



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. KST, FRIDAY, AUGUST 15, 2014

The Conference Board®
Korea Business Cycle IndicatorsSM
THE CONFERENCE BOARD LEADING ECONOMIC INDEX®
(LEI) FOR KOREA
AND RELATED COMPOSITE ECONOMIC INDEXES FOR JUNE 2014

The Conference Board Leading Economic Index® (LEI) for Korea remained unchanged and The Conference Board Coincident Economic Index® (CEI) for Korea increased 0.3 percent in June.

- The Conference Board LEI for Korea remained unchanged in June after a sharp drop in the previous month. The large negative contribution from the letter of credit arrivals component was offset by positive contributions from the value of machinery orders in manufacturing and private constructions orders. The leading economic index recorded no change between December 2013 and June 2014, sharply down from the increase of 2.2 percent (about a 4.4 percent annual rate) during the previous six months. However, during the same time period, the strengths among the leading indicators have remained more widespread than the weaknesses.
- The Conference Board CEI for Korea, a measure of current economic activity, increased in June, after three months of consecutive declines. In the first half of 2014, the coincident economic index grew by 0.8 percent (about a 1.5 percent annual rate), slightly slower than the 1.0 percent increase (about a 2.1 percent annual rate) during the second half of last year. At the same time, real GDP grew at a 2.4 percent annual rate in the second quarter of 2014, down from 3.8 percent growth (annual rate) in the first quarter.
- Despite month-to-month volatility, the LEI for Korea has been relatively flat for the past three years and its six-month change remains weak. Meanwhile, the CEI for Korea increased in June, and its six-month growth rate has slowed moderately compared to earlier this year. Taken together, the stagnation in the LEI and slow recovery in the CEI continue to suggest that the current modest rate of economic growth is likely to persist through the second half of 2014.

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

The Conference Board LEI for Korea remained unchanged in June and now stands at 122.3 (2004=100). Based on revised data, this index declined 1.1 percent in May and increased 1.1 percent in April. Over the six-month span through June, the leading economic index was unchanged, with five of the seven components advancing (diffusion index, six-month span equals 71.4 percent).

The next release is scheduled for Friday, September 12, 2014 at 10:00 A.M. (KST)

In the U.S – Thursday, September 11, 2014 at 9:00 P.M. (EDT)

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

With the 0.3 percent increase in June, The Conference Board CEI for Korea now stands at 118.3 (2004=100). Based on revised data, this index decreased 0.5 percent in May and decreased 0.1 percent in April. During the six-month span through June, the coincident economic index increased 0.8 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” 2 P.M. (ET) on August 13, 2014.

* 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	0.0520
2. Value of Machinery Orders	0.0267
3. Letter of Credit Arrivals	0.0866
4. Index of Inventories to Shipments	0.0632
5. Export FOB	0.1021
6. Yield of Government Public Bonds	0.6444
7. Private Construction Orders	0.0250

<u>Coincident Economic Index</u>	
1. Industrial Production	0.0929
2. Wholesale and Retail Trade	0.1454
3. Employment	0.6656
4. Monthly Cash Earnings	0.0961

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 with the release in January 2014, 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 1996-2012 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 1970-2012 as the sample period. These multiple sample periods are the result of different starting dates for the component data. When one or more components are 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/data/bci.cfm>.

The trend adjustment factors for The Conference Board LEI are 0.0305 (calculated from June 1980 to December 2012) and -0.8167 (calculated from March 1971 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 2014 schedule for **The Conference Board Leading Economic Index**[®] (LEI) for Korea news releases is:

Thursday, September 11, 2014	For July 2014 data
Wednesday, October 15, 2014	For August 2014 data
Thursday, November 13, 2014	For September 2014 data
Thursday, December 11, 2014	For October 2014 data

All releases are at 10:00 A.M. KST (following day), 8:00 P.M. (9:00 P.M. EDT) ET

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**The Conference Board Leading Economic Index® (LEI) and
The Conference Board Coincident Economic Index® (CEI) for Korea**

Table 1.- Summary of Korea Composite Economic Indexes

	2013		2014					
	Dec.	Jan.	Feb.	Mar.	Apr.	May.	Jun.	
Leading index	122.3	121.1 r	121.3 r	122.2 r	123.6	122.3 r	122.3	
Percent change	-0.5	-1.0 r	0.2	0.7 r	1.1 r	-1.1 r	0.0	
Diffusion index	21.4	21.4	42.9	64.3	64.3	42.9	71.4	
Coincident index	117.4	118.1	119.4	118.6 p	118.5 p	117.9 p	118.3 p	
Percent change	-0.1	0.6	1.1	-0.7 p	-0.1 p	-0.5 p	0.3 p	
Diffusion index	75.0	50.0	75.0	25.0	50.0	25.0	75.0	

