



THE CONFERENCE BOARD

FOR RELEASE: 8:00 P.M. ET, TUESDAY, JANUARY 13, 2009

The Conference Board®
Korea Business Cycle IndicatorsSM
**THE CONFERENCE BOARD LEADING ECONOMIC INDEX (LEI)
FOR SOUTH KOREA**
AND RELATED COMPOSITE INDEXES FOR NOVEMBER 2008

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. Also, the base year of the composite economic indexes has been changed to 2004=100 from 1990=100. 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.

The Conference Board Leading Economic Index (LEI) for Korea declined 3.5 percent and The Conference Board Coincident Economic Index (CEI) declined 1.7 percent in November.

- The leading economic index fell sharply again in November, the largest monthly decline in more than ten years, as real exports and the (inverted) index of inventories to shipments made very large negative contributions. The six-month growth rate for LEI fell to -10.0 percent (about a -19.0 percent annual rate), well below the 6.3 percent decrease (annual rate) in the previous six months. In addition, the weaknesses among the leading indicators were very widespread as none of the components made positive net contributions during the last six months.
- The coincident economic index also fell sharply in November, due to large declines in industrial production and the wholesale and retail sales components. With November's decline, this index of current economic activity has fallen by 3.0 percent (a -5.9 percent annual rate) from May to November, a sharp reversal from the 1.1 percent increase (annual rate) from November 2007 to May 2008. Moreover, the weaknesses among the CEI components continued to be very widespread during the last six months. At the same time, real GDP growth has slowed to a 2.1 percent annual rate in the third quarter of 2008, down from the 3.3 percent average annual rate during the first half of 2008.
- The rate of deterioration in the leading index has accelerated in recent months, after a brief rebound in July. The monthly declines in the last two months were the largest since the 1997-98 Asian financial crises. The coincident index has also weakened substantially this year, with its rate of decrease having picked up in recent months. Taken together, the persistent and widespread weaknesses in both the LEI and CEI suggest that economic activity is likely to remain very sluggish in the near term, and the risk for further economic weakness remains elevated.

The next release is scheduled for Wednesday, February 11, 2009 at 10:00 A.M. (KOR)

In the U.S – Tuesday, February 10, 2009 at 8:00 P.M (ET)

LEADING INDICATORS. All seven components that make up the leading economic index decreased in November. The negative contributors – from the largest negative contributor to the smallest – were real exports FOB, the (inverted) index of inventories to shipments, value of machinery orders, letter of credit arrivals, private construction orders, stock prices, and the (inverted) yield of government public bonds.

With the 3.5 percent decrease in November, the leading index now stands at 103.7 (2004=100). Based on revised data, this index declined 3.0 percent in October and declined 0.7 percent in September. During the six-month span through November, the leading index decreased 10.0 percent, with none of the seven components advancing (diffusion index, six-month span equals 0.0 percent).

COINCIDENT INDICATORS. Only one of the four components that make up the coincident economic index increased in November. The positive contributor was monthly cash earnings. Industrial production, the wholesale and retail sales component, and total employment declined in November.

With the 1.7 percent decrease in November, the coincident index now stands at 106.3 (2004=100). Based on revised data, this index decreased 0.6 percent in October and decreased 0.4 percent in September. During the six-month span through November, the coincident index decreased 3.0 percent, with one of the four components advancing (diffusion index, six-month span equals 25.0 percent).

FOR TABLES AND CHARTS, SEE BELOW

DATA AVAILABILITY. The data series used to compute The Conference Board Leading Economic Index (LEI) for Korea and The Conference Board Coincident Economic Index (CEI) reported in this release are those available “as of” 10 A.M. (ET) on January 12, 2009.

* 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 indexes are the key elements in an analytic system designed to signal peaks and troughs in the business cycle. The leading and coincident indexes are essentially composite averages of several individual leading or coincident 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 leading index have occurred before those in aggregate economic activity, while the cyclical turning points in the coincident index 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	0.047
2. Value of Machinery Orders	0.033
3. Letter of Credit Arrivals	0.092
4. Index of Shipments to Inventories	0.086
5. Export FOB	0.105
6. Yield of Government Public Bonds	0.611
7. Private Construction Orders	0.026

<u>Coincident Economic Index</u>	
1. Industrial Production	0.124
2. Wholesale and Retail Trade	0.122
3. Employment	0.644
4. Monthly Cash Earnings	0.110

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 with the January 13, 2009 release, and all historical values for the two composite indexes were revised at this time to reflect the changes. (Under normal circumstances, updates to the leading and coincident indexes only incorporate revisions to data over the past six months).

