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“Korean exports expected to stabilize in the coming months,” predicts HSBC

HSBC’s experts presented an optimistic view of the Korean economic outlook at HSBC Korea’s Global Economic & FX Seminar 2023. The annual seminar for corporate and institutional clients was held at The Plaza Hotel, Seoul on 14 March.

Frederic Neumann, Chief Asia Economist, HSBC, said, “Korea’s economy has shown remarkable resilience amid global uncertainty over the past year. Despite a slowdown in the demand for semiconductors, there are signs that export growth will stabilize in the coming months, helped by improving demand from mainland China. Meanwhile, with the US Federal Reserve likely approaching the end of its tightening cycle, demand for Korean exports should find support more broadly as well over the course of 2023.”

Neumann expected the Bank of Korea to turn more accommodative in the near future, which should improve domestic consumption sentiment. He explained, “With commodity prices down from their highs over the past year, inflation pressures in Korea should begin to ease as well. As a result, the Bank of Korea should be able to switch to a neutral stance in the coming months, joining central banks elsewhere that are coming towards the end of their tightening cycle. This should benefit household spending and support domestic demand more generally.”

He also presented an optimistic view about corporate investments. As the Korean economy positions itself as a key player in the global energy transition toward net zero, he predicted that local and global companies in Korea should strengthen investment spending.

As for the foreign exchange market, Joey Chew, Head of Asian Currency Research, shared her view that the Korean won weakened through most of 2022, but the worst has likely passed. HSBC FX research expects the recovery in Korean won seen in late 2022 and early 2023 will eventually resume, after some key uncertainties that have been supporting the US dollar recently dissipate.

However, she expected significant volatility in the Korean won movement, adding “The Korean won will likely be quite volatile given its lower yield than the US dollar and Korea’s trade deficit. The Korean won is a highly pro-cyclical currency. As and when there are green shoots of recovery in the global economy, the undervalued won is expected to gather strength.”

Chew expects the dollar won exchange rate to end 2023 at a lower level than the one it started the year at.

In his opening speech, Eunyoung Jung, President & CEO, HSBC Korea, stressed, “Although the COVID crisis is behind us now, we are still facing various economic challenges both domestically and globally. However, at the same time, we see opportunities rising over the horizon with the reopening of the Chinese economy and the possibility of Korea being included into the FTSE Russell’ World Government Bond Index, for example. HSBC will help you capture them at the right moment.”

This news release issued by
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