



BANK OF KOREA

PRESS RELEASE

FOR IMMEDIATE RELEASE

February 27, 2020

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 with the ongoing sluggishness in trade. Volatility in global financial markets has increased. Government bond yields and stock prices have fallen in major countries and the US dollar has strengthened with the spread of the COVID-19 outbreak. Looking ahead, the Board sees global economic growth and the global financial markets as likely to be affected largely by the severity of the COVID-19 outbreak and developments in global trade protectionism and geopolitical risks.

The Board judges that economic growth in Korea has weakened. Although the sluggishness in facilities investment has eased, consumption has contracted and exports have slowed owing to the spread of the COVID-19 outbreak while the adjustment in construction investment has continued. Employment conditions have continued to improve, with the increase in the number of persons employed having risen. GDP is forecast to grow at the lower-2% level this year, below the November projection (2.3%), and the Board judges that uncertainties regarding the future growth path are high due to the impact of the COVID-19 outbreak.

Consumer price inflation has risen to the mid-1% level, due largely to an upturn in the prices of agricultural, livestock and fisheries products and to the larger increase in petroleum product prices. Core inflation (excluding changes in food and energy prices from the CPI) has increased to the upper-0% range, and the inflation expectations of the general public have remained at the upper-1% level. Looking ahead, it is forecast that consumer price inflation will run at the lower-1% level and then fall slightly to record around 1% during this year, and core inflation will run at the upper-0% level.

Volatility in domestic financial markets has increased. Long-term market interest rates and stock prices have fallen sharply and the Korean won-US dollar exchange rate has risen considerably, affected by the spread of the COVID-19 outbreak. The rate of household loan growth has risen slightly, and housing prices have increased at a relatively high rate, especially in the areas surrounding Seoul.

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 thoroughly assessing the severity of the COVID-19 outbreak, its impact on the domestic economy, and changes in financial stability including household debt growth. Also, the Board will closely monitor developments in global trade disputes, the economies of major countries, and geopolitical risks.