



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. KST, THURSDAY, OCTOBER 15, 2009

The Conference Board®
Korea Business Cycle IndicatorsSM
**THE CONFERENCE BOARD LEADING ECONOMIC INDEX™
(LEI) FOR KOREA**
AND RELATED COMPOSITE ECONOMIC INDEXES FOR AUGUST 2009

The Conference Board Leading Economic Index™ (LEI) for Korea declined 0.3 percent and The Conference Board Coincident Economic Index™ (CEI) for Korea increased 0.1 percent in August.

- The Conference Board LEI for Korea declined modestly in August, following six consecutive increases. Index of inventories to shipments (inverted), value of machinery orders, and the bond yield (inverted) all made large negative contributions to the index this month. Despite the decline in August, the leading economic index increased by 5.4 percent (about an 11.0 percent annual rate) in the six-month period through August 2009, a sharp reversal from the decline of 18.9 percent (annual rate) for the previous six months. In addition, the strengths among the leading indicators have remained widespread in recent months.
- The Conference Board CEI for Korea, a measure of current economic activity, increased slightly again in August. Positive contributions from total employment and monthly cash earnings* more than offset negative contributions from industrial production and the wholesale and retail sales component. The coincident economic index increased 2.9 percent (a 5.8 percent annual rate) in the six-month period through August 2009, well above the 8.1 percent (annual rate) decline for the previous six months. At the same time, real GDP expanded at an 11.0 percent annual rate in the second quarter of 2009 – its highest growth rate since early 2002 and well above the 0.5 percent gain (annual rate) in the first quarter of 2009.
- The Conference Board LEI and The Conference Board CEI for Korea have both risen sharply this year. However, their growth rates have tapered somewhat from the very high rates in recent months. Taken together, the current behavior of the composite indexes and their components suggest that the recovery in economic activity will continue in upcoming months.

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

With the 0.3 percent decrease in August, The Conference Board LEI for Korea now stands at 105.8 (2004=100). Based on revised data, this index increased 1.4 percent in July and increased 1.5 percent in June. During the six-month span through August, the leading economic index increased 5.4 percent, with five of the seven components advancing (diffusion index, six-month span equals 71.4 percent).

The next release is scheduled for Friday, November 13, 2009 at 10:00 A.M. (KST)

In the U.S – Thursday, November 12, 2009 at 8:00 P.M (EST)

COINCIDENT INDICATORS. Two of the four components that make up The Conference Board CEI for Korea increased in August. The positive contributors – in order from the larger positive contributor to the smaller – were total employment and monthly cash earnings. Industrial production and the wholesale and retail sales component declined in August.

With the 0.1 percent increase in August, The Conference Board CEI for Korea now stands at 107.9 (2004=100). Based on revised data, this index increased 0.1 percent in July and increased 1.3 percent in June. During the six-month span through August, the coincident economic index increased 2.9 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 October 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:

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

ABOUT THE CONFERENCE BOARD

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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 http://www.conference-board.org/publications/describeBCI.cfm)</i>	\$ 275 per year
BCI Handbook (published 2001)	\$ 20
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The Conference Board Korea Business Cycle Indicators
Table 1.--Summary of Korea Composite Economic Indexes

	2009						
	Feb.	Mar.	Apr.	May.	Jun.	Jul.	Aug.
Leading index	100.4	101.1	102.8 r	103.1 r	104.6 r	106.1 r	105.8
Percent change	0.4	0.7	1.7 r	0.3	1.5 r	1.4	-0.3
Diffusion index	42.9	57.1	71.4	57.1	57.1	78.6	57.1
Coincident index	104.9	105.4	105.8 r	106.3 r	107.7 p	107.8 p	107.9 p
Percent change	0.4	0.5	0.4 r	0.5	1.3 p	0.1 p	0.1 p
Diffusion index	25.0	50.0	62.5	62.5	100.0	25.0	50.0

	Aug to	Sep to	Oct to	Nov to	Dec to	Jan to	Feb to
	Feb	Mar	Apr	May	Jun	Jul	Aug
Leading index							
Percent change	-10.0	-8.6	-4.2 r	0.3 r	3.1 r	6.1 r	5.4
Diffusion index	42.9	28.6	42.9	42.9	85.7	71.4	71.4
Coincident index							
Percent change	-4.1	-2.9	-1.8 r	0.3 r	3.0 p	3.2 p	2.9 p
Diffusion index	0.0	0.0	25.0	50.0	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.