The factors above for the leading index were calculated using 1996-2007 as the sample period for measuring volatility. A separate set of factors for the 1982-1996, 1980 – 1982, 1976-1979, and 1971-1976 periods, are available upon request. The factors above for the coincident index were calculated using 1970-2007 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 leading economic index are 0.0453 (calculated from June 1980 to December 2007) and -0.7613 (calculated from January 1970 to May 1980).

To address the problem of lags in available data, those leading and coincident 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 leading index 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 2009 schedule for the Korea “Leading Economic Indicators” press release is:

December 2008 Data ... Tuesday, February 10, 2009
January 2009 Data ... Tuesday, March 10, 2009
February 2009 Data ... Thursday, April 09, 2009
March 2009 Data ... Tuesday, May 12, 2009
April 2009 Data ... Tuesday, June 16, 2009
May 2009 Data ... Tuesday, July 14, 2009
June 2009 Data ... Tuesday, August 11, 2009
July 2009 Data ... Tuesday, September 15, 2009
August 2009 Data ... Wednesday, October 14, 2009
September 2009 Data ... Thursday, November 12, 2009
October 2009 Data ... Thursday, December 10, 2009

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

About The Conference Board

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Korea Business Cycle Indicators Internet Subscription	\$ 635 per year (1 user)
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Individual Data Series	\$ 35 per series downloaded
Monthly BCI Report	\$ 275 per year
<i>(Sample available at http://www.conference-board.org/publications/describeBCI.cfm)</i>	
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

	2008						
	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.
Leading index	115.2 r	113.2 r	114.5 r	111.6 r	110.8 r	107.5 r	103.7
Percent change	-0.9 r	-1.7	1.1 r	-2.5 r	-0.7 r	-3.0 r	-3.5
Diffusion index	14.3	0.0	57.1	14.3	28.6	42.9	0.0
Coincident index	109.6 r	108.9 r	109.5 r	109.2 r	108.8 p	108.1 r	106.3 p
Percent change	-0.2	-0.6 r	0.6 r	-0.3 p	-0.4	-0.6 r	-1.7 p
Diffusion index	12.5	37.5	50.0	25.0	25.0	37.5	37.5
	Nov to May	Dec to Jun	Jan to Jul	Feb to Aug	Mar to Sep	Apr to Oct	May to Nov
Leading index							
Percent change	-3.2 r	-3.9 r	-2.7 r	-4.2 r	-4.7 r	-7.6	-10.0
Diffusion index	28.6	14.3	.0	0.0	0.0	0.0	0.0
Coincident index							
Percent change	0.6	-0.3 r	0.2 r	-0.2 r	-0.6 p	-1.5 r	-3.0 p
Diffusion index	75.0	50.0	75.0	50.0	25.0	25.0	25.0

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	2008						
	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.
Korea Leading Index Component Data							
Stock Price Index, (Jan. 4, 1980=100).....	1852.0	1674.9	1594.7	1474.2	1448.1	1113.1	1076.1
Value of Machinery Orders, Mfg. (Bill. 2005 Won, SA,).....	2482.8 r	2385.4 r	3093.8 r	2175.0 r	1788.4 r	1861.0 r	1530.1
Letter of Credit Arrivals, Mfg. (3 Month Moving avg., Mill. 2000 US\$, SA).....	8154.90	8048.17	8464.07	8128.73	8556.80	7577.67	7429.25
Index of Inventories to Shipments, Mfg.,* (2005=100, S.A.).....	105.00	110.90	104.50	111.90	111.80 r	117.30 r	132.10
Real Exports FOB, Customs Clearance Basis, (3 Month Moving avg., US \$ Million, SA).....	35354.10 r	34455.59 r	34857.28 r	34649.75 r	34412.93 r	31209.79 r	27551.78
Yield of Government Public Bonds,* Maturity up to 5 Years, (Percent).....	5.64	6.03	6.29	6.19	6.30	5.85	6.05
Private Construction Orders (Bill. Of Won deflated by PPI, 3MA, SA).....	52323.37 r	50839.50 r	41855.50 r	40158.03 r	34918.93 r	38749.07 r	36305.60
LEADING INDEX (2004=100).....	115.2 r	113.2 r	114.5 r	111.6 r	110.8 r	107.5 r	103.7
Percent change from preceding month.....	-0.9 r	-1.7	1.1 r	-2.5 r	-0.7 r	-3.0 r	-3.5
Korea Leading Index Component Contributions							
Stock Price Index, (Jan. 4, 1980=100).....	....	-0.47	-0.23	-0.37	-0.08	-1.22	-0.16
Value of Machinery Orders, Mfg. (Bill. 2005 Won, SA,).....	....	-0.13 r	0.85 r	-1.14 r	-0.64 r	0.13 r	-0.64
Letter of Credit Arrivals, Mfg. (3 Month Moving avg., Mill. 2000 US\$, SA).....	....	-0.12 r	0.47 r	-0.37 r	0.47 r	-1.12 r	-0.18
Index of Inventories to Shipments, Mfg.,* (2005=100, S.A.).....	....	-0.47 r	0.51 r	-0.59 r	0.01 r	-0.41 r	-1.02
Real Exports FOB, Customs Clearance Basis, (3 Month Moving avg., US \$ Million, SA).....	....	-0.27 r	0.12 r	-0.06	-0.07 r	-1.02 r	-1.30
Yield of Government Public Bonds,* Maturity up to 5 Years, (Percent).....	....	-0.24	-0.16	0.06	-0.07	0.28 r	-0.12
Private Construction Orders (Bill. Of Won deflated by PPI, 3MA, SA).....	....	-0.07 r	-0.49 r	-0.10 r	-0.36	0.27 r	-0.17

