

## BOK keeps rates but raises growth outlook

Thursday, October 19, 2017

### Highlights

- **The Bank of Korea kept its benchmark rate unchanged at 1.25%**, with most policy-makers voting to keep rates unchanged (Lee Il-houng was the sole dissenter as he voted for a rate hike). Importantly, the central bank raised its 2017 growth outlook to 3.0%, up from July's estimate of 2.8%. Inflation is expected to be in the upper-1% range for some time, while core inflation is pencilled in the mid-1% range before gradually rising from next year.
- **Economic outlook remains robust: BOK policy statement recognises the global economy recovery as well as rising stock prices, coupled with “the solid trend of domestic economic growth” given strong investment and private consumption growth rates.** Moreover, stellar export prints are expected to sustain into the year given the favourable global economic backdrop, while expansion in Korea's fiscal spending should support domestic demand activities.
- **We note that Bank of Korea's recent growth upgrade to 3.0% is now in line with our in-house growth outlook of 3.0% made earlier this year.** Barring further negative shocks from the ongoing geopolitical tensions in the Korean Peninsula, we opine that the improving global economic environment amid positive spillover effects into Korea's external environment and employment conditions should support overall growth into end-year. Meanwhile, given the lack of inflationary pressures at this juncture, we expect BOK to keep rates unchanged at 1.25% for the rest of this year, although conditions could ripen for an eventual rate hike in early 2018.

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