



**BANK OF KOREA**

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**PRESS RELEASE**

*FOR IMMEDIATE RELEASE*

January 17, 2020

## **Monetary Policy Decision**

The Monetary Policy Board of the Bank of Korea decided today to leave the Base Rate unchanged at 1.25% for the intermeeting period.

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Based on currently available information the Board considers that the pace of global economic growth has continued to slow with the ongoing sluggishness in trade. The global financial markets have been generally stable in line mainly with progress in the US-China trade negotiations, while recently volatility temporarily increased due to the escalation of military tensions in the Middle East. Looking ahead, the Board sees global economic growth and the global financial markets as likely to be affected largely by developments in global trade protectionism and geopolitical risks.

The Board judges that the sluggishness in the domestic economy has eased somewhat. Facilities investment has slightly increased and consumption growth has expanded, although construction investment and exports have continued to decline. Employment conditions have continued to improve in some respects, with the increase in the number of persons employed having risen. GDP is forecast to grow at the lower-2% level this year, consistent overall with the level projected in November. Although the adjustment in construction investment will continue, the sluggishness in exports and facilities investment will gradually ease and the consumption growth rate will moderately rise.

Consumer price inflation has risen to the upper-0% level, due largely to a smaller decline in the prices of agricultural, livestock and fisheries products and to increases in petroleum product prices. 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 this year consumer price inflation will rise to around 1%, generally in accord with the path projected in November, and core inflation will run at the upper-0% level.

In the domestic financial markets, stock prices have risen and the Korean won-US dollar exchange rate has fallen, affected chiefly by movements in the global financial markets and expectations of a recovery in the semiconductor industry. Long-term market interest rates have rebounded from an earlier decline. The amount of increase in household lending has expanded, and housing prices have shown high rates of increase in Seoul and its surrounding areas especially.

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 global trade disputes, the economies of major countries, the trend of increase in household debt, and geopolitical risks and examining their effects on domestic macroeconomic and financial stability conditions.