



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. KST, FRIDAY, JANUARY 15, 2010

The Conference Board®  
Korea Business Cycle Indicators<sup>SM</sup>  
**THE CONFERENCE BOARD LEADING ECONOMIC INDEX™  
(LEI) FOR KOREA**  
**AND RELATED COMPOSITE ECONOMIC INDEXES FOR NOVEMBER 2009**

This month's release incorporates annual benchmark revisions to the composite economic indexes, which bring them up-to-date with revisions in the source data. These revisions do not change the cyclical properties of the indexes. The indexes are updated throughout the year, but only for the previous six months. Data revisions that fall outside of the moving six-month window are not incorporated until the benchmark revision is made and the entire histories of the indexes are recomputed. As a result, the revised indexes will not be comparable to those issued prior to the benchmark revision.

For more information, please visit our website at <http://www.conference-board.org/economics/bci/> or contact us at [indicators@conference-board.org](mailto:indicators@conference-board.org).

**The Conference Board Leading Economic Index™ (LEI)** for Korea increased 1.5 percent and **The Conference Board Coincident Economic Index™ (CEI)** for Korea increased 0.3 percent in November.

- The Conference Board LEI for Korea increased in November following no change in October, as large positive contributions by private construction orders, real exports and letter of credit arrivals more than offset a negative contribution from value of machinery orders. With this month's gain, the six-month growth rate in the leading economic index continued to pick up, to 7.1 percent (about a 14.7 percent annual rate) in the six-month period through November 2009, well above the 0.5 percent rate (about a 1.0 percent annual rate) for the previous six months. In addition, the strengths among the leading indicators have remained widespread in recent months although the gains have been volatile.
- The Conference Board CEI for Korea, a measure of current economic activity, also increased in November following a small decline in October. Industrial production increased sharply, while total employment and the wholesale and retail sales component made negative contributions to the index. With this month's small gain, the coincident economic index increased by 2.0 percent (about a 3.9 percent annual rate) during the six-month period ending in November 2009, up from the 0.6 percent growth (about a 1.1 percent annual rate) for the previous six months. At the same time, real GDP has continued to expand, by 12.3 percent (annual rate) in the third quarter of 2009, following an average increase of 5.6 percent (annual rate) for the first half of the year.
- Although its six-month growth rate has moderated somewhat in the last three months, The Conference Board CEI for Korea has recovered substantially since early 2009. At the same time, The Conference Board LEI for Korea is now back above its September 2008 level; however, it is still well below its most recent peak reached in November 2007. Taken together, the current behavior of the composite indexes and their components suggests that the economy will continue to recover, but likely at a more modest pace in the near term.

The next release is scheduled for Friday, February 12, 2010 at 10:00 A.M. (KST)

*In the U.S* – Thursday, February 11, 2010 at 8:00 P.M (EST)

**LEADING INDICATORS.** Five of the seven components that make up The Conference Board LEI for Korea increased in November. The positive contributors – from the largest positive contributor to the smallest – were private construction orders, real exports FOB, letter of credit arrivals, the (inverted) index of inventories to shipments, and the (inverted) yield of government public bonds. Negative contributions occurred in value of machinery orders and stock prices.

With the 1.5 percent increase in November, The Conference Board LEI for Korea now stands at 111.6 (2004=100). Based on revised data, this index remained unchanged in October and increased 2.4 percent in September. During the six-month span through November, the leading economic index increased 7.1 percent, with six of the seven components advancing (diffusion index, six-month span equals 85.7 percent).

**COINCIDENT INDICATORS.** Two of the four components that make up The Conference Board CEI for Korea increased in November. The positive contributors were industrial production and monthly cash earnings\*. Total employment and the wholesale and retail sales component declined in November.

With the 0.3 percent increase in November, The Conference Board CEI for Korea now stands at 109.7 (2004=100). Based on revised data, this index decreased 0.3 percent in October and increased 0.8 percent in September. During the six-month span through November, the coincident economic index increased 2.0 percent, with three of the four components advancing (diffusion index, six-month span equals 75.0 percent).

**FOR TABLES AND CHARTS, SEE BELOW**

**DATA AVAILABILITY.** The data series used to compute **The Conference Board Leading Economic Index™** (LEI) and **The Conference Board Coincident Economic Index™** (CEI) for Korea reported in this release are those available “as of” 10 A.M. (ET) on January 13, 2010.

