



BANK OF KOREA

PRESS RELEASE

FOR IMMEDIATE RELEASE

October 16, 2019

Monetary Policy Decision

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Based on currently available information the Board considers that the pace of global economic growth has continued to slow as trade has contracted. The global financial markets have shown high levels of volatility, affected mainly by the uncertainties concerning the US-China trade dispute and the sluggishness of economic indicators in major countries. 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. Going forward the Board expects domestic economic growth to fall below the July projection, owing chiefly to the continued US-China trade dispute and the heightened geopolitical risks.

Consumer price inflation recorded a negative rate, in consequence mainly of the declines in the prices of petroleum products, agricultural, livestock and fisheries products, and public services. Core inflation (with food and energy product prices excluded from the CPI) has been at the mid-0% range, and the rate of inflation expected by the general public has fallen to the upper-1% level. Looking ahead, it is forecast that consumer price inflation will fall short of the path projected in July and fluctuate for some time at around the 0% level, and then run in the 1% range from next year. Core inflation will also gradually rise.

In the domestic financial markets, long-term market interest rates and stock prices have risen and the Korean won-US dollar exchange rate has fallen, with major price variables fluctuating considerably due to movements in the global financial markets. The rate of increase in household lending has continued to slow. Housing prices have remained steady overall but have risen in 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 observing any changes in macroeconomic and financial stability conditions and the effects of the two Base Rate cuts. 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.