

PRESS RELEASE*FOR IMMEDIATE RELEASE*

November 29, 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 been stable in general, as risk aversion has subsided in line mainly with progress in the US-China trade negotiations. 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 continued to improve in some respects, with the increase in the number of persons employed having risen. With respect to the domestic economy during next year, the Board expects the sluggishness in exports and facilities investment will ease somewhat and the consumption growth rate will moderately rise, although the adjustment in construction investment will continue. GDP is forecast to grow at around 2% in 2019 and the lower-2% level in 2020.

Consumer price inflation was at the 0% level, due largely to a smaller decline in the prices of agricultural, livestock and fisheries products. 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 remained at the upper-1% level. Looking ahead, it is forecast that during next year consumer price inflation will moderately increase to around 1% and core inflation will be at the upper-0% level.

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, affected chiefly by movements in the global financial markets. The rate of increase in household lending has continued to slow. Housing prices have risen as the pace of increase has expanded 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 carefully monitoring developments in the US-China trade negotiations, the economies and monetary policies of major countries, the trend of increase in household debt, and geopolitical risks and examining their effects on domestic macroeconomic and financial stability conditions.