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Further information:

Professional Contacts at The Conference Board:

Indicator Program: 1-212-339-0330

indicators@conference-board.org

Media Contacts:

Barbara Rosen: 1-973-979-5912

Barbara.rosen@conference-board.org

Carol Courter: 1-732-672-2817

carol.courter@conference-board.org

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The Conference Board[®]

Korea Business Cycle IndicatorsSM

**THE CONFERENCE BOARD LEADING ECONOMIC INDEX[®]
(LEI) FOR KOREA
AND RELATED COMPOSITE ECONOMIC INDEXES FOR OCTOBER 2010**

Next month's release will incorporate annual benchmark revisions to the composite indexes. These regular benchmark revisions bring the indexes up-to-date with revisions in the source data. The 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 incorporated when the benchmark revision is made and the entire histories of the indexes are recomputed. As a result, the revised indexes and their month-over-month changes will no longer be directly comparable to those issued prior to the benchmark revision.

For more information, please visit our website at <http://www.conference-board.org/data/bci.cfm> or contact indicators@conference-board.org.

The Conference Board Leading Economic Index[®] (LEI) for Korea increased 1.1 percent and The Conference Board Coincident Economic Index[®] (CEI) for Korea declined 0.2 percent in October.

- The Conference Board LEI for Korea increased sharply again in October, with the letter of credit arrivals and real exports FOB making the largest positive contributions to the index. The leading economic index grew by 1.0 percent (about a 1.9 percent annual rate) in the six-month period through October 2010, substantially slower than the increase of 4.9 percent (about a 10.1 percent annual rate) for the previous six months, but an improvement from the six-month growth rate in recent months. In addition, the strengths among the leading indicators have become more widespread over the past six months.
- The Conference Board CEI for Korea, a measure of current economic activity, fell for the third consecutive month in October. Industrial production fell sharply this month. With the decline in October, the six-month growth rate of the coincident economic index continued to slow, to 0.9 percent (about a 1.8 percent annual rate) from April to October 2010, down from 1.6 percent (about a 3.3 percent annual rate) for the previous six months. At the same time, real GDP grew at a 3.0 percent annual rate in the third quarter of 2010, slower than the growth of 5.8 percent annual rate in the second quarter and 8.8 percent annual rate during the first quarter.
- The Conference Board LEI for Korea increased in both September and October, after declining for three consecutive months. As a result, its six-month growth rate has picked up slightly, although it is still well below that of early 2010. Meanwhile, The Conference Board CEI for Korea has decreased for the past three months, and its six-month growth rate has continued to slow. Taken together, the current behavior of the composite indexes and their components suggest that the weakness in current conditions may not last, but that economic growth will likely be modest in the near term.

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

With the 1.1 percent increase in October, The Conference Board LEI for Korea now stands at 116.4 (2004=100). Based on revised data, this index increased 0.8 percent in September and declined 0.8 percent in August. During the six-month span through October, the leading economic index increased 1.0 percent, with four of the seven components advancing (diffusion index, six-month span equals 71.4 percent).

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

With the 0.2 percent decrease in October, The Conference Board CEI for Korea now stands at 112.5 (2004=100). Based on revised data, this index decreased 0.2 percent in September and decreased 0.3 percent in August. During the six-month span through October, the coincident economic index increased 0.9 percent, with three of the four components advancing (diffusion index, six-month span equals 75.0 percent).

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 December 8, 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.

Summary Table of Composite Economic Indexes

	<u>Aug</u>	2010 <u>Sep</u>	<u>Oct</u>	6-month <u>Apr to Oct</u>
Leading Economic index (LEI)	114.2 r	115.1 r	116.4	
Percent Change	-0.8 r	0.8	1.1	1.0
Diffusion	28.6 r	78.6	71.4	71.4
Coincident Economic Index (CEI)	112.9 r	112.7 p	112.5 p	
Percent Change	-0.3 r	-0.2 p	-0.2 p	0.9 p
Diffusion	25.0	.0	50.0	75.0

n.a. Not available p Preliminary r Revised

Indexes equal 100 in 2004

Source: The Conference Board All Rights Reserved

The next release is scheduled for Thursday, January 13, 2011 at 10:00 A.M. (KST)

In the U.S – Wednesday, January 12, 2011 at 8:00 P.M (EST)

For more information, visit The Conference Board website: www.conference-board.org/data/bci.cfm