\* The series in the coincident economic index based on The Conference Board’s estimates is monthly cash earnings. There is no forecasted series in the leading economic index.

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**THE CYCLICAL INDICATOR APPROACH.** The composite economic indexes are the key elements in an analytic system designed to signal peaks and troughs in the business cycle. The Conference Board LEI and CEI are essentially composite averages of several individual leading or coincident economic indicators. (See page 3 for details.) They are constructed to summarize and reveal common turning point patterns in economic data in a clearer and more convincing manner than any individual component—primarily because they smooth out some of the volatility of individual components.

Historically, the cyclical turning points in The Conference Board LEI have occurred before those in aggregate economic activity, while the cyclical turning points in The Conference Board CEI have occurred at about the same time as those in aggregate economic activity.

Korea Composite Indexes: Components and Standardization Factors

<u>Leading Economic Index</u>	<u>Factor</u>
1. Stock Prices	0.046
2. Value of Machinery Orders	0.031
3. Letter of Credit Arrivals	0.088
4. Index of Shipments to Inventories	0.086
5. Export FOB	0.102
6. Yield of Government Public Bonds	0.621
7. Private Construction Orders	0.026

<u>Coincident Economic Index</u>	
1. Industrial Production	0.127
2. Wholesale and Retail Trade	0.126
3. Employment	0.668
4. Monthly Cash Earnings	0.079

Notes:

The component factors are inversely related to the standard deviation of the month-to-month changes in each component. They are used to equalize the volatility of the contribution from each component and are “normalized” to sum to 1.

These factors were revised effective on the release for January 2010, and all historical values for the two composite economic indexes were revised at this time to reflect the changes. (Under normal circumstances, updates to The Conference Board LEI and CEI only incorporate revisions to data over the past six months.) The factors above for The Conference Board LEI were calculated using 1996-2008 as the sample period for measuring volatility. Separate sets of factors for the 1982-1996, 1980 – 1982, 1976-1979, and 1971-1976 periods, are available upon request. The factors above for The Conference Board CEI were calculated using 1970-2008 as the sample period. These multiple sample periods are the result of different starting dates for the component data. When one or more components are missing, the other factors are adjusted proportionately to ensure that the total continues to sum to 1. For additional information on the standardization factors and the index methodology visit our Web site: <http://www.conference-board.org/economics/bci/>.

The trend adjustment factors for The Conference Board LEI are 0.0666 (calculated from June 1980 to December 2008) and -0.7671 (calculated from March 1971 to May 1980).

To address the problem of lags in available data, those leading and coincident economic indicators that are not available at the time of publication are estimated using statistical imputation. An autoregressive model is used to estimate each component. The resulting indexes are constructed using real and estimated data, and will be revised as the data unavailable at the time of publication become available. Such monthly data revisions are now a regular part of the U.S. Business Cycle and Global Indicators program. The main advantage of this procedure is to utilize in The Conference Board LEI the data such as bond yields, stock prices, and change in consumer confidence that are available sooner than other data on real aspects of the economy such as housing starts and new orders. Empirical research by The Conference Board suggests there are real gains in adopting this procedure to make all the indicator series as up-to-date as possible.

## NOTICES

The 2010 schedule for TCB's LEI for Korea news releases is:

December 2009 Data ... Thursday, February 11, 2010  
January 2010 Data ... Thursday, March 11, 2010  
February 2010 Data ... Thursday, April 08, 2010  
March 2010 Data ... Tuesday, May 11, 2010  
April 2010 Data ... Tuesday, June 15, 2010  
May 2010 Data ... Tuesday, July 13, 2010  
June 2010 Data ... Tuesday, August 10, 2010  
July 2010 Data ... Tuesday, September 14, 2010  
August 2010 Data ... Wednesday, October 13, 2010  
September 2010 Data ... Thursday, November 11, 2010  
October 2010 Data ... Thursday, December 09, 2010

All releases are at 10:00 A.M. KST (following day), 8:00 P.M. (9:00 P.M. EST) ET

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### **AVAILABLE FROM THE CONFERENCE BOARD**

Korea Business Cycle Indicators Internet Subscription <i>(Includes monthly release, data, charts and commentary)</i>	\$ 635 per year (1 user)
Individual Data Series	\$ 35 per series downloaded
Monthly BCI Report <i>(Sample available at <a href="http://www.conference-board.org/publications/describeBCI.cfm">http://www.conference-board.org/publications/describeBCI.cfm</a>)</i>	\$ 275 per year
BCI Handbook (published 2001)	\$ 20
Corporate Site License	contact Indicators Program at (212) 339-0330

Business Cycle Indicators for Australia, France, Germany, Japan, Korea, Mexico, Spain and the U.K. are available at \$635 per country per year (1 user). Discounts are available to Associates of The Conference Board and accredited academic institutions.

