



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. KST, THURSDAY, OCTOBER 14, 2010

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

The Conference Board Leading Economic Index® (LEI) for Korea declined 0.8 percent and **The Conference Board Coincident Economic Index®** (CEI) declined 0.1 percent in August.

- The Conference Board LEI for Korea fell for the third consecutive month in August, and the weaknesses among the leading indicators were very widespread. Large negative contributions from private construction orders and value of machinery orders more than offset the small positive contributions from the (inverted) bond yield and letter of credit arrivals. With the decline in August, the leading economic index was flat in the six-month period ending in August 2010, substantially down from an increase of 6.9 percent (about a 14.3 percent annual rate) for the previous six months. Moreover, the strengths among the leading indicators have become less widespread in recent months, and have just been balanced with the weaknesses over the past six months.
- The Conference Board CEI for Korea, a measure of current economic activity, also fell in August. The wholesale and retail sales component and total employment both declined. With the small decline in August, the coincident economic index grew by 1.9 percent (about a 3.8 percent annual rate) from February to August 2010, about the same rate as the previous six months. At the same time, real GDP grew at a 5.8 percent annual rate in the second quarter of 2010, slower than the increase of 8.8 percent annual rate during the first quarter.
- The Conference Board LEI for Korea has declined for three consecutive months through August, and its six-month growth rate has fallen sharply -- to zero growth for the last six months. Meanwhile, The Conference Board CEI for Korea has been on a slightly rising trend despite monthly volatility, and its six-month growth rate has been fairly stable this year. Taken together, the current behavior of the leading economic index and its components suggest that economic growth will be modest in the near term.

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

With the 0.8 percent decrease in August, The Conference Board LEI for Korea now stands at 114.5 (2004=100). Based on revised data, this index declined 0.7 percent in July and declined 0.3 percent in June. During the six-month span through August, the leading economic index was flat, with four of the seven components advancing (diffusion index, six-month span equals 50.0 percent).

The next release is scheduled for Friday, November 12, 2010 at 10:00 A.M. (KST)
In the U.S – Thursday, November 11, 2010 at 8:00 P.M (EST)

COINCIDENT INDICATORS. Only one of the four components that make up The Conference Board CEI for Korea increased in August. The positive contributor was industrial production. The wholesale and retail sales component and total employment declined, while monthly cash earnings* remained unchanged in August.

With the 0.1 percent decrease in August, The Conference Board CEI for Korea now stands at 112.9 (2004=100). Based on revised data, this index increased 0.6 percent in July and decreased 0.1 percent in June. During the six-month span through August, the coincident economic index increased 1.9 percent, with all components advancing (diffusion index, six-month span equals 100.0 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 8, 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/data/bci.cfm>.

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:

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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AVAILABLE FROM THE CONFERENCE BOARD

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

	2010						
	Feb.	Mar.	Apr.	May.	Jun.	Jul.	Aug.
Leading index	114.5	114.8 r	115.3 r	116.5 r	116.2	115.4	114.5
Percent change	0.4	0.3	0.4	1.0 r	-0.3 r	-0.7	-0.8
Diffusion index	57.1	71.4	64.3	35.7	42.9	42.9	28.6
Coincident index	110.8	111.2	111.5	112.4 r	112.3 p	113.0 p	112.9 p
Percent change	1.4	0.4	0.3	0.8	-0.1 p	0.6 p	-0.1 p
Diffusion index	100.0	75.0	50.0	100.0	50.0	100.0	50.0
	Aug to Feb	Sep to Mar	Oct to Apr	Nov to May	Dec to Jun	Jan to Jul	Feb to Aug
Leading index							
Percent change	6.9	4.5	4.9 r	3.9 r	1.8	1.2	0.0
Diffusion index	100.0	71.4	85.7	71.4	71.4	57.1	50.0
Coincident index							
Percent change	1.9	1.8	1.6	1.6 r	1.5 p	3.4 p	1.9 p
Diffusion index	87.5	100.0	50.0	75.0	75.0	100.0	100.0

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 Korea Business Cycle Indicators

