



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. KOR, WEDESDAY, FEBRUARY 11, 2009

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

The Conference Board Leading Economic Index (LEI) for Korea declined 1.5 percent and The Conference Board Coincident Economic Index (CEI) declined 1.3 percent in December.

- The LEI for Korea fell again in December, following the largest monthly decline of more than ten years in November. Letter of credit arrivals made a very large negative contribution to the LEI this month, more than offsetting the large positive contributions from private construction orders, yield of government public bonds, and index of inventories to shipments. The six-month growth rate for the LEI has fallen to -10.4 percent (about a -19.8 percent annual rate) from June to December 2008, 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.
- The CEI for Korea, a measure of current economic activity, also fell sharply in December, and the weaknesses among its components continued to be widespread. Industrial production fell sharply again this month, while wholesale and retail sales, and total employment also declined. With December's decline, the CEI has fallen by 3.7 percent (a -7.2 percent annual rate) during the last six months, well below the 0.3 percent decrease between December 2007 and June 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 LEI for Korea has been declining for more than a year now, and its rate of decline has accelerated in the second half of 2008. The CEI for Korea has also weakened substantially this year, and its rate of decrease also picked up in recent months. Taken together, the persistent and widespread deterioration in both the LEI and CEI suggest that the contraction in economic activity in Korea is likely to continue at least through the first half of 2009.

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

With the 1.5 percent decrease in December, the leading economic index now stands at 101.4 (2004=100). Based on revised data, this index declined 4.2 percent in November and declined 3.0 percent in October. During the six-month span through December, the leading economic index decreased 10.4 percent, with only one of the seven components advancing (diffusion index, six-month span equals 14.3 percent).

The next release is scheduled for Wednesday, March 11, 2009 at 10:00 A.M. (KOR)
In the U.S – Tuesday, March 10, 2009 at 9:00 P.M (ET)

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

With the 1.3 percent decrease in December, the coincident economic index now stands at 104.9 (2004=100). Based on revised data, this index decreased 1.7 percent in November and decreased 0.7 percent in October. During the six-month span through December, the coincident economic index decreased 3.7 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) and The Conference Board Coincident Economic Index (CEI) for Korea reported in this release are those available “as of” 5 P.M. (ET) on February 6, 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 leading and coincident economic 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 economic index have occurred before those in aggregate economic activity, while the cyclical turning points in the coincident economic index have occurred at about the same time as those in aggregate economic activity.

Korea Composite Economic 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 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 economic indexes only incorporate revisions to data over the past six months).

The factors above for the leading economic 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 economic 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 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 leading economic index 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 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:

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 <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
Corporate Site License	contact Indicators Program at (212) 339-0330

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

	Jun.	Jul.	Aug.	2008 Sep.	Oct.	Nov.	Dec.
Leading index	113.2	114.4 r	111.5 r	110.7 r	107.4 r	102.9 r	101.4
Percent change	-1.7	1.1	-2.5	-0.7	-3.0	-4.2 r	-1.5
Diffusion index	0.0	57.1	14.3	14.3	42.9	0.0	57.1
Coincident index	108.9	109.6 r	109.3 r	108.9 p	108.1 p	106.3	104.9 p
Percent change	-0.6	0.6	-0.3 p	-0.4 p	-0.7 r	-1.7 r	-1.3 p
Diffusion index	25.0	50.0	25.0	25.0	37.5	37.5	25.0

	Dec to Jun	Jan to Jul	Feb to Aug	Mar to Sep	Apr to Oct	May to Nov	Jun to Dec
Leading index							
Percent change	-3.9	-2.8 r	-4.3 r	-4.8 r	-7.7 r	-10.7 r	-10.4
Diffusion index	14.3	.0	.0	0.0	0.0	0.0	14.3
Coincident index							
Percent change	-0.3	0.3 r	-0.1 r	-0.5 p	-1.5 p	-3.0	-3.7 p
Diffusion index	50.0	75.0	50.0	25.0	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						
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Korea Leading Economic Index Component Data							
Stock Price Index, (Jan. 4, 1980=100).....	1674.9	1594.7	1474.2	1448.1	1113.1	1076.1	1124.5
Value of Machinery Orders, Mfg. (Bill. 2005 Won, SA,).....	2387.9 r	3104.0 r	2171.7 r	1802.7 r	1835.8 r	1506.2 r	1383.3
Letter of Credit Arrivals, Mfg. (3 Month Moving avg., Mill. 2000 US\$, SA).....	8083.77 r	8422.53 r	8074.27 r	8463.87 r	7561.80 r	6843.27 r	5409.30
Index of Inventories to Shipments, Mfg.,* (2005=100, S.A.).....	111.10 r	105.00 r	111.80 r	111.90 r	117.70 r	132.40 r	125.90
Real Exports FOB, Customs Clearance Basis, (3 Month Moving avg., US \$ Million, SA).....	34455.22 r	34859.37 r	34650.93 r	34404.84 r	31186.54 r	27487.25 r	25032.55
Yield of Government Public Bonds,* Maturity up to 5 Years, (Percent).....	6.03	6.29	6.19	6.30	5.85	6.05	5.29
Private Construction Orders (Bill. Of Won deflated by PPI, 3MA, SA).....	50802.33 r	42289.93 r	40383.30 r	35204.20 r	38781.07 r	36783.17 r	50476.77
LEADING INDEX (2004=100).....	113.2	114.4 r	111.5 r	110.7 r	107.4 r	102.9 r	101.4
Percent change from preceding month.....	-1.7	1.1	-2.5	-0.7	-3.0	-4.2 r	-1.5
Korea Leading Economic Index Component Contributions							
Stock Price Index, (Jan. 4, 1980=100).....	....	-0.23	-0.37	-0.08	-1.22	-0.16	0.21
Value of Machinery Orders, Mfg. (Bill. 2005 Won, SA,).....	....	0.86 r	-1.16 r	-0.61 r	0.06 r	-0.65 r	-0.28
Letter of Credit Arrivals, Mfg. (3 Month Moving avg., Mill. 2000 US\$, SA).....	....	0.38 r	-0.39 r	0.44 r	-1.04 r	-0.92 r	-2.16
Index of Inventories to Shipments, Mfg.,* (2005=100, S.A.).....	....	0.48 r	-0.54 r	-0.01 r	-0.43 r	-1.01 r	0.43
Real Exports FOB, Customs Clearance Basis, (3 Month Moving avg., US \$ Million, SA).....	....	0.12	-0.06	-0.07	-1.03 r	-1.32 r	-0.98
Yield of Government Public Bonds,* Maturity up to 5 Years, (Percent).....	....	-0.16	0.06	-0.07	0.28	-0.12	0.47
Private Construction Orders (Bill. Of Won deflated by PPI, 3MA, SA).....	....	-0.47 r	-0.12 r	-0.33 r	0.25 r	-0.13 r	0.80

