



THE BANK OF KOREA

---

**PRESS RELEASE**

*FOR IMMEDIATE RELEASE*

July 12, 2018

## **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.

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

Based on currently available information the Board considers that the global economy has continued its robust growth. The volatility in the global financial markets has expanded, as a result mainly of concerns about the trade disputes in the world and of the strengthening of the US dollar. Looking ahead the Board sees global economic growth as likely to be affected by factors such as the movements toward spreading trade protectionism, the paces of monetary policy normalization in major countries, and the directions of the US government's economic policies.

The Board judges that the solid trend of domestic economic growth has continued, as consumption and exports have shown favorable movements although the adjustments in facilities and construction investment have persisted. Employment conditions are still sluggish, with the extent of increase in the number of persons employed having remained at a low level. Going forward the Board expects domestic economic growth to be slightly below the path projected in April, but to sustain a rate at its potential level. It anticipates that investment will slow but that the trend of steady increase in consumption will continue, and that exports will also sustain their favorable movements thanks to the buoyancy of the global economy.

Consumer price inflation has remained at the mid-1% level, due mainly to the slowing pace of increase in agricultural and livestock product prices and despite the prices of petroleum products having risen greatly. Core inflation (with food and energy product prices excluded from the CPI) has fallen into the low-1% range, and the rate of inflation expected by the general public has remained at the mid-2% level. Looking ahead it is forecast that consumer price inflation, after remaining in the mid-1% range for some time, will pick up and gradually approach the target level. Core inflation will also gradually rise.

The volatility of price variables in the domestic financial markets has expanded, in reflection of global financial market movements. The Korean won-US dollar exchange rate has risen significantly, in line with the global strengthening of the US dollar. Stock prices and long-term market interest rates have fallen to considerable extents, under the influence of heightened external uncertainties related chiefly to the US-China trade dispute. Household lending has sustained its higher rate of expansion than in past years, although the amount of its expansion has lessened somewhat. Housing sales prices have remained steady.

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 forecast that inflationary pressures on the demand side will not be high for the time being, while the domestic economy is expected to continue its solid growth, the Board will maintain its accommodative monetary policy stance. In this process it will judge carefully whether it is necessary to adjust its accommodative monetary policy stance further, while closely checking future economic growth and inflation trends. It will also carefully monitor conditions related to trade with major countries, any changes in the monetary policies of major countries, the trend of increase in household debt, and geopolitical risks.