



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. KST, WEDNESDAY, JULY 15, 2009

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 MAY 2009**

**The Conference Board Leading Economic Index™ (LEI)** for Korea increased 0.7 percent and **The Conference Board Coincident Economic Index™ (CEI)** for Korea increased 0.6 percent in May.

- The Conference Board LEI for Korea increased for the fourth consecutive month in May. Letter of credit arrivals, real exports, value of machinery orders, the index of inventories to shipments (inverted) and stock prices continued to contribute positively to the index. With this month's gain, the six-month growth rate of the leading economic index has turned positive for the first time since February last year. The index increased 1.2 percent (about a 2.3 percent annual rate) between November 2008 and May 2009, well above the 10.8 percent decline in the previous six months. Moreover, the strengths among the leading indicators have remained slightly more widespread than the weaknesses during this period.
- The Conference Board CEI for Korea, a measure of current economic activity, also continued to increase in May. Wholesale and retail trade again made a large contribution to the index this month, while industrial production rose slightly following sharp gains in the previous three months. The six-month growth rate of the index has also become positive – it increased to 1.0 percent (a 2.1 percent annual rate) for the period through May 2009, up from -3.3 percent for the previous six months. At the same time, real GDP grew at a 0.5 percent annual rate in the first quarter of 2009, up from the 18.8 percent annual rate of decline in the fourth quarter of 2008.
- After declining sharply in the fourth quarter of 2008, both composite indexes for Korea have risen for four consecutive months, and their six-month growth rates have also become positive. All in all, the current behavior of the composite indexes and their components suggest that economic activity is likely to improve slightly in upcoming months.

**LEADING INDICATORS.** Five of the seven components that make up The Conference Board LEI for Korea increased in May. The positive contributors – from the largest positive contributor to the smallest – were letter of credit arrivals, value of machinery orders, real exports FOB, 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 the (inverted) yield of government public bonds.

With the 0.7 percent increase in May, The Conference Board LEI for Korea now stands at 104.0 (2004=100). Based on revised data, this index increased 2.0 percent in April and increased 0.4 percent in March. During the six-month span through May, the leading economic index increased 1.2 percent, with four of the seven components advancing (diffusion index, six-month span equals 57.1 percent).

The next release is scheduled for Wednesday, August 12, 2009 at 10:00 A.M. (KST)  
*In the U.S* – Tuesday, August 11, 2009 at 9:00 P.M (EST)

COINCIDENT INDICATORS. Three of the four components that make up The Conference Board CEI for Korea increased in May. The positive contributors– in order from the largest positive contributor to the smallest – were the wholesale and retail sales component, monthly cash earnings\*, and industrial production. Total employment declined in May.

With the 0.6 percent increase in May, The Conference Board CEI for Korea now stands at 107.1 (2004=100). Based on revised data, this index increased 0.7 percent in April and increased 0.8 percent in March. During the six-month span through May, the coincident economic index increased 1.0 percent, with two of the four components advancing (diffusion index, six-month span equals 50.0 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 July 13, 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 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	0.047
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	0.113
2. Wholesale and Retail Trade	0.124
3. Employment	0.652
4. Monthly Cash Earnings	0.111

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 2009, 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 1996-2007 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 Conference Board CEI 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 is 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 0.0295 (calculated from June 1980 to December 2007) and -0.7688 (calculated from January 1970 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 2009 schedule for TCB's LEI for Korea news releases is:

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

	2009						
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May.
Leading index	102.8	101.5 r	100.0 r	100.9 r	101.3	103.3 r	104.0
Percent change	-4.2	-1.3 r	-1.5	0.9	0.4 r	2.0 r	0.7
Diffusion index	0.0	57.1	42.9	42.9	57.1	85.7	71.4
Coincident index	106.0	104.6	104.5 r	105.0 r	105.8 r	106.5 p	107.1 p
Percent change	-1.6	-1.3	-0.1 r	0.5	0.8 r	0.7 p	0.6 p
Diffusion index	25.0	25.0	50.0	25.0	75.0	62.5	75.0
	May to	Jun to	Jul to	Aug to	Sep to	Oct to	Nov to
	Nov	Dec	Jan	Feb	Mar	Apr	May
Leading index							
Percent change	-10.8	-10.3 r	-12.6 r	-9.5 r	-8.4	-3.7 r	1.2
Diffusion index	0.0	14.3	28.6	42.9	28.6	57.1	57.1
Coincident index							
Percent change	-3.3	-3.9	-4.7 r	-4.0 r	-2.5 r	-1.1 p	1.0 p
Diffusion index	12.5	0.0	0.0	0.0	0.0	25.0	50.0

