



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. AEST, THURSDAY, MAY 27, 2010

The Conference Board®  
Australia Business Cycle Indicators<sup>SM</sup>  
**THE CONFERENCE BOARD LEADING ECONOMIC INDEX®**  
**(LEI) FOR AUSTRALIA**  
**AND RELATED COMPOSITE ECONOMIC INDEXES FOR MARCH 2010**

**The Conference Board Leading Economic Index®** (LEI) for Australia increased 0.3 percent and **The Conference Board Coincident Economic Index®** (CEI) increased 0.1 percent in March.

- The Conference Board LEI for Australia increased in March, following a small decline in February. Index levels were revised upwards in recent months, as the sales-to-inventories component was revised. Between September 2009 and March 2010, the leading economic index rose 1.9 percent (a 3.8 percent annual rate), down from an increase of 2.3 percent (a 4.6 percent annual rate) for the previous six months. In addition, the strengths among the leading indicators have only been slightly more widespread than the weaknesses in recent months.
- The Conference Board CEI for Australia also increased in March, following a slight decline in February. Employed persons contributed positively to the index, more than offsetting the negative contribution from retail trade. The six-month change in the coincident economic index stands at 1.1 percent (a 2.1 percent annual rate) in the period through March 2010, up from 0.4 percent (about a 0.9 percent annual rate) for the previous six months. At the same time, real GDP increased at a 3.7 percent annual rate during the last quarter of 2009, an improvement from the gains of 1.1 percent annual rate in the third quarter and 3.0 percent average annual rate for the first half of 2009.
- The Conference Board LEI for Australia remains on a rising trend, although its six-month growth rate has slowed lately. Meanwhile, The Conference Board CEI for Australia has been essentially flat this year, after rising moderately in the second half of 2009. Taken together, the current behavior of the composite indexes suggests that the economy will continue to expand, but perhaps at a modest pace in the near term.

**LEADING INDICATORS.** Six of the seven components in The Conference Board LEI for Australia increased in March. The positive contributors to the index — in order from the largest positive contributor to the smallest — are money supply\*, the yield spread, share prices, the sales-to-inventories ratio\*, rural goods exports\*, and gross operating surplus\*. Building approvals\* declined in March.

With the 0.3 percent increase in March, The Conference Board LEI for Australia now stands at 115.1 (2004=100). Based on revised data, this index declined 0.1 percent in February and increased 0.1 percent in January. During the six-month period through March, the leading economic index increased 1.9 percent, and four of the seven components increased (diffusion index, six-month span equals 64.3 percent).

The next release is scheduled for June 24, 2010 at 10:00 A.M. (AEST)  
*In the U.S. – June 23, 2010 at 8:00 P.M. (EST)*

COINCIDENT INDICATORS. Three of the four components in The Conference Board CEI for Australia increased in March. The increases - in order from the largest positive contributor to the smallest - occurred in employed persons, industrial production\*, and household gross disposable income\*. Retail trade declined in March.

With the increase of 0.1 percent in March, The Conference Board CEI for Australia now stands at 114.8 (2004=100). Based on revised data, this index decreased 0.1 percent in February and increased 0.3 percent in January. During the six-month period through March, the coincident economic index increased 1.1 percent, with two of the four components making positive contributions (diffusion index, six-month span equals 50.0 percent).

\* See notes under data availability.

#### FOR TABLES AND CHARTS, SEE BELOW

DATA AVAILABILITY. The data series used to compute **The Conference Board Leading Economic Index**<sup>®</sup> (LEI) for Australia and **The Conference Board Coincident Economic Index**<sup>®</sup> (CEI) for Australia reported in this release are those available “as of” 10 A.M. ET on May 21, 2010. Some series are estimated as noted below.

NOTES: Series in The Conference Board LEI for Australia that are based on our estimates are sales to inventory ratio and gross operating surplus for private non-financial corporations, the implicit price index used to deflate rural goods exports and building approvals, and the CPI used to deflate money supply M3. Series in The Conference Board CEI for Australia that are based on our estimates are industrial production and household disposable income. CPI was used to deflate retail trade.

Effective with the February 26, 2009 release, the seasonally adjusted retail trade data replaced the trend estimated series, the publication of which was suspended by the Australia Bureau of Statistics.

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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 leading and coincident economic indexes are essentially composite averages of several individual leading or coincident 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 for Australia have occurred before those in aggregate economic activity, while the cyclical turning points in The Conference Board CEI for Australia have occurred at about the same time as those in aggregate economic activity.