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	2008						
	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.
Korea Coincident Index Component Data							
Industrial Production, (2005=100, SA).....	125.1 r	125.2	124.7 r	122.9 r	120.9 r	117.0 r	104.6
Wholesale and Retail Sales, (2005=100, SA).....	112.7	107.6 r	112.9	112.0 r	109.8 r	108.1 r	105.1
Total Employment, (Thousands of Persons, SA).....	23572.9 r	23583.1 r	23606.1 r	23626.0	23608.0 r	23605.9 r	23600.0
Monthly Cash Earnings (Hundred of Won, deflated by CPI, SA).....	26164.1	26042.5	25920.8	25799.2	25947.7 **	25966.5 **	26047.7 **
COINCIDENT INDEX (2004=100).....	109.6 r	108.9 r	109.5 r	109.2 r	108.8 p	108.1 p	106.3 p
Percent change from preceding month.....	-0.2	-0.6 r	0.6 r	-0.3	-0.4 p	-0.6 p	-1.7 p
Korea Coincident Index Component Contributions							
Industrial Production, (2005=100, SA).....	....	0.01 r	-0.05 r	-0.18	-0.20 r	-0.41 r	-1.39
Wholesale and Retail Sales, (2005=100, SA).....	....	-0.57 r	0.59 r	-0.10 r	-0.24 r	-0.19 r	-0.34
Total Employment, (Thousands of Persons, SA).....	....	0.03	0.06	0.05 r	-0.05 r	-0.01 r	-0.02
Monthly Cash Earnings (Hundred of Won, deflated by CPI, SA).....	....	-0.05 r	-0.05 r	-0.05 r	0.06 **	0.01 **	0.03 **

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).

