



Business Survey and Economic Sentiment Index (ESI) for May 2025

- The Composite Business Sentiment Index (CBSI) for all industries for May 2025 was 90.7, up 2.8 points from the previous month, and that for the outlook for the following month also up by 3.2 points to 89.5.
 - In the manufacturing sector, the CBSI for May 2025 was 94.7, up 1.6 points from the previous month, and that for the outlook for the following month also up by 3.1 points to 93.1.
 - In the non-manufacturing sector, the CBSI for May 2025 was 88.1, up 3.6 points from the previous month, and that for the outlook for the following month also up by 3.3 points to 87.1.

- The Economic Sentiment Index (ESI), a composite of the Business Sentiment Index(BSI) and the Consumer Survey Index(CSI), for May 2025 was 92.2, up 4.7 points from the previous month.

Major Index Components

		Avg. ¹⁾	2024				2025				Month-on-month Changes
			Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	
All Industries	CBSI	— (—)	91.8 (90.2)	87.3 (90.1)	85.9 (82.9)	85.3 (85.4)	86.7 (88.0)	87.9 (85.6)	90.7 (86.3)	(89.5)	+2.8 (+3.2)
	CBSI	— (—)	90.9 (90.8)	87.1 (89.2)	89.0 (85.5)	90.1 (89.1)	91.9 (91.1)	93.1 (89.9)	94.7 (90.0)	(93.1)	+1.6 (+3.1)
Manu- facturing	Business Condition	78 (80)	68 (71)	62 (66)	63 (61)	65 (65)	68 (69)	68 (67)	73 (66)	(71)	+5 (+5)
	Production	92 (94)	79 (79)	78 (79)	77 (76)	80 (80)	82 (82)	83 (81)	84 (82)	(84)	+1 (+2)
	New Orders	88 (90)	75 (75)	73 (74)	74 (73)	74 (76)	76 (78)	79 (77)	77 (78)	(79)	—2 (+1)
	Inventories	105 (104)	105 (104)	106 (104)	103 (104)	103 (103)	104 (103)	102 (103)	103 (102)	(102)	+1 (0)
	Financial Situation	85 (86)	81 (82)	78 (81)	78 (76)	78 (78)	80 (79)	78 (78)	81 (76)	(80)	+3 (+4)
Non- manu- facturing	CBSI	— (—)	92.5 (89.8)	87.5 (90.8)	83.6 (80.9)	81.7 (82.6)	82.9 (85.8)	84.5 (82.4)	88.1 (83.8)	(87.1)	+3.6 (+3.3)
	Business Condition	75 (76)	69 (69)	65 (70)	64 (62)	61 (63)	63 (65)	64 (64)	66 (64)	(67)	+2 (+3)
	Sales	84 (85)	78 (77)	76 (78)	72 (73)	71 (71)	71 (72)	72 (71)	75 (71)	(73)	+3 (+2)
	Profitability	84 (85)	80 (78)	77 (79)	73 (72)	74 (73)	74 (77)	76 (74)	78 (75)	(78)	+2 (+3)
	Financial Situation	85 (85)	81 (80)	78 (80)	77 (74)	75 (77)	76 (78)	76 (75)	78 (77)	(78)	+2 (+1)
ESI		—	93.0	83.3	86.7	90.2	87.2	87.5	92.2	—	+4.7
Cyclical Component of ESI ³⁾		—	91.0	90.2	89.5	89.0	88.6	88.3	88.1	—	—0.2

Notes: 1) Long-term average from January 2003 to December 2024, updated annually.
 2) Between May 13 and 20, 3,524 companies were surveyed, of which 3,297 responded.
 3) Obtained by removing seasonal and irregular components from the ESI.
 4) Figures in () represent the outlooks.

Overview of the Business Survey Index

What the BSI is

- The Business Survey Index (BSI) provides information on the business conditions for the current month and their outlook for the following month. The BSI is compiled by surveying companies on their perceptions of current and future business conditions.

What the BSI surveys

- A total of 15 items, including business conditions, sales and profitability, are surveyed at 3,524 companies. The companies are selected using stratified systematic sampling and fall into the following classifications per the 10th revision of the Korean Standard Industrial Classification(KSIC):
 - o Manufacturing industry: 23 sub-sectors* classified by sections
 - * Manufacture of tobacco products has been included in the “other manufacturing” sub-sector since 2012.
 - o Non-manufacturing industry: 13 sub-sectors* classified by divisions
 - * The “sewerage, waste management and materials recovery activities” sub-sector has been added and compiled since 2012.

		Items Surveyed	Periods Surveyed
Level		business conditions (overall conditions), inventories ¹⁾ , facilities investment, labor force situation ¹⁾	conditions for the current month and outlooks for the following month
Change	Year-on-year	new orders, production, sales (domestic and exports), capacity utilization	
	Month-on-month	sales prices, raw material purchase prices, profitability, financial situation	
Other		operational difficulties	

Note: 1) These items are countercyclical series, as their values fall during cyclical upturns and rise during downturns.

