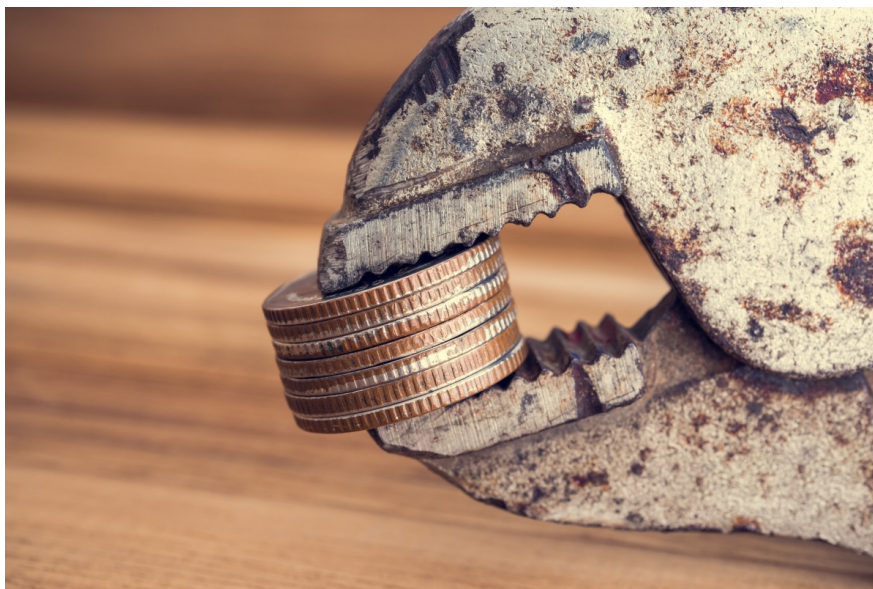


## Korea: February CPI accelerated to 3.7%YoY

Inflationary pressures have built up across the board with the core CPI excluding agricultural products and oils rising to 3.2% (vs 3.0% in January).



Source: Shutterstock

# 3.7%

Headline CPI inflation

February

Higher than expected

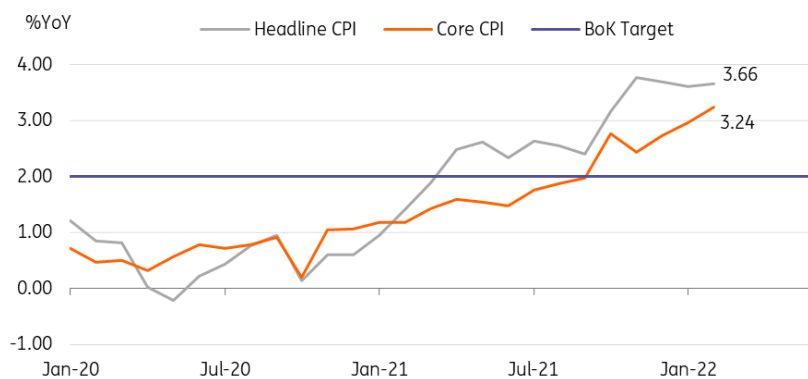
### The rise of the consumer price index in February was driven by higher energy prices and personal services

Headline CPI inflation accelerated to 3.7% YoY in February (vs. 3.5% in January), in line with ING's forecast but above the market consensus (3.5%). Industrial goods rose 5.2%YoY (vs 4.2% in January), with a 19.4% rise in fuel, but fresh-food prices dropped -0.9%, marking the first drop in

four months. Utilities such as electricity, water & gas were unchanged at 2.9% after making a significant price adjustment in January.

In terms of services inflation, rentals for housing stayed at 2.1%YoY for the second month - the recent household credit tightening measures probably played a role. Personal services inflation jumped to 4.3% with a notable gain in eating-out services (6.2%).

## Inflation on the rise



Source: CEIC

## Policy reactions to curb the fast inflation growth are expected

To mitigate the impact on high energy prices, the government decided to extend the current 20% fuel tax cut for three more months until the end of July and might consider a steeper tax cut if oil prices rise further.

Given that Dubai Crude oil prices recently hit \$110 per barrel, upward pressure is highly likely in the foreseeable future. Even though the Bank of Korea took a pause last month, if CPI inflation hits 4%, then we expect the BoK to immediately respond by hiking rates again.

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