



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. KST, WEDNESDAY, MAY 12, 2010

The Conference Board[®]
Korea Business Cycle IndicatorsSM
THE CONFERENCE BOARD LEADING ECONOMIC INDEX[®]
(LEI) FOR KOREA
AND RELATED COMPOSITE ECONOMIC INDEXES FOR MARCH 2010

The Conference Board Leading Economic Index[®] (LEI) for Korea increased 0.3 percent and **The Conference Board Coincident Economic Index[®] (CEI)** for Korea increased 0.2 percent in March.

- The Conference Board LEI for Korea increased again in March, with gains in machinery orders, exports, and financial indicators more than offsetting the negative contributions from private construction orders and the (inverted) index of inventories to shipments. Despite the gain in March, the six-month increase in the leading economic index continued to slow, to 4.5 percent (about a 9.3 percent annual rate) for the period through March 2010, down from 7.5 percent (about a 15.6 percent annual rate) for the previous six months. However, the strengths among the leading indicators have been more widespread than the weaknesses in recent months.
- The Conference Board CEI for Korea, a measure of current economic activity, also increased in March. Industrial production, total employment, and monthly cash earnings all made positive contributions to the index this month. The six-month growth rate in the coincident economic index stands at 2.4 percent (about a 4.8 percent annual rate) for the period through March, slightly down from 2.7 percent (about a 5.5 percent annual rate) for the previous six months. At the same time, real GDP grew at a 7.5 percent annual rate in the first quarter of 2010, slightly above the 6.9 percent average annual rate in the second half of last year.
- After rising rapidly in 2009, The Conference Board LEI for Korea has been on a flat to slightly rising trend in the first quarter of 2010. Its six-month growth rate has also moderated in recent months. At the same time, The Conference Board CEI for Korea continued to increase in March, but at a modestly slower rate than the second half of last year. Taken together, the current behavior of the composite indexes and their components suggests that the economy will continue to grow, albeit at a modest pace in the near term.

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

With the 0.3 percent increase in March, The Conference Board LEI for Korea now stands at 114.9 (2004=100). Based on revised data, this index increased 0.4 percent in February and declined 0.1 percent in January. During the six-month span through March, the leading economic index increased 4.5 percent, with five of the seven components advancing (diffusion index, six-month span equals 71.4 percent).

The next release is scheduled for Wednesday, June 16, 2010 at 10:00 A.M. (KST)

In the U.S – Tuesday, June 15, 2010 at 9:00 P.M (EST)

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

With the 0.2 percent increase in March, The Conference Board CEI for Korea now stands at 111.8 (2004=100). Based on revised data, this index increased 0.9 percent in February and decreased 0.4 percent in January. During the six-month span through March, the coincident economic index increased 2.4 percent, with three of the four components advancing (diffusion index, six-month span equals 87.5 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 May 10, 2010.

* 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	0.046
2. Value of Machinery Orders	0.031
3. Letter of Credit Arrivals	0.088
4. Index of Shipments to Inventories	0.086
5. Export FOB	0.102
6. Yield of Government Public Bonds	0.621
7. Private Construction Orders	0.026

<u>Coincident Economic Index</u>	
1. Industrial Production	0.127
2. Wholesale and Retail Trade	0.126
3. Employment	0.668
4. Monthly Cash Earnings	0.079

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 2010, 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 1996-2008 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 1970-2008 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/economics/bci/>.

The trend adjustment factors for The Conference Board LEI are 0.0666 (calculated from June 1980 to December 2008) and -0.7671 (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 2010 schedule for **The Conference Board Leading Economic Index**[®] (LEI) for Korea news releases is:

April 2010 Data ... Tuesday, June 15, 2010
May 2010 Data ... Tuesday, July 13, 2010
June 2010 Data ... Tuesday, August 10, 2010
July 2010 Data ... Tuesday, September 14, 2010
August 2010 Data ... Wednesday, October 13, 2010
September 2010 Data ... Thursday, November 11, 2010
October 2010 Data ... Thursday, December 09, 2010

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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Business Cycle Indicators for Australia, France, Germany, Japan, Korea, Mexico, Spain and the U.K. are available at \$635 per country per year (1 user). Discounts are available to Associates of The Conference Board and accredited academic institutions.

