



**THE CONFERENCE BOARD**

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The Conference Board®  
Australia Business Cycle Indicators<sup>SM</sup>

**AUSTRALIA LEADING ECONOMIC INDICATORS  
AND RELATED COMPOSITE INDEXES FOR OCTOBER 2008**

Next month's release will incorporate annual benchmark revisions to the composite indexes, which bring them up-to-date with revisions in the source data. Also, the base year of the composite indexes will be 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 no longer be 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 announced today that the leading index for Australia declined 0.5 percent and the coincident index increased 0.2 percent in October.

- The leading index decreased for the second consecutive month in October. Share prices, building approvals, and the yield spread continued to make negative contributions to the index this month, more than offsetting the large increases in rural goods exports and money supply. Index levels were revised moderately lower from May to September as new data for the sales-to-inventories ratio and gross operating surplus for the third quarter of 2008 became available. The six-month change in the leading index has continued to fall, dipping to 0.2 percent (a 0.4 percent annual rate) in the period through October, down from 1.6 percent (a 3.3 percent annual rate) between October 2007 and April 2008. In addition, the strengths among the leading indicators have been roughly balanced with the weaknesses over the past six months.
- The coincident index increased again in October, and the strengths among its components have remained fairly widespread. Index levels were revised slightly upwards for the past several months as new quarterly data for household gross disposable income became available. Since April, the coincident index has risen 1.2 percent (a 2.4 percent annual rate), modestly faster than the increase of 0.9 percent (a 1.8 percent annual rate) during the previous six months. Meanwhile, real GDP growth slowed to a 0.3 percent annual rate in the third quarter, down sharply from the 1.9 percent average annual rate of growth in the first half of 2008.
- The leading index has weakened this year, with its growth essentially stalling since the summer and declining over the past two months. The coincident index, a measure of current economic conditions, remains on a rising trend that began in early 2006. The continued weakening in the leading index suggests that slow economic growth will continue in the near term.

LEADING INDICATORS. Four of the seven components in the leading index increased in October. The positive contributors to the index — in order from the largest positive contributor to the smallest — are rural goods exports\*, money supply\*, gross operating surplus\*, and the sales to inventories ratio\*. Share prices, building approvals\*, and yield spread declined in October.

With the 0.5 percent decrease in October, the leading index now stands at 188.3 (1990=100). Based on revised data, this index declined 0.4 percent in September and increased 0.4 percent in August. During the six-month period through October, the leading index increased 0.2 percent, and three of the seven components increased (diffusion index, six-month span equals 57.1 percent).

COINCIDENT INDICATORS. Two of the four components in the coincident index increased in October. The increases - in order from the larger positive contributor to the smaller - occurred in employed persons and household gross disposable income\*. Retail trade and industrial production\* declined in October.

With the increase of 0.2 percent in October, the coincident index now stands at 146.9 (1990=100). Based on revised data, this index increased 0.1 percent in September and increased 0.3 percent in August. During the six-month period through October, the coincident index increased 1.2 percent, with three of the four components in the series making positive contributions (diffusion index, six-month span equals 75.0 percent).

\* See notes under data availability.

<p>The next release is scheduled for January 30, 2009 at 10:00 A.M. (AEST) In the U.S. – January 29, 2008 at 6:00 P.M. (ET)</p>
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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 December 19, 2008. 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.

<u>Professional Contacts at The Conference Board:</u>	<u>Media Contacts:</u>
Indicator Program: 1-212-339-0330	Frank Tortorici: 1-212-339-0231
	Carol Courter: 1-212-339-0232
Email: indicators@conference-board.org	
Website: <a href="http://www.conference-board.org/economics/bci/">http://www.conference-board.org/economics/bci/</a>	

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 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 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. Yield Spread, 10 year minus Policy Rate	.1097
2. Share Prices, All Ordinaries	.0440
3. Money Supply, M3	.2611
4. Rural Goods Exports	.0285
5. Sales to Inventory Ratio	.3648
6. Gross Operating Surplus, Private Non-Financial Corporations	.1340
7. Building Approvals	.0579

<u>Coincident Index</u>	
1. Retail Trade	.1339
2. Industrial Production	.1346
3. Employed Persons	.4959
4. Household Disposable Income	.2357

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 24, 2008 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 1979 to 2006 as the sample period for measuring volatility for the leading index, and 1960 to 2006 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/> .

The trend adjustment factor for the leading index is -0.0250 calculated from 1960-1973, and -0.1480 calculated over the sample period 1974-2006.

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 2008 for the “Leading Economic Indicators” news release is:

November 2008 Data	Thursday, January 29, 2009
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 A M AEDST the next day).

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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
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.

