

Opening Remarks to the Press Conference (November 27, 2025)

Today, the Monetary Policy Board (MPB) of the Bank of Korea decided to leave the Base Rate unchanged at 2.50%. I will first go over economic conditions at home and abroad, and then explain the background to today's Base Rate decision.

Starting with changes in external conditions, although the global economy is expected to slow due to the tariff policies of the United States, the pace of the slowdown is projected to be gradual, supported by eased U.S.-China trade tensions and by expansionary fiscal policies in major economies. In the United States, despite a slowdown in employment, growth is expected to be around 2% next year, supported by AI-related investment and tax reduction policies. The euro area is expected to maintain a gradual improvement, driven by the easing of financial conditions and expansionary fiscal policies. In China, growth is projected to weaken due to slowing exports, but economic stimulus measures are expected to partially offset this.

Regarding inflation in major economies, consumer price inflation in the U.S. is expected to fluctuate around 3% for the time being due to the impact of tariffs, while in the euro area, it is projected to fall below 2% amid low demand-side pressures.

In global financial markets, long-term Treasury yields and the U.S. dollar index rose, and then partially reversed, influenced by the changes in expectations of the U.S. Federal Reserve rate cuts and by fiscal conditions in major countries. Stock prices continued their upward trend on the back of strong corporate performance

and easing U.S.-China trade tensions, and then underwent a correction due to concerns about overvaluation in AI sectors.

Next, looking at domestic conditions, growth has continued its improvement trend. Although construction investment remained sluggish, private consumption sustained its recovery, supported by improved economic sentiment and government measures to boost domestic demand. Exports maintained stronger-than-expected growth, led by the semiconductor sector, despite a decline in shipments to the U.S. following the imposition of tariffs.

Inflation rose in October, with the consumer price and core inflation rates (excluding food and energy) at 2.4% and 2.2%, respectively, influenced by higher prices for travel-related services and agricultural, livestock, and fishery products, as well as by a faster rise in petroleum product prices due to elevated exchange rates. Short-term inflation expectations among the general public remained at 2.6% in November, the same as in October.

In financial and foreign exchange markets, the volatility of major price variables has increased. The Korean won to U.S. dollar exchange rate rose to the mid- to upper 1,400 won range due to factors such as an increase in residents' overseas securities investments and net sales of domestic stocks by foreign investors. Also, Korean Treasury bond yields increased due to changes in domestic monetary policy expectations driven by the improved economic outlook and by vigilance over financial stability. Stock prices continued to rise on the back of the strong semiconductor sector, before undergoing a correction due to concerns about overvaluation in the AI sector.

Looking at the housing market and household debt situation, household loan growth in the financial sector accelerated as other loans rose markedly, driven by stock investment demand, while the slowdown in housing-related loans continued. The housing market in Seoul and its surrounding areas saw a decline in transaction volumes, mainly in designated regulatory areas, following the announcement of the government's real estate market stabilization measures on October 15, but the rate of price increase remains elevated and expectations of further increases persist.

We have also revisited forecasts for growth and inflation to reflect changes in domestic and external conditions since our last Economic Outlook in August. To begin with, GDP growth rates are forecast at 1.0% for this year and 1.8% for next year, both higher than the August projections of 0.9% and 1.6%, respectively. To explain the upward revision in more detail, first, owing to the conclusion of Korea-U.S. trade negotiations and the strong global semiconductor market, growth in exports and facilities investment is expected to be higher than our previous forecast. On the consumption side as well, the impact of an expansionary fiscal policy and improving economic sentiment is expected to further accelerate the recovery. By contrast, sluggishness in construction investment is expected to ease, but the pace is likely to be slower than expected. The future path of economic growth is judged to be subject to high uncertainties related to the global trade environment, developments in the semiconductor sector, and the pace of recovery in domestic demand.

Consumer price inflation is projected to be 2.1% for 2025 and 2026, slightly higher than the 2.0% and 1.9% forecast in August. For this year, the increase in the exchange rate and the worsening of weather conditions served as upward

revision factors. For next year, an elevated exchange rate and a recovery in domestic demand are likely to raise inflationary pressures more than previously expected. Core inflation is projected to be 1.9% for this year, in line with our previous forecast, but for next year it will be 2.0%, slightly up from the August forecast of 1.9%. The future path of inflation remains highly uncertain due to movements in exchange rates and in global oil prices and the impact of economic improvement.

Lastly, I will explain the background to the Base Rate decision, which reflects the abovementioned domestic and external conditions. Given that inflation has risen somewhat, the economy continues to improve, driven by consumption and exports, while uncertainty in the growth outlook continues, and risks to financial stability also remain. The Board, therefore, judged that it is appropriate to maintain the current level of the Base Rate and to assess domestic and external policy conditions. One member, Shin Sung Hwan, voted against the decision to leave the Base Rate unchanged, proposing to lower it by 25 basis points.

To explain our decision in more detail, first and foremost, although only about a month has passed since the October Monetary Policy Board meeting, there have been multifaceted changes in economic conditions during that time. Starting with the positive aspects, Korea-U.S. trade negotiations were concluded and trade tensions between the U.S. and China eased. Furthermore, the growth in exports and facility investment exceeded expectations, led by the semiconductor sector. On the other hand, heightened volatility of the exchange rate and continued increases in housing prices were negative aspects. Under these circumstances, growth is expected to continue its improvement trend, driven by domestic demand and exports, getting close to its potential rate next year. However,

reflecting on the recent growth trend, while growth remains robust in IT sectors, such as semiconductors, sluggishness persists in tariff-sensitive sectors and among local small and medium-sized enterprises (SMEs). In addition, given that next year's growth will be affected by base effects, and that both upside and downside uncertainties still remain, we deem it necessary to closely monitor developments in various risk factors. Next, while the inflation rate is expected to fluctuate above 2% for the time being and then gradually decline, the elevated exchange rate and the recovery in domestic demand were assessed as potential upside factors. Lastly, from a financial stability perspective, it was judged that continued attention should be paid to household debt and conditions in the foreign exchange market. With high expectations for rising housing prices in Seoul and its surrounding areas persisting, growth in household debt may also accelerate due to increased housing transaction volumes prior to the government's real estate market stabilization measures on October 15. The exchange rate continues to exhibit high volatility, requiring attention to its impact on inflation and financial stability. The Board thus judged that it is appropriate to maintain the current level of the Base Rate and to evaluate the changes in domestic and external policy conditions.

I would like to address the future direction of monetary policy. Although the growth outlook has been revised upward, upside and downside risks to the economic outlook remain. Moreover, financial stability risks, such as strong expectations of housing price increases and heightened exchange rate volatility, persist and inflation has risen somewhat. Taking these factors into account, the Board considers it necessary to keep open both the possibility of additional Base Rate cuts and maintaining the rate for the time being. In this process, we will decide whether and when to implement any further Base Rate cuts, thoroughly assessing growth, inflation and financial stability based on incoming data.