

SKorea cuts key rate as MERS emerges as threat to recovery

June 11 2015, by Youkyung Lee



Governor of the Bank of Korea Lee Ju-yeol answers a reporter's question during a press conference on the benchmark interest rate at the bank's headquarters in Seoul, South Korea, Thursday, June 11, 2015. South Korea's central bank lowered its key interest rate to a historic low on Thursday, responding to a slump in exports and the prospect that the outbreak of the deadly MERS virus could slow the economy. (AP Photo/Lee Jin-man)

South Korea's central bank lowered its key interest rate to a historic low on Thursday, responding to a slump in exports and the prospect that the

outbreak of the deadly MERS virus could slow the economy.

Bank of Korea policymakers cut the policy rate by a quarter of a percentage point to 1.5 percent, the second rate cut this year. In March, the bank lowered the key rate and downgraded its growth forecast for Asia's fourth-largest economy as exports continued to slump.

Consumption was on track to recover but began showing signs of contraction after the outbreak of Middle East respiratory syndrome last month, while the decline in exports widened, the [central bank](#) said in a statement.

Exports and imports continued to drop over a year earlier after the March rate cut due to sluggish global demand and a weak Japanese yen. The cheaper yen hurt Korean exporters, especially automakers that compete with Japanese rivals in the global market.

Analysts initially expected the central bank to leave the policy rate unchanged but that view changed this month as the MERS outbreak caused panic in South Korea. The outbreak has killed nine and infected more than 120 people since the first case, a 68-year-old man who had travelled to the Middle East, was diagnosed on May 20. About 3,800 people remained isolated Thursday after possible contact with infected people, according to the Health Ministry.

The MERS outbreak could hurt businesses and dent consumption as travelers cancel trips and people stay home out of worries of contagion. Industries that count Chinese tourists as key customers, such as airlines and cosmetics, are likely to be worst hit.

About 2,430 schools and kindergartens across South Korea were closed on Thursday. On Wednesday, experts from the World Health Organization and South Korea urged their reopening as the outbreak in

the country has so far been contained to hospitals and there is no evidence of sustained transmission in the community.



Governor of the Bank of Korea Lee Ju-yeol speaks to the media during a press conference on the benchmark interest rate at the bank's headquarters in Seoul, South Korea, Thursday, June 11, 2015. South Korea's central bank lowered its key interest rate to a historic low on Thursday, responding to a slump in exports and the prospect that the outbreak of the deadly MERS virus could slow the economy. (AP Photo/Lee Jin-man)

South Korean officials believe the outbreak may have peaked. President Park Geun-hye postponed her planned U.S. visit scheduled next week to focus on coping with the [outbreak](#).

Experts think MERS can spread in respiratory droplets, such as by coughing. Transmissions have mainly occurred through close contact,

such as living with or caring for an infected person.

MERS has mostly been centered in Saudi Arabia and has a death rate of about 40 percent. It belongs to the family of coronaviruses that includes the common cold and SARS, and can cause fever, breathing problems, pneumonia and kidney failure.



People wearing masks as a precaution against MERS, Middle East Respiratory Syndrome, virus, walk in front of the Bank of Korea Museum in Seoul, South Korea, Thursday, June 11, 2015. South Korea's central bank lowered its key interest rate to a historic low on Thursday, responding to a slump in exports and the prospect that the outbreak of the deadly MERS virus could slow the economy. (AP Photo/Lee Jin-man)



Governor of the Bank of Korea Lee Ju-yeol arrives for a press conference on the benchmark interest rate at the bank's headquarters in Seoul, South Korea, Thursday, June 11, 2015. South Korea's central bank lowered its key interest rate to a historic low on Thursday, responding to a slump in exports and the prospect that the outbreak of the deadly MERS virus could slow the economy. (AP Photo/Lee Jin-man)

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