Further explanations of the cyclical indicator approach and the composite economic index methodology appear in The Conference Board's *Business Cycle Indicators* report and Web site: <http://www.conference-board.org/economics/bci/>.

Australia Composite Economic Indexes: Components and Standardization Factors

<u>Leading Economic Index</u>	<u>Factor</u>
1. Yield Spread, 10 year minus Policy Rate	.1113
2. Share Prices, All Ordinaries	.0398
3. Money Supply, M3	.2274
4. Rural Goods Exports	.0261
5. Sales to Inventory Ratio	.4299
6. Gross Operating Surplus, Private Non-Financial Corporations	.1140
7. Building Approvals	.0515
 <u>Coincident Economic Index</u>	
1. Retail Trade	.2591
2. Industrial Production	.0941
3. Employed Persons	.4386
4. Household Disposable Income	.2082

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 January 2010 release, and all historical values for the two composite economic indexes have been revised at the time to reflect the changes. (Under normal circumstances, updates to the leading and coincident economic indexes only incorporate revisions to data over the past six months.) The factors above were calculated using 1979 to 2008 as the sample period for measuring volatility for The Conference Board LEI for Australia, and 1982 to 2008 as the sample period for The Conference Board CEI for Australia. There are additional sample periods as 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 factor for The Conference Board LEI for Australia is -0.0605 calculated from 1960-1973, and -0.1194 calculated over the sample period 1974-2008.

To address the problem of lags in available data, those leading and coincident 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 revisions are part of the monthly data revisions, now a regular part of the U.S. Business Cycle Indicators program. The main advantage of this procedure is to utilize in the leading economic index the data, such as stock prices, that are available sooner than other data on “real” aspects of the economy, such as new orders and changes in inventory. 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 schedule for “**The Conference Board Leading Economic Index**<sup>®</sup> (LEI) for Australia” news release for 2010 is:

April 2010 Data	Wednesday, June 23, 2010
May 2010 Data	Monday, July 26, 2010
June 2010 Data	Wednesday, August 25, 2010
July 2010 Data	Tuesday, September 28, 2010
August 2010 Data	Wednesday, October 27, 2010
September 2010 Data	Tuesday, November 23, 2010
October 2010 Data	Monday, December 20, 2010

All releases are at 8:00 PM EST (10:00 A M AEDST the next day).

## **ABOUT THE CONFERENCE BOARD**

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## **AVAILABLE FROM THE CONFERENCE BOARD:**

Australia Business Cycle Indicators Internet Subscription <i>(Includes monthly release, data, charts and commentary)</i>	not currently available
Individual Data Series	not currently available
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 Australia Business Cycle Indicators

Table 1.--Summary of Australia Composite Economic Indexes

	2009							2010
	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	
Leading index	113.0	113.3 r	113.8 r	114.7 p	114.8 p	114.7 p	115.1 p	
Percent change	0.6	0.3 r	0.4 r	0.8 p	0.1 p	-0.1 p	0.3 p	
Diffusion index	50.0	42.9	57.1	64.3	57.1	50.0	71.4	
Coincident index	113.6	113.9	114.1 r	114.4 p	114.8 p	114.7 p	114.8 p	
Percent change	0.2	0.3	0.2 r	0.3 p	0.3 p	-0.1 p	0.1 p	
Diffusion index	50.0	62.5	75.0	62.5	87.5	50.0	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	2.3	2.4	3.4	3.8	3.7	2.1	1.9
Diffusion index	64.3	71.4	71.4	71.4	57.1	57.1	64.3
Coincident index							
Percent change	0.4	0.3	0.0	0.4	0.8	1.1	1.1
Diffusion index	75.0	50.0	50.0	50.0	50.0	50.0	50.0

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 Australia Business Cycle Indicators**

