

South Korean consumer sentiment improves, but outlook still cautious

South Korea's latest fiscal stimulus contributed to improved consumer sentiment and greater growth momentum. But these effects may prove temporary. Even so, the Bank of Korea will stand pat later this week, as it focuses more on housing prices



Source: istock

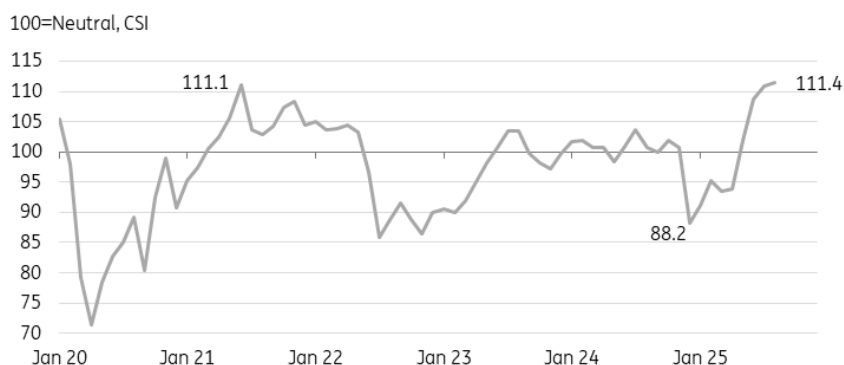
111.4 The Composite Consumer Sentiment Index

The CCSI rose for a fifth straight month in August

South Korea's Composite Consumer Sentiment Index (CCSI) rose by 0.6 points to 111.4 in August, improving for a fifth straight month. Among the six sub-indices, improvements were seen in current living standards and domestic economic conditions, while the outlook for domestic economic conditions declined for a second month. The remaining three outlook components -- living standards, household income, and spending -- were unchanged.

The data showed that recent fiscal stimulus contributed to improved consumer sentiment and growth momentum. However, these effects may prove to be temporary. The second round of cash handouts – this time income-based – is scheduled for next month. But once these stimulus package funds dry up, there will be a sharp decline in spending, leading to a sudden drop in overall expenditures. We expect GDP to rise quite meaningfully in the second half of 2025, but then lose steam next year.

Consumer sentiment improved for fifth month in a row



Source: CEIC

BoK watch

Meanwhile, inflation expectations rose for a second month, and expectations for housing prices rose slightly in August. This raises questions for the Bank of Korea about whether the recent moderation in prices -- including housing prices -- will persist. We expect the Bank of Korea to extend its pause at this week's meeting.

Author

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial

Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.