For more information, visit our Web site at www.conference-board.org/economics/bci/

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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						
	Feb.	Mar.	Apr.	May.	Jun.	Jul.	Aug.
Korea Leading Economic Index Component Data							
Stock Price Index, (Jan. 4, 1980=100).....	1063.0	1206.3	1369.4	1395.9	1390.1	1557.3	1591.9
Value of Machinery Orders, Mfg. (Bill. 2005 Won, SA).....	1122.0 r	1476.8 r	1376.0 r	1357.4 r	1558.0 r	1491.8 r	1374.0
Letter of Credit Arrivals, Mfg. (3 Month Moving avg., Mill. 2000 US\$, SA).....	5021.57 r	5055.57 r	5251.73 r	5359.23 r	5520.40 r	5599.90 r	5672.67
Index of Inventories to Shipments, Mfg.,* (2005=100, S.A.).....	105.70 r	106.70 r	101.20 r	99.60 r	93.70 r	93.00 r	96.80
Real Exports FOB, Customs Clearance Basis, (3 Month Moving avg., US \$ Million, SA).....	23294.26 r	23033.93 r	25148.45 r	25413.24 r	27091.40 r	27815.92 r	28236.19
Yield of Government Public Bonds,* Maturity up to 5 Years, (Percent).....	5.17	4.96	4.77	4.91	5.13	5.13	5.35
Private Construction Orders (Bill. Of Won deflated by PPI, 3MA, SA).....	43290.57 r	30824.80 r	24351.57 r	23076.60 r	19695.47 r	24233.70 r	24919.57
LEADING INDEX (2004=100).....	100.4	101.1	102.8 r	103.1 r	104.6 r	106.1 r	105.8
Percent change from preceding month.....	0.4	0.7	1.7 r	0.3	1.5 r	1.4	-0.3
Korea Leading Economic Index Component Contributions							
Stock Price Index, (Jan. 4, 1980=100).....	....	0.59	0.59	0.09	-0.02	0.53	0.10
Value of Machinery Orders, Mfg. (Bill. 2005 Won, SA).....	....	0.90 r	-0.23 r	-0.04 r	0.45 r	-0.14 r	-0.27
Letter of Credit Arrivals, Mfg. (3 Month Moving avg., Mill. 2000 US\$, SA).....	....	0.06 r	0.35	0.19 r	0.27 r	0.13 r	0.12
Index of Inventories to Shipments, Mfg.,* (2005=100, S.A.).....	....	-0.08 r	0.45	0.14 r	0.52 r	0.06 r	-0.34
Real Exports FOB, Customs Clearance Basis, (3 Month Moving avg., US \$ Million, SA).....	....	-0.12 r	0.92	0.11 r	0.67 r	0.28 r	0.16
Yield of Government Public Bonds,* Maturity up to 5 Years, (Percent).....	....	0.13	0.12	-0.09	-0.13	0.00	-0.13
Private Construction Orders (Bill. Of Won deflated by PPI, 3MA, SA).....	....	-0.86	-0.60 r	-0.13 r	-0.40 r	0.53 r	0.07

