



THE BANK OF KOREA

PRESS RELEASE

FOR IMMEDIATE RELEASE

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Monetary Policy Decision

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Based on currently available information the Board considers that the global economy has continued its robust growth. The global financial markets have shown high levels of volatility, with government bond yields and stock prices falling in line mainly with concerns about the worsening trade relations between the US and China. Looking ahead the Board sees global economic growth as likely to be affected by factors such as the movements toward spreading trade protectionism, the paces of monetary policy normalization in major countries, and the directions of the US government's economic policies.

The Board judges that the solid trend of domestic economic growth has continued, as exports are sustaining their buoyancy and consumption and facilities investment have shown favorable movements. The recovery in employment conditions has slowed, with the extent of increase in the number of persons employed having lessened. Going forward the Board expects domestic economic growth to be generally consistent with the path projected in January. It anticipates that investment will slow, but that the trend of steady increase in consumption will continue, due in large part to improvements in household income conditions, and that exports will also sustain their favorable movements thanks to the buoyancy of the global economy.

Consumer price inflation has continued at the low- to mid-1% level, due mainly to declines in the prices of livestock products and a slowdown in the pace of increase in petroleum product prices. Core inflation (with food and energy product prices excluded from the CPI) has been in the low- to mid-1% range, and the rate of inflation expected by the general public has remained at the mid-2% level. Looking ahead it is forecast that consumer price inflation, after remaining in the mid-1% range for some time, will pick up and gradually approach the target level from the second half of this year. For the year overall consumer price inflation is expected to be slightly below the level projected in January (1.7%). Core inflation will also gradually rise.

The domestic financial markets have shown somewhat high volatility, in reflection of global financial market movements. Long-term market interest rates have fallen under the effects chiefly of changes in government bond yields in major countries. Stock prices and the Korean won-US dollar exchange rate have fluctuated considerably in line mainly with concerns about spreading trade protectionism and with the decline in risks related to North Korea. Household lending has shown a higher rate of expansion than in past years, although the amount of its expansion has continued to decline. The paces of increase in housing sales prices have slowed, especially in some parts of Seoul and its surrounding areas.

Looking ahead, the Board will conduct monetary policy so as to ensure that the recovery of economic growth continues and consumer price inflation can be stabilized at the target level over a medium-term horizon, while paying attention to financial stability. As it is forecast that inflationary pressures on the demand side will not be high for the time being, while the domestic economy is expected to continue its solid growth, the Board will maintain its accommodative monetary policy stance. In this process it will judge carefully whether it is necessary to adjust its accommodative monetary policy stance further, while closely checking future economic growth and inflation trends. It will also carefully monitor conditions related to trade with major countries, any changes in the monetary policies of major countries, the trend of increase in household debt, and geopolitical risks.