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

	2009							2010
	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	
Leading index	109.9	109.9	112.1 r	114.2 r	114.1 r	114.5 r	114.9	
Percent change	2.6	0.0	2.0 r	1.9	-0.1	0.4 r	0.3	
Diffusion index	92.9	50.0	85.7	92.9	50.0	57.1	71.4	
Coincident index	109.2	109.7 r	110.6	111.0 r	110.6 p	111.6 p	111.8 p	
Percent change	0.5	0.5 r	0.8 r	0.4	-0.4 p	0.9 p	0.2 p	
Diffusion index	75.0	50.0	50.0	50.0	25.0	75.0	75.0	

	Mar to Sep	Apr to Oct	May to Nov	Jun to Dec	Jul to Jan	Aug to Feb	Sep to Mar
Leading index							
Percent change	7.5	5.8	7.6 r	8.0 r	6.5 r	6.9 r	4.5
Diffusion index	85.7	85.7	85.7	85.7	71.4	100.0	71.4
Coincident index							
Percent change	2.7	2.7 r	2.8	2.2 r	1.7 p	2.7 p	2.4 p
Diffusion index	75.0	100.0	100.0	75.0	75.0	75.0	87.5

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							2010
	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	
Korea Leading Economic Index Component Data								
Stock Price Index, (Jan. 4, 1980=100).....	1673.1	1580.7	1555.6	1682.8	1602.4	1594.6	1692.9	
Value of Machinery Orders, Mfg. (Bill. 2005 Won, SA,).....	1470.6 r	1440.0 r	1471.1	1492.6 r	1345.9 r	1425.2 r	1578.8	
Letter of Credit Arrivals, Mfg. (3 Month Moving avg., Mill. 2000 US\$, SA).....	6044.47 r	6198.27 r	6522.63 r	6651.63 r	6963.00 r	7224.37 r	7377.27	
Index of Inventories to Shipments, Mfg.,* (2005=100, S.A.).....	90.00 r	97.80 r	94.00	89.50	92.00 r	94.10 r	95.20	
Real Exports FOB, Customs Clearance Basis, (3 Month Moving avg., US \$ Million, SA).....	28282.84 r	29270.09 r	30877.14 r	32838.51 r	33509.28 r	34956.62 r	35317.05	
Yield of Government Public Bonds,* Maturity up to 5 Years, (Percent).....	5.33	5.35	5.29	5.25	5.27	5.09 r	4.68	
Private Construction Orders (Bill. Of Won deflated by PPI, 3MA, SA).....	36081.53 r	42995.77 r	52709.97 r	55951.70 r	56170.10 r	46263.13 r	33688.10	
LEADING INDEX (2004=100).....	109.9	109.9	112.1 r	114.2 r	114.1 r	114.5 r	114.9	
Percent change from preceding month.....	2.6	0.0	2.0 r	1.9	-0.1	0.4 r	0.3	
Korea Leading Economic Index Component Contributions								
Stock Price Index, (Jan. 4, 1980=100).....	....	-0.26	-0.07	0.36	-0.23	-0.02	0.28
Value of Machinery Orders, Mfg. (Bill. 2005 Won, SA,).....	....	-0.07	0.07	0.05 r	-0.33 r	0.18	0.32
Letter of Credit Arrivals, Mfg. (3 Month Moving avg., Mill. 2000 US\$, SA).....	....	0.22 r	0.45 r	0.17 r	0.40 r	0.32 r	0.18
Index of Inventories to Shipments, Mfg.,* (2005=100, S.A.).....	....	-0.71	0.34 r	0.42	-0.24 r	-0.19 r	-0.10
Real Exports FOB, Customs Clearance Basis, (3 Month Moving avg., US \$ Million, SA).....	....	0.35	0.54	0.63	0.21	0.43 r	0.10
Yield of Government Public Bonds,* Maturity up to 5 Years, (Percent).....	....	-0.01	0.04	0.02	-0.01	0.11 r	0.25
Private Construction Orders (Bill. Of Won deflated by PPI, 3MA, SA).....	....	0.45 r	0.52 r	0.16 r	0.01 r	-0.50 r	-0.81

