



THE CONFERENCE BOARD

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FOR RELEASE: 8:00 P.M. ET, TUESDAY, SEPTEMBER 26, 2006

The Conference Board® Australia Business Cycle IndicatorsSM
AUSTRALIA LEADING ECONOMIC INDICATORS
AND RELATED COMPOSITE INDEXES FOR JULY 2006

The Conference Board announced today that both the leading and coincident indexes for Australia increased 0.3 percent in July.

- The leading index increased again in July for the fifth consecutive month, and the small decline in May was revised up to a small gain. Real money supply, building approvals, and the sales to inventories ratio continued to be the largest positive contributors to the leading index in the last several months. With July's increase, the growth rate of the leading index continued to fluctuate in the range of 3.0 – 4.0 percent (annual rate) in recent months, only slightly below the most recent high of almost 5.0 percent reached in mid-2005. In addition, the strengths among the leading indicators have been somewhat more widespread.
- The coincident index increased slightly again in July, and it has been on a slight upward trend since late 2005. At the same time, real GDP grew at a 2.0 percent annual rate in the first half of 2006 (including a 1.3 percent rate in the second quarter), only slightly up from a 1.9 percent average annual rate in the second half of 2005. The current behavior of the leading index suggests that moderate economic growth is likely to continue in the near term.

LEADING INDICATORS. Four of the eight components in the leading index increased in July. The positive contributors to the index — in order from the largest positive contributor to the smallest — are building approvals*, money supply*, the sales to inventories ratio*, and gross operating surplus*. The (inverted) “medium-term” government bond yield, share prices, yield spread, and rural goods exports* declined in July.

With the 0.3 percent increase in July, the leading index now stands at 163.3 (1990=100). Based on revised data, this index increased 0.5 percent in June and increased 0.1 percent in May. During the six-month period through July, the leading index increased 1.9 percent, and seven of the eight components increased (diffusion index, six-month span equals 87.5 percent).

COINCIDENT INDICATORS. Four of the five components in the coincident index increased in July. The increases - in order from the largest positive contributor to the smallest – occurred in employed persons, the (inverted) unemployment rate, retail trade, and household gross disposable income*. Industrial production* remained unchanged in July.

- *See notes under data availability.*

The next release is scheduled for October 25, 2006 at 8:00 P.M. (ET)
In Australia – October 26, 2006 at 10:00 A.M. (AEDST)

With the increase of 0.3 percent in July, the coincident index now stands at 119.7 (1990=100). Based on revised data, this index increased 0.2 percent in both June and May. During the six-month period through July, the coincident index increased 0.9 percent, with three of the five components in the series making positive contributions (diffusion index, six-month span equals 90.0 percent).

FOR TABLES AND CHARTS, SEE BELOW

DATA AVAILABILITY. The data series used by The Conference Board to compute the two composite indexes reported in the tables in this release are those available “as of” 10 A.M. ET on September 25, 2006. Some series are estimated as noted below.

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

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THE CYCLICAL INDICATOR APPROACH. The composite indexes are the key elements in an analytic system designed to signal peaks and troughs in the business cycle. The leading and coincident indexes are essentially composite averages of between four and ten 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 index have occurred before those in aggregate economic activity, while the cyclical turning points in the coincident index have occurred at about the same time as those in aggregate economic activity.

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

Australia Composite Indexes: Components and Standardization Factors

<u>Leading Index</u>	<u>Factor</u>
1. Medium Term Government Bond Yield	.0302
2. Yield Spread, 10 year minus 90 day	.3507
3. Share Prices, All Ordinaries	.0279
4. Money Supply, M3	.2215
5. Rural Goods Exports	.0176
6. Sales to Inventory Ratio	.2229
7. Gross Operating Surplus, Private Non-Financial Corporations	.0915
8. Building Approvals	.0376

<u>Coincident Index</u>	
1. Retail Trade	.0822
2. Unemployment Rate	.4612
3. Industrial Production	.0468
4. Employed Persons	.2828
5. Household Disposable Income	.1270

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 June 19, 2001 release, and all historical values for the two composite indexes have been revised at the time to reflect the changes. (Under normal circumstances, updates to the leading and coincident indexes only incorporate revisions to data over the past six months.)

