

July 9, 2010
The Bank of Korea

Monetary Policy Decision

The Monetary Policy Committee of the Bank of Korea decided today to raise the Base Rate from 2.00% of its current level to 2.25%.

(The following is an unofficial English translation of the Monetary Policy Committee statement.)

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In the global economy, emerging market economies have sustained their favorable performance, while the economies of major advanced countries such as the US have largely continued their recovery trend. The risks that international financial market unrest due to the government debt problems in some European countries and heightened volatility of growth in economic activity in major countries recur at any time cannot be ruled out.

The upward trend of domestic economic activity has been maintained. Exports have held to their strong upward track, domestic demand such as consumption and investment has steadily increased and, led by the private sector, labor market conditions have shown an improving trend.

Domestic economic activity is expected to continue on an upward track, even with the presence of overseas risk factors.

Consumer price inflation has so far remained in a range of somewhat above 2% but a little below 3%, but in the future, upward pressures are expected to build continuously owing to the increase in demand-pull pressures associated with the continued upturn in economic activity. In the real estate market, housing sales prices have declined in Seoul and its surrounding areas, while those in other areas have sustained a highly upward trend.

In the financial markets, long term market interest rates have increased, reflecting domestic economic conditions and, stock prices and exchange rates have exhibited high volatility due to the influence of overseas risk factors. The scale of the growth in mortgage lending has widened in response chiefly to low lending rates, even though house transactions have been inactive.

Looking ahead, the Committee will maintain the accommodative policy stance in such a way as to help the economy sustain its sound growth on a foundation of price stability and, in carrying out policy, it will take overall account of financial and economic conditions at home and abroad.