



BANK OF KOREA

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**PRESS RELEASE**

*FOR IMMEDIATE RELEASE*

April 17, 2025

## **Monetary Policy Decision**

The Monetary Policy Board of the Bank of Korea decided today to leave the Base Rate unchanged at 2.75% for the intermeeting period.

(Attachment)

The Monetary Policy Board of the Bank of Korea decided today to leave the Base Rate unchanged at 2.75% for the intermeeting period. While inflation remains stable, downside risks to economic growth have intensified due to the sluggishness of economic activities in the first quarter and due to the deterioration in global trade conditions. However, the Board judged that it is appropriate to maintain the current level of the Base Rate and to further assess any changes in domestic and external conditions because uncertainty regarding the future path of economic outlook remains high due to changes in U.S. tariff policies and the implementation of government stimulus measures, and also because it is necessary to monitor the high volatility of exchange rates and the trend of household loans.

The currently available information suggests that the global economy faces heightened downside risks to growth and uncertainties along the inflation path, affected by the escalation in global trade tensions. In global financial markets, the volatility of key indicators has increased due to ongoing uncertainties regarding U.S. tariff policies. Along with growing concern over a global economic slowdown, stock prices in major countries fell sharply, but partially rebounded due to factors such as the suspension of reciprocal tariffs. Long-term U.S. Treasury bond yields sharply increased after a significant decline and the U.S. dollar has shown significant weakening. Looking ahead, the global economy and financial markets will be influenced by tariff negotiations between the U.S. and major economies, by changes in monetary policies in major economies, and by developments in geopolitical risks.

In terms of the domestic economy, economic growth has been weaker than expected, as domestic demand and exports have both slowed due to prolonged political uncertainties and deteriorated trade conditions. The increase in the overall number of employed persons has expanded, but some major industries, such as manufacturing, continued to see a decline in employment. Going forward, sluggishness in domestic demand is expected to ease somewhat, however exports are expected to continue their slowdown as a result of prolonged uncertainty regarding trade conditions. Accordingly, the GDP growth outlook is expected to fall below the February forecast of 1.5%. However, the future path of economic growth is assessed to be subject to a very high degree of uncertainty concerning the development of trade negotiations and the timing and size of any supplementary budget.

Inflation has remained stable, with consumer price inflation and core inflation (excluding changes in food and energy prices from the CPI) recording 2.1% and 1.9%, respectively, in March. Short-term inflation expectations have remained at 2.7% in March, the same as in February. As inflation is expected to remain stable at around 2%, affected by declining oil prices and subdued demand pressure, despite upward pressure from an elevated exchange rate, both headline inflation and core inflation for this year are also expected to be generally consistent with the previous forecasts of 1.9% and 1.8%, respectively. The future path of inflation is likely to be affected by economic conditions at home and abroad, by movements in exchange rates and global oil prices, and by the government's price stabilization measures.

In financial and foreign exchange markets, the volatility of key indicators has increased significantly. The Korean won to U.S. dollar exchange rate rose sharply and then fell back over a short period of time, affected by factors such as announcements of U.S. tariff policies, China's retaliatory actions, and flows of funds for securities investments. Stock prices fell significantly due to concerns over an economic slowdown and weaker corporate earnings, but partially rebounded afterward, and long-term Korean Treasury bond yields declined

considerably. In the housing market, there was a significant increase in both housing prices and in transaction volumes in Seoul, but that slowed after the redesignation of the “Areas Subject to Permission of Land Transaction” regulations. Household loan growth remains subdued, but the recent increase in housing transactions is expected to temporarily expand the scale of loan growth.

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. Regarding the domestic economy, inflation remains stable, but downside risks to economic growth have intensified and uncertainties surrounding the economic outlook have significantly increased, owing to the deterioration in global trade conditions. Regarding financial stability, it is necessary to remain cautious about the impact of heightened exchange rate volatility along with the possibility of a rebound in household debt under accommodative monetary conditions. 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 the domestic and external policy environments and examining the resulting impact on inflation, household debt, and the exchange rate.