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The Conference Board Australia Business Cycle Indicators

Table 1.--Summary of Australia Composite Indexes

	2008						
	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.
Leading index	187.9	189.3 r	189.4 r	189.4 r	190.1 r	189.3 p	188.3 p
Percent change	0.9	0.7 r	0.1 r	0.0 r	0.4 r	-0.4 p	-0.5 p
Diffusion index	71.4	85.7	71.4	50.0	71.4	35.7	50.0
Coincident index	145.2	145.3 r	145.5 r	146.0 p	146.4 p	146.6 p	146.9 p
Percent change	0.1	0.1 r	0.1 r	0.3 p	0.3 p	0.1 p	0.2 p
Diffusion index	75.0	75.0	62.5	87.5	62.5	62.5	62.5
	Oct to Apr	Nov to May	Dec to Jun	Jan to Jul	Feb to Aug	Mar to Sep	Apr to Oct
Leading index							
Percent change	1.6	1.7	1.6	2.0	2.5	1.7	0.2
Diffusion index	57.1	57.1	57.1	42.9	57.1	42.9	57.1
Coincident index							
Percent change	0.9	0.8	0.7	1.0	1.0	1.1	1.2
Diffusion index	75.0	75.0	75.0	75.0	75.0	75.0	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 Australia Business Cycle Indicators**

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

Component	2008						
	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.
Australia Leading index component data							
Yield Spread (10 Year - Policy Rate, 3 month moving average)	-0.82	-0.96	-0.88	-0.81	-0.97	-1.29	-1.59
Share Prices, All Ordinaries (Index 1995=100).....	174.6	176.5	162.7	155.3	160.3	143.6	125.4
Money Supply, M3 (Mill. Constant A\$, SA).....	615230 r	615685 r	627540 r	638253 r	643461 r	652863 r	660060 ###
Building Approvals, (Thous. '96-'97 A\$, SA, 3 month moving average).....	6283458 r	6312221 r	6570418 r	6434509 r	6290649 r	6119915 r	5535432 #
Rural Goods Exports, (Mill. Constant A\$, SA).....	2324.0 r	2390.1 r	2123.4 r	2071.9 r	2184.9 r	2116.0 r	2520.3
Sales to Inventories Ratio, SA (Q).....	1.520	1.530 r	1.540 r	1.540 r	1.550 r	1.550 **	1.550 **
Gross Operating Surplus, Private Non-Financial Corp. (Mill. '96-'97 A\$, SA, Q).....	57264 r	59258 r	59919 r	60574 r	61224 r	61777 **	62277 **
<b>LEADING INDEX (1990=100).....</b>	<b>187.9</b>	<b>189.3 r</b>	<b>189.4 r</b>	<b>189.4 r</b>	<b>190.1 r</b>	<b>189.3 p</b>	<b>188.3 p</b>
Percent change from preceding month.....	0.9	0.7 r	0.1 r	0.0 r	0.4 r	-0.4 p	-0.5 p
Australia Leading index net contributions							
Yield Spread (10 Year - Policy Rate, 3 month moving average)	....	-0.11	-0.10	-0.09	-0.11	-0.14	-0.17
Share Prices, All Ordinaries (Index 1995=100).....	....	0.05	-0.36	-0.21	0.14	-0.48	-0.60
Money Supply, M3 (Mill. Constant A\$, SA).....	....	0.02 r	0.50 r	0.44	0.21	0.38	0.29
Building Approvals, (Thous. '96-'97 A\$, SA, 3 month moving average).....	....	0.03 r	0.23 r	-0.12	-0.13	-0.16 r	-0.58
Rural Goods Exports, (Mill. Constant A\$, SA).....	....	0.08	-0.34 r	-0.07 r	0.15 r	-0.09	0.50
Sales to Inventories Ratio, SA (Q).....	....	0.35 r	0.09 r	0.09 r	0.09 r	0.08 **	0.08 **
Gross Operating Surplus, Private Non-Financial Corp. (Mill. '96-'97 A\$, SA, Q).....	....	0.46 r	0.15 r	0.15 r	0.14 r	0.12 **	0.11 **

