



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. AEST, FRIDAY, JANUARY 29, 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 NOVEMBER 2009**

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. 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 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 0.3 percent in November.

- The Conference Board LEI for Australia decreased for the third consecutive month in November. Large negative contributions from building approvals and the sales to inventories ratio more than offset positive contributions from the yield spread, stock prices, and rural good exports. Despite the decline in November, the leading economic index increased by 1.0 percent (about a 2.0 percent annual rate) from May to November 2009, a reversal from the 1.4 percent decline (about a -2.8 percent annual rate) in the previous six months. At the same time, the strengths among the leading indicators have become slightly less widespread than the weaknesses in recent months.
- The Conference Board CEI for Australia, a measure of current economic activity, increased for the second straight month in November. The strengths among the coincident indicators were also widespread, as all components advanced this month. Despite the gain, the coincident economic index declined by 0.1 percent (about a -0.2 percent annual rate) in the six-month period ending in November 2009, down from the 1.5 percent increase (about a 3.0 percent annual rate) during the previous six months. At the same time, real GDP increased at a 0.7 percent annual rate during the third quarter of 2009, after expanding at a 2.9 percent annual rate during the second quarter.
- After improving in the first three quarters of 2009, The Conference Board LEI for Australia began to decline in September and its six-month growth rate has moderated somewhat, as a result. Meanwhile, The Conference Board CEI for Australia has been essentially flat since May, with its six-month growth rate turning 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 February 25, 2010 at 10:00 A.M. (AEST)  
*In the U.S. – February 24, 2010 at 6:00 P.M. (EST)*



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™** (LEI) for Australia” news release for 2010 is:

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 8:00 PM EST (10:00 A M AEDST the next day).

## **ABOUT THE CONFERENCE BOARD**

The Conference Board is a global, independent business membership and research association working in the public interest. Our mission is unique: to provide the world’s leading organizations with the practical knowledge they need to improve their performance and better serve society. The Conference Board is a non-advocacy, not-for-profit entity holding 501 (c) (3) tax-exempt status in the U.S. 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

	2009						
	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.
Leading index	110.1	110.5	110.7	111.9	111.8 p	111.5 p	111.2 p
Percent change	-0.5	0.4	0.2	1.1	-0.1 p	-0.3 p	-0.3 p
Diffusion index	50.0	57.1	57.1	35.7	28.6	28.6	42.9
Coincident index	114.1	113.9	113.9	113.5	113.5 p	113.7 p	114.0 p
Percent change	0.4	-0.2	0.0	-0.4	0.0 p	0.2 p	0.3 p
Diffusion index	50.0	37.5	37.5	12.5	37.5	87.5	100.0
	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	-1.4	-0.1	0.5	1.5	1.2 p	0.8 p	1.0 p
Diffusion index	42.9	57.1	57.1	57.1	57.1	57.1	42.9
Coincident index							
Percent change	1.5	1.1	0.8	0.4	0.4 p	0.1 p	-0.1 p
Diffusion index	50.0	50.0	50.0	50.0	75.0	62.5	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.