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**The Conference Board Korea Business Cycle Indicators**  
**Table 1.--Summary of Korea Composite Economic Indexes**

	2009						
	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.
Leading index	104.2	105.7	107.3	107.3	109.9	109.9	111.6
Percent change	0.3	1.4	1.5	0.0	2.4	0.0	1.5
Diffusion index	57.1	57.1	78.6	57.1	92.9	50.0	71.4
Coincident index	107.6	108.6	108.7	108.8	109.7 p	109.4 p	109.7 p
Percent change	0.7	0.9	0.1	0.1	0.8 p	-0.3 p	0.3 p
Diffusion index	75.0	75.0	50.0	50.0	87.5	50.0	50.0

	Nov to	Dec to	Jan to	Feb to	Mar to	Apr to	May to
	May	Jun	Jul	Aug	Sep	Oct	Nov
Leading index							
Percent change	0.5	2.8	6.1	5.6	7.5	5.8	7.1
Diffusion index	42.9	85.7	71.4	71.4	85.7	85.7	85.7
Coincident index							
Percent change	0.6	6.0	3.7	3.4	3.2 p	2.4 p	2.0 p
Diffusion index	50.0	100.0	75.0	100.0	75.0	75.0	75.0

p Preliminary. r Revised (noted only for index levels and one-month percent changes).

CALCULATION NOTE: The diffusion indexes measure the proportion of the components that are rising. Components that rise more than 0.05 percent are given a value of 1.0, components that change less than 0.05 percent are given a value of 0.5, and components that fall more than 0.05 percent are given a value of 0.0.

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The Conference Board Korea Business Cycle Indicators

Table 2.--Data and Net Contributions for Components of the S. Korea Leading Economic Index

Components	2009						
	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.
<b>Korea Leading Economic Index Component Data</b>							
Stock Price Index, (Jan. 4, 1980=100).....	1395.9	1390.1	1557.3	1591.9	1673.1	1580.7	1555.6
Value of Machinery Orders, Mfg. (Bill. 2005 Won, SA,).....	1368.6	1572.6	1509.0	1393.8	1544.2	1533.8	1448.6
Letter of Credit Arrivals, Mfg. (3 Month Moving avg., Mill. 2000 US\$, SA).....	5352.83	5521.23	5633.77	5747.07	6067.53	6205.70	6444.54
Index of Inventories to Shipments, Mfg.,* (2005=100, S.A.).....	99.90	93.50	93.30	96.10	89.90	98.20	95.10
Real Exports FOB, Customs Clearance Basis, (3 Month Moving avg., US \$ Million, SA).....	25338.48	26850.70	27519.96	28062.85	28531.12	29305.58	30702.09
Yield of Government Public Bonds,* Maturity up to 5 Years, (Percent).....	4.91	5.13	5.13	5.35	5.33	5.35	5.29
Private Construction Orders (Bill. Of Won deflated by PPI, 3MA, SA).....	23346.57	20017.70	25166.20	26676.33	33384.10	40129.53	51100.53
<b>LEADING INDEX (2004=100).....</b>	<b>104.2</b>	<b>105.7</b>	<b>107.3</b>	<b>107.3</b>	<b>109.9</b>	<b>109.9</b>	<b>111.6</b>
Percent change from preceding month.....	0.3	1.4	1.5	0.0	2.4	0.0	1.5
<b>Korea Leading Economic Index Component Contributions</b>							
Stock Price Index, (Jan. 4, 1980=100).....	....	-0.02	0.52	0.10	0.23	-0.26	-0.07
Value of Machinery Orders, Mfg. (Bill. 2005 Won, SA,).....	....	0.44	-0.13	-0.25	0.32	-0.02	-0.18
Letter of Credit Arrivals, Mfg. (3 Month Moving avg., Mill. 2000 US\$, SA).....	....	0.27	0.18	0.18	0.48	0.20	0.33
Index of Inventories to Shipments, Mfg.,* (2005=100, S.A.).....	....	0.57	0.02	-0.25	0.57	-0.76	0.27
Real Exports FOB, Customs Clearance Basis, (3 Month Moving avg., US \$ Million, SA).....	....	0.59	0.25	0.20	0.17	0.27	0.47
Yield of Government Public Bonds,* Maturity up to 5 Years, (Percent).....	....	-0.14	0.00	-0.14	0.01	-0.01	0.04
Private Construction Orders (Bill. Of Won deflated by PPI, 3MA, SA).....	....	-0.39	0.58	0.15	0.57	0.47	0.62

