector having slowed for example. Going forward, the Board expects that domestic economic growth will be slightly above the rate projected in October, as domestic demand activities including consumption and facilities investment continue their trends of moderate improvement, and exports also sustain their buoyancy thanks largely to the pickup in the global economic recovery and the improved conditions related to trade with China.

Consumer price inflation has slowed to the upper-1% level, in consequence mainly of declines in the extents of increase in the prices of agricultural, livestock and fisheries products and the disappearance of the base effect from the reduction of electricity fees last year. Core inflation (with food and energy product prices excluded from the CPI) has been rising slightly in the mid-1% range, and the rate of inflation expected by the general public has stayed at the mid-2% level. Looking ahead the Board expects that consumer price inflation will be in the mid-1% range for some time and then gradually approach the target level. Core inflation will also rise gradually.

Although long-term market interest rates have risen, due to changes in expectations related to monetary policy, the domestic financial markets have shown generally stable movements, with stock prices continuing to rise in line for example with improvements in corporate performances. The Korean won-US dollar exchange rate has meanwhile fallen, owing chiefly to the strengthening recovery of the domestic economy. The rate of increase in household lending is slowing somewhat, but is still sustaining a high level compared to past years. Housing sales prices have risen faster in some parts of Seoul and its surrounding areas, although their uptrend has in general slowed since the government's announcement of housing market stabilization measures.

Looking ahead, the Board will conduct monetary policy so as to ensure that the recovery of economic growth continues and consumer price inflation can be stabilized at the target level over a medium-term horizon, while paying attention to financial stability. As it is forecast that inflationary pressures on the demand side will not be high for the time being, while the domestic economy is expected to continue its solid growth, the Board will maintain its accommodative monetary policy stance. In this process it will judge carefully whether it is necessary to adjust its accommodative monetary policy stance further, while closely checking future economic growth and inflation trends. It will also carefully monitor any changes in the monetary policies of major countries, conditions related to trade with major countries, the trend of increase in household debt, and geopolitical risks.