

**PRESS RELEASE***FOR IMMEDIATE RELEASE*

October 11, 2024

**Monetary Policy Decision**

The Monetary Policy Board of the Bank of Korea decided today to lower the Base Rate by 25 basis points, from 3.50% to 3.25%.

(Attachment)

The Board has decided to lower the interest rate on programs under the Bank Intermediated Lending Support Facility from 2.00% to 1.75%, effective October 11, 2024.

(Attachment)

The Monetary Policy Board of the Bank of Korea decided today to lower the Base Rate by 25 basis points, from 3.50% to 3.25%. While inflation is showing a clear trend of stabilization, household debt growth has begun to slow with tightened macroprudential policies by the government, and risks in the foreign exchange market have somewhat eased. The Board, therefore, judged that it is appropriate to slightly moderate the restrictive monetary policy and examine the impact of this going forward.

The currently available information suggests that the global economy has continued its moderate growth trend, although economic uncertainties surrounding major countries have somewhat increased. Meanwhile, inflation has maintained its slowing trend. In global financial markets, long-term government bond yields and the U.S. dollar index have rebounded after a decline, affected by changes in expectations of the pace of U.S. Federal Reserve rate cuts, by geopolitical risks in the Middle East, and by economic stimulus measures in China. The global economy and financial markets will be mainly influenced by changes in economic conditions and monetary policies in major economies, as well as by geopolitical risks and political situations in key countries.

In terms of the domestic economy, exports have continued to increase while the recovery in domestic demand has been slow. Looking at labor market conditions, although the increasing trend in the number of employed persons has gradually slowed, the unemployment rate has remained at a low level. Going forward, the domestic economy is expected to continue its trend of moderate growth. However, it is judged that uncertainties surrounding the growth outlook (2.4% for this year, 2.1% for next year) have heightened compared to August due to the delayed recovery in domestic demand. The future path of economic growth is likely to be influenced by the pace of recovery in domestic demand, economic conditions in major countries, and trends in IT exports.

Inflation has shown a clear trend of stabilization. The consumer price inflation fell to 1.6% in September due to a significant drop in petroleum product prices, and core inflation (excluding changes in food and energy prices from the CPI) has slowed to 2.0%. Short-term inflation expectations have also fallen to 2.8%. Looking ahead, inflation is expected to remain stable with low demand pressure. Consumer price inflation is anticipated to be below the 2% level for some time, and it is projected to be slightly lower than the August forecast of 2.5% this year. Core inflation is expected to remain stable at around 2%, and it is projected to be consistent with the August forecast of 2.2% this year. For next year, both headline and core inflation are projected to be generally consistent with the previous forecast of 2.1% and 2.0%, respectively. However, there are high uncertainties related to changes in global oil prices in response to developments of geopolitical risks in the Middle East, movements in exchange rates, and adjustments in public utility fees.

In financial and foreign exchange markets, long-term Korean Treasury bond yields have rebounded after a decline, in line with changes in expectations of the monetary policy both at home and abroad. The Korean won to U.S. dollar exchange rate has fluctuated, influenced by movements in the U.S. dollar and geopolitical risks. In the housing market, the increase in housing prices has slowed and transaction volumes have declined in Seoul and its surrounding areas, and sluggishness has persisted across the rest of the country. As a result, growth in household loans also shrank considerably.

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, it is forecast that inflation will stabilize at the target level and that the moderate growth trend will continue, but uncertainties regarding the future path of output growth have heightened. Regarding financial stability, housing prices in the Seoul area and household debt growth are anticipated to gradually slow due to the effects of tightened macroprudential policies. However, it is still important to remain cautious of the associated risks such as the impact of the Base Rate cut on household debt. Therefore, the Board will thoroughly assess the trade-offs among policy variables such as inflation, growth, and financial stability, and carefully determine the pace of further cuts of the Base Rate.