p Preliminary. r Revised.

\* Inverted series; a negative change in this component makes a positive contribution to the index.

\*\* Statistical Imputation (See page 2 for more details)

Q Quarterly series; these series are converted to a monthly series through a linear interpolation.

**Data Sources:** Korea National Statistics Office, The Bank of Korea, Korean Customs Administration, Thomson Financial

**CALCULATION NOTE**--The percent change in the index does not always equal the sum of the net contributions

of the individual components (because of rounding effects and base value differences).

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The Conference Board Korea Business Cycle Indicators

Table 3.--Data and Net Contributions for Korea Coincident Economic Index

Components	May.	Jun.	Jul.	2009			
				Aug.	Sep.	Oct.	Nov.
<b>Korea Coincident Economic Index Component Data</b>							
Industrial Production, (2005=100, SA).....	114.6	120.2	122.5	121.4	126.7	122.8	126.4
Wholesale and Retail Sales, (2005=100, SA).....	113.4	114.8	114.6	114.4	116.3	118.2	117.5
Total Employment, (Thousands of Persons, SA).....	23386.6	23588.2	23528.7	23594.2	23632.3	23588.4	23559.8
Monthly Cash Earnings (Hundred of Won, deflated by CPI, SA)....	25235.9	24028.7	24156.5	24213.3	24225.0 **	24263.6 **	24286.1 **
<b>COINCIDENT INDEX (2004=100).....</b>	<b>107.6</b>	<b>108.6</b>	<b>108.7</b>	<b>108.8</b>	<b>109.7 p</b>	<b>109.4 p</b>	<b>109.7 p</b>
Percent change from preceding month..	0.7	0.9	0.1	0.1	0.8 p	-0.3 p	0.3 p
<b>Korea Coincident Economic Index Component Contributions</b>							
Industrial Production, (2005=100, SA).....	....	0.61	0.24	-0.11	0.54	-0.40	0.37
Wholesale and Retail Sales, (2005=100, SA).....	....	0.15	-0.02	-0.02	0.21	0.20	-0.07
Total Employment, (Thousands of Persons, SA).....	....	0.57	-0.17	0.19	0.11	-0.12	-0.08
Monthly Cash Earnings (Hundred of Won, deflated by CPI, SA)....	....	-0.39	0.04	0.02	0.00 **	0.01 **	0.01 **

p Preliminary. r Revised. n.a. Not available. c Corrected.

\*\* Statistical Imputation (See page 2 for more details)

Q Quarterly series; these series are converted to monthly through a linear interpolation.