The factors above were calculated using 1977-1999 as the sample period for measuring volatility for the leading index, and 1959-1999 as the sample period for the coincident index. There are additional sample periods as 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/>.

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 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 2006 for the “Leading Economic Indicators” news release is:

August 2006 data...	Wednesday, August 25, 2006
September 2006 data...	Wednesday, September 29, 2006
October 2006 data...	Thursday, September 21, 2006

October release is at 8:00 PM ET (10:00 A M AEDST the next day).

November and December releases are at 6:00 PM ET (10:00 A M AEDST the next day).

For detailed information on benchmark revisions, visit our website: <http://www.conference-board.org/economics/bci/>

ABOUT THE CONFERENCE BOARD. Founded in 1916, The Conference Board is the premier business membership and research network. The Conference Board has become a global leader in helping executives build strong professional relationships, expand their business knowledge and find solutions to a wide range of business challenges. The Board’s Economics Program, under the direction of Chief Economist Gail Fosler, is a recognized source of forecasts, economic analysis and objective indicators such as the Leading Economic Indicators and the Consumer Confidence Index.

This role is part of a long tradition of research and education that stretches back to the compilation of the first continuous measure of the cost of living in the United States in 1919. In 1995, The Conference Board assumed responsibility for computing the composite indexes from the U.S. Department of Commerce. The Conference Board now produces business cycle indexes for the U.S., Australia, France, Germany, Korea, Japan, Mexico, Spain and the U.K. To subscribe to any of these indexes, please contact the customer service department at 212-339-0345, or email indicators@conference-board.org.

AVAILABLE FROM THE CONFERENCE BOARD:

Australia Business Cycle Indicators Internet Subscription <i>(Includes monthly release, data, charts and commentary)</i>	\$ 535 per year (1 user)
Individual Data Series	\$ 25 per series downloaded
Monthly BCI Report <i>(Sample available on request)</i>	\$ 235 per year
BCI Handbook (published 2001)	\$ 20
Corporate Site License	\$2,600 per year

Business Cycle Indicators for France, Germany, Japan, Korea, Mexico, Spain and the U.K. are available at \$535 per country per year (1 user). Discounts are available to Associates of The Conference Board and accredited academic institutions.

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The Conference Board Australia Business Cycle Indicators

Table 1.--Summary of Australia Composite Indexes

	2006						
	Jan.	Feb.	Mar.	Apr.	May.	Jun.	Jul.
Leading index	160.2	160.1 r	161.1 r	161.8 r	162.0 r	162.8 p	163.3 p
Percent change	0.2	-0.1 r	0.6 r	0.4 r	0.1 r	0.5 p	0.3 p
Diffusion index	56.3	50.0	93.8	62.5	50.0	75.0	56.3
Coincident index	118.6	118.8	119.0	119.0	119.2	119.4 p	119.7 p
Percent change	0.0	0.2	0.2	0.0	0.2	0.2 p	0.3 p
Diffusion index	50.0	80.0	60.0	60.0	60.0	90.0	100.0
	Jul to	Aug to	Sep to	Oct to	Nov to	Dec to	Jan to
	Jan	Feb	Mar	Apr	May	Jun	Jul
Leading index							
Percent change	1.0	0.9 r	1.4	2.0 r	1.7 r	1.8 p	1.9 p
Diffusion index	75.0	68.8	81.3	87.5	87.5	87.5	87.5
Coincident index							
Percent change	0.1	0.0	0.4	0.4	0.5	0.7 p	0.9 p
Diffusion index	60.0	40.0	80.0	80.0	70.0	70.0	90.0