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						
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Korea Coincident Economic Index Component Data							
Industrial Production, (2005=100, SA).....	124.9 r	124.4 r	122.7 r	121.6 r	117.1 r	104.6	96.6
Wholesale and Retail Sales, (2005=100, SA).....	107.6	113.0 r	112.0	109.8	107.9 r	105.0 r	103.5
Total Employment, (Thousands of Persons, SA).....	23583.8 r	23606.8 r	23628.0 r	23609.5 r	23603.5 r	23592.3 r	23537.1
Monthly Cash Earnings (Hundred of Won, deflated by CPI, SA)....	26042.5	25920.8	25799.2	25947.7 **	25966.5 **	26047.7 **	26099.0 **
COINCIDENT INDEX (2004=100).....	108.9	109.6 r	109.3 r	108.9 p	108.1 p	106.3 p	104.9 p
Percent change from preceding month..	-0.6	0.6	-0.3	-0.4 p	-0.7 p	-1.7 p	-1.3 p
Korea Coincident Economic Index Component Contributions							
Industrial Production, (2005=100, SA).....	....	-0.05	-0.17 r	-0.11 r	-0.47 r	-1.40 r	-0.99
Wholesale and Retail Sales, (2005=100, SA).....	....	0.60 r	-0.11 r	-0.24	-0.21 r	-0.33 r	-0.18
Total Employment, (Thousands of Persons, SA).....	....	0.06	0.06 r	-0.05	-0.02 r	-0.03 r	-0.15
Monthly Cash Earnings (Hundred of Won, deflated by CPI, SA)....	....	-0.05	-0.05	0.06 **	0.01 **	0.03 **	0.02 **

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).

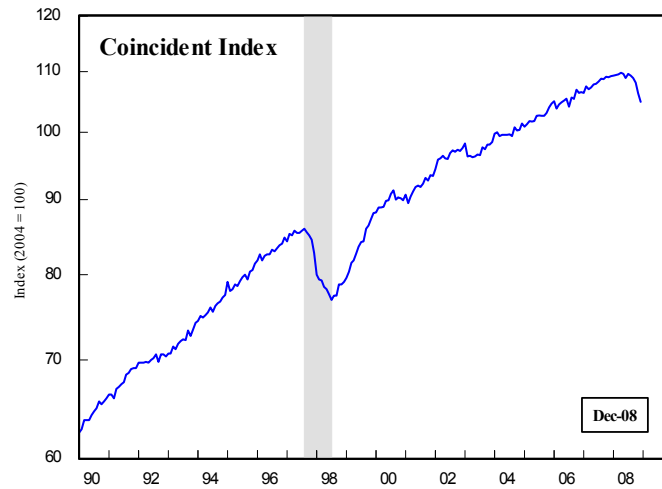
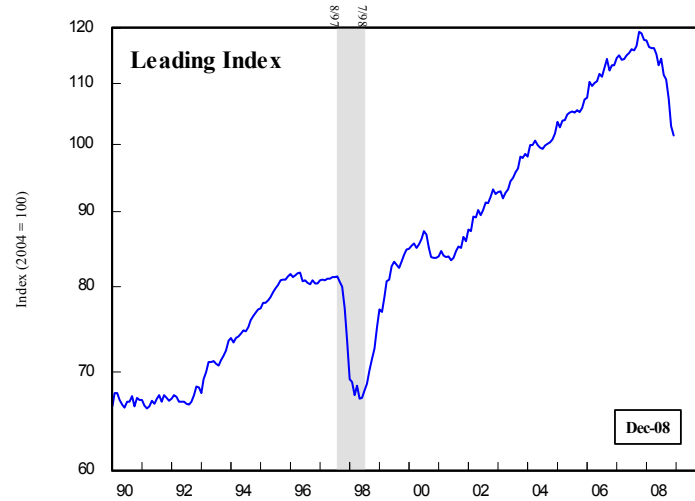
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Korea



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