



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. AEST, FRIDAY, JANUARY 30, 2009

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 NOVEMBER 2008

This month's release incorporates annual benchmark revisions to the composite economic indexes, which bring them up-to-date with revisions in the source data. Also, the base years of the composite economic indexes have been changed to 2004=100 from 1990=100. These revisions do not change the cyclical properties of the indexes. The indexes are updated throughout the year, but only for the previous six months. Data revisions that fall outside of the moving six-month window are not incorporated until the benchmark revision is made and the entire histories of the indexes are recomputed. As a result, the revised indexes will not be directly comparable to those issued prior to the benchmark revision.

For more information, please visit our website at <http://www.conference-board.org/economics/bci/> or contact us at [indicators@conference-board.org](mailto:indicators@conference-board.org).

The Conference Board Leading Economic Index (LEI) for Australia declined 1.0 percent and The Conference Board Coincident Economic Index (CEI) increased 0.1 percent in November.

- The Leading Economic Index declined sharply in November, decreasing for the third consecutive month. Building approvals, share prices, the yield spread, and rural goods exports contributed negatively to the index, more than offsetting the continued strong expansion in real money supply. The six-month change in the index has continued to fall -- to -1.2 percent (a -2.4 percent annual rate) in the period through November 2008, down sharply from the 1.8 percent rate of growth (a 3.6 percent annual rate) from November 2007 to May 2008. In addition, the strengths and weaknesses among the leading indicators have remained nearly balanced in recent months.
- The Coincident Economic Index continued to increase in November, with the strengths among its components remaining widespread in recent months. Retail trade rose again this month, while employment fell. The six-month change in the CEI has picked up to 1.1 percent (a 2.2 percent annual rate) through November 2008, up from 0.3 percent (a 0.5 percent annual rate) for the previous six months. Meanwhile, real GDP growth dropped to a 0.3 percent annual rate for the third quarter of 2008, down sharply from the 1.9 percent average annual rate of growth in the first half of the year.
- The LEI began to weaken in the middle of 2008, and the six-month change in the index turned negative in November. Meanwhile, the CEI, a measure of current economic activity, has remained on an upward trend during this period, with the strengths among its components remaining consistently widespread. The continued weakening in the LEI suggests that economic growth will remain slow in the near term.

**LEADING INDICATORS.** Three of the seven components in the Leading Economic Index increased in November. The positive contributors to the index — in order from the largest positive contributor to the smallest — are money supply\*, gross operating surplus\*, and the sales to inventories ratio\*. Building approvals\*, share prices, the yield spread and rural goods exports declined.

The next release is scheduled for February 26, 2009 at 10:00 A.M. (AEST)  
*In the U.S. – February 25, 2009 at 6:00 P.M. (ET)*

With the 1.0 percent decrease in November, the Leading Economic Index now stands at 114.1 (2004=100). Based on revised data, this index declined 0.2 percent in October and declined 0.3 percent in September. During the six-month period through November, the leading economic index decreased 1.2 percent, and four of the seven components increased (diffusion index, six-month span equals 57.1 percent).

COINCIDENT INDICATORS. Three of the four components in the Coincident Economic Index increased in November. The increases - in order from the largest positive contributor to the smallest - occurred in household gross disposable income\*, retail trade, and industrial production\*. Employed persons declined in November.

With the increase of 0.1 percent in November, the Coincident Economic Index now stands at 111.3 (2004=100). Based on revised data, this index increased 0.3 percent in October and increased 0.2 percent in September. During the six-month period through November, the coincident economic index increased 1.1 percent, with all four components in the series making positive contributions (diffusion index, six-month span equals 87.5 percent).

\* See notes under data availability.

FOR TABLES AND CHARTS, SEE BELOW

DATA AVAILABILITY. The data series used by The Conference Board to compute The Conference Board Leading Economic Index (LEI) for Australia and The Conference Board Coincident Economic Index (CEI) for Australia reported in this release are those available “as of” 10 A.M. ET on January 28, 2009. Some series are estimated as noted below.

NOTES: Series in the Leading Economic Index that are based on The Conference Board 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 Coincident Economic Index that are based on The Conference Board estimates are industrial production and household disposable income. CPI was used to deflate retail trade.

Effective with this release, the retail sales component of the CEI has been replaced by retail trade data published by the Australian Bureau of Statistics. The retail sales series previously used in calculating the index was discontinued by the source agency. There were slight modifications to the business cycle chronology as a result of the series replacement and of this month’s benchmark revisions but the cyclical properties of the CEI have remained essentially unchanged.