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

Component	Jan.	Feb.	2006 Mar.	Apr.	May.	Jun.	Jul.
Australia Leading index component data							
"Medium Term" Government Bond Yield (Inverted).....	0.19	0.19	0.19	0.18	0.18	0.17	0.17
Yield Spread (10 Year - T Bill Rate (90 day), 3 month moving average)	-0.32	-0.34	-0.27	-0.17	-0.12	-0.11 r	-0.18
Share Prices, All Ordinaries (Index 1995=100).....	153.8	153.6	160.1	164.1	156.1	158.3	155.6
Money Supply, M3 (Mill. Constant A\$, SA).....	468382 r	469050 r	473360 r	479363 r	479000 r	481806 ##	484647 ##
Building Approvals, (Thous. '96-'97 A\$, SA, 3 month moving average).....	4748756 r	4753234 r	4824758 r	4794766 r	4924712 r	5122578 #	5405851 #
Rural Goods Exports, (Mill. Constant A\$, SA).....	2090.8 r	2043.9 r	2120.3 r	2099.0 r	2054.9 r	2117.3 #	2106.4 #
Sales to Inventories Ratio, SA (Q).....	1.360	1.350 r	1.360	1.370 r	1.390 r	1.390 **	1.400 **
Gross Operating Surplus, Private Non-Financial Corp. (Mill. '96-'97 A\$, SA, Q).....	43436 r	43519 r	43781 r	44043 r	44304 r	44558 **	44808 **
LEADING INDEX (1990=100).....	160.2	160.1 r	161.1 r	161.8 r	162.0 r	162.8 p	163.3 p
Percent change from preceding month.....	0.2	-0.1 r	0.6 r	0.4 r	0.1 r	0.5 p	0.3 p
Australia Leading index net contributions							
"Medium Term" Government Bond Yield (Inverted).....	....	0.01	-0.05 r	-0.17 r	-0.02	-0.05	-0.09
Yield Spread (10 Year - T Bill Rate (90 day), 3 month moving average)	....	-0.01	0.03	0.03	0.02	0.00 r	-0.03
Share Prices, All Ordinaries (Index 1995=100).....	....	0.00	0.12	0.07	-0.14	0.04	-0.05
Money Supply, M3 (Mill. Constant A\$, SA).....	....	0.03 r	0.20 r	0.28 r	-0.02	0.13 ##	0.13 ##
Building Approvals, (Thous. '96-'97 A\$, SA, 3 month moving average).....	....	0.00 r	0.06	-0.02 r	0.10 r	0.15 #	0.20 #
Rural Goods Exports, (Mill. Constant A\$, SA).....	....	-0.04	0.06 r	-0.02	-0.04	0.05 #	-0.01 #
Sales to Inventories Ratio, SA (Q).....	....	-0.07 r	0.18 r	0.18 r	0.18 r	0.13 **	0.10 **
Gross Operating Surplus, Private Non-Financial Corp. (Mill. '96-'97 A\$, SA, Q).....	....	0.02	0.06 r	0.05	0.05	0.05 **	0.05 **

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

Component	2006						
	Jan.	Feb.	Mar.	Apr.	May.	Jun.	Jul.
Australia Coincident index component data							
Retail Trade (Mill. Constant A\$, SA).....	11564.07 r	11618 r	11590.2 r	11659.7 r	11583.4 r	11656.4 ##	11689.9 ##
Unemployment Rate, (S.A.)*.....	5.3	5.2	5.0	5.1	4.9	4.9	4.8
Industrial Production (Index 1997-98=100, SA, Q).....	99.6	99.2	99.2	99.3	99.4	99.6 **	99.7 **
Employed Persons (Thousands of Persons, SA).....	10039.3 r	10061.7 r	10089.7 r	10094.8 r	10143.2 r	10196.3 r	10242.1
Household Gross Disposable Income, (Mill. Constant A\$, SA, Q).....	97622.5 r	97769.9 r	97622.7 r	97477.1 r	97333.1 r	97439.7 **	97579.0 **
COINCIDENT INDEX (1990=100).....	118.6	118.8	119.0	119.0	119.2	119.4 p	119.7 p
Percent change from preceding month...	0.0	0.2	0.2	0.0	0.2	0.2 p	0.3 p
Australia Coincident index net contributions							
Retail Trade (Mill. Constant A\$, SA).....	....	0.04	-0.02 r	0.05 r	-0.05 r	0.05 ##	0.02 ##
Unemployment Rate, (S.A.)*.....	....	0.05	0.09	-0.05	0.09	0.00	0.05
Industrial Production (Index 1997-98=100, SA, Q).....	....	-0.02	0.00	0.01	0.01	0.01 **	0.00 **
Employed Persons (Thousands of Persons, SA).....	....	0.06 r	0.08	0.01 r	0.14	0.15	0.13
Household Gross Disposable Income, (Mill. Constant A\$, SA, Q).....	....	0.02	-0.02	-0.02	-0.02	0.01 **	0.02 **

