

PRESS RELEASE*FOR IMMEDIATE RELEASE*

November 26, 2020

Monetary Policy Decision

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Currently available information suggests that the global economy has continued to recover, but the pace of recovery has been slow due to the ongoing resurgence of COVID-19. In global financial markets, risk aversion has subsided on improvement of economic indicators and hopes for coronavirus vaccine development. Stock prices in major countries and government bond yields have risen and the US dollar has weakened. Looking ahead, the Board sees global economic growth and global financial markets as likely to be affected largely by the severity of the resurgence of COVID-19 and the status of vaccine development, as well as by national policy responses and their effects.

The Korean economy has continued to recover at a modest pace. Although the recovery in private consumption has been slow and the correction in construction investment has continued, facilities investment has started to recover and the improvement in exports has continued. Labor market conditions have remained weak, with the number of persons employed continuing to decline sharply compared to the corresponding period last year. Going forward, the economy is likely to recover gradually, led mainly by exports and investment. However, uncertainties surrounding the economic outlook are judged to remain elevated. GDP is projected to grow at slightly below -1% in 2020 and around 3% in 2021.

Consumer price inflation has slowed to the lower-0% level due to the sharp decline in the prices of public services. Core inflation (excluding changes in food and energy prices from the CPI) recorded a negative rate, and the inflation expectations of the general public have moved down slightly within the upper-1% range. It is forecast that consumer price inflation and core inflation will run at the low- to mid-0% level for some time and then moderately increase to around 1% in 2021.

In domestic financial markets, stock prices have risen considerably and the Korean won to US dollar exchange rate has fallen significantly while long-term market interest rates have risen, affected by various factors such as global financial market movements and improvement of economic indicators. Household loan growth has picked up 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 the recovery in the Korean economy is expected to be modest and inflationary pressures on the demand side are forecast to remain weak, 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 such as household debt growth, and the effects of the policy measures taken in response to the pandemic.