



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. KST, WEDNESDAY, AUGUST 12, 2009

The Conference Board®  
Korea Business Cycle Indicators<sup>SM</sup>  
**THE CONFERENCE BOARD LEADING ECONOMIC INDEX™  
(LEI) FOR KOREA**  
**AND RELATED COMPOSITE ECONOMIC INDEXES FOR JUNE 2009**

**The Conference Board Leading Economic Index™ (LEI)** for Korea increased 1.5 percent and **The Conference Board Coincident Economic Index™ (CEI)** increased 1.3 percent in June.

- The Conference Board LEI for Korea increased for the fifth consecutive month in June. Large positive contributions from real exports, the index of inventories to shipments (inverted), value of machinery orders, and letter of credit arrivals more than offset negative contributions from private construction orders, the yield on government bonds (inverted), and stock prices. With June's gain, the six-month growth rate in the leading economic index continued to pick up, to 4.0 percent (about an 8.2 percent annual rate) for the first half of 2009 – back to the rate last seen in October 2007. In addition, the strengths among the leading indicators have been widespread during this period.
- The Conference Board CEI for Korea, a measure of current economic activity, also continued to increase in June. Industrial production and total employment both made large contributions to the index this month, while wholesale and retail sales also increased. The six-month growth rate of the index has also continued to pick up, to 3.7 percent (a 7.6 percent annual rate) for the period through June 2009, a reversal of the 3.9 percent decline for the second half of 2008. At the same time, real GDP grew at a 9.7 percent annual rate in the second quarter of 2009 – its highest growth since 2003 and well above the 0.5 percent annual rate of increase in the first quarter of the year.
- After declining sharply in the fourth quarter of 2008, both composite indexes for Korea have risen significantly this year. In addition, their growth rates have continued to accelerate amid widespread strength among their components. Taken together, the current behavior of the composite indexes suggests that the improvement in economic activity will likely continue in upcoming months.

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 real exports FOB, the (inverted) index of inventories to shipments, value of machinery orders, and letter of credit arrivals. Negative contributors – from the largest negative contributor to the smallest – were private construction orders, the (inverted) yield of government public bonds, and stock prices.

With the 1.5 percent increase in June, The Conference Board LEI for Korea now stands at 105.6 (2004=100). Based on revised data, this index increased 0.6 percent in May and increased 2.0 percent in April. During the six-month span through June, the leading economic index increased 4.0 percent, with six of the seven components advancing (diffusion index, six-month span equals 85.7 percent).

The next release is scheduled for Wednesday, September 16, 2009 at 10:00 A.M. (KST)

*In the U.S* – Tuesday, September 15, 2009 at 9:00 P.M (ET)

COINCIDENT INDICATORS. All 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, the wholesale and retail sales component, and monthly cash earnings\*.

With the 1.3 percent increase in June, The Conference Board CEI for Korea now stands at 108.5 (2004=100). Based on revised data, this index increased 0.7 percent in May and increased 0.7 percent in April. During the six-month span through June, the coincident economic index increased 3.7 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” 10 A.M. (ET) on August 10, 2009.

\* The series in the coincident economic index based on The Conference Board’s estimates is monthly cash earnings.

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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	0.047
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 effective on the release for January 2009, 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 1996-2007 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 Conference Board CEI 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 Conference Board LEI 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 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 2009 schedule for TCB's LEI for Korea news releases is:

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. 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**

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 <a href="http://www.conference-board.org/publications/describeBCI.cfm">http://www.conference-board.org/publications/describeBCI.cfm</a>)</i>	\$ 275 per year
BCI Handbook (published 2001)	\$ 20
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**The Conference Board Korea Business Cycle Indicators**  
**Table 1.--Summary of Korea Composite Economic Indexes**

	2009						
	Dec.	Jan.	Feb.	Mar.	Apr.	May.	Jun.
Leading index	101.5	100.0	100.8 r	101.4 r	103.4 r	104.0	105.6
Percent change	-1.3	-1.5	0.8 r	0.6 r	2.0	0.6 r	1.5
Diffusion index	57.1	42.9	42.9	57.1	85.7	71.4	57.1
Coincident index	104.6	104.5	104.9 r	105.7 p	106.4 p	107.1 p	108.5 p
Percent change	-1.3	-0.1	0.4 p	0.8 p	0.7 p	0.7 p	1.3 p
Diffusion index	25.0	50.0	25.0	75.0	75.0	87.5	100.0