* 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

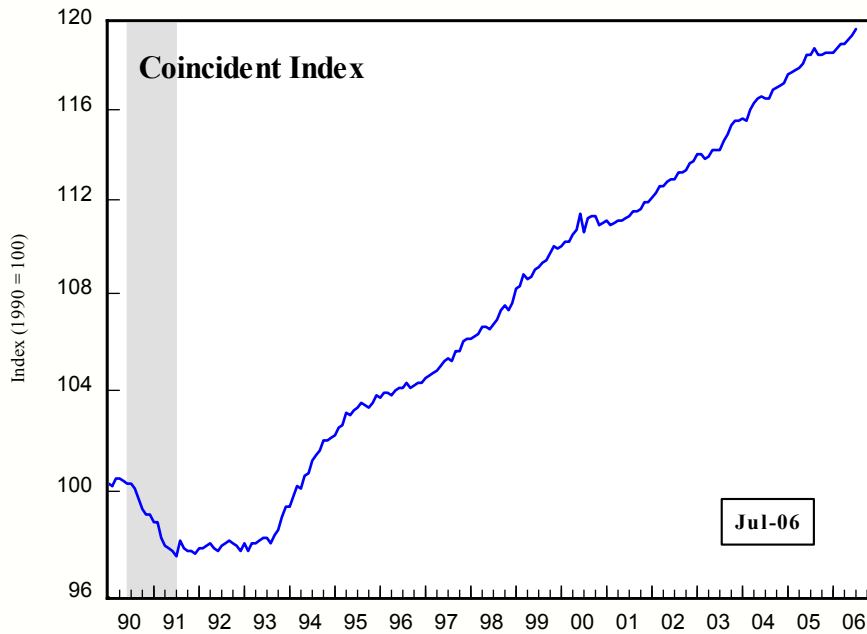
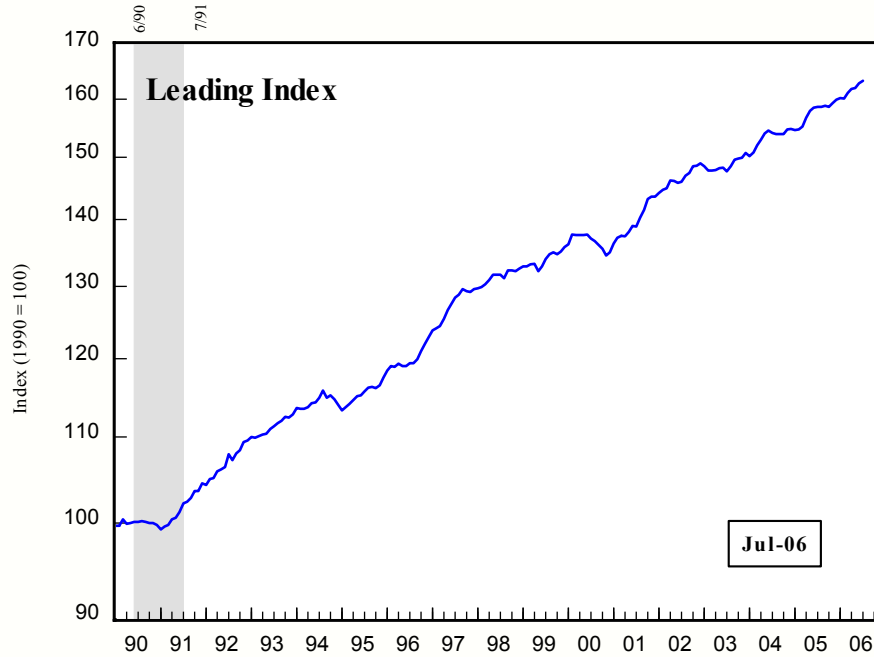
Q Quarterly series; these series are converted to monthly through a linear interpolation.

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

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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.