**Data Sources:** Korea National Statistics Office, Thomson Financial, Ministry of Labor

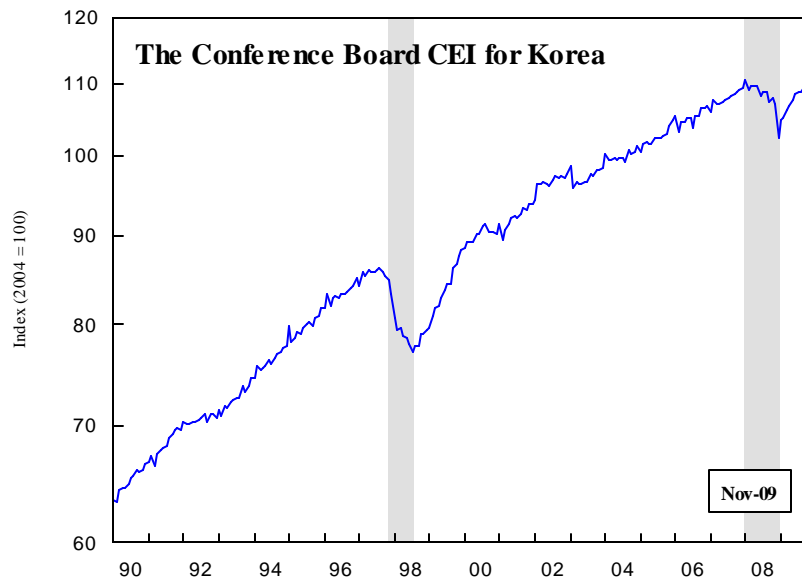
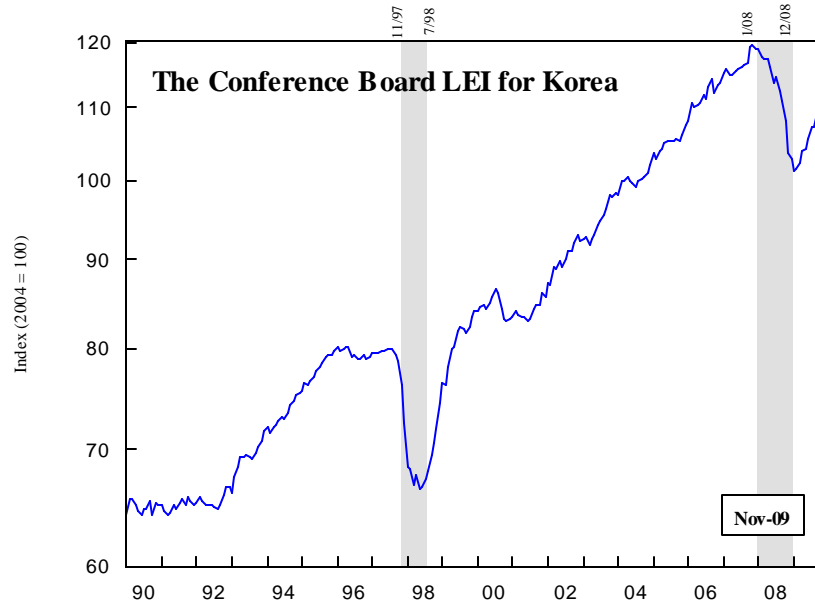
**CALCULATION NOTE--**The percent change in the index does not always equal the sum of the net contributions of the individual components (because of rounding effects and base value differences).