	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	-10.3	-12.6	-9.6 r	-8.3 r	-3.6 r	1.2	4.0
Diffusion index	14.3	28.6	42.9	42.9	57.1	57.1	85.7
Coincident index							
Percent change	-3.9	-4.7	-4.1 r	-2.6 p	-1.2 p	1.0 p	3.7 p
Diffusion index	0.0	0.0	0.0	0.0	25.0	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.

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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						
	Dec.	Jan.	Feb.	Mar.	Apr.	May.	Jun.
<b>Korea Leading Economic Index Component Data</b>							
Stock Price Index, (Jan. 4, 1980=100).....	1124.5	1162.1	1063.0	1206.3	1369.4	1395.9	1390.1
Value of Machinery Orders, Mfg. (Bill. 2005 Won, SA,).....	1426.7 r	1561.5 r	1478.0 r	1806.1 r	1832.9 r	1934.9 r	2235.2
Letter of Credit Arrivals, Mfg. (3 Month Moving avg., Mill. 2000 US\$, SA).....	5396.43 r	4921.83 r	4966.60 r	5000.00 r	5202.27 r	5324.57 r	5506.60
Index of Inventories to Shipments, Mfg.,* (2005=100, S.A.).....	124.30 r	127.00 r	106.30 r	107.10 r	101.50 r	99.70 r	93.10
Real Exports FOB, Customs Clearance Basis, (3 Month Moving avg., US \$ Million, SA).....	25327.96 r	22629.28 r	23227.51 r	22959.96 r	25068.19 r	25349.59 r	27089.04
Yield of Government Public Bonds,* Maturity up to 5 Years, (Percent).....	5.29	4.57	5.17	4.96	4.77	4.91	5.13
Private Construction Orders (Bill. Of Won deflated by PPI, 3MA, SA).....	49822.03 r	46358.33 r	43337.90 r	30727.17 r	24353.43 r	23070.80 r	19634.77
<b>LEADING INDEX (2004=100).....</b>	<b>101.5</b>	<b>100.0</b>	<b>100.8 r</b>	<b>101.4 r</b>	<b>103.4 r</b>	<b>104.0</b>	<b>105.6</b>
Percent change from preceding month.....	-1.3	-1.5	0.8 r	0.6 r	2.0	0.6 r	1.5
<b>Korea Leading Economic Index Component Contributions</b>							
Stock Price Index, (Jan. 4, 1980=100).....	....	0.15	-0.42	0.59	0.59	0.09	-0.02
Value of Machinery Orders, Mfg. (Bill. 2005 Won, SA,).....	....	0.30	-0.18	0.66	0.05 r	0.18 r	0.47
Letter of Credit Arrivals, Mfg. (3 Month Moving avg., Mill. 2000 US\$, SA).....	....	-0.85 r	0.08 r	0.06 r	0.37	0.21 r	0.31
Index of Inventories to Shipments, Mfg.,* (2005=100, S.A.).....	....	-0.18	1.52 r	-0.06 r	0.46	0.15 r	0.59
Real Exports FOB, Customs Clearance Basis, (3 Month Moving avg., US \$ Million, SA).....	....	-1.18 r	0.27 r	-0.12 r	0.92 r	0.12 r	0.69
Yield of Government Public Bonds,* Maturity up to 5 Years, (Percent).....	....	0.44	-0.37	0.13	0.12	-0.09	-0.13
Private Construction Orders (Bill. Of Won deflated by PPI, 3MA, SA).....	....	-0.18	-0.17	-0.74 r	-0.59	-0.14 r	-0.41

