HSBC pauses share buyback amid economic uncertainty

HSBC announced on Tuesday it would halt stock buybacks for the year following disappointing financial results, triggering a 3.6% drop in its share price.

The bank blamed a perfect storm of tensions in Eastern Europe, soaring inflation, and economic uncertainty for the move to shore up its finances.

These factors, among others, impacted HSBC's core capital ratio, an important metric in measuring a bank's health, which fell by 1.7 percentage points to 14.1% from the end of 2021.

The bank's capital is expected to take a further hit later this year when it sells off its French high street banking division at a loss of around £2.13bn ($2.7bn).

But elsewhere, things appeared more positive for HSBC – it reported a pre-tax profit of £3.29bn ($4.17bn) for the first quarter ending on March 31, beating analysts estimates.

Meanwhile, the Asia-focused but UK-based bank saw a £30.43bn ($38.6bn) increase in reported loans and advances to customers, totalling $1.1tn in the first quarter.

The lender is being closely watched as an indicator of the global financial system's overall health, said one analyst.

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“HSBC’s results have been long awaited and seen as a bellwether for the global economy,” said Sophie Lund-Yates, lead equity analyst at Hargreaves Lansdown.

“In an unsurprising turn of events, the group’s net interest income is being buoyed by rising interest rates and a very active housing market, especially in the UK. Total mortgage lending is up a huge $24bn (£18.92bn) year-on-year,” Ms Lund-Yates said.

“The macro environment has been factored into a positive outlook for interest income, but the raising of interest rates is only one consideration. While this helps interest income rise, the wider global economic outlook is much harder to predict.”

In February, the bank revealed that annual profits had more than doubled in 2021, but that it was battling challenges on several fronts in its key Chinese market.

HSBC warned that China’s ‘zero-COVID’ measures to control the disease in Hong Kong were hurting the economy.

It added that it had released $900m in cash it had put aside in case pandemic-related bad loans spiked – which never materialised.