**Table 2.--Data and Net Contributions for Components of the Australia Leading Economic Index**

Component	2009							2010
	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	
Australia Leading Economic Index component data								
Yield Spread (10 Year - Policy Rate, 3 month moving average)	2.45	2.43	2.33	2.21	2.00	1.84	1.80	
Share Prices, All Ordinaries (Index 2005=100).....	109.3	107.0	108.3	112.2	105.3	106.8	112.3	
Money Supply, M3 (Mill. Constant A\$, SA).....	705119 r	701640 r	697848 r	692710 r	693735 r	697016 r	705132 ##	
Building Approvals, (Thous. '07-'08 A\$, SA, 3 month moving average)....	7675834 r	7841905 r	7711321 r	8106427 r	7867852 r	7117212 r	6401202 #	
Rural Goods Exports, (Mill. Constant A\$, SA).....	1996.2 r	1903.7 r	1943.1 r	2067.5 r	2127.3 r	2084.6 r	2169.1 #	
Sales to Inventories Ratio, SA (Q).....	1.440 r	1.450 r	1.460 r	1.460 **	1.470 **	1.470 **	1.480 **	
Gross Operating Surplus, Private Non-Financial Corp. (Mill. '07-'08 A\$, SA, Q).....	54144	54993	55841	56477 **	56974 **	57376 **	57717 **	
<b>LEADING INDEX (2004=100).....</b>	<b>113.0</b>	<b>113.3 r</b>	<b>113.8 r</b>	<b>114.7 p</b>	<b>114.8 p</b>	<b>114.7 p</b>	<b>115.1 p</b>	
Percent change from preceding month.....	0.6	0.3 r	0.4 r	0.8 p	0.1 p	-0.1 p	0.3 p	
Australia Leading Economic Index net contributions								
Yield Spread (10 Year - Policy Rate, 3 month moving average)	....	0.27	0.26	0.25	0.22 r	0.20	0.20	
Share Prices, All Ordinaries (Index 2005=100).....	....	-0.09	0.05	0.14	-0.25	0.06	0.20	
Money Supply, M3 (Mill. Constant A\$, SA).....	....	-0.11 r	-0.12 r	-0.17 r	0.03 r	0.11 r	0.26 ##	
Building Approvals, (Thous. '07-'08 A\$, SA, 3 month moving average)....	....	0.11 r	-0.09 r	0.26 r	-0.15 r	-0.52 r	-0.55 #	
Rural Goods Exports, (Mill. Constant A\$, SA).....	....	-0.12 r	0.05 r	0.16	0.07 r	-0.05 r	0.10 #	
Sales to Inventories Ratio, SA (Q).....	....	0.20 r	0.20 r	0.18 **	0.17 **	0.16 **	0.15 **	
Gross Operating Surplus, Private Non-Financial Corp. (Mill. '07-'08 A\$, SA, Q).....	....	0.18	0.17	0.13 **	0.10 **	0.08 **	0.07 **	

p Preliminary. r Revised. -- \* Inverted series; a negative change in this component makes a positive contribution.

# Estimates of the quarterly deflator (implicit price index) are used to deflate these series

## Estimates of the quarterly deflator (CPI) are used to deflate money supply.

Money Supply (M3) level from April 2002 and on are derived from growth rates reported by the Reserve Bank of Australia

\*\* Statistical Imputation (See page 2 for more details) -- Q: Quarterly series; these series are converted to monthly through a linear interpolation

Data Sources: Australian Bureau of Statistics, Reserve Bank of Australia, 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 Australia Business Cycle Indicators**

**Table 3.--Data and Net Contributions for Components of the Australia Coincident Economic Index**

Component	2009						2010
	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
<b>Australia Coincident Economic Index component data</b>							
Retail Trade (Mill. Constant A\$, SA, 3-month moving average)	11705.0 r	11703 r	11722.7 r	11725.6 r	11749.1 r	11679.0 r	11645.4
Industrial Production (Index 2007-08=100, SA, Q).....	98.3	99.8	101.3	102.3 **	103.2 **	103.8 **	104.2 **
Employed Persons (Thousands of Persons, SA).....	10814.7 r	10844.9 r	10877.6 r	10914.9 r	10975.4 r	10964.1 r	10991.8
Household Gross Disposable Income, (Mill. Constant A\$, SA, Q).....	120737.6 r	120362.2 r	119989.2 r	119861.9 **	119876.0 **	119970.4 **	120121.8 **
<b>COINCIDENT INDEX (2004=100).....</b>	<b>113.6</b>	<b>113.9</b>	<b>114.1 r</b>	<b>114.4 p</b>	<b>114.8 p</b>	<b>114.7 p</b>	<b>114.8 p</b>
Percent change from preceding month.....	0.2	0.3	0.2 r	0.3 p	0.3 p	-0.1 p	0.1 p
<b>Australia Coincident Economic Index net contributions</b>							
Retail Trade (Mill. Constant A\$, SA, 3-month moving average)	....	0.00 r	0.04 r	0.01 r	0.05 r	-0.16	-0.07
Industrial Production (Index 2007-08=100, SA, Q).....	....	0.14	0.14	0.10 **	0.07 **	0.06 **	0.04 **
Employed Persons (Thousands of Persons, SA).....	....	0.12	0.13	0.15	0.24	-0.05 r	0.11
Household Gross Disposable Income, (Mill. Constant A\$, SA, Q).....	....	-0.06 r	-0.06 r	-0.02 **	0.00 **	0.02 **	0.03 **

\* Inverted Series, a negative change in this component makes a positive contribution

\*\* Statistical Imputation (See page 2 for more details)

## Estimates of the quarterly deflator (CPI) are used to deflate retail trade

Q Quarterly series; these series are converted to monthly through a linear interpolation.