	Jun to	Jul to	Aug to	Sep to	Oct to	Nov to	Dec to
	Dec	Jan	Feb	Mar	Apr	May	Jun
Leading index							
Percent change	2.2	1.3	1.3	1.5 r	0.7	-0.5 r	0.0
Diffusion index	71.4	57.1	57.1	71.4	50.0	28.6	71.4
Coincident index							
Percent change	1.0	1.5	2.3	1.9 p	1.2 p	0.3 p	0.8 p
Diffusion index	75.0	62.5	75.0	100.0	75.0	50.0	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/data/bci.cfm

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**The Conference Board Leading Economic Index® (LEI) and
The Conference Board Coincident Economic Index® (CEI) for Korea**

Table 2.- Data and Net Contributions for Components of The Conference Board Leading Economic Index® (LEI) for Korea

Components	2013		2014				
	Dec.	Jan.	Feb.	Mar.	Apr.	May.	Jun.
Korea Leading Economic Index Component Data							
Stock Price Index, (Dec-04-80=100).....	1988.3	1948.2	1937.7	1952.4	1991.2	1994.1	1995.1
Value of Machinery Orders, Mfg. (Bill. 2010 Won, SA.).....	1734.1 r	1551.8 r	1678.7 r	1711.3 r	2016.5 r	1521.5 r	1797.2
Letter of Credit Arrivals, Mfg. (3 Month Moving avg., Mill. 2010 US\$, SA).....	8851.83 r	9054.47 r	8930.70 r	8858.20 r	8826.00 r	8455.90 r	7763.47
Index of Inventories to Shipments, Mfg.,* (2010=100, S.A.).....	117.20 r	127.40 r	128.30 r	115.60 r	118.50 r	120.20 r	120.50
Real Exports FOB, Customs Clearance Basis, (3 Month Moving avg., US \$ Million, SA).....	51908.40	51823.33 r	52180.97 r	52571.37 r	53841.64 r	54192.83 r	54645.88
Yield of Government Public Bonds,* Maturity up to 5 Years, (Percent).....	3.53	3.49	3.36	3.32	3.33	3.23	3.09
Private Construction Orders (Bill. Of Won deflated by PPI, 3MA, SA).....	43100.37 r	38180.13 r	37457.57 r	36547.23 r	44123.73 r	43981.47 r	46167.17
LEADING INDEX (2004=100).....	122.3	121.1 r	121.3 r	122.2 r	123.6	122.3 r	122.3
Percent change from preceding month.....	-0.5	-1.0 r	0.2	0.7 r	1.1 r	-1.1 r	0.0
Korea Leading Economic Index Component Contributions							
Stock Price Index, (Dec-04-80=100).....	....	-0.11	-0.03	0.04	0.10	0.01	0.00
Value of Machinery Orders, Mfg. (Bill. 2010 Won, SA.).....	....	-0.30	0.21 r	0.05 r	0.44 r	-0.75 r	0.44
Letter of Credit Arrivals, Mfg. (3 Month Moving avg., Mill. 2010 US\$, SA).....	....	0.20 r	-0.12 r	-0.07 r	-0.03 r	-0.37 r	-0.74
Index of Inventories to Shipments, Mfg.,* (2010=100, S.A.).....	....	-0.53 r	-0.04 r	0.66 r	-0.16 r	-0.09 r	-0.02
Real Exports FOB, Customs Clearance Basis, (3 Month Moving avg., US \$ Million, SA).....	....	-0.02 r	0.07	0.08 r	0.24	0.07 r	0.08
Yield of Government Public Bonds,* Maturity up to 5 Years, (Percent).....	....	0.03	0.08	0.03	-0.01	0.06	0.09
Private Construction Orders (Bill. Of Won deflated by PPI, 3MA, SA).....	....	-0.30 r	-0.05 r	-0.06	0.47	-0.01 r	0.12

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, Haver Analytics

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 Leading Economic Index® (LEI) and
The Conference Board Coincident Economic Index® (CEI) for Korea**

Table 3.- Data and Net Contributions for Components of The Conference Board Coincident Economic Index® (CEI) for Korea