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	2009						
	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.
Australia Leading Economic Index component data							
Yield Spread (10 Year - Policy Rate, 3 month moving average)	1.59	2.04	2.47	2.51	2.46	2.44	2.29
Share Prices, All Ordinaries (Index 2005=100).....	88.0	91.1	97.8	103.2	109.3	107.0	108.3
Money Supply, M3 (Mill. Constant A\$, SA).....	702619 r	707141 r	709279 r	709534 r	705156 ##	702095 ###	699657 ##
Building Approvals, (Thous. '07-'08 A\$, SA, 3 month moving average).....	5010619 r	5397985 r	5677114 r	7049765 r	7314680 #	7490748 #	7193707 #
Rural Goods Exports, (Mill. Constant A\$, SA).....	2327.9 r	2273.8 r	2162.9 r	2118.2 r	1964.6 #	1914.0 #	1947.7 #
Sales to Inventories Ratio, SA (Q).....	1.330	1.320	1.310	1.300	1.290 **	1.280 **	1.270 **
Gross Operating Surplus, Private Non-Financial Corp. (Mill. '07-'08 A\$, SA, Q).....	53540	53354	53167	52980	52932 **	52970 **	53059 **
<b>LEADING INDEX (2004=100).....</b>	<b>110.1</b>	<b>110.5</b>	<b>110.7</b>	<b>111.9</b>	<b>111.8 p</b>	<b>111.5 p</b>	<b>111.2 p</b>
Percent change from preceding month.....	-0.5	0.4	0.2	1.1	-0.1 p	-0.3 p	-0.3 p
Australia Leading Economic Index net contributions							
Yield Spread (10 Year - Policy Rate, 3 month moving average)	....	0.23	0.27	0.28	0.27	0.27	0.26
Share Prices, All Ordinaries (Index 2005=100).....	....	0.14	0.28	0.21	0.23	-0.09	0.05
Money Supply, M3 (Mill. Constant A\$, SA).....	....	0.15	0.07	0.01	-0.14 ##	-0.10 ###	-0.08 ##
Building Approvals, (Thous. '07-'08 A\$, SA, 3 month moving average).....	....	0.38	0.26	1.11	0.19 #	0.12 #	-0.21 #
Rural Goods Exports, (Mill. Constant A\$, SA).....	....	-0.06	-0.13	-0.05	-0.20 #	-0.07 #	0.05 #
Sales to Inventories Ratio, SA (Q).....	....	-0.37	-0.37	-0.38	-0.31 **	-0.25 **	-0.21 **
Gross Operating Surplus, Private Non-Financial Corp. (Mill. '07-'08 A\$, SA, Q).....	....	-0.04	-0.04	-0.04	-0.01 **	0.01 **	0.02 **

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.

**The Conference Board Australia Business Cycle Indicators**

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

Component	2009						
	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.
<b>Australia Coincident Economic Index component data</b>							
Retail Trade (Mill. Constant A\$, SA, 3-month moving average)	11852.6 r	11871 r	11828.2 r	11765.3 r	11727.1 r	11733.6 r	11773.8
Industrial Production (Index 2007-08=100, SA, Q).....	97.3	97.3	97.3	97.3	97.3 **	97.4 **	97.4 **
Employed Persons (Thousands of Persons, SA).....	10783.0 r	10758.7 r	10792.9 r	10770.2 r	10811.1 r	10839.3 r	10870.7
Household Gross Disposable Income, (Mill. Constant A\$, SA, Q).....	123346.7 r	122700.1 r	122056.5 r	121415.6 r	121237.2 **	121296.9 **	121478.9 **
<b>COINCIDENT INDEX (2004=100)....</b>	<b>114.1</b>	<b>113.9</b>	<b>113.9</b>	<b>113.5</b>	<b>113.5 p</b>	<b>113.7 p</b>	<b>114.0 p</b>
Percent change from preceding month.....	0.4	-0.2	0.0	-0.4	0.0 p	0.2 p	0.3 p
<b>Australia Coincident Economic Index net contributions</b>							
Retail Trade (Mill. Constant A\$, SA, 3-month moving average)	....	0.04	-0.09	-0.14	-0.08	0.01	0.09
Industrial Production (Index 2007-08=100, SA, Q).....	....	0.00	0.00	0.00	0.00 **	0.01 **	0.01 **
Employed Persons (Thousands of Persons, SA).....	....	-0.10	0.14	-0.09	0.17	0.11	0.13
Household Gross Disposable Income, (Mill. Constant A\$, SA, Q).....	....	-0.11	-0.11	-0.11	-0.03 **	0.01 **	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

