



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. AEST, TUESDAY, DECEMBER 22, 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 OCTOBER 2009**

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. 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 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 0.3 percent and **The Conference Board Coincident Economic Index™ (CEI)** increased 0.1 percent in October.

- The Conference Board LEI for Australia decreased in October, the first decrease in five months. There were also downward revisions to the index between July and September after new data for the sales-to-inventories ratio became available. Between April and October 2009, the leading economic index increased by 1.1 percent (about a 2.1 percent annual rate), a reversal from the 1.2 percent decline (about a -2.4 percent annual rate) between October 2008 and April 2009. In addition, the strengths among the leading indicators have remained slightly more widespread than the weaknesses in recent months.
- The Conference Board CEI for Australia, a measure of current economic activity, increased in October for the first time since May. However, the index was revised downward between June and September as new data for household gross disposable income became available. Between April and October 2009, the coincident economic index declined by 0.1 percent (about a 0.2 percent annual rate), down from the 1.3 percent increase (about a 2.7 percent annual rate) during the previous six months. Additionally, the strengths among the coincident indicators have become slightly more widespread than the weaknesses in recent months. At the same time, real GDP increased at a 0.8 percent annual rate during the third quarter of 2009, after increasing at a 2.6 percent annual rate during the second quarter.
- The Conference Board LEI for Australia has been mostly rising since the beginning of 2009, but the pace of its increase has slowed in recent months. Meanwhile, The Conference Board CEI for Australia fell in the third quarter, and its six-month growth rate turned slightly negative this month. Taken together, the current behavior of the composite indexes suggests that economic growth will remain weak in the near term.

The next release is scheduled for January 29, 2010 at 10:00 A.M. (AEST)  
*In the U.S. – January 28, 2010 at 6:00 P.M. (EST)*

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

With the 0.3 percent decrease in October, The Conference Board LEI for Australia now stands at 114.4 (2004=100). Based on revised data, this index remained unchanged in September and increased 1.1 percent in August. During the six-month period through October, the leading economic index increased 1.1 percent, and four of the seven components increased (diffusion index, six-month span equals 57.1 percent).

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

With the increase of 0.1 percent in October, The Conference Board CEI for Australia now stands at 112.7 (2004=100). Based on revised data, this index remained unchanged in September and decreased 0.4 percent in August. During the six-month period through October, the coincident economic index decreased 0.1 percent, with two of the four components in the series making positive contributions (diffusion index, six-month span equals 62.5 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™** (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 December 17, 2009. 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.

**Professional Contacts at The Conference Board:**

Indicator Program: 1-212-339-0330

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

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

**Media Contacts:**

Frank Tortorici: 908-875-8908

**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 website: <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         |
| <br><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 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 Conference Board LEI for Australia, and 1982 to 2007 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 -0.0595 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 “**The Conference Board Leading Economic Index™** (LEI) for Australia” news release for 2010 is:

|                     |                              |
|---------------------|------------------------------|
| November 2009 Data  | Thursday, January 28, 2010   |
| December 2009 Data  | Wednesday, February 24, 2010 |
| January 2010 Data   | Thursday, March 25, 2010     |
| February 2010 Data  | Wednesday, April 28, 2010    |
| March 2010 Data     | Wednesday, May 26, 2010      |
| 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 6:00 PM EST (10:00 A M AEST the next day).

## **ABOUT THE CONFERENCE BOARD**

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

|  |  |
|--|--|
| Australia Business Cycle Indicators Internet Subscription<br><i>(Includes monthly release, data, charts and commentary)</i>  | not currently available                      |
| Individual Data Series   | not currently available                      |
| Monthly BCI Report<br><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 Economic Indexes

