

PRESS RELEASE*FOR IMMEDIATE RELEASE*

October 14, 2020

Monetary Policy Decision

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Currently available information suggests that the global economy has continued to recover from its earlier sluggishness, but the pace of recovery has slowed due to a resurgence of COVID-19 and measures taken to contain it. In global financial markets, major asset price variables including stock prices and bond yields have fluctuated considerably, due to concerns about a resurgence of the coronavirus and changes in expectations about economic stimulus in major countries. 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.

The Korean economy has continued to recover, albeit at a slow pace. Although the slump in exports has eased, gains in private consumption have been tepid as the number of newly confirmed cases increased again. 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 compared to the corresponding period last year. Going forward, the economy is likely to recover gradually, led mainly by exports. However, uncertainties surrounding the economic outlook are judged to remain elevated. GDP growth is projected to be generally consistent with the August forecast of -1.3%.

Consumer price inflation has risen to around 1%, driven mainly by a large increase in the prices of agricultural, livestock and fisheries products due to severe weather conditions. Core inflation (excluding changes in food and energy prices from the CPI) has also increased slightly within the mid-0% range, and the inflation expectations of the general public have risen to near 2%. It is forecast that consumer price inflation and core inflation will run at the low- to mid-0% level for some time, reflecting various effects such as the drop in global oil prices and weak demand-side inflationary pressures.

In domestic financial markets, the Korean won to US dollar exchange rate has fallen sharply, while long-term market interest rates and stock prices have fluctuated considerably, affected by various factors such as global financial market movements. Household loan growth has picked up and housing prices have continued to increase at high rates 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 slow 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 resurgence of COVID-19, the impact on the economy and financial markets here and abroad, changes in financial stability, and the effects of the policy measures taken in response to the pandemic.