



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. AEST, TUESDAY, JULY 28, 2009

The Conference Board®
Australia Business Cycle IndicatorsSM
**THE CONFERENCE BOARD LEADING ECONOMIC INDEX™
(LEI) FOR AUSTRALIA**
AND RELATED COMPOSITE ECONOMIC INDEXES FOR MAY 2009

The Conference Board Leading Economic Index™ (LEI) for Australia declined 0.1 percent, while **The Conference Board Coincident Economic Index™ (CEI)** increased 0.3 percent in May.

- The Conference Board LEI for Australia declined slightly in May following three consecutive monthly gains. Substantial negative contributions from building approvals and rural goods exports more than offset positive contributions from money supply, the yield spread, and stock prices. Despite May's decrease, the six-month decline in the leading economic index has continued to slow, to 0.1 percent (a -0.2 percent annual rate) between November 2008 and May 2009, an improvement from the 2.1 percent decline (about a -4.1 percent annual rate) in the previous six months. Moreover, the strengths among the leading indicators have become widespread in the last six months.
- The Conference Board CEI for Australia rose modestly in May. Retail trade continued to increase, while employed persons fell this month. During the last six months through May, the index increased by 0.9 percent (about a 1.8 percent annual rate), down from the six-month growth rate of 1.2 percent in November 2008. In addition, the weaknesses among the coincident indicators have remained widespread in recent months. Meanwhile, real GDP increased at a 1.5 percent annual rate in the first quarter of 2009, up from a decline of 2.2 percent annual rate in the fourth quarter of 2008.
- After rising for three consecutive months, The Conference Board LEI for Australia decreased slightly in May. However, the six-month decline in the index has continued to slow, while the strengths among its components have grown more widespread. The Conference Board CEI for Australia, a measure of current economic activity, has been growing slowly and has increased only slightly this year. All in all, the recent behavior of the composite indexes suggests that economic growth will remain weak in the near term.

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

With the 0.1 percent decrease in May, The Conference Board LEI for Australia now stands at 113.0 (2004=100). Based on revised data, this index increased 0.3 percent in April and increased 0.5 percent in March. During the six-month period through May, the leading economic index decreased 0.1 percent, and four of the seven components increased (diffusion index, six-month span equals 71.4 percent).

The next release is scheduled for August 27, 2009 at 10:00 A.M. (AEST)
In the U.S. – August 26, 2009 at 8:00 P.M. (ET)

COINCIDENT INDICATORS. Only one of the four components in The Conference Board CEI for Australia increased in May. The increase occurred in retail trade. Employed persons and household gross disposable income* declined, while industrial production* remained unchanged in May.

With the increase of 0.3 percent in May, The Conference Board CEI for Australia now stands at 112.4 (2004=100). Based on revised data, this index remained unchanged in April and decreased 0.2 percent in March. During the six-month period through May, the coincident economic index increased 0.9 percent, with all four components in the series making positive contributions (diffusion index, six-month span equals 25.0 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 July 23, 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.

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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 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 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 2009 is:

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

ABOUT THE CONFERENCE BOARD

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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 http://www.conference-board.org/publications/describeBCI.cfm)</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						
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May.
Leading index	113.1	112.3	112.0	112.2	112.8 p	113.1 p	113.0 p
Percent change	-1.3	-0.7	-0.3 r	0.2	0.5 p	0.3 p	-0.1 p
Diffusion index	42.9	42.9	57.1	64.3	85.7	85.7	64.3
Coincident index	111.4	111.9	112.2 r	112.3 r	112.1 p	112.1 p	112.4 p
Percent change	0.1	0.4	0.3 r	0.1	-0.2 p	0.0 p	0.3 p
Diffusion index	25.0	37.5	37.5	37.5	25.0	37.5	37.5
	May to Nov	Jun to Dec	Jul to Jan	Aug to Feb	Sep to Mar	Oct to Apr	Nov to May
Leading index							
Percent change	-2.1	-2.8	-3.1	-3.4	-2.1 p	-1.3 p	-0.1 p
Diffusion index	28.6	42.9	57.1	57.1	57.1	42.9	71.4
Coincident index							
Percent change	1.2	1.5	1.4	1.4	0.9 p	0.7 p	0.9 p
Diffusion index	50.0	75.0	75.0	75.0	25.0	25.0	25.0