Professional Contacts at The Conference Board:

Indicator Program: 1-212-339-0330

Media Contacts:

Frank Tortorici: 1-212-339-0231

Carol Courter: 1-212-339-0232

Email: [indicators@conference-board.org](mailto:indicators@conference-board.org)

Website: <http://www.conference-board.org/economics/bci/>

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 Leading Economic Index have occurred before those in aggregate economic activity, while the cyclical turning points in the Coincident Economic Index 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	.1202
2. Share Prices, All Ordinaries	.0437
3. Money Supply, M3	.2540
4. Rural Goods Exports	.0284
5. Sales to Inventory Ratio	.3633
6. Gross Operating Surplus, Private Non-Financial Corporations	.1336
7. Building Approvals	.0567
 <u>Coincident Economic Index</u>	
1. Retail Trade	.3459
2. Industrial Production	.0953
3. Employed Persons	.3761
4. Household Disposable Income	.1827

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 29, 2009 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 2007 as the sample period for measuring volatility for the Leading Economic Index, and 1982 to 2007 as the sample period for the Coincident Economic Index. 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 leading economic index is -0.0595 calculated from 1960-1973, and -0.1527 calculated over the sample period 1974-2007.

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 2009 for the “Leading Economic Index” news release is:

December 2008 Data	Wednesday, February 25, 2009
January 2009 Data	Wednesday, March 25, 2009
February 2009 Data	Wednesday, April 29, 2009
March 2009 Data	Wednesday, May 27, 2009
April 2009 Data	Wednesday, June 24, 2009
May 2009 Data	Monday, July 27, 2009
June 2009 Data	Wednesday, August 26, 2009
July 2009 Data	Tuesday, September 29, 2009
August 2009 Data	Wednesday, October 28, 2009
September 2009 Data	Monday, November 23, 2009
October 2009 Data	Monday, December 21, 2009

All releases are at 6:00 PM EST (10:00 AM AEDST the next day).

## About The Conference Board

For over 90 years, The Conference Board has created and disseminated knowledge about management and the marketplace to help businesses strengthen their performance and better serve society. The Conference Board operates as a global independent membership organization working in the public interest. It publishes information and analysis, makes economics-based forecasts and assesses trends, and facilitates learning by creating dynamic communities of interest that bring together senior executives from around the world. The Conference Board is a not-for-profit organization and holds 501(c)(3) tax-exempt status in the United States. For additional information about The Conference Board and how it can meet your needs, visit our website at [www.conference-board.org](http://www.conference-board.org).

## 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
Corporate Site License	contact Indicators Program at (212) 339-0330

Business Cycle Indicators for 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.

THESE DATA ARE FOR ANALYSIS PURPOSES ONLY. NOT FOR REDISTRIBUTION, PUBLISHING, DATABASING, OR PUBLIC POSTING WITHOUT EXPRESS WRITTEN PERMISSION.

The Conference Board Australia Business Cycle Indicators

Table 1.--Summary of Australia Composite Economic Indexes

	2008						
	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.
Leading index	115.5 r	115.5 r	115.5 r	115.9 r	115.5 p	115.3 p	114.1 p
Percent change	0.8 r	0.0 r	0.0	0.3 r	-0.3 p	-0.2 p	-1.0 p
Diffusion index	85.7	71.4	50.0	85.7	35.7	50.0	42.9
Coincident index	110.1 r	110.3 r	110.5 r	110.7 r	110.9 p	111.2 p	111.3 p
Percent change	-0.1 r	0.2 r	0.2 r	0.2 r	0.2 p	0.3 p	0.1 p
Diffusion index	50.0	62.5	62.5	62.5	75.0	100.0	75.0
	Nov to May	Dec to Jun	Jan to Jul	Feb to Aug	Mar to Sep	Apr to Oct	May to Nov
Leading index							
Percent change	1.8	1.4	1.7	2.2	1.5	0.6	-1.2
Diffusion index	57.1	57.1	42.9	64.3	42.9	57.1	57.1
Coincident index							
Percent change	0.3	0.4	0.5	0.6	0.8	0.9	1.1
Diffusion index	75.0	75.0	75.0	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.

For more information, visit our Web site at [www.conference-board.org/economics/bci](http://www.conference-board.org/economics/bci)

Source: The Conference Board All Rights Reserved

© The Conference Board

These data are protected by copyright and are for news analysis purposes only.

The data and analysis are not for databasing by any means, redistribution,

publishing, or public posting without express written permission from The Conference Board.

THESE DATA ARE FOR ANALYSIS PURPOSES ONLY. NOT FOR REDISTRIBUTION, PUBLISHING,  
DATABASING, OR PUBLIC POSTING WITHOUT EXPRESS WRITTEN PERMISSION.

