



THE BANK OF KOREA

PRESS RELEASE

FOR IMMEDIATE RELEASE

November 30, 2018

Monetary Policy Decision

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Based on currently available information the Board considers that the global economy has maintained its trend of generally sound growth, despite signs of weakening somewhat during the 3rd quarter. The high volatility in the global financial markets has continued, with stock prices in major countries falling for example, but the financial unrest in some vulnerable emerging countries has eased slightly. Looking ahead the Board sees global economic growth and the global financial markets 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 political uncertainties in the euro area.

The Board judges that the domestic economy has sustained a rate of growth at its potential level generally, as consumption has continued to grow modestly and exports have maintained favorable movements, although the adjustments in facilities and construction investment have persisted. The sluggishness in employment conditions has lessened somewhat, with the amount of increase in the number of persons employed having picked up slightly. Going forward the Board expects domestic economic growth to be generally consistent with the path projected in October, and to sustain a rate that does not diverge significantly from its potential level. It anticipates that investment will slow but that the trend of steady increase in consumption will continue, and that exports will also sustain their favorable movements thanks to the buoyancy of the global economy.

Consumer price inflation was at the 2% level, as the paces of increase in prices of agricultural and petroleum products accelerated. Core inflation (with food and energy product prices excluded from the CPI) has been at around the 1% level, and the rate of inflation expected by the general public has been in the mid-2% range. Looking ahead it is forecast that consumer price inflation will remain near the target level for some time, and then fall slightly and fluctuate in the mid- to upper-1% range. Core inflation will also gradually rise.

In the domestic financial markets, the volatility of major price variables expanded and then in November diminished moderately. Stock prices fell considerably, in line mostly with drops in stock prices in major countries, before then rebounding on expectations of an easing of the US-China trade dispute. Long-term market interest rates have declined, and the Korean won-US dollar exchange rate has fallen slightly. The amount of increase in household lending expanded in October, while the pace of increase in housing sales prices slowed due to the Korean government's measures to stabilize the housing market.

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, and that the domestic economy will sustain a rate of growth that does not diverge significantly from its potential level, the Board will maintain its accommodative monetary policy stance. In this process it will judge 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, financial and economic conditions in emerging market economies, the trend of increase in household debt, and geopolitical risks.