How the BSI is compiled

- The survey responses are translated into indexes in accordance with the following formulas:

o Sub-sector BSI*

$$= \frac{\text{number of companies responding 「up/above normal」} - \text{number of companies responding 「down/below normal」}}{\text{total number of companies responding}} \times 100 + 100$$

* A BSI reading of 100, equivalent to the benchmark, implies that the number of firms whose responses were positive was equal to that of the negative ones; a reading above (below) 100 indicates the number of firms responding positively exceeded (was less than) the number of firms responding negatively.

o Industry (manufacturing/non-manufacturing) BSI = $\sum_{i=1}^n w_i \cdot BSI_i$,

where w_i : each sub-sector's GDP weight

BSI_i : each sub-sector's BSI

Overview of the Composite Business Sentiment Index

□ What the CBSI is

- The Composite Business Sentiment Index (CBSI) is made up of major business survey indexes (5 for manufacturing and 4 for non-manufacturing). The CBSI standardizes the average and standard deviation of figures from January 2003 to December of the previous year. A CBSI above 100 indicates positive business expectations compared to the long-term average, while a CBSI below 100 indicates negative expectations.
- The CBSI is calculated using individual averages and standard deviations, so caution is needed when comparing the levels between indices

□ How it is compiled

Component Indices
<ul style="list-style-type: none"> · Manufacturing : Business Condition BSI, Production BSI, New Orders BSI, Inventories BSI, Financial Situation BSI · Non-manufacturing : Business Condition BSI, Sales BSI, Profitability BSI, Financial Situation BSI



Standardization of Each Index
Each index is standardized using its individual averages and standard deviations.
<ul style="list-style-type: none"> — Individual standardized index : $Y_{i,t} = \frac{X_{i,t} - \bar{X}_i}{S_i}$ · $X_{i,t}$: individual BSI of corresponding month * i : target individual index, t : corresponding month · \bar{X}_i (average of the individual index within the standardization interval) = $\frac{1}{T} \sum_{t=1}^T X_{i,t}$ * $t (= 1, \dots, T)$: standardization interval, which extends until the previous December at the beginning of each year · S_i (standard deviation of individual index) = $\sqrt{\frac{1}{T-1} \sum_{t=1}^T (X_{i,t} - \bar{X}_i)^2}$



Derivation of CBSI
Each standardized index is averaged, and then scaled so that it will have a long-term average of 100 and a standard deviation of 10.
<ul style="list-style-type: none"> — $CBSI_t = \left(\frac{Z_t - \bar{Z}}{S_Z} \right) \times 10 + 100$ · $Z_t = \sum_{i=1}^n Y_{i,t}$: sum of n individual standardized indexes at time t (5 for manufacturing, 4 for non-manufacturing) · $\bar{Z} = \frac{1}{T} \sum_{t=1}^T Z_t$: average of Z_t within the standardization interval · $S_Z = \sqrt{\frac{1}{T-1} \sum_{t=1}^T (Z_t - \bar{Z})^2}$: standard deviation of Z_t within the standardization interval

Overview of the Economic Sentiment Index

What the ESI is

- The Economic Sentiment Index (ESI) is a composite of the Business Survey Index (BSI) and the Consumer Survey Index (CSI). The ESI is compiled to comprehensively grasp the private sector perception of economic conditions, including the sentiments of both businesses and consumers.

What the ESI means

- Since the ESI is constructed so that it is distributed around a long-term mean of 100 and a standard deviation of 10, an ESI reading above 100 indicates that economic sentiment in the private sector, including that of both businesses and consumers, is on a level better than past averages (and vice versa when the reading is below 100).

* BSI and CSI readings of 100 imply, as defined by their formulas, that the shares of positive and negative responses are equal.

- o A long-term mean of 100 implies that the mean of ESI values is 100 over the standardization interval, from January 2003 to December of the previous year, the period for which BSI and CSI time series data are obtainable.
- o The cyclical component of the ESI is compiled to track the cyclical patterns of economic sentiment, and is calculated by removing seasonal and irregular components from its original series.

How the ESI is compiled

- The ESI is calculated by using seven component indexes that are highly responsive to the economy from among the 32 BSI and 17 CSI component indexes, weighted averaging each of their standardized indexes, and then scaling the index so that it will have a long-term mean of 100 and a standard deviation of 10.

- o The component indexes and their weights are selected so that the ESI will be highly correlated with and responsive to GDP, a representative indicator of the real economy.

ESI Component Indexes and Their Weights

		Component Indexes ¹⁾	Weights	
BSI	Manufacturing	Exports	0.150	0.45
		Capacity Utilization	0.150	
		Financial Situation	0.150	
	Non-manufacturing	Business Conditions	0.150	0.30
Financial Situation		0.150		
CSI		Household Income	0.125	0.25
		Spending Decisions	0.125	

Note: 1) Each index is based on the outlooks for each of the components. The BSI component indexes are for the following month and the CSI component indexes are for six months ahead.

※ More detailed statistics can be found at the Bank of Korea's Economic Statistics System, <http://ecos.bok.or.kr>.