

South Korean consumer sentiment remains weak, weighing on growth

South Korean consumer sentiment edged up only slightly in April despite a significant reduction in political uncertainty. This increases the odds of a contraction in the second quarter, especially considering delays in policy support



Seoul, South Korea

93.8

The Composite Consumer Sentiment Index

vs 93.4 in March

Sentiment has bottomed since martial law episode, but recovery remains quite subdued

South Korea's composite consumer sentiment index rose by just 0.4 points to 93.8 in April, staying below the neutral level for a fifth straight month, despite reduced domestic political uncertainty. On a positive note, consumers' improved expectations for future spending and economic conditions indicate the potential for a modest improvement going forward. However, the index for

current economic conditions fell back to the December level, suggesting weaker-than-expected growth for the current quarter.

Inflation expectations edged up to 2.8%, after staying at 2.7% for the previous two months. Since the rate remains below 3%, it won't be an immediate concern for the Bank of Korea (BoK).

Tomorrow, we expect the BoK to report a 0.2% quarter-on-quarter, seasonally-adjusted, increase in gross domestic product (vs 0.1% in the fourth quarter of 2024 and market consensus). This will mostly reflect a temporary boost from export front-loading thanks to US tariff policies. However, the risks are to the downside. After analysing [the early April trade data](#) and today's sentiment data, a contraction in 2Q growth is possible. Expected policy support has been delayed, adding to downside risks to our current forecast.

The BoK remained on hold last week amid concerns about volatile FX moves and fiscal support delays thanks to political gridlock following the declaration of martial law in December. We expect policy support to be felt with a time lag, which should boost the recovery in the second half of 2025. Once the first-quarter GDP data is released tomorrow, we will revise our growth forecasts accordingly.

Consumer sentiment remained subdued in April



Source: CEIC

Author

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

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