

**PRESS RELEASE*****FOR IMMEDIATE RELEASE***

February 26, 2026

**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.

Meanwhile, the Monetary Policy Board decided to improve its conditional Base Rate projection and, beginning with this meeting, to release a six-month-ahead projection at each Monetary Policy Board's policy setting meeting at which the economic outlook is presented (four times a year, in February, May, August, and November). The conditional Base Rate projection presented at this meeting is provided in the Enclosure.

(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 expected to remain stable near the target level, economic growth is projected to continue improving at a stronger than expected pace, and risks to financial stability also remain. The Board, therefore, judged that it is appropriate to maintain the current level of the Base Rate while assessing developments in the domestic and external policy environments.

The currently available information suggests that, despite uncertainties regarding the tariff policies of the United States, the global economy is expected to maintain favorable growth, supported by increases in AI-related investment and expansionary fiscal policies in major economies. Inflation trajectories are expected to diverge across countries. In global financial markets, risk-off sentiment has strengthened somewhat. Long-term government bond yields rose and then fell, affected by concerns about fiscal soundness in major economies and changes in expectations of the US Federal Reserve's monetary policy. The US dollar weakened, due to the appreciation of the Japanese yen and the US Supreme Court's tariff ruling. Stock prices generally continued their upward trend, reflecting improved corporate earnings, but volatility increased due to concerns over AI overinvestment and the replacement of existing industries. Looking ahead, the global economy and financial markets will be affected by changes in monetary and fiscal policies in major economies and in the trade environment, and by developments in AI investment and geopolitical risks.

The domestic economy has continued its improvement trend, supported by a recovery in consumption and strong exports. The increase in the overall number of employed persons has continued to grow, led by the service sector. Going forward, the domestic economy is expected to continue a recovery in consumption, while growth in exports and facilities investment is projected to accelerate more than previously expected, supported by a strong semiconductor sector and sound global growth, although construction investment is likely to remain sluggish. Consequently, the growth rate is forecast at 2.0% for the year, higher than the November projection of 1.8%. However, there remain both upside and downside risks along the future path of economic growth related to developments in the semiconductor industry, the pace of recovery in domestic demand, monetary and fiscal policies in major economies, US tariff policies, and geopolitical risks.

Consumer price inflation declined to 2.0% in January owing to slower increases in the prices of petroleum products and of agricultural, livestock, and fisheries products. Core inflation (excluding food and energy) remained unchanged from the previous month at 2.0%. Short-term inflation expectations among the general public remained the same as the previous month, at

2.6%. Consumer price and core inflation for this year are forecast at 2.2% and 2.1%, respectively, higher than the November projection of 2.1% and 2.0%, affected by upward cost pressures on some items, including electronic devices. The future path of inflation is likely to be affected by movements in global oil prices and the exchange rate, by economic conditions at home and abroad, and by the government's price stabilization measures.

In financial and foreign exchange markets, the volatility of major price variables has increased. The Korean won to US dollar exchange rate fluctuated, influenced by supply-demand imbalances stemming from residents' overseas securities investments and foreign investors' sales of domestic stocks, as well as by movements in neighboring countries' currencies, such as the Japanese yen, and the rate recently declined significantly. Stock prices continued to rise sharply, supported by solid earnings forecasts in major sectors and expectations of regulatory reforms in the capital market, but volatility increased, affected by global stock market movements. Korean Treasury bond yields rose significantly due to weakened expectations of a Base Rate cut and supply-demand pressures stemming from fund flows, and then they partially reversed. Household loans increased only slightly due to the continued tightening stance of the government's macroprudential policy. Housing price increases in Seoul and its surrounding areas slowed under the influence of the government's real estate market stabilization measures, and their future trajectory warrants close monitoring.

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 is projected to continue its improving growth trend, while inflation is expected to increase slightly but remain on a stable trajectory around the target. Regarding financial stability, it is necessary to remain cautious about risks associated with housing prices in Seoul and its surrounding areas, with household debt, and with the impact of exchange rate volatility. Therefore, the Board will make its policy decisions, supporting a recovery in economic growth, while closely monitoring changes in domestic and external policy conditions and the resulting impact on inflation dynamics and financial stability developments.

All seven Monetary Policy Board members unanimously supported the decision to keep the Base Rate unchanged.

