



BANK OF KOREA

PRESS RELEASE

FOR IMMEDIATE RELEASE

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Monetary Policy Decision

The Monetary Policy Board of the Bank of Korea decided today to leave the Base Rate unchanged at 1.50% for the intermeeting period.

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Based on currently available information the Board considers that the pace of global economic growth has slowed as trade has contracted. Volatility in the global financial markets has increased. Government bond yields and stock prices in major countries have fallen significantly in line mainly with the US-China trade dispute and concerns about the consequent global economic slowdown. Looking ahead, the Board sees global economic growth and the global financial markets as likely to be affected by factors such as the degree of the spread of trade protectionism, the changes in the monetary policies of major countries, and geopolitical risks.

The Board judges that the pace of domestic economic growth has remained slow, as consumption growth has weakened, while the adjustment in construction investment and the sluggishness in exports and facilities investment have continued. Employment conditions have partially improved, with the increase in the number of persons employed having risen. With respect to future domestic economic growth, the Board judges that the uncertainties concerning the growth path forecast have further increased, owing chiefly to the escalation of the US-China trade dispute and the heightened geopolitical risks.

Consumer price inflation has slowed to the mid-0% range, in consequence mainly of the declines in the prices of petroleum products and agricultural, livestock and fisheries products. Core inflation (with food and energy product prices excluded from the CPI) has been at the upper-0% range, and the rate of inflation expected by the general public has been at the 2% level. Looking ahead, it is forecast that consumer price inflation will fluctuate for some time at the lower-0% level as downside risks to the path projected in July have increased, and then run at the low- to mid-1% level from next year. Core inflation will also gradually rise.

The high volatility of price variables in the domestic financial markets has continued, in line mainly with concerns about the US-China trade dispute, geopolitical risks, and the consequent economic slowdowns at home and abroad. Long-term market interest rates and stock prices have fallen significantly, while the Korean won-US dollar exchange rate has risen considerably. The slowdown in household lending growth has weakened somewhat, while housing prices have continued their downtrend but have risen in some parts of Seoul and its surrounding areas.

Looking ahead, the Board will conduct monetary policy so as to ensure that the recovery of economic growth continues and consumer price inflation can be stabilized at the target level over a medium-term horizon, while paying attention to financial stability. As it is expected that domestic economic growth will be moderate and it is forecast that inflationary pressures on the demand side will remain at a low level, the Board will maintain its accommodative monetary policy stance. In this process it will judge whether to adjust the degree of monetary policy accommodation, while closely examining any changes in macroeconomic and financial stability conditions. It will also carefully monitor the US-China trade dispute, any changes in the economies and monetary policies of major countries, the trend of increase in household debt, and geopolitical risks.