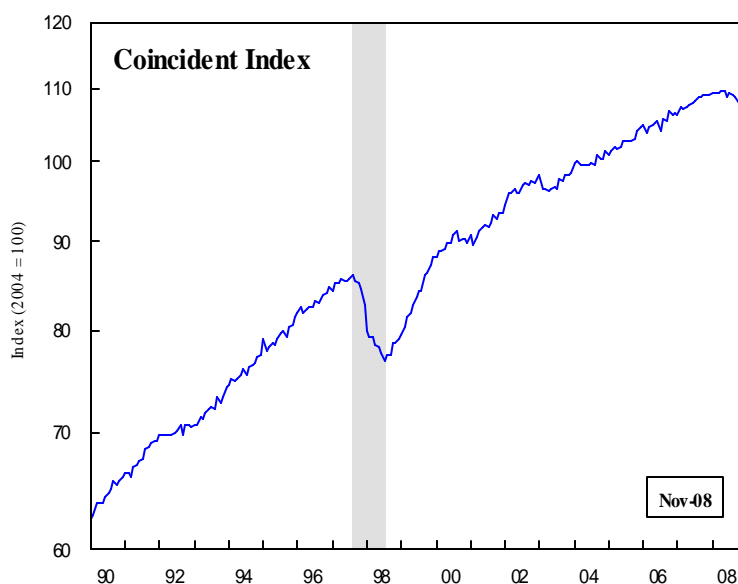
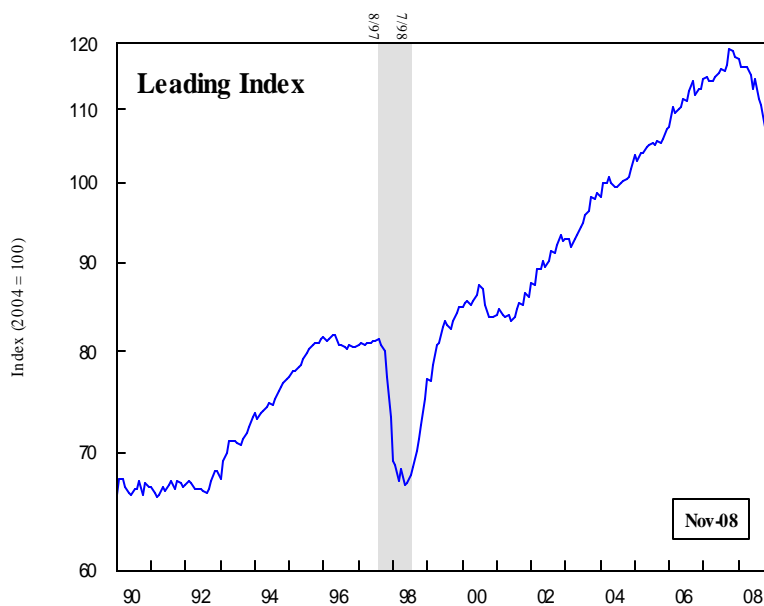
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Korea

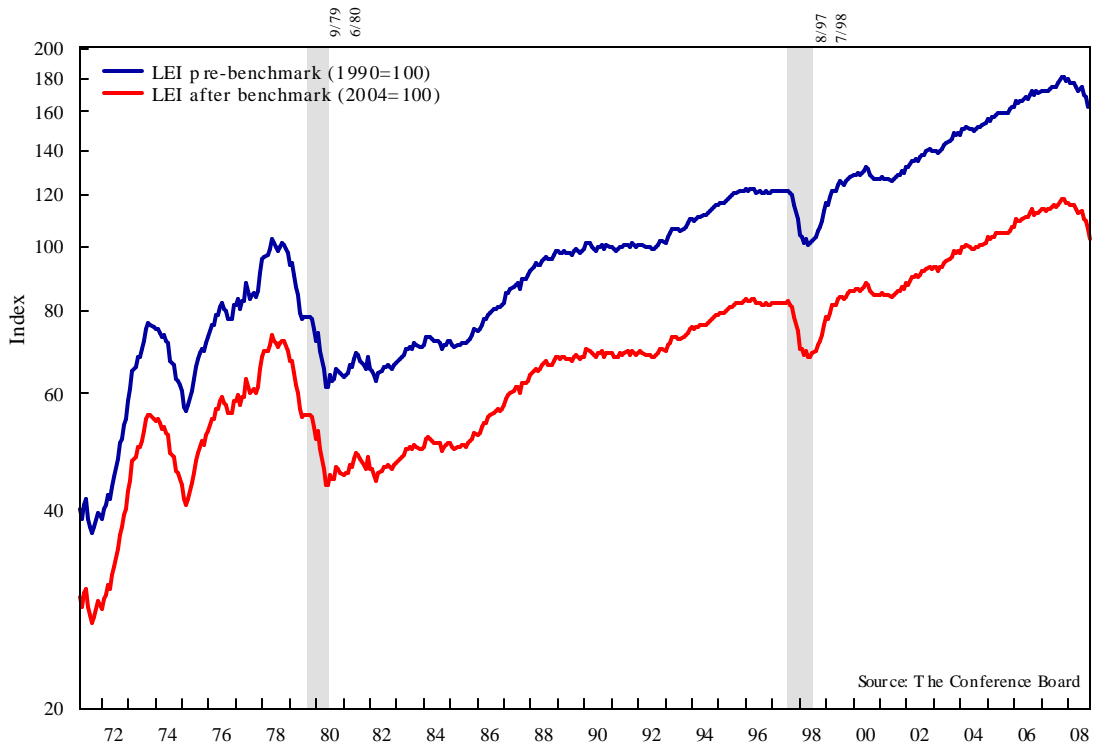


Note: The shaded areas represent business cycle recessions. The peaks and troughs are designated by The Conference Board based on the coincident index and real GDP.

Source: The Conference Board

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



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

