



BANK OF KOREA

PRESS RELEASE

FOR IMMEDIATE RELEASE

July 18, 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 contracted mainly due to the US-China trade dispute. Global financial markets have been stable in general, with stock prices in major countries increasing in line primarily with expectations of monetary easing in major countries. 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 slowed as construction investment has continued undergoing an adjustment and the slowdowns in exports and facilities investment have deepened, although consumption has continued to grow moderately. Employment conditions have partially improved, with the increase in the number of persons employed having risen. With respect to future domestic economic growth, the Board expects that the adjustment in construction investment will continue and exports and facilities investment will recover later than originally expected, although consumption will continue to grow. GDP is forecast to grow at the lower-2% level this year, below the April forecast (2.5%).

Consumer price inflation has remained low at the mid- to upper-0% level, in consequence mainly of the continued decline in petroleum product prices. Core inflation (with food and energy product prices excluded from the CPI) has been at the mid- to upper-0% range, and the rate of inflation expected by the general public has been at the low-2% level. Looking ahead, it is forecast that consumer price inflation will fall short of the path projected in April and fluctuate for some time below 1% and then run at the low- to mid-1% level from next year. Core inflation will also gradually rise.

The volatility of price variables in the domestic financial markets has increased. Long-term market interest rates have fallen significantly, in line mainly with concerns about economic slowdowns at home and abroad. Stock prices and the Korean won-US dollar exchange rate have fluctuated considerably, mainly affected by the US-China trade dispute and Japan's export restrictions. The rate of increase in household lending has continued to slow, while housing prices have continued their downtrend.

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 carefully monitor developments such as the US-China trade dispute, Japan's export restrictions, any changes in the economies and monetary policies of major countries, the trend of increase in household debt, and geopolitical risks, while examining their effects on domestic growth and inflation.