Opening Remarks to the Press Conference (April 12, 2024)

Today, the Monetary Policy Board (MPB) of the Bank of Korea decided to leave the Base Rate unchanged at 3.50%. I will first go over economic conditions at home and abroad, and then explain the background to today's Base Rate decision.

To begin with changes in external conditions, while the global economy continues its moderate pace of growth, economic conditions have differentiated across major countries. In the U.S., growth for this year is predicted to be in the mid-2% range, much higher than the earlier forecast, due to robust labor market conditions and ongoing consumption growth. Meanwhile, the euro area is expected to continue sluggish growth before seeing a modest improvement in the latter half of the year. In China, the economy is projected to grow in the mid-4% range, despite the ongoing slump in the real estate sector, thanks to the Chinese government's stimulus measures.

Inflation in major countries has been trending downward, but the pace of slowing varies from country to country. In the U.S., the pace of moderation is slow, with consumer price inflation rising to 3.5% in March and core inflation stood at 3.8%, unchanged from the previous month. However, in the euro area inflation is showing a relatively rapid moderation, with both consumer and core inflation falling to the 2% range. Accordingly, the timing of inflation converging on the 2% level is projected to be around the middle of 2025 in the euro area, while in the United States it is forecast to be after the second half of 2025.

In global financial markets, expectations of a June rate cut by the U.S. Federal

Reserve have significantly weakened, influenced by favorable U.S. economic indicators. Government bond yields in major countries fell and have rebounded since late March, and the U.S. dollar has strengthened.

Looking at domestic conditions, economic growth has continued its improving trend with an ongoing increase in exports, centering on semiconductors.

Looking ahead, the domestic economy is expected to continue improving overall, with modest consumption recovery and stronger-than-expected export growth driven by robust U.S. growth and the recovery in semiconductors, though the divergence between domestic demand and exports will likely continue.

The growth rate for this year is projected to be consistent with or could exceed our February forecast of 2.1%. The future growth path is likely to be affected by monetary policies in major economies, the pace of improvements in the IT industry, and real estate project financing (PF) restructuring.

Core inflation fell to 2.4% in March and other underlying inflation measures also continued their slowing trend, but consumer price inflation remained at 3.1%, the same as in the previous month, due to increases in agricultural product prices and global oil prices. Short-term inflation expectations rose to 3.2%.

Looking ahead, core inflation is expected to continue its trend of a slowdown consistent with the February outlook and decrease to the 2% level by the end of the year. On the other hand, consumer price inflation will likely lower gradually, but there are heightened uncertainties regarding the inflation outlook, which are related to developments of geopolitical risks in the Middle East and movements in global oil prices, and trends in agricultural product prices. A more accurate assessment of whether economic growth and inflation will develop as expected can be provided in the May outlook.

In domestic financial and foreign exchange markets, long-term Korean Treasury bond yields have recently rebounded due to weaker expectations of rate cuts by the U.S. Federal Reserve. The Korean won to U.S. dollar exchange rate has risen, affected by the strengthening of the U.S. dollar and the weakening of neighboring currencies.

Looking at household debt and the housing market, household loans declined for two consecutive months due to a slowdown in the growth of housing-related loans. Housing prices have continued to show a downward trend overall with a persistently sluggish purchase sentiment. Real estate project financing restructuring has been carried out in an orderly manner, yet related risks persist.

Lastly, I will explain the background to the Base Rate decision, which reflects the abovementioned domestic and external conditions.

Although it is expected that core inflation will continue its slowing trend, there is a high degree of uncertainty regarding the consumer inflation outlook. The Board therefore judged that it is appropriate to leave the Base Rate unchanged at its current restrictive level and assess the inflation path.

All the Board members unanimously supported the decision.

Looking ahead, we will consider growth trends, household debt growth, the decoupling of major economies' monetary policies and exchange rate volatility. However, the most important point that concerns us is when we can be confident that inflation will converge on the target level. Therefore, the Board will maintain a current restrictive stance for a sufficient period of time until such confidence is established.

In this process, the Board will judge how to operate monetary policy while assessing how the current outlook for inflation and growth develops based on incoming data in the May outlook.