Table 2.--Data and Net Contributions for Korea Leading Economic Index

Components	2010						
	Feb.	Mar.	Apr.	May.	Jun.	Jul.	Aug.
Korea Leading Economic Index Component Data							
Stock Price Index, (Jan. 4, 1980=100).....	1594.6	1692.9	1741.6	1641.3	1698.3	1759.3	1742.8
Value of Machinery Orders, Mfg. (Bill. 2005 Won, SA,).....	1469.4 r	1611.3 r	1631.7 r	2005.1 r	1748.9 r	1911.3 r	1745.0
Letter of Credit Arrivals, Mfg. (3 Month Moving avg., Mill. 2000 US\$, SA).....	7229.40 r	7359.80 r	7563.57 r	7343.90 r	7026.50 r	6393.03 r	6468.17
Index of Inventories to Shipments, Mfg.,* (2005=100, S.A.).....	93.90 r	94.80 r	96.00	96.60	95.40	97.30 r	97.50
Real Exports FOB, Customs Clearance Basis, (3 Month Moving avg., US \$ Million, SA).....	35074.48 r	35351.16 r	36453.90 r	36428.28 r	36007.62 r	35354.79 r	35072.74
Yield of Government Public Bonds,* Maturity up to 5 Years, (Percent).....	5.09	4.68	4.63	4.68	4.76	4.82	4.63
Private Construction Orders (Bill. Of Won deflated by PPI, 3MA, SA).....	45545.10 r	33357.57 r	30198.90 r	40983.43 r	47700.53 r	47892.90 r	37163.63
LEADING INDEX (2004=100).....	114.5	114.8 r	115.3 r	116.5 r	116.2	115.4	114.5
Percent change from preceding month.....	0.4	0.3	0.4	1.0 r	-0.3 r	-0.7	-0.8
Korea Leading Economic Index Component Contributions							
Stock Price Index, (Jan. 4, 1980=100).....	....	0.28	0.13	-0.27	0.16	0.16	-0.04
Value of Machinery Orders, Mfg. (Bill. 2005 Won, SA,).....	....	0.29 r	0.04 r	0.65 r	-0.43 r	0.28 r	-0.29
Letter of Credit Arrivals, Mfg. (3 Month Moving avg., Mill. 2000 US\$, SA).....	....	0.16	0.24	-0.26 r	-0.39 r	-0.83 r	0.10
Index of Inventories to Shipments, Mfg.,* (2005=100, S.A.).....	....	-0.08	-0.11 r	-0.05	0.11	-0.17 r	-0.02
Real Exports FOB, Customs Clearance Basis, (3 Month Moving avg., US \$ Million, SA).....	....	0.08	0.31	-0.01	-0.12 r	-0.19 r	-0.08
Yield of Government Public Bonds,* Maturity up to 5 Years, (Percent).....	....	0.25	0.03	-0.03	-0.05	-0.04	0.12
Private Construction Orders (Bill. Of Won deflated by PPI, 3MA, SA).....	....	-0.79	-0.25 r	0.91 r	0.39 r	0.01 r	-0.65

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	2010						
	Feb.	Mar.	Apr.	May.	Jun.	Jul.	Aug.
Korea Coincident Economic Index Component Data							
Industrial Production, (2005=100, SA).....	135.9 r	136.9 r	136.7 r	139.4 r	139.5 r	140.2 r	140.3
Wholesale and Retail Sales, (2005=100, SA).....	120.1 r	118.6 r	117.8 r	118.2 r	119.4 r	122.9 r	121.9
Total Employment, (Thousands of Persons, SA).....	23576.1 r	23700.4 r	23808.8 r	23947.3 r	23897.2 r	23957.6 r	23947.3
Monthly Cash Earnings (Hundred of Won, deflated by CPI, SA)....	24771.0	25110.0	25265.7	25493.8	25418.8 **	25508.0 **	25508.1 **
COINCIDENT INDEX (2004=100).....	110.8	111.2	111.5	112.4 r	112.3 p	113.0 p	112.9 p
Percent change from preceding month..	1.4	0.4	0.3	0.8 r	-0.1 p	0.6 p	-0.1 p
Korea Coincident Economic Index Component Contributions							
Industrial Production, (2005=100, SA).....	....	0.09	-0.02	0.25	0.01	0.06	0.01
Wholesale and Retail Sales, (2005=100, SA).....	....	-0.16	-0.09 r	0.04 r	0.13 r	0.36 r	-0.10
Total Employment, (Thousands of Persons, SA).....	....	0.35	0.31	0.39 r	-0.14 r	0.17 r	-0.03
Monthly Cash Earnings (Hundred of Won, deflated by CPI, SA)....	....	0.11	0.05	0.07	-0.02 **	0.03 **	0.00 **

