



BANK OF KOREA

PRESS RELEASE

FOR IMMEDIATE RELEASE

May 28, 2020

Monetary Policy Decision

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Currently available information suggests that the global economy has contracted significantly due to constrained economic activity caused by the COVID-19 pandemic. Unease in global financial markets has moderated considerably. Stock prices in major countries have risen, and the volatility of government bond yields and exchange rates has lessened thanks to aggressive fiscal and monetary measures in major economies and expectations of economic reopening. 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 slowed considerably. Consumption has remained sluggish, and exports have fallen significantly. While the recovery in facilities investment has been subdued, the correction in construction investment has continued. Labor market conditions have worsened with a sharp decline in the number of persons employed, especially in the service sector. The Board expects that domestic economic growth will remain sluggish for some time due to the impact of the COVID-19 pandemic. GDP growth is projected to fall considerably below the February forecast of 2.1% to around 0%, and uncertainties around the future path of GDP growth are also judged to be very high.

Consumer price inflation has slowed markedly to the lower-0% level due to declining prices of petroleum products and public services as well as slower growth in the prices of agricultural, livestock, and fisheries products. Core inflation (excluding changes in food and energy prices from the CPI) has also moved down to the lower-0% range, and the inflation expectations of the general public have fallen slightly to the mid-1% level. It is forecast that consumer price inflation and core inflation will run at the lower-0% and mid-0% level this year, respectively, due to the drop in global oil prices and weakening demand-side inflationary pressures.

Volatility in domestic financial markets has declined as a result of improved global financial market conditions as well as decisive market stabilization measures. While long-term market interest rates have fallen, stock prices have risen and the Korean won to US dollar exchange rate has fluctuated within a narrow range. The increase in household loans has slowed, and the rate of increase in housing prices has decelerated.

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, and changes in financial stability.