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						
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May.
<b>Korea Leading Economic Index Component Data</b>							
Stock Price Index, (Jan. 4, 1980=100).....	1076.1	1124.5	1162.1	1063.0	1206.3	1369.4	1395.9
Value of Machinery Orders, Mfg. (Bill. 2005 Won, SA).....	1512.9 r	1423.0 r	1558.0 r	1472.7 r	1801.0 r	1822.1 r	1917.8
Letter of Credit Arrivals, Mfg. (3 Month Moving avg., Mill. 2000 US\$, SA).....	6804.23 r	5374.97 r	4897.87 r	4949.90 r	4988.00 r	5192.27 r	5314.67
Index of Inventories to Shipments, Mfg.,* (2005=100, S.A.).....	131.70 r	124.60 r	127.30 r	106.40 r	107.30 r	101.70 r	100.10
Real Exports FOB, Customs Clearance Basis, (3 Month Moving avg., US \$ Million, SA).....	27343.25	25095.90	22427.51 r	22994.09 r	22708.80 r	24958.52 r	25311.49
Yield of Government Public Bonds,* Maturity up to 5 Years, (Percent).....	6.05	5.29	4.57	5.17	4.96	4.77	4.91
Private Construction Orders (Bill. Of Won deflated by PPI, 3MA, SA).....	36236.90 r	49841.53 r	46422.70 r	43404.17 r	30788.97 r	24406.43 r	23165.30
<b>LEADING INDEX (2004=100).....</b>	<b>102.8</b>	<b>101.5 r</b>	<b>100.0 r</b>	<b>100.9 r</b>	<b>101.3</b>	<b>103.3 r</b>	<b>104.0</b>
Percent change from preceding month.....	-4.2	-1.3 r	-1.5	0.9	0.4 r	2.0 r	0.7
<b>Korea Leading Economic Index Component Contributions</b>							
Stock Price Index, (Jan. 4, 1980=100).....	....	0.21	0.15	-0.42	0.59	0.59	0.09
Value of Machinery Orders, Mfg. (Bill. 2005 Won, SA).....	....	-0.20 r	0.30 r	-0.18 r	0.66 r	0.04	0.17
Letter of Credit Arrivals, Mfg. (3 Month Moving avg., Mill. 2000 US\$, SA).....	....	-2.17 r	-0.86 r	0.10 r	0.07 r	0.37 r	0.22
Index of Inventories to Shipments, Mfg.,* (2005=100, S.A.).....	....	0.48 r	-0.18	1.54 r	-0.07 r	0.46 r	0.14
Real Exports FOB, Customs Clearance Basis, (3 Month Moving avg., US \$ Million, SA).....	....	-0.90	-1.17 r	0.26	-0.13	0.99 r	0.15
Yield of Government Public Bonds,* Maturity up to 5 Years, (Percent).....	....	0.47	0.44	-0.37	0.13	0.12	-0.09
Private Construction Orders (Bill. Of Won deflated by PPI, 3MA, SA).....	....	0.81	-0.18	-0.17 r	-0.87	-0.59	-0.13