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## Korea

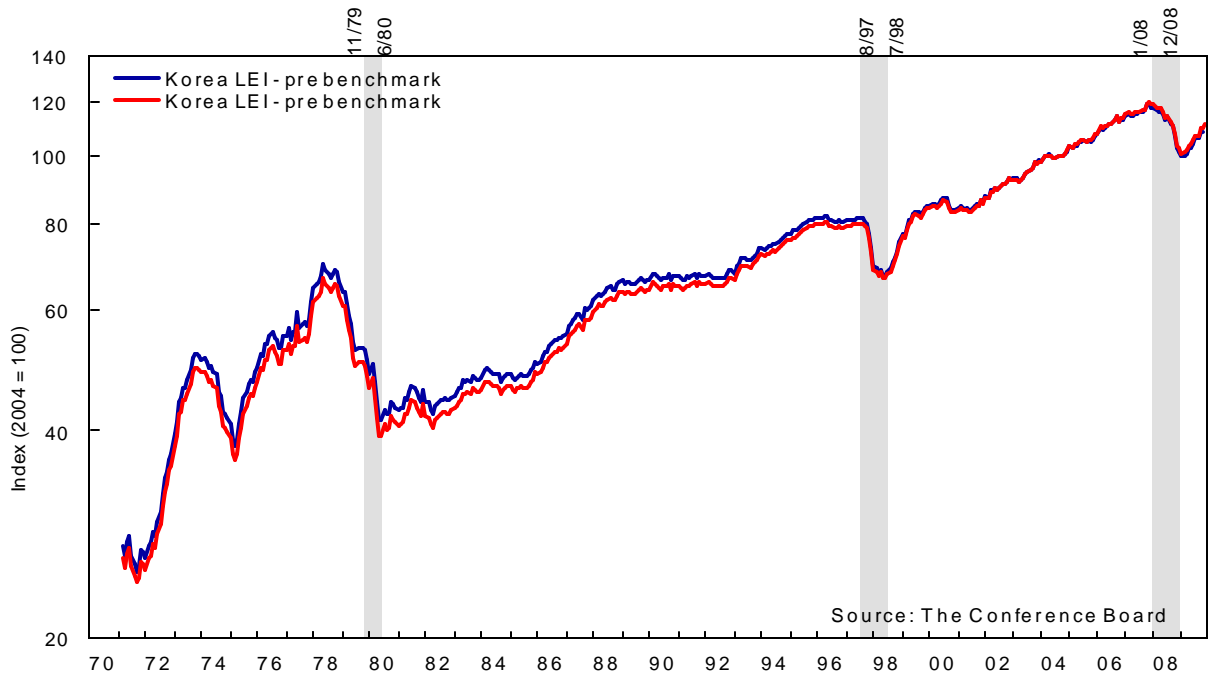


Note: The shaded areas represent business cycle recessions. The peaks and troughs are designated by The Conference Board based on the coincident index and real GDP.

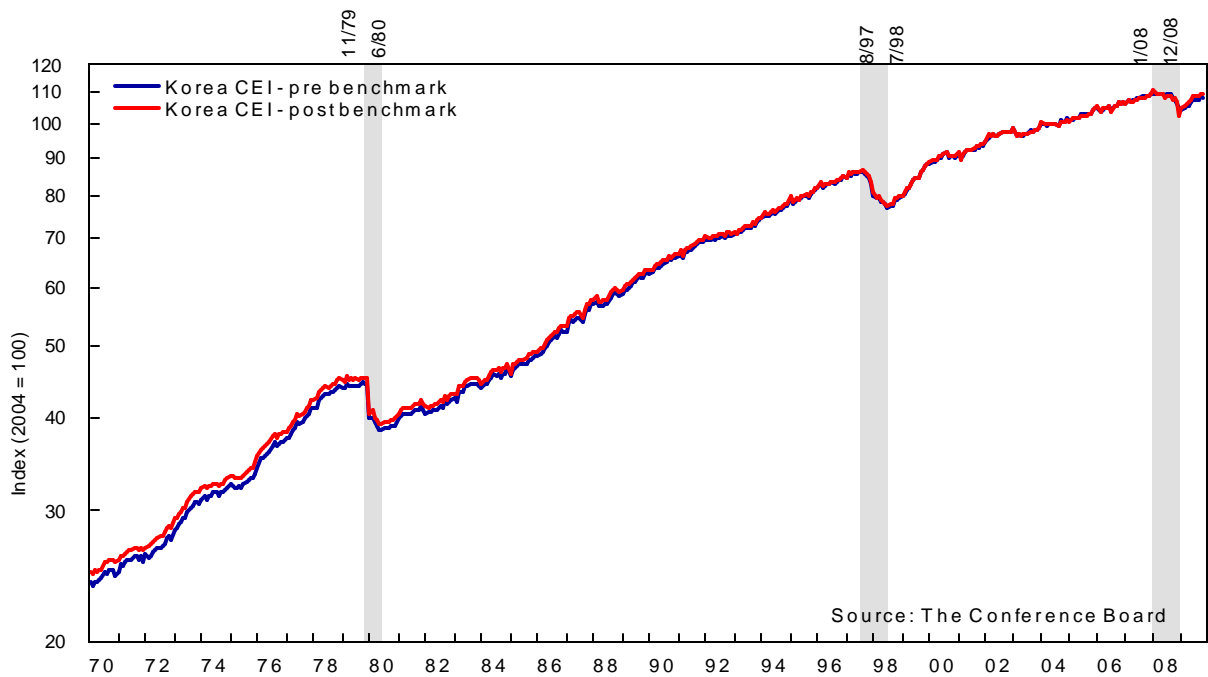
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The Conference Board Leading Economic Index™ (LEI) for Korea before and after benchmark revision



The Conference Board Coincident Economic Index™ (CEI) for Korea before and after benchmark revision



Note: The shaded areas represent business cycle recessions. The peaks and troughs are designated by The Conference Board based on the Coincident Index and real GDP.