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

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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.

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