

Monetary Policy Decision

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Based on currently available information the Board considers that the trend of economic recovery in the US has been sustained and that the Chinese economy has maintained its moderate pace of growth. However, the improvements in the euro area have remained weak. The Board forecasts that the global economy will maintain its recovery going forward, albeit at a moderate pace, while being affected by factors including changes in the monetary policies of major countries such as the US, the uncertainties related to Britain's exit from the European Union, and economic conditions in emerging market countries.

Looking at the Korean economy, exports have increased slightly on the effects of transitory factors, and domestic demand activities appear to have continued their improvements while the sentiments of economic agents have improved somewhat. On the employment front, as the number of persons employed has increased, the employment-to-population ratio rose and the unemployment rate fell in July compared to those in July of last year. The Board forecasts that the domestic economy will sustain its trend of modest growth going forward, owing chiefly to expansionary macroeconomic policies, but in view of economic conditions domestically and abroad judges the uncertainties surrounding the growth path to be high.

Consumer price inflation fell from 0.7% the month before to 0.4% in August, owing chiefly to the effect of a temporary cut in electricity fees. Core inflation excluding agricultural and petroleum product prices also declined to 1.1%, from 1.6% in July. In the housing market, the upward trends of sales and leasehold deposit prices have continued. Looking ahead the Board forecasts that consumer price inflation will remain at a low level for the time being, and then gradually rise due to the disappearance of the effect of the temporary electricity fee reduction and the weakening influence of the low oil prices.

In the domestic financial markets since August, stock prices have risen as foreigners' stock investment funds have recorded net inflows in line with continued risk-taking tendencies globally. Long-term market interest rates and the Korean won-US dollar and Korean won-Japanese yen exchange rates have fallen, after having previously risen, affected mainly by changes in the expectations of a policy rate hike by the US Federal Reserve. Household lending has sustained a trend of substantial increase at a level exceeding that of recent years, led by mortgage loans.

Looking ahead, the Board will conduct monetary policy so as to ensure that the recovery of economic growth continues and consumer price inflation approaches the target level over a medium-term horizon, while paying attention to financial stability. In this process it will closely monitor the trend of increase in household debt, any changes in the monetary policies of major countries, and the progress of corporate restructuring.