



BANK OF KOREA

PRESS RELEASE

FOR IMMEDIATE RELEASE

October 23, 2025

Monetary Policy Decision

The Monetary Policy Board of the Bank of Korea decided today to leave the Base Rate unchanged at 2.50% for the intermeeting period.

(Attachment)

The Monetary Policy Board of the Bank of Korea decided today to leave the Base Rate unchanged at 2.50% for the intermeeting period. With inflation remaining stable, economic growth, while there is still high uncertainty surrounding the economic growth outlook, has continued its improvement trend, mainly driven by consumption and exports. Also, it is necessary to further monitor financial stability conditions, such as the effects of real estate market stabilization measures on housing markets in Seoul and its surrounding areas and on household debt, as well as exchange rate volatility. The Board, therefore, judged that it is appropriate to maintain the current level of the Base Rate.

The currently available information suggests that the global economy is expected to slow modestly in growth and experience a divergence in inflation trajectories across countries as the impact of U.S. tariff increases starts to materialize. In global financial markets, long-term Treasury yields have declined due to an interest rate cut by the U.S. Federal Reserve and renewed trade tensions between the U.S. and China. The U.S. dollar has fluctuated significantly, influenced by concerns about fiscal soundness in major countries. Stock prices have continued to rise strongly, led by AI-related sectors. Looking ahead, the global economy and financial markets will be influenced by developments in trade negotiations between the U.S. and China, by the prospects for product-specific tariffs, and by changes in monetary and fiscal policies in major economies.

In terms of the domestic economy, despite sluggishness in construction investment, growth has continued its improvement trend, supported by a sustained recovery in consumption and by favorable export growth. The increase in the overall number of employed persons has expanded, but some major industries, such as manufacturing, have continued to decline in employment. Going forward, domestic demand is expected to continue its recovery, led by consumption, and exports are likely to remain favorable for some time owing to the strong semiconductor sector, but the impacts of U.S. tariffs on exports are likely to expand gradually. Consequently, the growth rate is generally consistent with the August forecast of 0.9% for this year and of 1.6% for next year. However, it is assessed that both upside and downside uncertainties have increased, stemming from factors such as trade negotiations between Korea and the U.S. and between the U.S. and China, developments in the semiconductor industry, and the pace of recovery in domestic demand.

Inflation remained on a stable path in September, with consumer price inflation and core inflation (excluding changes in food and energy prices from the CPI) recording 2.1% and 2.0%, respectively. Short-term inflation expectations among the general public fell slightly to 2.5% in September from 2.6% the previous month. Looking ahead, despite upward pressure from the exchange rate, inflation is projected to remain at around 2% due to subdued demand-side pressure and the stabilization of global oil prices. As a result, both headline (2.0% and 1.9%) and core inflation (1.9% and 1.9%) are expected to be consistent with the August forecasts for this year and next year, respectively. The future path of inflation is likely to be affected by economic conditions at home and abroad, by movements in exchange rates and in global oil prices, and by the government's price stabilization measures.

Financial and foreign exchange markets have remained generally stable, but volatility in the exchange rate and the interest rate has increased somewhat since late September. The Korean won to U.S. dollar exchange rate has risen significantly due to uncertainties regarding tariff negotiations with the U.S. and due to renewed trade tensions between the U.S. and China. Korean Treasury bond yields fluctuated within a narrow range and then rose due to heightened vigilance over financial stability. Stock prices have risen sharply on prospects for favorable semiconductor industry conditions and on expectations for regulatory reforms in the capital market. The increase in household loans has significantly lessened, but housing price increases and transaction volumes have accelerated again in Seoul and its surrounding areas.

The Board will continue to conduct monetary policy in order to stabilize consumer price inflation at the target level over the medium-term horizon as it monitors economic growth while paying attention to financial stability. The domestic economy has continued its improvement trend in

growth, but uncertainties have increased due to developments in the ongoing trade negotiations and the outlook for the semiconductor industry, while inflation remains on a stable trajectory. Regarding financial stability, it is necessary to assess the effects of the government's recently announced real estate market stabilization measures and to remain cautious about the impact of heightened exchange rate volatility. Therefore, the Board will maintain its rate cut stance to mitigate downside risks to economic growth and adjust the timing and pace of any further Base Rate cuts while closely monitoring changes in domestic and external policy conditions and examining the resulting impact on inflation and financial stability.