



THE CONFERENCE BOARD

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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 JANUARY 2009

The Conference Board Leading Economic Index™ (LEI) for Korea declined 1.4 percent while **The Conference Board Coincident Economic Index™ (CEI)** for Korea increased 0.1 percent in January.

- TCB's LEI for Korea fell sharply again in January, but its monthly rate of declines in January and December were somewhat less negative than that the previous two months. Real exports and letter of credit arrivals continued to make large negative contributions to the LEI, and they have been on a downtrend since the beginning of 2008. With this month's decline, the six-month growth rate for the LEI has fallen to -12.7 percent (about a -23.7 percent annual rate) from July 2008 to January 2009, the lowest point since 1998 during the Asian financial crises. In addition, the weaknesses among the LEI components have remained widespread during the last six months.
- TCB's CEI for Korea, a measure of current economic activity, increased slightly in January for the first time in the past six months. However, there were downward revisions to the index in the last four months, mainly as a result of monthly earnings for the fourth quarter of 2008 becoming available. Both industrial production and wholesale and retail sales increased, slightly offsetting the large decline in total employment in January. Despite the small gain, TCB's CEI for Korea continued to fall in the last six months, by 4.5 percent (a -8.7 percent annual rate) from July 2008 to January 2009, well below the 2.8 percent increase between January and July 2008. At the same time, real GDP registered its sharpest decrease since 1998 – a 20.8 percent annual rate of decline in the fourth quarter of 2008, resulting in a 3.0 percent average annual rate of decline for 2008.
- The decline in the TCB's LEI for Korea has been widespread among its components, and has accelerated since the second half of 2008. Despite the small gain this month in TCB's CEI for Korea, it has also weakened substantially since the middle of 2008. Taken together, the persistent and widespread deterioration in both composite economic indexes suggest that the contraction in economic activity in Korea is likely to continue through the first half of 2009.

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

With the 1.4 percent decrease in January, TCB's LEI for Korea now stands at 99.9 (2004=100). Based on revised data, this index declined 1.5 percent in December and declined 4.2 percent in November. During the six-month span through January, the index decreased 12.7 percent, with two of the seven components advancing (diffusion index, six-month span equals 28.6 percent).

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

With the 0.1 percent increase in January, TCB's CEI for Korea now stands at 104.7 (2004=100). Based on revised data, this index decreased 1.2 percent in December and decreased 1.7 percent in November. During the six-month span through January, the index decreased 4.5 percent, with none of the four components advancing (diffusion index, six-month span equals 0.0 percent).

About The Conference Board

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Summary Table of Composite Economic Indexes

		2008		6-month
	<u>Nov</u>	<u>Dec</u>	<u>Jan</u>	<u>Jul to Jan</u>
Leading Economic index (LEI)	102.8 r	101.3 r	99.9	
Percent Change	-4.2	-1.5	-1.4	-12.7
Diffusion	0.0	57.1	42.9	28.6
Coincident Economic Index (CEI)	105.9 r	104.6 r	104.7 p	
Percent Change	-1.7	-1.2 r	0.1 p	-4.5 p
Diffusion	12.5	50.0	75.0	0.0

n.a. Not available p Preliminary r Revised

Indexes equal 100 in 1990

Source: The Conference Board

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The next release is scheduled for Friday, April 9, 2009 at 10:00 A.M. (KOR)

In the U.S – Thursday, April 8, 2009 at 9:00 P.M (ET)