|                  | 2009          |               |               |               |               |               |               |
|------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                  | Apr.          | May.          | Jun.          | Jul.          | Aug.          | Sep.          | Oct.          |
| Leading index    | 113.2         | 112.6 r       | 113.1 r       | 113.4 r       | 114.7 r       | 114.7 p       | 114.4 p       |
| Percent change   | 0.0           | -0.5 r        | 0.4           | 0.3 r         | 1.1 r         | 0.0 p         | -0.3 p        |
| Diffusion index  | 64.3          | 50.0          | 57.1          | 57.1          | 50.0          | 28.6          | 28.6          |
| Coincident index | 112.8         | 113.5 r       | 113.3 r       | 113.1 r       | 112.6 r       | 112.6 p       | 112.7 p       |
| Percent change   | 0.4           | 0.6 r         | -0.2 r        | -0.2 r        | -0.4 r        | 0.0 p         | 0.1 p         |
| Diffusion index  | 75.0          | 50.0          | 37.5          | 37.5          | 12.5          | 37.5          | 75.0          |
|                  | Oct to<br>Apr | Nov to<br>May | Dec to<br>Jun | Jan to<br>Jul | Feb to<br>Aug | Mar to<br>Sep | Apr to<br>Oct |
| Leading index    |               |               |               |               |               |               |               |
| Percent change   | -1.2          | -0.4 r        | 0.7 r         | 1.3 r         | 2.2 r         | 1.3 p         | 1.1 p         |
| Diffusion index  | 28.6          | 42.9          | 57.1          | 57.1          | 57.1          | 57.1          | 57.1          |
| Coincident index |               |               |               |               |               |               |               |
| Percent change   | 1.3           | 1.9 r         | 1.3 r         | 0.8 r         | 0.2 r         | 0.2 p         | -0.1 p        |
| Diffusion index  | 50.0          | 50.0          | 50.0          | 50.0          | 50.0          | 50.0          | 62.5          |

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.

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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         |                |                |                |                |                |                |
|---|--------------|----------------|----------------|----------------|----------------|----------------|----------------|
|   | Apr.         | May.           | Jun.           | Jul.           | Aug.           | Sep.           | Oct.           |
| Australia Leading Economic Index component data   |              |                |                |                |                |                |                |
| Yield Spread<br>(10 Year - Policy Rate, 3 month moving average)                         | 0.78         | 1.45           | 1.94           | 2.35           | 2.53           | 2.45           | 2.43           |
| Share Prices, All Ordinaries<br>(Index 2005=100).....                                   | 87.1         | 88.0           | 91.1           | 97.8           | 103.2          | 109.3          | 107.0          |
| Money Supply, M3<br>(Mill. Constant A\$, SA).....                                       | 695988 r     | 702708 r       | 706849 r       | 708829 r       | 709009 r       | 705157 ##      | 701686 ##      |
| Building Approvals,<br>(Thous. '07-'08 A\$, SA, 3 month moving average)....             | 5252601 r    | 5012284 r      | 5399687 r      | 5696051 r      | 7014068 r      | 7232801 #      | 7348794 #      |
| Rural Goods Exports,<br>(Mill. Constant A\$, SA).....                                   | 2427.4 r     | 2314.7 r       | 2276.8 r       | 2160.9 r       | 2121.2 r       | 1979.8 #       | 1929.4 #       |
| Sales to Inventories Ratio, SA (Q).....   | 1.330 r      | 1.330 r        | 1.320 r        | 1.310 r        | 1.300 r        | 1.290 **       | 1.280 **       |
| Gross Operating Surplus, Private Non-Financial Corp.<br>(Mill. '07-'08 A\$, SA, Q)..... | 55010 r      | 53540 r        | 53354 r        | 53167 r        | 52980 r        | 52932 **       | 52970 **       |
| <b>LEADING INDEX (2004=100).....</b>  | <b>113.2</b> | <b>112.6 r</b> | <b>113.1 r</b> | <b>113.4 p</b> | <b>114.7 p</b> | <b>114.7 p</b> | <b>114.4 p</b> |
| Percent change from preceding month.....  | 0.0          | -0.5 r         | 0.4            | 0.3 p          | 1.1 p          | 0.0 p          | -0.3 p         |
| Australia Leading Economic Index net contributions                                      |              |                |                |                |                |                |                |
| Yield Spread<br>(10 Year - Policy Rate, 3 month moving average)                         | ....         | 0.17           | 0.23           | 0.28           | 0.30           | 0.29           | 0.29           |
| Share Prices, All Ordinaries<br>(Index 2005=100).....                                   | ....         | 0.05           | 0.15           | 0.31           | 0.24           | 0.25           | -0.09          |
| Money Supply, M3<br>(Mill. Constant A\$, SA).....                                       | ....         | 0.24           | 0.15 r         | 0.07 r         | 0.01 r         | -0.14 ##       | -0.13 ##       |
| Building Approvals,<br>(Thous. '07-'08 A\$, SA, 3 month moving average)....             | ....         | -0.27 r        | 0.42           | 0.30 r         | 1.18 r         | 0.17 #         | 0.09 #         |
| Rural Goods Exports,<br>(Mill. Constant A\$, SA).....                                   | ....         | -0.14 r        | -0.05 r        | -0.15 r        | -0.05 r        | -0.20 #        | -0.07 #        |
| Sales to Inventories Ratio, SA (Q).....   | ....         | -0.02 r        | -0.31 r        | -0.32 r        | -0.32 r        | -0.26 **       | -0.22 **       |
| Gross Operating Surplus, Private Non-Financial Corp.<br>(Mill. '07-'08 A\$, SA, Q)..... | ....         | -0.36 r        | -0.05 r        | -0.05 r        | -0.05 r        | -0.01 **       | 0.01 **        |