**The Conference Board Australia Business Cycle Indicators**

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

Component	2008						
	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.
Australia Leading Economic Index component data							
Yield Spread (10 Year - Policy Rate, 3 month moving average)	-0.96	-0.88	-0.81	-0.60	-0.91	-1.22	-1.48
Share Prices, All Ordinaries (Index 1995=100).....	176.5	162.7	155.3	160.3	143.6	125.4	116.8
Money Supply, M3 (Mill. Constant A\$, SA).....	616516 r	628032 r	638640 r	643544 r	655002 r	665212 r	673860 ##
Building Approvals, (Thous. '96-'97 A\$, SA, 3 month moving average).....	6375812 r	6635833 r	6520288 r	6358793 r	6234112 r	5746133 r	4989666 #
Rural Goods Exports, (Mill. Constant A\$, SA).....	2384.6 r	2120.2 r	2086.2 r	2198.6 r	2070.0 r	2510.3 r	2414.6
Sales to Inventories Ratio, SA (Q).....	1.530	1.540	1.540	1.550	1.550 **	1.550 **	1.560 **
Gross Operating Surplus, Private Non-Financial Corp. (Mill. '96-'97 A\$, SA, Q).....	59258	59919	60574	61224	61777 **	62277 **	62749 **
<b>LEADING INDEX (2004=100).....</b>	<b>115.5 r</b>	<b>115.5 r</b>	<b>115.5 r</b>	<b>115.9 r</b>	<b>115.5 p</b>	<b>115.3 p</b>	<b>114.1 p</b>
Percent change from preceding month.....	0.8 r	0.0 r	0.0	0.3 r	-0.3 p	-0.2 p	-1.0 p
Australia Leading Economic Index net contributions							
Yield Spread (10 Year - Policy Rate, 3 month moving average)	....	-0.11	-0.10	-0.07	-0.11	-0.15	-0.18
Share Prices, All Ordinaries (Index 1995=100).....	....	-0.36	-0.20	0.14	-0.48	-0.59	-0.31
Money Supply, M3 (Mill. Constant A\$, SA).....	....	0.47 r	0.43 r	0.19 r	0.45 r	0.39 r	0.33
Building Approvals, (Thous. '96-'97 A\$, SA, 3 month moving average).....	....	0.23	-0.10 r	-0.14 r	-0.11 r	-0.46 r	-0.80
Rural Goods Exports, (Mill. Constant A\$, SA).....	....	-0.33 r	-0.05 r	0.15	-0.17	0.55 r	-0.11
Sales to Inventories Ratio, SA (Q).....	....	0.09	0.09	0.09	0.08 **	0.08 **	0.08 **
Gross Operating Surplus, Private Non-Financial Corp. (Mill. '96-'97 A\$, SA, Q).....	....	0.15	0.15	0.14	0.12 **	0.11 **	0.10 **

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).

© The Conference Board

These data are protected by copyright and are for news analysis purposes only.

The data and analysis are not for databasing by any means, redistribution,

publishing, or public posting without express written permission from The Conference Board.

THESE DATA ARE FOR ANALYSIS PURPOSES ONLY. NOT FOR REDISTRIBUTION, PUBLISHING,  
DATABASING, OR PUBLIC POSTING WITHOUT EXPRESS WRITTEN PERMISSION.

**The Conference Board Australia Business Cycle Indicators**

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

Component	2008						
	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.
<b>Australia Coincident Economic Index component data</b>							
Retail Trade (Mill. Constant A\$, SA).....	11077.8 r	11065 r	11051.9 r	11035.9 r	11052.8 r	11067.4 r	11078.4
Industrial Production (Index 1997-98=100, SA, Q).....	104.5	104.5	104.5	104.6	104.7 **	104.7 **	104.8 **
Employed Persons (Thousands of Persons, SA).....	10687.0 r	10706.5	10722.8 r	10734.3 r	10726.7 r	10759.7 r	10743.5
Household Gross Disposable Income, (Mill. Constant A\$, SA, Q).....	108752.9 r	109725.3 r	110690.6 r	111648.7 r	112653.1 **	113472.7 **	114185.9 **
<b>COINCIDENT INDEX (2004=100).....</b>	<b>110.1 r</b>	<b>110.3 r</b>	<b>110.5 r</b>	<b>110.7 p</b>	<b>110.9 p</b>	<b>111.2 p</b>	<b>111.3 p</b>
Percent change from preceding month.....	-0.1 r	0.2 r	0.2 r	0.2 p	0.2 p	0.3 p	0.1 p
<b>Australia Coincident Economic Index net contributions</b>							
Retail Trade (Mill. Constant A\$, SA).....	....	-0.04 r	-0.04 r	-0.05 r	0.05 r	0.05 r	0.03
Industrial Production (Index 1997-98=100, SA, Q).....	....	0.00 r	0.00 r	0.00 r	0.01 **	0.01 **	0.01 **
Employed Persons (Thousands of Persons, SA).....	....	0.07 r	0.06 r	0.04 r	-0.03	0.12 r	-0.06
Household Gross Disposable Income, (Mill. Constant A\$, SA, Q).....	....	0.16 r	0.16 r	0.16 r	0.16 **	0.13 **	0.11 **