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							2010
	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	
Korea Coincident Economic Index Component Data								
Industrial Production, (2005=100, SA).....	126.3 r	123.1 r	127.8 r	132.3	131.1	135.4 r	136.3	
Wholesale and Retail Sales, (2005=100, SA).....	116.3	118.2	117.5	119.8	117.6 r	120.1	118.5	
Total Employment, (Thousands of Persons, SA).....	23648.4 r	23572.3 r	23549.1 r	23518.0 r	23468.9 r	23571.4 r	23651.0	
Monthly Cash Earnings (Hundred of Won, deflated by CPI, SA)....	22618.4	25017.4	26799.3	25816.8 **	26452.1 **	26140.5 **	26383.0 **	
COINCIDENT INDEX (2004=100).....	109.2	109.7 r	110.6	111.0 p	110.6 p	111.6 p	111.8 p	
Percent change from preceding month..	0.5	0.5 r	0.8 r	0.4 p	-0.4 p	0.9 p	0.2 p	
Korea Coincident Economic Index Component Contributions								
Industrial Production, (2005=100, SA).....	....	-0.33 r	0.48 r	0.44 r	-0.12	0.41 r	0.08
Wholesale and Retail Sales, (2005=100, SA).....	....	0.20	-0.07	0.24	-0.23 r	0.26 r	-0.17
Total Employment, (Thousands of Persons, SA).....	....	-0.22 r	-0.07	-0.09 r	-0.14 r	0.29 r	0.23
Monthly Cash Earnings (Hundred of Won, deflated by CPI, SA)....	....	0.80	0.54	-0.30 **	0.19 **	-0.09 **	0.07 **

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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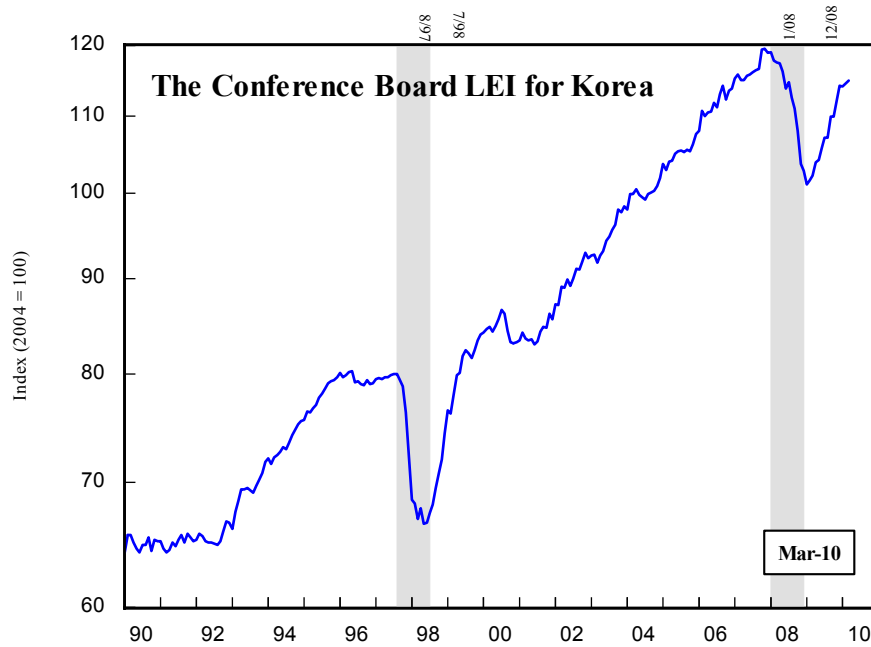
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Korea



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