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	2009						
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May.
<b>Korea Coincident Economic Index Component Data</b>							
Industrial Production, (2005=100, SA).....	106.3 r	97.0 r	97.6 r	105.0	110.6 r	114.1 r	114.3
Wholesale and Retail Sales, (2005=100, SA).....	106.0 r	106.2 r	107.6	105.6	107.2 r	109.0 r	113.9
Total Employment, (Thousands of Persons, SA).....	23581.4	23521.3	23448.3	23409.1	23369.9	23379.6	23367.4
Monthly Cash Earnings (Hundred of Won, deflated by CPI, SA)....	24575.8	24382.9	24168.2	23803.6	24035.6	23991.9 **	24075.5 **
<b>COINCIDENT INDEX (2004=100).....</b>	<b>106.0</b>	<b>104.6</b>	<b>104.5 r</b>	<b>105.0 r</b>	<b>105.8 r</b>	<b>106.5 p</b>	<b>107.1 p</b>
Percent change from preceding month..	-1.6	-1.3	-0.1 r	0.5	0.8 r	0.7 p	0.6 p
<b>Korea Coincident Economic Index Component Contributions</b>							
Industrial Production, (2005=100, SA).....	....	-1.14 r	0.08 r	0.91 r	0.65 r	0.39 r	0.02
Wholesale and Retail Sales, (2005=100, SA).....	....	0.02 r	0.16 r	-0.23	0.18 r	0.20 r	0.54
Total Employment, (Thousands of Persons, SA).....	....	-0.16	-0.20	-0.11	-0.11	0.03	-0.03
Monthly Cash Earnings (Hundred of Won, deflated by CPI, SA)....	....	-0.09	-0.10	-0.17	0.11	-0.02 **	0.04 **

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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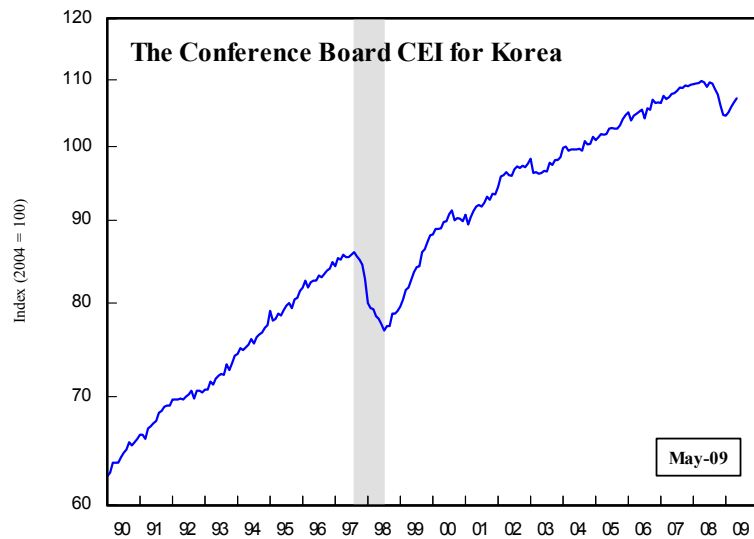
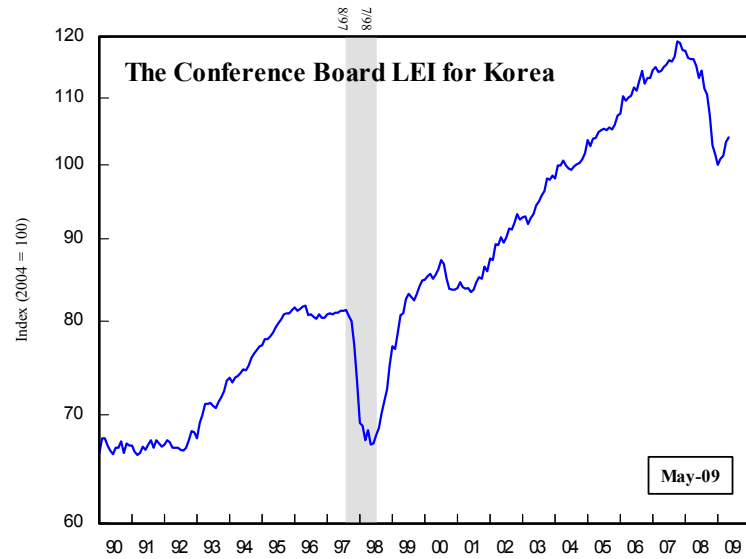
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## Korea



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