\* 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).

© The Conference Board

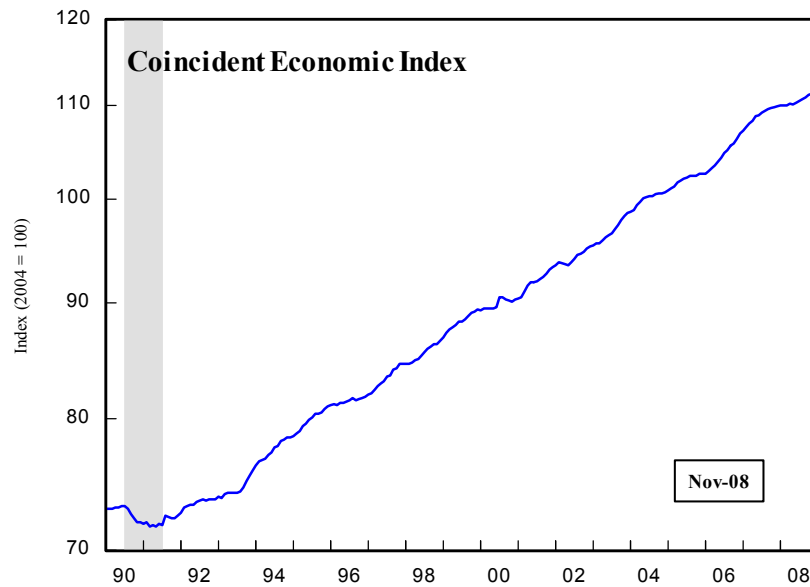
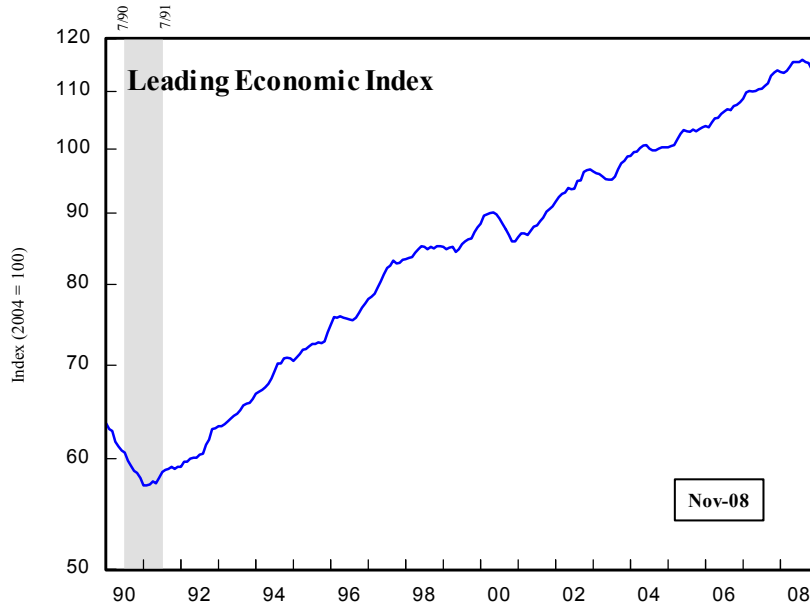
These data are protected by copyright and are for news analysis purposes only.

The data and analysis are not for databasing by any means, redistribution,

publishing, or public posting without express written permission from The Conference Board.

THESE DATA ARE FOR ANALYSIS PURPOSES ONLY. NOT FOR REDISTRIBUTION, PUBLISHING, DATABASING, OR PUBLIC POSTING WITHOUT EXPRESS WRITTEN PERMISSION.

## Australia



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.



THESE DATA ARE FOR ANALYSIS PURPOSES ONLY. NOT FOR REDISTRIBUTION, PUBLISHING, DATABASING, OR PUBLIC POSTING WITHOUT EXPRESS WRITTEN PERMISSION.

## Australia