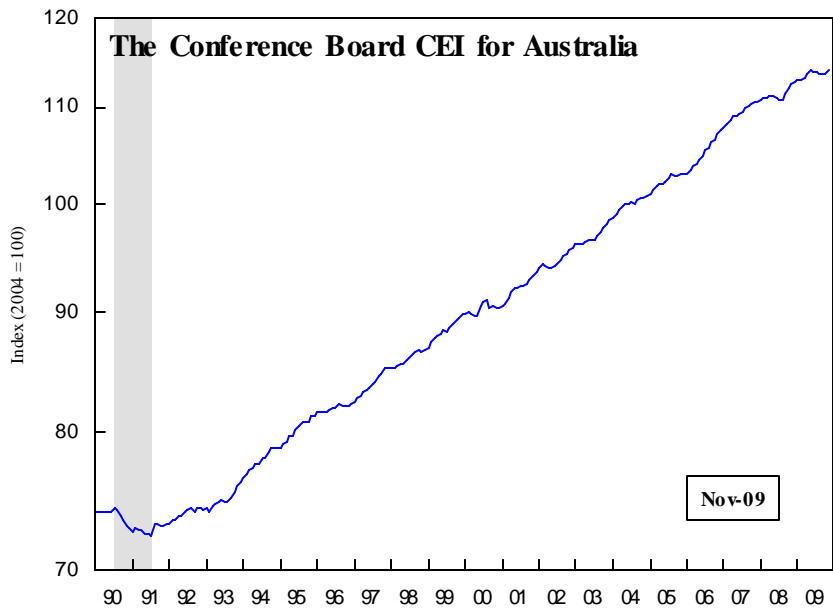
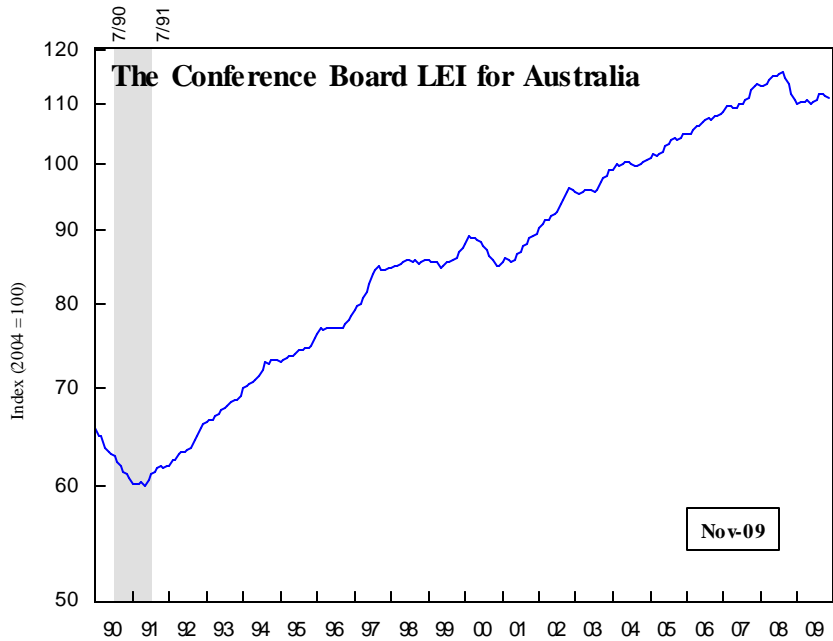
CALCULATION NOTE--The percent change in the index does not always equal the sum of the net contributions of the individual components (because of rounding effects and base value differences).

© 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.



