Press Release

Ministry of Economy and Finance

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EMERGENCY MEETING ON MACROECONOMIC AND FINANCIAL STABILITY

RESULTS OF THE EMERGENCY MEETING ON MACROECONOMIC AND FINANCIAL STABILITY

Deputy Prime Minister and Minister of Economy and Finance Kyungho CHOO presided over an Emergency Meeting on Macroeconomic and Financial Stability with other responsible bodies this morning (May 4 (Thur.) 08:00).

*Attended by Bank of Korea Governor Chang Yong Rhee, Financial Services Commission Chairman Joo-hyun Kim, and Financial Supervisory Service Governor Bok-hyun Lee

[Federal Open Market Committee (FOMC) decision at the May meeting and the assessment of their implications]

At the Federal Open Market Committee (FOMC) meeting yesterday, the Federal Reserve (Fed) decided to raise its policy interest rate by 25 basis points (with the upper limit of the federal funds target range increased from 5.0% to 5.25%) following the rate hikes in February and March.

The Fed removed a sentence from its previous statement saying that “some additional policy firming may be appropriate”. At the Press Conference, Fed Chair Powell said that the Fed planned to discuss the question of pausing interest rate increases at the June meeting, but it would not be appropriate to consider cutting rates when inflation pressures remained high.

The attendees of the Emergency Meeting on Macroeconomic and Financial Stability shared the view that the Fed’s signal of a conditional pause on rate hikes would have positive effects on the Korean financial and foreign exchange markets. Nevertheless, the attendees agreed on the need to remain vigilant and closely monitor the situation given persistent concern over high inflation, and they could not exclude the possibility of renewed global financial market anxiety and greater real economic uncertainty driven by the small and mid-sized U.S. bank failures.

[Domestic financial market conditions and government plan to respond effectively to any significant developments]

Despite the growing anxiety about the global banking sector, the Korean financial market has remained relatively stable, buoyed by foreigners’ net stock purchases, among others. The corporate bond and short-term money markets also remain steady as the yields are stabilizing.

However, the risk of greater uncertainty in the financial and foreign exchange markets remains amid the wider interest rate gap with the U.S. along with growing concern over greater volatility caused by market abuses or market concentration. Given the existence of such risks, the attendees agreed on the need to effectively respond according to the situation, keeping their guard up against any significant incidents.