(Enclosure)

## **Measures to Improve the Conditional Base Rate Projection and the Conditional Base Rate Projection for February 2026**

### **I. Measures to Improve the Conditional Base Rate Projection**

#### **1. Background**

- Since October 2022, when the Bank of Korea began presenting the “Monetary Policy Board Members’ three-month ahead Base Rate projection,” it has conducted internal pilot tests on extending the forecast horizon and clarifying the presentation format.
  - Last year, the Bank also conducted a survey of economic agents and held a monetary policy conference to broadly gather external views on this matter.
  
- Based on a comprehensive review of the pilot test results and the views expressed by market participants and academics, it was determined that extending the horizon of the conditional Base Rate projection from three months to six months and clarifying its presentation format would enhance the effectiveness of policy communication.

#### **2. Main Features**

- Participants: All Monetary Policy Board members
- Forecast horizon: Six months ahead
- Publication frequency: At the time of the Bank of Korea’s economic outlook releases (February, May, August, and November; four times per year)

- Presentation format: Each Monetary Policy Board member presents three dots representing his or her Base Rate projection six months ahead.
  - The projection refers to the level of the Base Rate that each member judges to be most appropriate, based on the Bank of Korea's economic outlook and the member's own assessment, to ensure that inflation stabilizes at the target level and financial stability is maintained over the medium-term horizon.
  - Each member presents three dots reflecting the probability distribution of his or her Base Rate projection. For example, a member may allocate two dots to one interest rate level and one dot to another; alternatively, all three dots may be placed at the same rate level or each dot may be assigned to a different rate level.

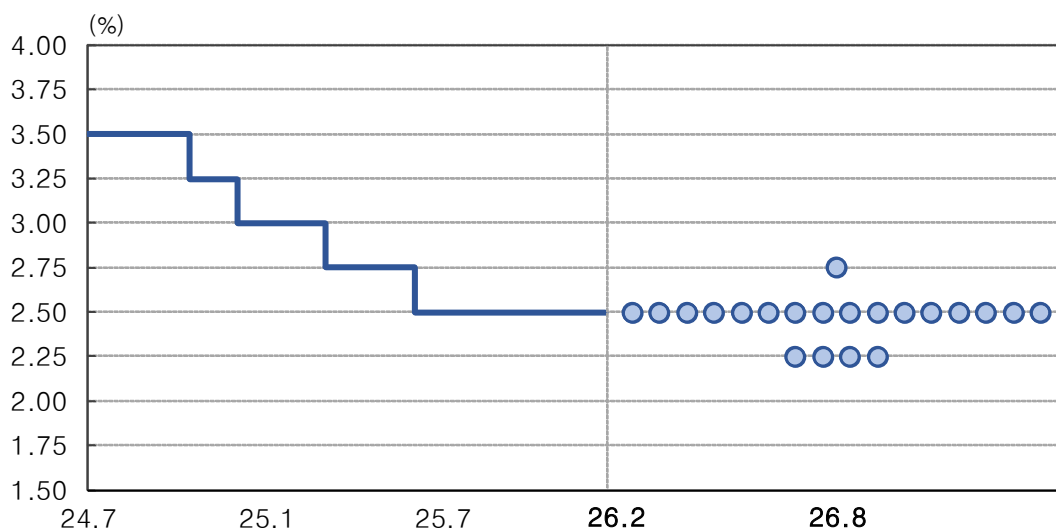
### **3. Expected Effects**

- The new projection, presented in the form of three dots, enables the probabilistic representation of the baseline and upside and downside risks. With the extension of the horizon to six months, it is also expected to provide insight into Monetary Policy Board members' views on the medium-term yield curve.
  - It is anticipated that this will support economic agents' decision-making and thereby enhance the transmission of monetary policy.

## II. Conditional Base Rate Projection of the Monetary Policy Board for February 2026

- The six-month ahead conditional Base Rate projection presented by Monetary Policy Board members at the Monetary Policy Board's policy setting meeting is as follows:

### Six-Month Ahead Conditional Base Rate Projection of Monetary Policy Board Members (February 2026)



#### Method of Presentation

- Each Monetary Policy Board member presents three dots representing his or her Base Rate projection six months ahead.
- The projection refers to the level of the Base Rate that each member judges to be most appropriate, based on the Bank of Korea's economic outlook and the member's own assessment, to ensure that inflation stabilizes at the target level and financial stability is maintained over the medium-term horizon.
  - Each member presents three dots reflecting the probability distribution of his or her Base Rate projection. For example, two dots may be assigned to one rate level and one dot to another; alternatively, all three dots may be placed at the same rate level, or each dot may be assigned to a different rate level.