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						
	Feb.	Mar.	Apr.	May.	Jun.	Jul.	Aug.
Korea Coincident Economic Index Component Data							
Industrial Production, (2005=100, SA).....	106.1 r	110.8 r	113.6 r	114.6	120.1 r	122.6 r	121.5
Wholesale and Retail Sales, (2005=100, SA).....	106.0 r	107.6 r	109.6 r	113.4 r	114.8 r	114.6 r	114.4
Total Employment, (Thousands of Persons, SA).....	23417.3 r	23373.7 r	23384.8 r	23374.2 r	23583.3 r	23528.5 r	23603.5
Monthly Cash Earnings (Hundred of Won, deflated by CPI, SA)....	23803.6	23421.2	23146.3	22933.8	23084.7 **	23070.5 **	23131.2 **
COINCIDENT INDEX (2004=100).....	104.9	105.4	105.8 r	106.3 r	107.7 p	107.8 p	107.9 p
Percent change from preceding month..	0.4	0.5	0.4 r	0.5	1.3 p	0.1 p	0.1 p
Korea Coincident Economic Index Component Contributions							
Industrial Production, (2005=100, SA).....	....	0.54	0.31 r	0.11 r	0.58 r	0.26	-0.11
Wholesale and Retail Sales, (2005=100, SA).....	....	0.18 r	0.23	0.42 r	0.15	-0.02 r	-0.02
Total Employment, (Thousands of Persons, SA).....	....	-0.12	0.03 r	-0.03 r	0.57	-0.15 r	0.20
Monthly Cash Earnings (Hundred of Won, deflated by CPI, SA)....	....	-0.18	-0.13	-0.10	0.07 **	-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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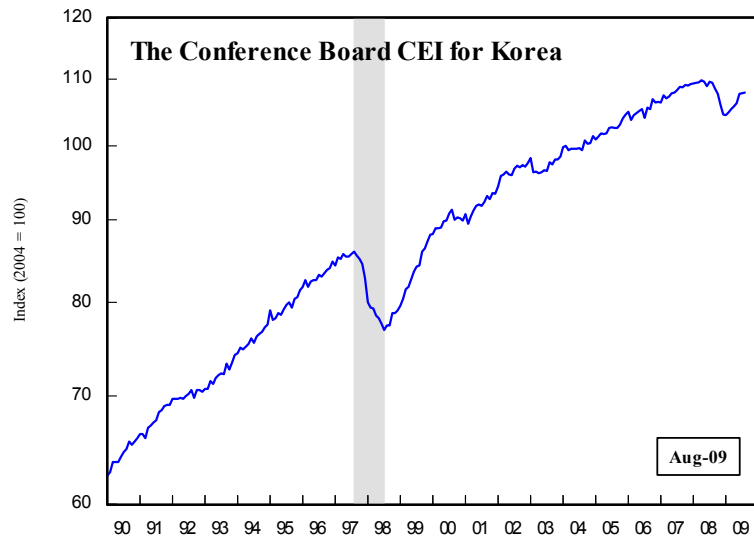
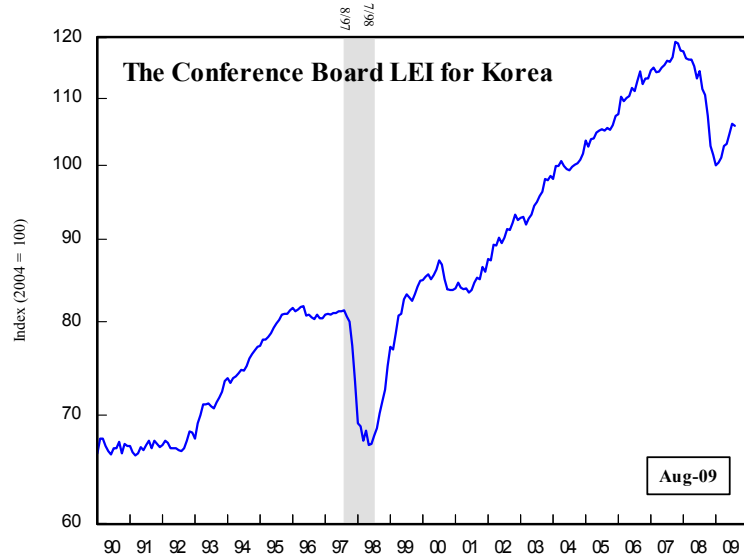
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Korea



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