Components	2013			2014			
	Dec.	Jan.	Feb.	Mar.	Apr.	May.	Jun.
Korea Coincident Economic Index Component Data							
Industrial Production, (2010=100, SA).....	110.5	110.3	108.0	109.2	109.2 r	106.1 r	109.2
Wholesale and Retail Sales, (2010=100, SA).....	103.2	104.5	105.3	104.6	103.4 r	104.5	104.3
Total Employment, (Thousands of Persons, SA).....	25338.0	25553.0	25686.0	25534.0	25524.0	25371.0	25421.0
Monthly Cash Earnings (Hundred of Won, deflated by CPI, SA).....	30727.7	30529.2	33138.4	32161.5 **	32611.1 **	32493.3 **	32601.1 **
COINCIDENT INDEX (2004=100).....	117.4	118.1	119.4	118.6 p	118.5 p	117.9 p	118.3 p
Percent change from preceding month.....	-0.1	0.6	1.1	-0.7 p	-0.1 p	-0.5 p	0.3 p
Korea Coincident Economic Index Component Contributions							
Industrial Production, (2010=100, SA).....	....	-0.02	-0.20	0.10	0.00 r	-0.27 r	0.27
Wholesale and Retail Sales, (2010=100, SA).....	....	0.18	0.11	-0.10	-0.17 r	0.15 r	-0.03
Total Employment, (Thousands of Persons, SA).....	....	0.56	0.35	-0.40	-0.03	-0.40	0.13
Monthly Cash Earnings (Hundred of Won, deflated by CPI, SA).....	....	-0.06	0.79	-0.29 **	0.13 **	-0.03 **	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, Haver Analytics, 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).

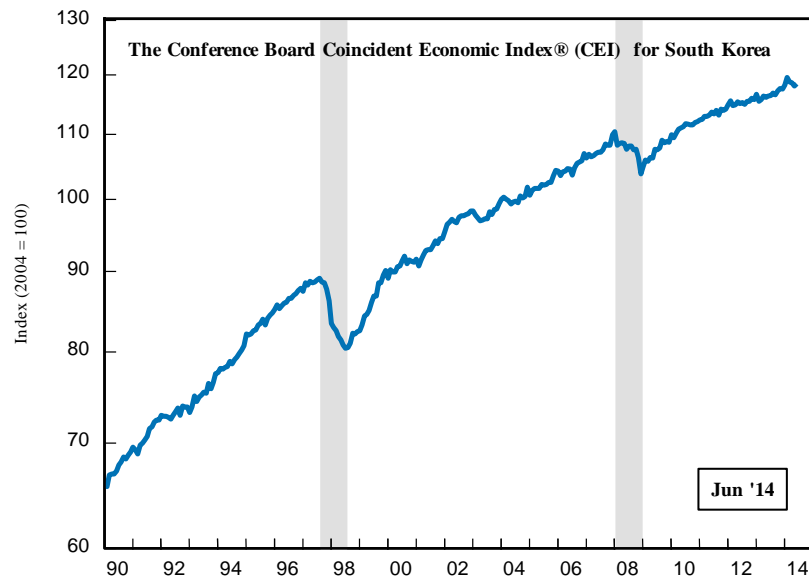
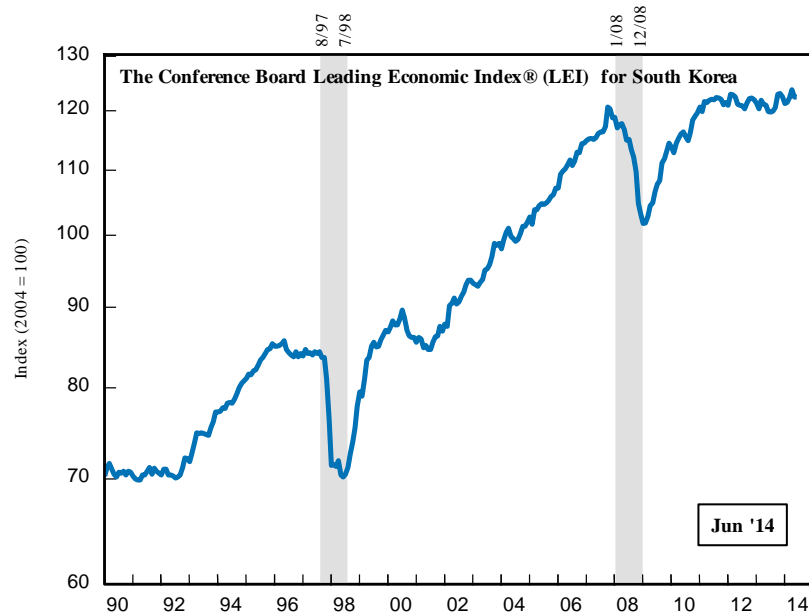
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Korea Composite Economic Indexes



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

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