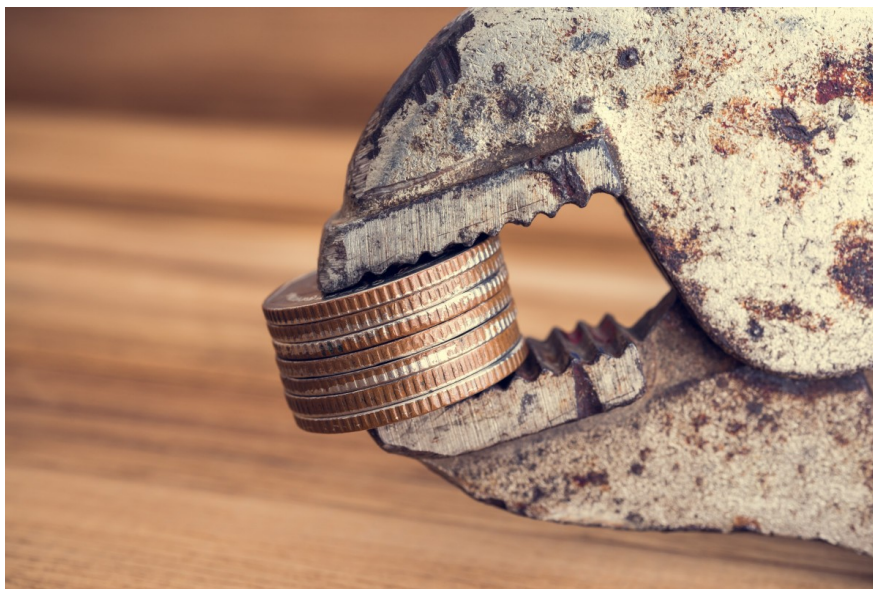


## Korea: February CPI accelerated to 3.7%YoY

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

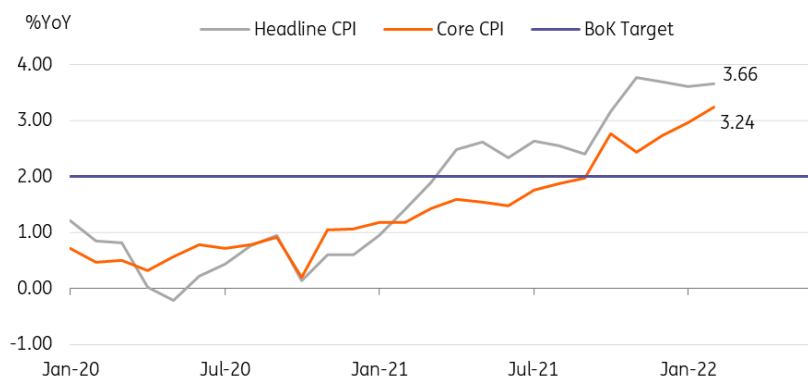
### The rise of the consumer price index in February was driven by higher energy prices and personal services

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.

### Author

#### Min Joo Kang

Senior Economist, South Korea and Japan

[min.joo.kang@asia.ing.com](mailto:min.joo.kang@asia.ing.com)

### Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user’s investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.