



BANK OF KOREA

PRESS RELEASE

FOR IMMEDIATE RELEASE

July 16, 2020

Monetary Policy Decision

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Currently available information suggests that the global economy has started to rebound moderately from the sharp contraction, as economic activity gradually resumes despite the ongoing spread of COVID-19. In global financial markets, risk aversion has subsided on hopes of economic recovery. Stock prices in major countries have risen and the US dollar has weakened, while government bond yields have fluctuated slightly. Looking ahead, the Board sees global economic growth and global financial markets as likely to be affected largely by the evolution of the pandemic, as well as by the effects of national policy responses.

Economic growth in Korea has remained sluggish. Although consumption has rebounded with the relaxation of some pandemic-related restrictions on economic activity and the government's stimulus package, exports have continued to decline. While the recovery in facilities investment has been subdued, the correction in construction investment has continued. Labor market conditions have remained weak, with the number of persons employed continuing to decline sharply. Looking forward, facilities and construction investment are expected to grow at a moderate pace; however, the paces of recovery in consumption and exports will be slower than previously forecast. Accordingly, GDP growth this year is likely to be lower than the May forecast of -0.2%.

Consumer price inflation recorded around 0%, held down by declining prices of petroleum products and public services. Core inflation (excluding changes in food and energy prices from the CPI) has also remained at the lower-0% range, and the inflation expectations of the general public have stayed at the mid-1% level. It is forecast that consumer price inflation and core inflation will run at the lower-0% level this year, reflecting prolonged effects from the drop in global oil prices and weak demand-side inflationary pressures.

Domestic financial markets have been generally stable owing to decreased volatility in global financial markets. Stock prices have risen and the Korean won to US dollar exchange rate has fallen considerably, while long-term market interest rates have fluctuated within a narrow range. The increase in household loans has expanded materially, and housing prices have generally accelerated in all parts of the country.

The Board will continue to conduct monetary policy in order to support the economy and stabilize consumer price inflation at the target level over a medium-term horizon, while paying attention to financial stability. As economic growth is expected to be sluggish and inflationary pressures on the demand-side are forecast to remain weak due to the COVID-19 pandemic, the Board will maintain its accommodative monetary policy stance. In this process it will thoroughly assess developments related to the pandemic, the impact on the economy and financial markets here and abroad, changes in financial stability, and the effects of the policy measures taken in response to the pandemic.