

## Hyun Song Shin: Speech - 76th Anniversary of the Bank of Korea

Speech by Mr Hyun Song Shin, Governor of the Bank of Korea, to commemorate the 76th Anniversary of the Bank of Korea, Seoul, 12 June 2026.

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Distinguished colleagues of the Bank of Korea,

Today marks the 76th anniversary of the founding of the Bank of Korea. I would like to take this opportunity to express my deepest gratitude to our predecessors, who have devoted themselves to the development of both the Bank of Korea and our economy since the Bank's establishment. I would also like to extend my sincere appreciation to the members of the Monetary Policy Board for their leadership in monetary policy, to all our staff members who continue to give their best in their respective roles, and to the families whose steadfast support makes their dedication possible.

In my inaugural address two months ago, I outlined the broad direction for the Bank of Korea over the next four years. Today, I would like to review the challenges currently facing our economy and discuss the key priorities that we will pursue during the second half of the year.

Dear colleagues,

Despite heightened uncertainty surrounding developments in the Middle East, our economy has recently seen a significant acceleration in growth, driven by strong semiconductor exports fueled by the global expansion of AI. As you are well aware, GDP growth reached 1.8 percent quarter on quarter in the first quarter of this year, substantially exceeding earlier expectations. In particular, nominal GDP growth recorded an exceptional expansion of 10.5 percent, as the terms of trade improved rapidly on the back of rising semiconductor prices. In addition, gross domestic income (GDI) and gross national income (GNI), both of which reflect real purchasing power, recorded growth rates approaching double digits.

Going forward, the domestic economy is expected to maintain solid growth momentum. While the semiconductor sector continues to perform well, domestic demand is also projected to recover, driven by rising incomes, expanded investment, and increased tax revenues stemming from nominal GDP growth. However, as growth remains highly dependent on the IT sector, we need to remain mindful that disparities across sectors persist.

On the other hand, concerns regarding inflation have intensified as the war in the Middle East has continued for more than three months. As the effects of higher international oil prices have become more pronounced, consumer price inflation rose to the 3 percent range in May. Core inflation, which had previously shown signs of stabilization, also increased to the mid-2 percent range, driven by price increases in certain personal services. Notably, the cost of living, which is closely related to households' perceived inflation, is rising faster than headline consumer prices and could influence household inflation expectations. Looking ahead, while the government's price stabilization measures are expected to help alleviate upward

pressures, inflation is likely to remain above the target level for a considerable period, as the effects of supply-side shocks broaden and demand-side price pressures strengthen. In particular, with the normalization of energy supply chains delayed, heightened household inflation expectations and the possibility of price increases by firms may pose additional upside risks to inflation.

Risks also remain on the financial stability front. In the Seoul metropolitan housing market, housing sale prices, jeonse leasehold deposits, and monthly rents have continued to increase sharply, and expectations of further price hikes have risen again. In addition, the surge in stock prices has been accompanied by a significant increase in leveraged equity investment. As a result, household lending, which had previously shown signs of stabilization, expanded markedly in May. It is important to be mindful that excessive leveraged investment can not only have a significant impact on personal gains and losses during price corrections, but also amplify market volatility.

In the foreign exchange market, the Korean won to U.S. dollar exchange rate remains elevated in the 1,500 won range despite rising stock prices and a large current account surplus, as foreign equity capital continues to flow out of the market. However, some market participants expect the won-dollar exchange rate to gradually stabilize going forward, as the large current account surplus is likely to increase demand for the won through higher corporate tax payments and greater domestic investment. If this materializes, it will once again confirm that an exchange rate reflects not only short-term flows but also underlying fundamental value.

Dear colleagues,

Taken together, current developments in growth, inflation, and financial stability point relatively clearly in one direction from a monetary policy perspective. The data received since our May monetary policy decision meeting have also reinforced this view.

Monetary policy is often subject to trade-offs between policy variables, but such trade-offs are not significant at this time. Therefore, we need to focus on price stability, and raise the Base Rate before it is too late.

