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HSBC forecasts BOK rate cut in the 2nd half this year

HSBC expects that Bank of Korea should be able to cut rates in the 2nd half of this year.

HSBC's rate cut projection was presented at the 2024 Global Economic and FX Seminar held at the Plaza Hotel, Seoul on 14 March. HSBC Korea holds this annual seminar for its corporate and institutional clients.

Frederic Neumann, Chief Asia Economist, HSBC, said the Korean economy continues to impress with its resilience, driven by increased semiconductor and automotive exports. "Easing price pressures should allow the Bank of Korea to lower interest rates later in the year, following other major central banks in providing some monetary accommodation, and providing further support for domestic consumption and investment," he predicted.

As for dollar/ won FX move, Joey Chew, Head of Asian Currency Research, HSBC, analyzed, "Dollar/ won fell from its peak in the last quarter of 2022, but it has been stuck in a range since then. This is partly reflecting the resilience of the broad dollar index." She expected, "Dollar/ won can eventually move to the lower part of the range, assuming the Fed cuts rates later this year. The won is in a position to recover modestly as Korea's exports are growing again and equity inflows from foreign investors are returning."

In his opening speech, Eunyoung Jung, President & CEO, HSBC Korea, stated, "Unpredictability has characterized the business landscape in recent years. As we look toward 2024, it seems to have become the norm. A range of global and domestic factors such as elections, on going wars and protectionism are posing significant challenges to the Korean economy. Hence, robust risk management is, perhaps, most important. However, we should plan ahead for sustainable business growth at the same time."

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HSBC

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