

**PRESS RELEASE***FOR IMMEDIATE RELEASE*

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**Monetary Policy Decision**

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Currently available information suggests that the global economy has continued to rebound from the severe contraction, but the pace of recovery has somewhat slowed due to the ongoing spread of the coronavirus (COVID-19). In global financial markets, stock prices in major countries have risen amid continuing hopes for economic recovery, while the US dollar has weakened and government bond yields have moved up 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 the decline in exports has moderated a bit, the improvement in private consumption has weakened. The recovery in facilities investment has been subdued, and 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, the recovery of domestic economic growth is likely to be slower than previously forecast, largely due to the domestic resurgence of COVID-19. In the Board's central projection, GDP growth falls to slightly below -1% this year, considerably lower than the May forecast of -0.2%. Uncertainties around the future path of GDP growth are also judged to be very high.

Consumer price inflation has risen to the lower-0% level, due to a larger increase in the prices of agricultural, livestock, and fisheries products and to a reduced decline in petroleum product prices. Core inflation (excluding changes in food and energy prices from the CPI) has also increased to the mid-0% level, and the inflation expectations of the general public have risen to the upper-1% range. It is forecast that consumer price inflation and core inflation will run at the mid-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. The Korean won to US dollar exchange rate has fallen, while long-term market interest rates have fluctuated within a narrow range. Stock prices rose sharply but then reversed some of the earlier gains, mainly due to concerns about the coronavirus resurgence since mid-August. The rate of household loan growth has risen, and housing prices have continued to increase 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 the severity of the coronavirus resurgence and its impact on the economy and financial markets, changes in financial stability, and the effects of the policy measures taken in response to the pandemic.