

## Monetary Policy Decision

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Based on currently available information the Board considers that the US economy has appeared to be emerging from its temporary slowdown. The improvements in the euro area, although weak, have continued, and the Chinese economy has maintained its moderate growth. The Board forecasts that, while the global economy will maintain its weak recovery going forward, it will be affected by factors including the monetary policy normalization by the US Federal Reserve, financial and economic conditions in emerging market countries, and international oil price movements.

Looking at the Korean economy, exports have continued their trend of decline and the improvements in domestic demand activities such as consumption have weakened, while the sentiments of economic agents have also been sluggish. On the employment front, although the pace of increase in the number of persons employed slowed somewhat in April, the employment-to-population ratio and the unemployment rate maintained the same levels as in April of last year. The Board forecasts that the domestic economy will sustain its trend of modest growth going forward, but in view of economic conditions domestically and abroad judges that the downside risks to the growth path forecast made in April have expanded.

Consumer price inflation fell from 1.0% the month before to 0.8% in May, owing chiefly to a slowdown in the extent of increase in agricultural product prices. Core inflation excluding agricultural and petroleum product prices also declined to 1.6%, from 1.8% in April. Looking ahead the Board forecasts that consumer price inflation will continue at a low level, under the influence of the low oil prices for example. In the housing market, sales and leasehold deposit prices showed low rates of increase.

In the domestic financial markets since May, stock prices have risen after having previously fallen, in reflection mainly of global stock market movements, and long-term market interest rates have declined, influenced mostly by the sluggishness of some economic indicators. The Korean won has fluctuated to a large extent against the US dollar, affected mainly by changes in the expectations for a policy rate hike by the US Federal Reserve. The won has meanwhile depreciated against the Japanese yen. 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 greater attention to financial stability. In this process it will closely monitor the possibility of a British exit from the European Union, any changes in the monetary policies of major countries and capital flow movements, the progress of corporate restructuring, and the trend of increase in household debt.