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 Index**

Component	2008						
	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.
<b>Australia Coincident index component data</b>							
Retail Trade (Mill. Constant A\$, SA).....	12247.0 r	12309	12145.9 r	12211.1 **	12189.4 **	12199.7 **	12159.3 **
Industrial Production (Index 1997-98=100, SA, Q).....	104.0 r	104.5 r	104.5 r	104.5 r	104.6 r	104.6 **	104.5 **
Employed Persons (Thousands of Persons, SA).....	10710.6 r	10685.4 r	10705.6 r	10722.4 r	10735.2 r	10729.1 r	10765.6
Household Gross Disposable Income, (Mill. Constant A\$, SA, Q).....	108474.9 r	108705.0 r	109684.6 r	110657.1 r	111622.6 r	112279.0 **	112761.0 **
<b>COINCIDENT INDEX (1990=100).....</b>	<b>145.2</b>	<b>145.3 r</b>	<b>145.5 r</b>	<b>146.0 p</b>	<b>146.4 p</b>	<b>146.6 p</b>	<b>146.9 p</b>
Percent change from preceding month.....	0.1	0.1 r	0.1 r	0.3 p	0.3 p	0.1 p	0.2 p
<b>Australia Coincident index net contributions</b>							
Retail Trade (Mill. Constant A\$, SA).....	....	0.07	-0.18	0.07 **	-0.02 **	0.01 **	-0.04 **
Industrial Production (Index 1997-98=100, SA, Q).....	....	0.05 r	0.01	0.01 r	0.01 r	0.00 **	-0.01 **
Employed Persons (Thousands of Persons, SA).....	....	-0.12 r	0.09 r	0.08	0.06	-0.03 r	0.17
Household Gross Disposable Income, (Mill. Constant A\$, SA, Q).....	....	0.05 r	0.21 r	0.21 r	0.20 r	0.14 **	0.10 **

\* 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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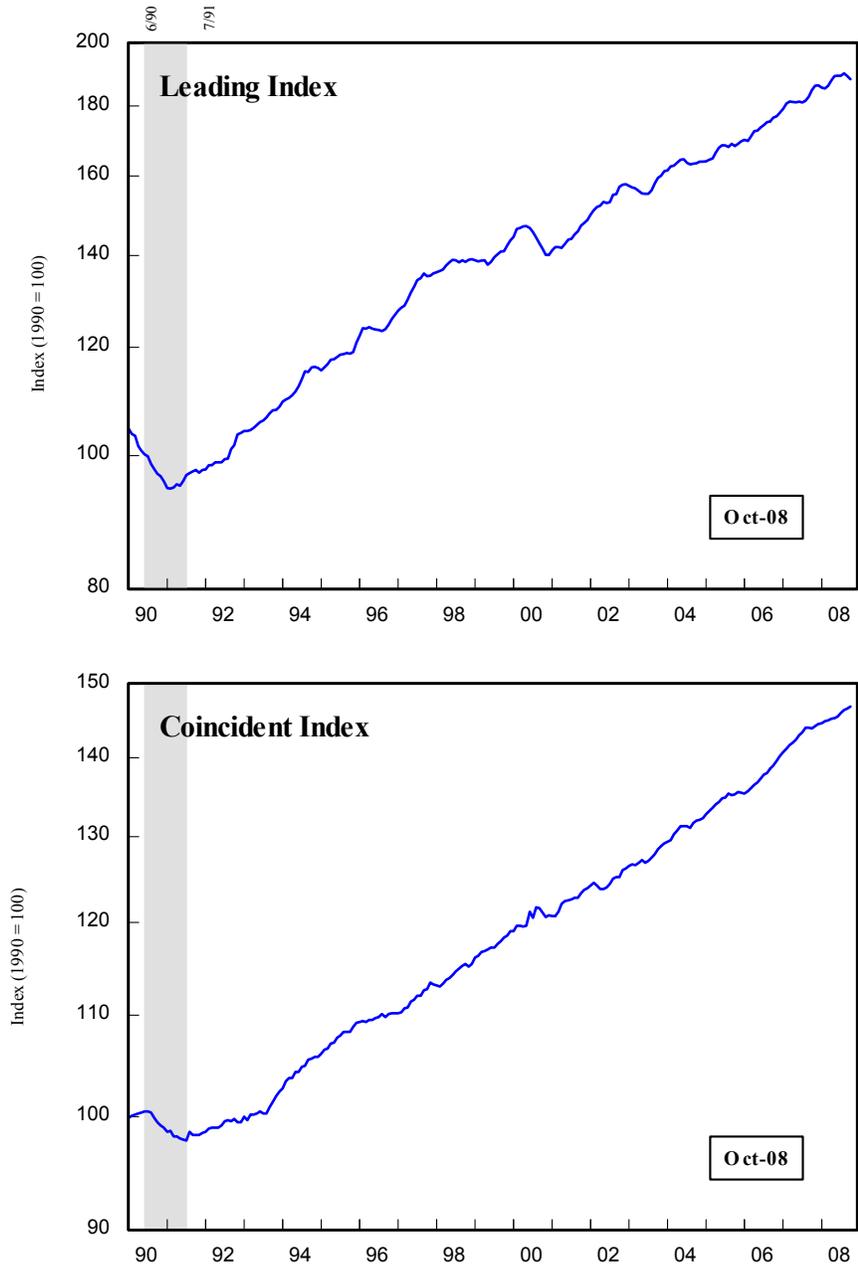
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## Australia



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.