

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 contracted significantly due to the COVID-19 pandemic. Volatility in global financial markets has increased sharply. Stock prices in major countries have fallen considerably while government bond yields and exchange rates have fluctuated widely, due to concerns of a recession and the sharp drop in global oil prices. Looking ahead, the Board sees global economic growth and global financial markets as likely to be affected largely by the pathway of the pandemic, as well as by national policy responses and their effects.

The Board judges that economic growth in Korea has slowed considerably. Consumption has decreased substantially and the recovery in facilities investment has been subdued. The correction in construction investment has continued while exports have declined slightly. As for employment, the number of persons employed had continued to rise at a high rate until February, but the number of persons on temporary leave has increased due to the contraction in economic activity. GDP growth is projected to fall considerably below the February forecast of 2.1%, and uncertainties around the future path of GDP growth are also judged to be very high.

Consumer price inflation has slowed to the 1% level due to slower growth in the prices of industrial products. Core inflation (excluding changes in food and energy prices from the CPI) has moved down slightly within the mid-0% range, and the inflation expectations of the general public have remained at the upper-1% level. It is forecast that consumer price inflation and core inflation will run considerably below the February projection (1.0% and 0.7%, respectively) due to the drop in global oil prices and weakening demand-side inflationary pressure.

In domestic financial markets, stock prices have fallen sharply due to the spread of COVID-19 and heightened volatility in global financial markets. The Korean won to US dollar exchange rate rose steeply but then decreased after the establishment of a currency swap arrangement with the Federal Reserve, while long-term market interest rates have fluctuated around the lower-1% level. The rate of household loan growth has risen, while the rate of increase in housing prices has moderated since mid-March.

The Board will continue to conduct monetary policy so as to ensure that the recovery of economic growth is sustained and consumer price inflation can be stabilized at the target level over a medium-term horizon, while paying attention to financial stability. In view of the mounting economic impact of the COVID-19 pandemic, the Board will conduct monetary policy in an accommodative manner in order to mitigate downside risks to the economy and ease volatility in financial markets. In this process it will judge whether to adjust the degree of monetary policy accommodation, while thoroughly assessing the severity of the COVID-19 outbreak, its impact on the domestic economy and financial markets, and changes in financial stability.