



THE BANK OF KOREA

PRESS RELEASE

FOR IMMEDIATE RELEASE

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Monetary Policy Decision

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Based on currently available information the Board considers that the global economy has continued its sound growth. The global financial markets have shown increased volatility, with government bond yields rising and stock prices falling in major countries. 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 domestic economy has sustained a rate of growth at its potential level generally, as consumption and exports have shown favorable movements although the adjustments in facilities and construction investment have persisted. Employment conditions have remained sluggish, with the number of persons employed having risen only slightly. Going forward the Board expects domestic economic growth to be somewhat below the path projected in July, but to sustain a rate that does not diverge significantly from 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 risen to the upper-1% level, due mainly to an acceleration in the pace of increase in agricultural product prices and to the ending of a temporary reduction of electricity fees. Core inflation (with food and energy product prices excluded from the CPI) has remained at the 1% level, and the rate of inflation expected by the general public has been in the mid- to upper-2% range. Looking ahead it is forecast that consumer price inflation will fluctuate in the mid- to upper-1% range. Core inflation will also gradually rise.

In the domestic financial markets, stock prices have fallen significantly and the Korean won-US dollar exchange rate has risen to a considerable extent, in line mainly with the escalation of the US-China trade dispute and the rapid decline in stock prices globally. Long-term market interest rates have increased, in reflection of the changes in interest rates in major countries. 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 had risen substantially in some parts of Seoul and its surrounding areas, but their pace of increase has slowed since the Korean government's announcement of measures to stabilize the housing market.

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, and that the domestic economy will sustain a rate of growth that does not diverge significantly from its potential level, the Board will maintain its accommodative monetary policy stance. In this process it will judge whether it is necessary to adjust its accommodative monetary policy stance, 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, financial and economic conditions in emerging market economies, the trend of increase in household debt, and geopolitical risks.