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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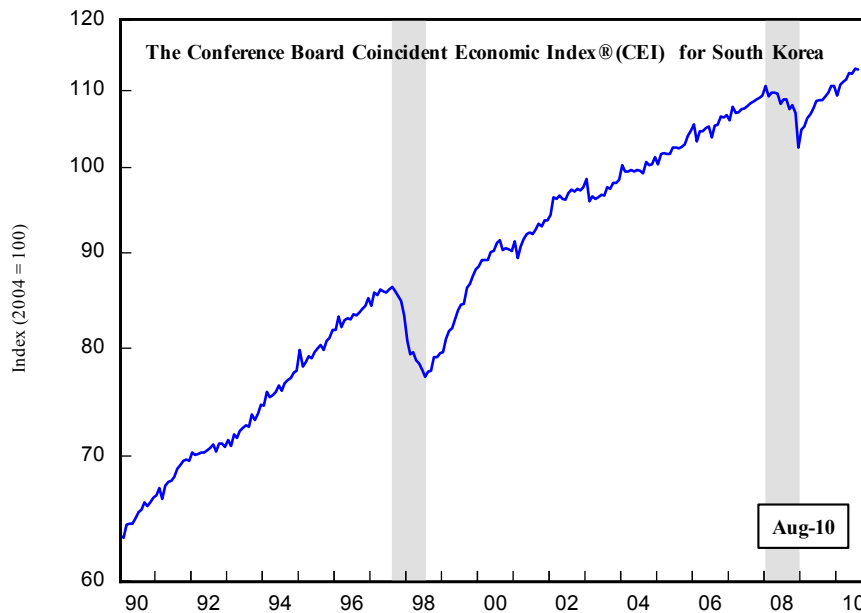
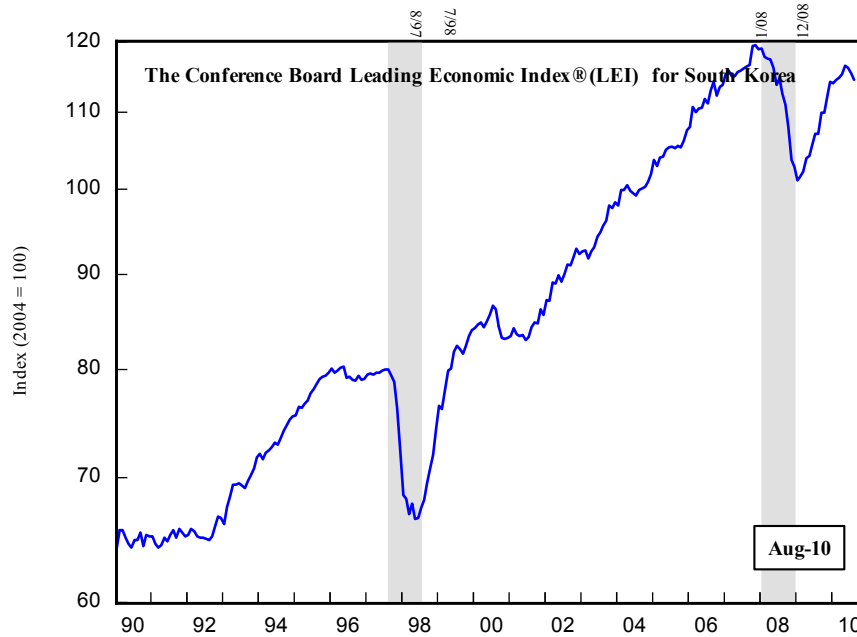
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Korea



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