Since the burden of inflation is felt more acutely by lower-income households, proactive efforts to maintain price stability are also a way to prevent that burden from becoming even heavier for them. To be sure, higher interest rates inevitably increase debt-servicing burdens for both households and firms. However, as monetary policy affects the economy broadly through market channels, targeted support for those facing such difficulties can be delivered more effectively through fiscal policy. At the same time, the Bank of Korea should also continue to explore ways in which it can contribute to addressing these challenges.

My dear colleagues,

Next, I would like to talk about structural challenges directly related to monetary policy.

From a financial perspective, we will continue to closely monitor potential risks of the housing market and household debt, and maintain close coordination with the government's macroprudential policy efforts. In addition, in the medium- to long-term,

sustained efforts will also be required to ease the concentration of economic activity in the Seoul metropolitan area and to facilitate the flow of capital toward more productive sectors of the economy. Along with this, it is important to deepen the foreign exchange market and build its underlying resilience through the internationalization of the Korean won. We will work in cooperation with relevant institutions to implement policies aimed at enhancing foreign investors' access to the Korean won market and absorbing NDF trading demand onshore through the 24-hour foreign exchange market opening scheduled for next month, and the subsequent planned establishment of an offshore KRW settlement system.

From a real economy perspective, as I mentioned earlier, despite the spillover effects of the Middle East conflict, the semiconductor industry has continued to experience an exceptional boom driven by the global AI surge and business conditions in several other key manufacturing industries have also improved, which I believe reflects the underlying strength and resilience of +Korea's manufacturing ecosystem.

That said, while the current performance reflects years of sustained effort and dedication, we must also recognize that it has been supported in significant part by a more favorable external environment. At times like these, it is important not to become complacent about short-term achievements. Rather, we should take a clear-eyed view of our circumstances and prepare for the changes that lie ahead. In particular, we should make use of the improved fiscal position and stronger corporate balance sheets to expand investment to strengthen our future growth potential. We must also continue our efforts to narrow regional, intergenerational, and socioeconomic disparities. At the same time, we need to develop and refine policy responses to the structural challenges that have accumulated over time, including those arising from demographic change.

These developments could ultimately have important implications for both the economy's potential growth rate and the neutral interest rate. Accordingly, from a monetary policy perspective, we must examine these issues from multiple angles and, where appropriate, provide policy recommendations to the government.

Dear colleagues,

The tasks I have outlined today cannot be addressed by any single department alone. The best decisions are made when departments work closely together, share information openly, and maintain a common understanding of the challenges we face. For my part, I will actively engage with all of you and create opportunities for open and constructive debate.

When I assumed office as Governor, I came with high expectations for our staff. Over the past two months, having worked closely with many of you, I have been both impressed and delighted to find that your capabilities exceed even those expectations. Going forward, I will do everything I can to create an environment in which each and every one of you can fully demonstrate your capabilities.

While it may be premature to discuss specific solutions at this stage, since taking office I have been looking into our organizational culture and internal management practices and listening to various voices through multiple channels. Going forward, I plan to regularly and systematically examine areas that employees perceive as vulnerable or in

need of improvement. Based on this, we will devise reasonable and convincing measures for improvement, thereby providing everyone with many opportunities for growth, supported by appropriate recognition and treatment.

My dear colleagues,

There is an old adage that says, "The time to repair the roof is when the sun is shining." With the global economic environment undergoing rapid change, driven in part by the advances in AI technology and other developments, now is the time to look beyond the present and prepare for the future.

As we celebrate the Bank of Korea's 76th anniversary today, I am once again reminded that the achievements of the Bank of Korea so far have been made possible thanks to your deep sense of responsibility and dedication. I believe that the work each of you carries out diligently in your respective positions - whether in policy, management, or operations - collectively helps sustain the credibility of the Bank of Korea and contribute to the stability of our economy as well. I encourage you to take pride in shaping the future of the Bank of Korea and to fully realize your potential. I, for my part, will provide my full support.

I would like to express my sincere gratitude once again for your hard work, and I wish you and your families continued health and happiness.

*\* This is an unofficial translation of the original speech released on June 12, 2026.*