

Bank of Korea's rate cut pause probably won't last long

The Bank of Korea left rates unchanged, citing heightened trade uncertainty, volatile currency markets and rising household debt. However, its monetary policy stance remains dovish amid growing growth concerns



Source: Shutterstock

2.75%

 Base rate

As expected

The BoK focused on today's uncertainty, but a cut in May is likely

The Bank of Korea kept its policy rate unchanged at 2.75%, generally in line with the market consensus (15 out of 24 economists for no action). The BoK was reluctant to move amid high

market volatility. It's also still trying to assess the impact of the US tariffs on the economy. However, we think this pause won't last long. There was one dissenting vote today, while all six members are open to a rate cut in the next three months.

The BoK will update its quarterly outlook in May. Governor Rhee said the GDP growth outlook is expected to be lower than the current 1.5%, while the inflation is likely to remain near current outlook levels. The BOK listed a number of reasons for the hold. Most importantly, it appears, the exchange rate. Rhee spent ample time expressing concern about the recent volatile movements in the FX market. We believe that an economic slowdown could help reduce household debt and slow inflation. We believe a May rate cut is possible, but the Korean won exchange rate is key.

Author

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.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.