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						
	Dec.	Jan.	Feb.	Mar.	Apr.	May.	Jun.
<b>Korea Coincident Economic Index Component Data</b>							
Industrial Production, (2005=100, SA).....	97.4 r	97.9 r	105.2 r	110.2 r	113.6 r	114.9 r	120.6
Wholesale and Retail Sales, (2005=100, SA).....	106.3 r	107.7 r	105.8 r	107.4 r	109.5 r	113.4 r	114.8
Total Employment, (Thousands of Persons, SA).....	23518.5 r	23446.0 r	23406.1 r	23368.6 r	23384.2 r	23377.7 r	23582.8
Monthly Cash Earnings (Hundred of Won, deflated by CPI, SA)...	24382.9	24168.2	23803.6	24035.6 **	23991.9 **	24075.5 **	24100.3 **
<b>COINCIDENT INDEX (2004=100).....</b>	<b>104.6</b>	<b>104.5</b>	<b>104.9 r</b>	<b>105.7 p</b>	<b>106.4 p</b>	<b>107.1 p</b>	<b>108.5 p</b>
Percent change from preceding month..	-1.3	-0.1	0.4 r	0.8 p	0.7 p	0.7 p	1.3 p
<b>Korea Coincident Economic Index Component Contributions</b>							
Industrial Production, (2005=100, SA).....	....	0.06 r	0.89 r	0.58 r	0.38 r	0.14 r	0.60
Wholesale and Retail Sales, (2005=100, SA).....	....	0.16	-0.22 r	0.18	0.24 r	0.43 r	0.15
Total Employment, (Thousands of Persons, SA).....	....	-0.20	-0.11	-0.10 r	0.04 r	-0.02 r	0.56
Monthly Cash Earnings (Hundred of Won, deflated by CPI, SA)...	....	-0.10	-0.17	0.11 **	-0.02 **	0.04 **	0.01 **

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).

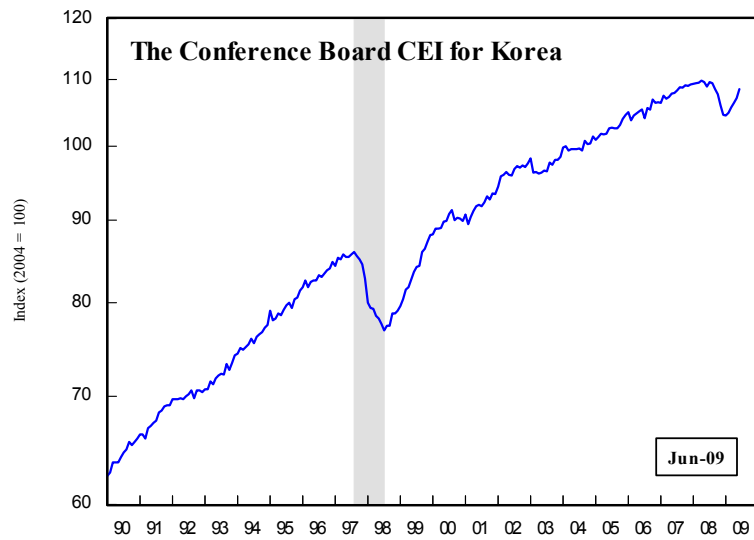
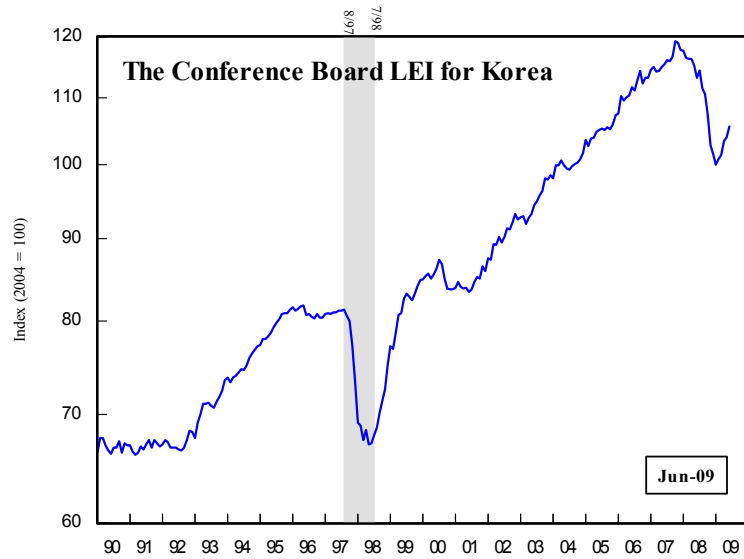
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## Korea



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