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## Preface by the Governor



As the central bank responsible for implementing Korea's monetary and credit policies, the Bank of Korea has dedicated its utmost efforts to achieving price and financial stability, thereby contributing to the sound development of the national economy.

In 2023, amid a turbulent and demanding period, the Bank of Korea actively sought to devise more effective policies and solutions to address the rapidly-changing circumstances in Korea and abroad. The year 2023 witnessed a series of significant events that made it imperative to maintain heightened vigilance and attention, including steep interest rate hikes by central banks in major economies in an attempt to curb inflation, the collapse of Silicon Valley Bank, and the outbreak of the Israel-Hamas war. In the face of these intensified external uncertainties, the Bank implemented its monetary policies with a priority on maintaining price stability, while closely monitoring risks in terms of financial stability. The Bank maintained the Base Rate at 3.5%, consistent with the current monetary tightening stance, and implemented market stabilization measures to actively respond to uncertainties in the financial and foreign exchange markets, such as massive deposit withdrawals from MG Community Credit Cooperatives.

The Bank of Korea has actively conducted research and policy studies in order to provide precise assessments of economic conditions and to

devise appropriate policy responses. The various reports issued by the Bank serve a crucial role in highlighting the medium to long-term challenges that Korea needs to address across a range of topics, including extreme demographic challenges posed by lowest-low fertility rates and a super-aged society, an assessment of household debt from a long-term structural perspective, and population migration between regions and its impact on regional economies. In addition, multifaceted analysis was carried out on pending issues, such as climate change and the proliferation of artificial intelligence(AI). In order to proactively address changes in the payment and settlement landscape, the Bank diligently continued its research efforts into central bank digital currencies(CBDCs), while collaborating with relevant institutions to conduct a CBDC pilot test.

The Bank of Korea actively participated in global policy discussions with international organizations and central banks in major economies as a way of fulfilling Korea's responsibilities in line with its elevated international status. The Bank also shared its research findings about various subjects across different fields with relevant institutions and academia by hosting international conferences and seminars, thus fostering expanded mutual cooperation. In particular, the Bank of Korea Governor's induction as the chair of the Committee on the Global Financial System at the Bank for International Settlements presents an opportunity for Korea to spearhead agenda setting and policy development on global financial and economic issues.

Furthermore, the Bank bolstered its external communication efforts and commitment to social responsibility to foster enhanced public understanding and trust. The Bank actively shared its materials with external stakeholders through various communication channels, such as social media platforms and blogs, while launching a new financial and economic snapshot service that aims to enhance public understanding of finance and economics. As parts of its ongoing efforts to fulfil its social responsibilities, the Bank engaged in various social contribution activities and introduced an youth internship program. With regard to the organization's internal management, the Bank has completed the construction and subsequent reoccupancy of its main buildings, resulting in improved safety and security and facilitating effective communication and productivity among all its employees across a variety of work environments. Furthermore, the Bank's pursuit of digital innovation through the utilization of AI and other cutting edge technologies is a continual boost to work capacity and efficiency.

This Annual Report provides an analysis of the financial and economic conditions in Korea and is a systematic presentation of the operation and management conditions at the Bank of Korea throughout 2023. In preparing this report, we have endeavored to enhance its usability and accessibility by organizing and presenting the information about this year in a clear and structured format, and by strengthening the report's linkages with other relevant materials. It is our hope that this report will help to broaden the public's understanding of the Bank of Korea's roles and the situation facing the Korean economy.

March 2024

Rhee, Chang Yong

Governor

Bank of Korea

A handwritten signature in black ink, appearing to read 'Rhee', written in a cursive style.