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         |                |                |                |                |                |                |
|--|--------------|----------------|----------------|----------------|----------------|----------------|----------------|
|  | Apr.         | May.           | Jun.           | Jul.           | Aug.           | Sep.           | Oct.           |
| <b>Australia Coincident Economic Index component data</b>              |              |                |                |                |                |                |                |
| Retail Trade<br>(Mill. Constant A\$, SA, 3-month moving average)       | 11704.9 r    | 11857 r        | 11872.0 r      | 11829.1 r      | 11764.8 r      | 11720.9 r      | 11716.5        |
| Industrial Production<br>(Index 2007-08=100, SA, Q).....               | 97.3 r       | 97.3 r         | 97.3 r         | 97.3 r         | 97.3 r         | 97.3 **        | 97.4 **        |
| Employed Persons<br>(Thousands of Persons, SA).....                    | 10792.9 r    | 10783.2 r      | 10756.1 r      | 10792.3 r      | 10768.7 r      | 10809.8 r      | 10837.0        |
| Household Gross Disposable Income,<br>(Mill. Constant A\$, SA, Q)..... | 122126.0 r   | 123424.5 r     | 122506.7 r     | 121592.8 r     | 120682.9 r     | 120350.6 **    | 120320.2 **    |
| <b>COINCIDENT INDEX (2004=100).....</b>                                | <b>112.8</b> | <b>113.5 r</b> | <b>113.3 r</b> | <b>113.1 p</b> | <b>112.6 p</b> | <b>112.6 p</b> | <b>112.7 p</b> |
| Percent change from preceding month.....                               | 0.4          | 0.6 r          | -0.2 r         | -0.2 r         | -0.4 r         | 0.0 p          | 0.1 p          |
| <b>Australia Coincident Economic Index net contributions</b>           |              |                |                |                |                |                |                |
| Retail Trade<br>(Mill. Constant A\$, SA, 3-month moving average)       | ....         | 0.45           | 0.04 r         | -0.13          | -0.19          | -0.13 r        | -0.01          |
| Industrial Production<br>(Index 2007-08=100, SA, Q).....               | ....         | -0.01 r        | 0.00 r         | 0.00 r         | 0.00 r         | 0.00 **        | 0.01 **        |
| Employed Persons<br>(Thousands of Persons, SA).....                    | ....         | -0.03 r        | -0.09          | 0.13 r         | -0.08          | 0.14           | 0.09           |
| Household Gross Disposable Income,<br>(Mill. Constant A\$, SA, Q)..... | ....         | 0.19 r         | -0.14 r        | -0.14 r        | -0.14 r        | -0.05 **       | 0.00 **        |

