

## Juyeol Lee: Inaugural address

Inaugural address by Mr Juyeol Lee, Governor of the Bank of Korea, Seoul, 2 April 2018.

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*(The following is an unofficial English translation of the inaugural address of Juyeol Lee, the Governor of the Bank of Korea.)*

My dear fellow Bank of Korea staff!

Today I begin my second term as Bank of Korea governor. This is not only a great honor for me personally, but from the standpoint of our organization as well I think it has a very deep meaning in serving to honor the Bank of Korea's neutrality and the autonomy of its monetary policy. At first I considered beginning my new term without holding any event at all, but for the purpose of reflecting together with you all on this meaning, and newly resolving ourselves for the work ahead of us, we are having this inaugural ceremony, even if it is only a simple one.

First, let me express my heartfelt appreciation to our Monetary Policy Board members, who have given their all in our establishment and operation of monetary policy even under the harsh conditions that we have faced over the past four years, and to our executives and staff, who have faithfully carried out the duties assigned to them under these conditions as well.

My fellow Bank of Korea staff!

Recently our domestic economy, as well as economies overseas, have been growing solidly, and it is forecast that these trends will persist going forward as well. But I think that the uncertainties surrounding our economy now are greater than at any other time before.

Already this year financial markets worldwide have been shaken to considerable extents, in line with the monetary policy normalizations in major countries and the movements toward strengthened trade protectionism. In Korea structural problems have also built up, owing to our low birthrate and population aging, income imbalances, dual labor market structure and accumulated household debt. All of these are factors that can undermine the stability of our real economy and financial system.

In severe conditions like these, we will need to equip ourselves with strong senses of responsibility and mission, and ponder deeply the directions appropriate to our future policy operations. And as I begin my second term here today, I would like to talk from now on about the tasks that I plan to focus on pushing ahead with.

First, while working to sustain the momentum of the economic recovery, we will also have to operate our monetary policy so as to ensure that financial system stability can be maintained. As we continue our monetary policy accommodation to support our economy's trend of growth, and closely examine changes in real economic and financial stability conditions, we will need to judge carefully the necessity of any adjustment in the degree of accommodation. In this process we will have to devote special care to making sure that potential financial system risks, such as the buildup of household debt and the possibility of capital outflows, do not materialize. In order to operate our monetary policy effectively, accurate assessment and forecasting of financial and economic conditions are essential. And on the basis of this we will have to maintain consistency in our policy-making, while formulating the directions for our monetary policy operations from a medium-term perspective and communicating on them with the market.

While devoting efforts to the efficient operation of our monetary policy, we will not hesitate to provide advice on pending economic issues overall. Short-term policy responses to the risks facing us mentioned earlier are of course important, but when looked at from a long-term

perspective I believe that the work of resolving the structural vulnerabilities in our economy is a task that cannot be delayed any longer. Through in-depth research we will have to precisely diagnose the urgent economic issues before us, seek viable responses to them, and consistently propose these to the policy authorities.

To enhance our monetary policy's effectiveness we will need to reconsider our policy framework and instruments. Taking into account the changes in the relationship between growth and prices, as well as the importance of the central bank's role in financial stability, we will have to deliberate deeply on measures to facilitate efficient operation of our inflation targeting system. Since there is a possibility that, together with the drop in our potential growth rate, the scope for our Base Rate operations will become narrower than previously, it will be necessary from a medium- to long-term perspective to also devise measures for securing our policy capacity.

We will have to respond actively to the changes in our financial environment due to the developments of fintech and new technologies such as Blockchain. Technological innovation these days is so rapid and complex that it is difficult to compare it with past cases. These changes do bring to us new opportunities and convenience, but they can also lead to unanticipated risks and also threaten our financial system's stability. We will have to strengthen our research on the impacts that digital innovation is having on the real and financial economies, while at the same time also participating actively in the international discussions in this regard.

Fellow members of the Bank of Korea!

In starting my first term four years ago I immediately launched the 「Management Improvement T/F」, which promoted the heightening of our work efficiency. Since then we have continued our efforts to raise our staff's sense of accomplishment and strengthen the capacity of our organization as a whole, but it is true that there are still inadequacies in our management practices that will have to be improved upon going forward. If we say that in operating our organization over the past four years we have put 'stability' first, then during the next four years we will place our focus on 'change and innovation.' To this end we will reassess, from the present day's perspective, the various systems and practices related to internal management at our Bank, and build upon the parts of our heritage that are worth preserving while proactively seeking to change practices that are either obsolete or in need of improvement.

To speak a little more concretely here, we will have to aggressively clear away any inefficiencies in our work process, and heighten our productivity. Precious time and resources should not be wasted in unnecessary processes or practices. Through the delegating of authority to lower levels of staff, the simplification of our reporting process, and the minimization of task overlaps across departments, we will strive to enhance the efficiency of our work process and decision-making system. I think that this is also important in order that staff be able to strike a 'balance between work and life.'

And if we want these efforts to bear the intended fruit, then smooth communication between high and low level staff members, between colleagues, and between departments is essential. Together with this, through personnel management based on objective criteria for assessing performance and ability, we will ensure the reinvigoration of our organization.

My fellow Bank of Korea staff!

In circumstances where domestic and overseas economic conditions are severe like this, I think that the public expectations for the central bank are higher than at any other time. And in order for the Bank of Korea to be able to satisfy these public expectations, all staff will need to gather themselves, with new determination, and strive to fulfill their individual responsibilities. In connection with this, I think that at this point in time it is crucial to have an open attitude of willingness to listen to healthy criticisms or opinions from outside. I always stress that we must be ever vigilant against the possibility of delays in our development as a result of homogeneous

thinking. And this is why we must carry out our duties with more adventurous attitudes, and also why increasing the diversity of our organizational composition is appropriate.

In order to become a central bank trusted by the public, as is our vision, we must live up to the public's high expectations not only in our policy operations but also from the perspective of our morality. Our individual staff members will have to maintain their dignities as central bankers. Slackness in complying with our principles and regulations in the execution of our duties is unacceptable.

Dear Bank of Korea executives and staff!

Let us all, as central bank employees, be resolute in our purpose of contributing to the development of our national economy, and while cooperating and communicating actively with each other exert ourselves to the utmost in fulfilling the responsibilities that we are entrusted with.

Thank you.