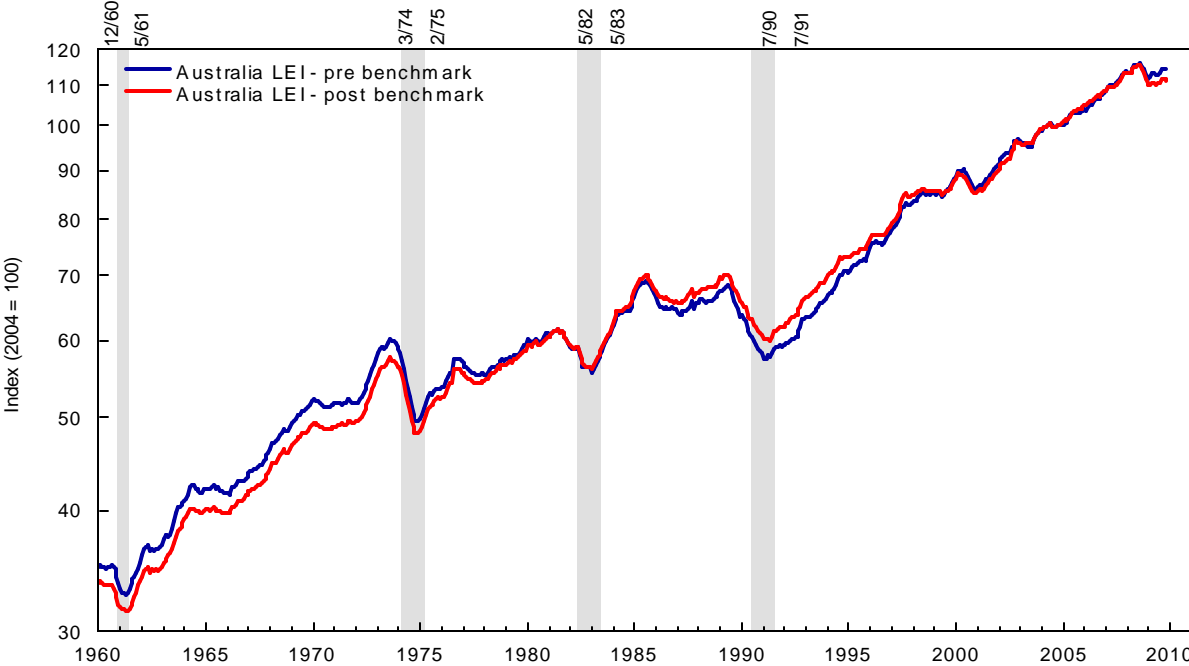
Source: The Conference Board

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.

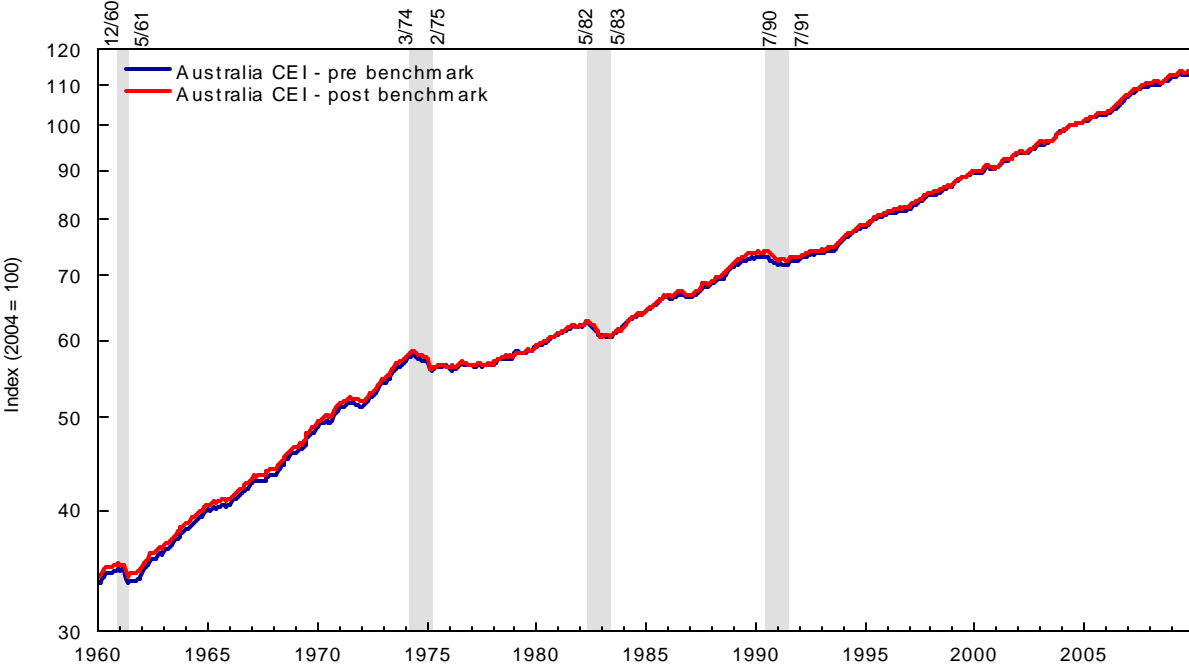


THESE DATA ARE FOR ANALYSIS PURPOSES ONLY. NOT FOR REDISTRIBUTION, PUBLISHING, DATABASING, OR PUBLIC POSTING WITHOUT EXPRESS WRITTEN PERMISSION.

The Conference Board Leading Economic Index™ (LEI) for Australia before and after benchmark revision



The Conference Board Coincident Economic Index™ (CEI) for Australia before and after benchmark revision



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.