Snap | 24 June 2025

SOUTH KOREA UNITED STATES

South Korean consumer sentiment jumps, likely delaying rate cut

South Korean confidence recovered strongly in June, supported by the return of policy normalcy, gains in asset markets, and fresh fiscal stimulus. This is in line with our view that the economy bottomed out in the first quarter. We expect the Bank of Korea to delay cutting rates until the fourth quarter due to rising housing prices and household debt

Source: Shutterstock

108.7 **The Composite Consumer Sentiment Index**

Neutral=100

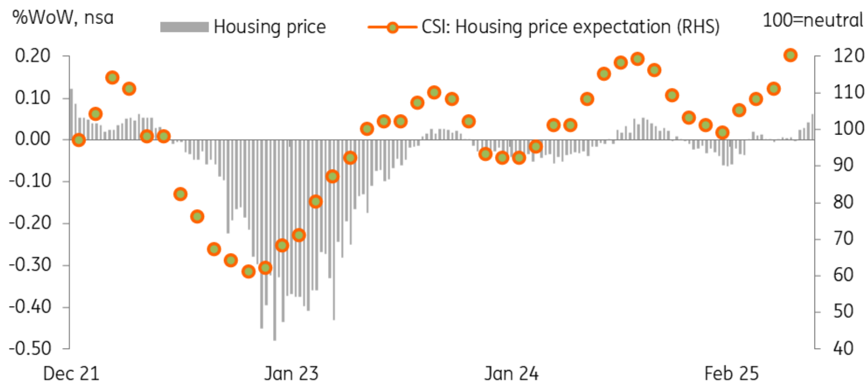
The composite CSI rose to 108.7 in June from 101.8 in May.

South Korea's composite consumer sentiment index (CSI) remained above neutral for a second month, reversing its dip to 88.2 in December 2024. All six sub-indices rose quite sharply, with the outlook for domestic economic prospects rising by 16 points. Also, household income and spending plans posted decent increases for a third month.

It's noteworthy that housing price expectations have increased for four consecutive months.

This serves as a reliable forward-looking indicator to assess the actual trends in the economy. Already, property prices have risen sharply in recent months, while household debt growth accelerated ahead of the planned tightening of debt service ratio (DSR) measures effective from July.

The outlook on housing prices rose for the fourth month



Source: CEIC

BoK watch

We believe recent data releases support a recovery from the current quarter. The sentiment index improved significantly, and high-frequency data such as credit card usage, online payments, and mobility data show a modest pickup. The local equity markets rallied despite the recent heightening geopolitical risks. This should also work favourably for the consumption recovery. Meanwhile, early June exports rebounded strongly. However, the export rebound is likely temporary, due to front-loading before the 90-day delay in reciprocal tariffs ends in early July. We expect underlying exports to remain weak and be a significant drag on the economy throughout the rest of the year. We expect the Bank of Korea to revise up its GDP forecast from 0.8% to over 1.0% in August, reinforcing a hawkish stance. Despite the growth recovery ahead, the GDP output gap is expected to stay negative, requiring accommodative monetary conditions.

However, the BoK has expressed concerns about additional increases in household debt and housing prices via several communication channels with markets. Today's data actually might increase these worries. Thus, this bolsters the argument that the BoK should take a wait-and-see approach for a more extended period**.** Consequently, we now expect the BoK to delay rate cuts by one quarter. We predict a 25 bp rate cut in 4Q25 and 1Q26, bringing the terminal rate to 2.0%.

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