\* 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

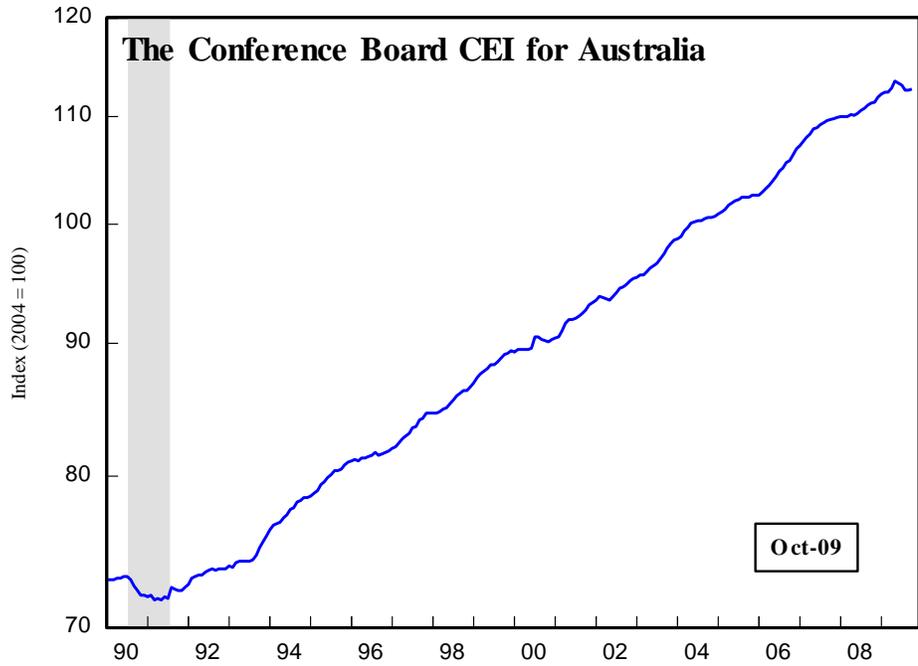
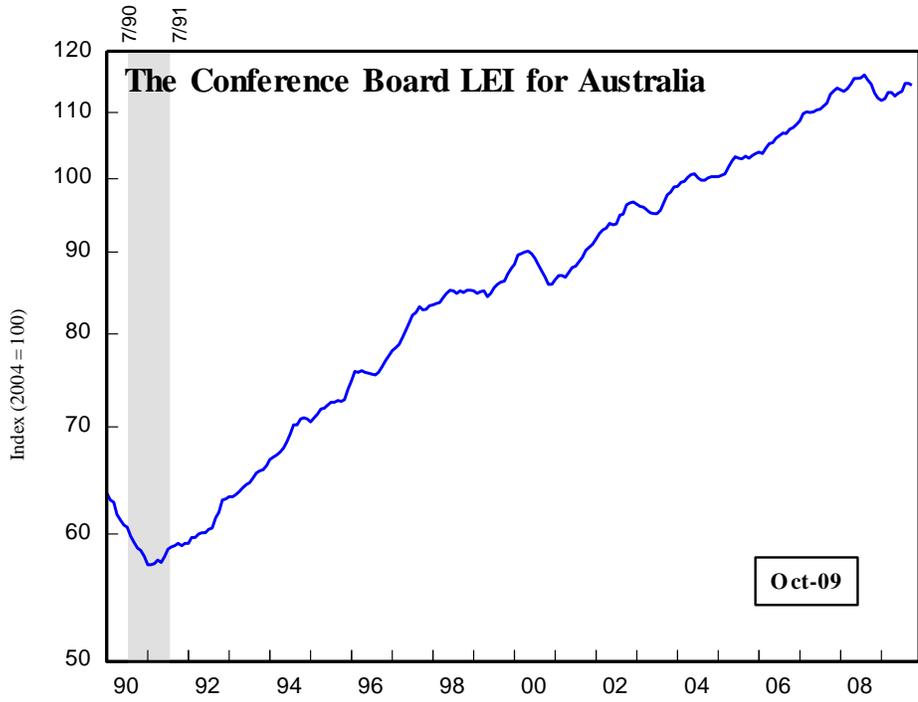
CALCULATION NOTE--The percent change in the index does not always equal the sum of the net contributions of the individual components (because of rounding effects and base value differences).

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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.