Data Sources: Australian Bureau of Statistics, Reserve Bank of Australia, Thomson Financial

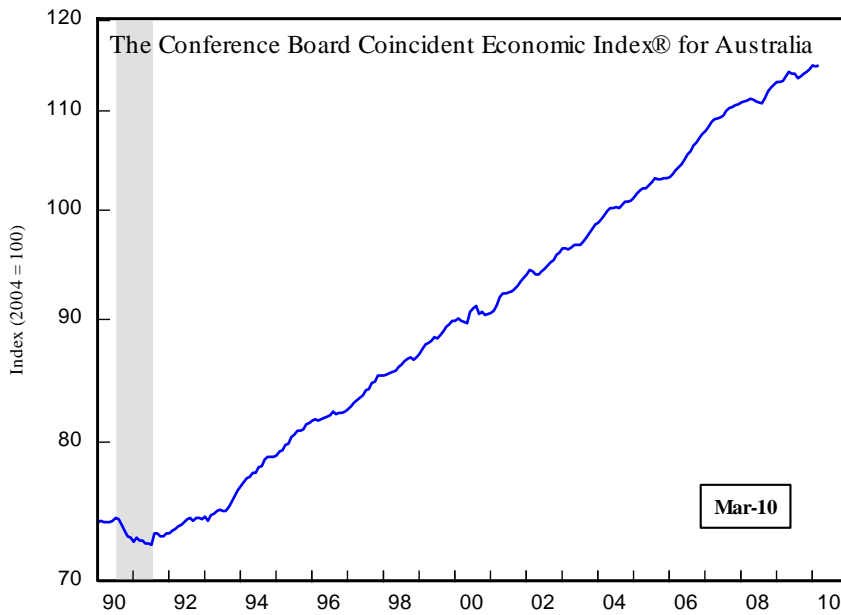
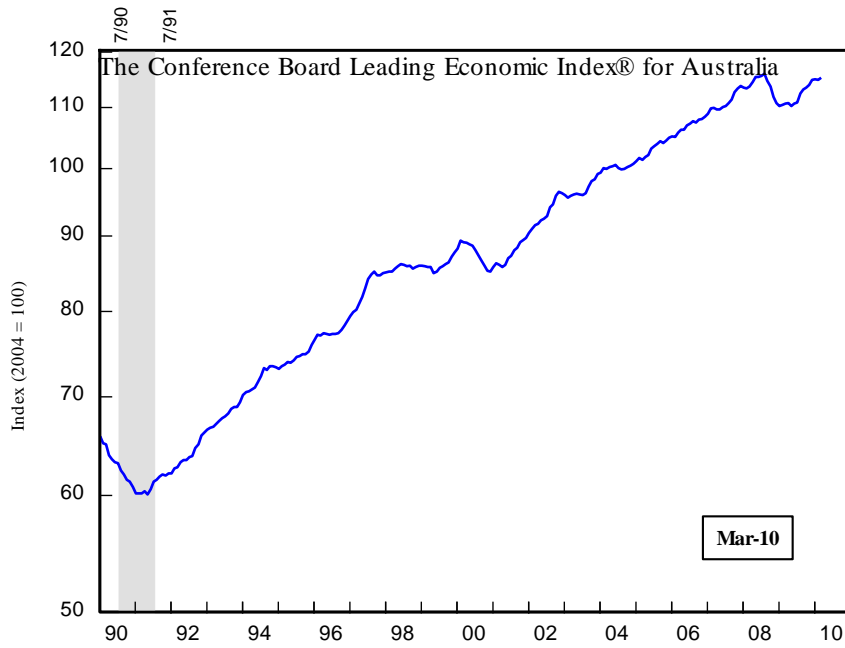
CALCULATION NOTE--The percent change in the index does not always equal the sum of the net contributions of the individual components (because of rounding effects and base value differences).

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Source: The Conference Board

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.