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 Economic Index

Component	2009						
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May.
Australia Leading Economic Index component data							
Yield Spread (10 Year - Policy Rate, 3 month moving average)	-1.48	-1.29	-0.75	-0.40	0.31	0.78	1.45
Share Prices, All Ordinaries (Index 2005=100).....	86.2	85.7	81.6	77.1	82.5	87.1	88.0
Money Supply, M3 (Mill. Constant A\$, SA).....	673057 r	672879 r	682155 r	692454 r	692570 ##	696248 ##	701803 ##
Building Approvals, (Thous. '96-'97 A\$, SA, 3 month moving average).....	5415083 r	4906795 r	4534909 r	4632782 r	4675117 #	4774364 #	4433984 #
Rural Goods Exports, (Mill. Constant A\$, SA).....	2371.6 r	2331.7 r	2454.0 r	2433.2 r	2593.2 #	2331.3 #	2246.5 #
Sales to Inventories Ratio, SA (Q).....	1.580	1.590	1.590	1.600	1.600 **	1.610 **	1.610 **
Gross Operating Surplus, Private Non-Financial Corp. (Mill. '96-'97 A\$, SA, Q).....	56941	56923	56905	56887	56991 **	57173 **	57403 **
LEADING INDEX (2004=100).....	113.1	112.3	112.0 r	112.2 r	112.8 p	113.1 p	113.0 p
Percent change from preceding month.....	-1.3	-0.7	-0.3 r	0.2 r	0.5 p	0.3 p	-0.1 p
Australia Leading Economic Index net contributions							
Yield Spread (10 Year - Policy Rate, 3 month moving average)	....	-0.16	-0.09	-0.05	0.04	0.09	0.17
Share Prices, All Ordinaries (Index 2005=100).....	....	-0.03	-0.21	-0.25	0.30	0.24	0.05
Money Supply, M3 (Mill. Constant A\$, SA).....	....	-0.01 r	0.35 r	0.38 r	0.00 ##	0.13 ##	0.20 ##
Building Approvals, (Thous. '96-'97 A\$, SA, 3 month moving average).....	....	-0.56	-0.45 r	0.12 r	0.05 #	0.12 #	-0.42 #
Rural Goods Exports, (Mill. Constant A\$, SA).....	....	-0.05	0.15	-0.02	0.18 #	-0.30 #	-0.11 #
Sales to Inventories Ratio, SA (Q).....	....	0.18	0.15	0.13	0.11 **	0.10 **	0.09 **
Gross Operating Surplus, Private Non-Financial Corp. (Mill. '96-'97 A\$, SA, Q).....	....	0.00	0.00	0.00	0.02 **	0.04 **	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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The Conference Board Australia Business Cycle Indicators

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

Component	2009						
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May.
Australia Coincident Economic Index component data							
Retail Trade (Mill. Constant A\$, SA, 3-month moving average)	11036.1	11228	11408.5	11499.7	11521.8	11523.9	11630.2
Industrial Production (Index 1997-98=100, SA, Q).....	101.6	101.4	101.1	100.8	100.6**	100.5**	100.4**
Employed Persons (Thousands of Persons, SA).....	10802.8 r	10801.4 r	10801.5 r	10804.4 r	10766.8 r	10792.4 r	10783.9
Household Gross Disposable Income, (Mill. Constant A\$, SA, Q).....	116024.2	114854.4	113683.0	112510.0	111682.7**	111279.4**	111128.8**
COINCIDENT INDEX (2004=100).....	111.4 #	111.9	112.2	112.3	112.1 p	112.1 p	112.4 p
Percent change from preceding month.....	0.1	0.4	0.3	0.1	-0.2 p	0.0 p	0.3 p
Australia Coincident Economic Index net contributions							
Retail Trade (Mill. Constant A\$, SA, 3-month moving average)	....	0.60	0.55	0.28	0.07	0.01 r	0.32
Industrial Production (Index 1997-98=100, SA, Q).....	....	-0.03	-0.03	-0.03	-0.02**	-0.01**	0.00**
Employed Persons (Thousands of Persons, SA).....	....	0.00	0.00	0.01	-0.13	0.09	-0.03
Household Gross Disposable Income, (Mill. Constant A\$, SA, Q).....	....	-0.19	-0.19	-0.19	-0.13**	-0.07**	-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

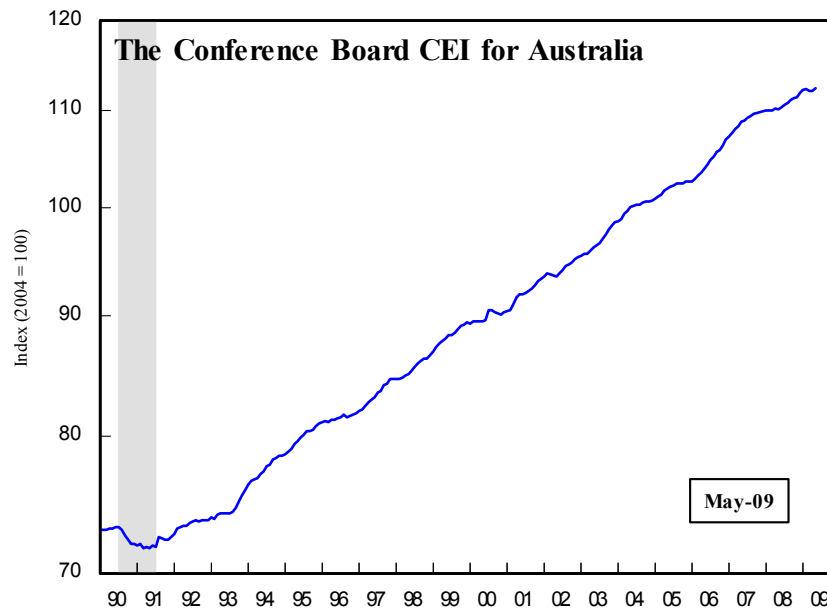
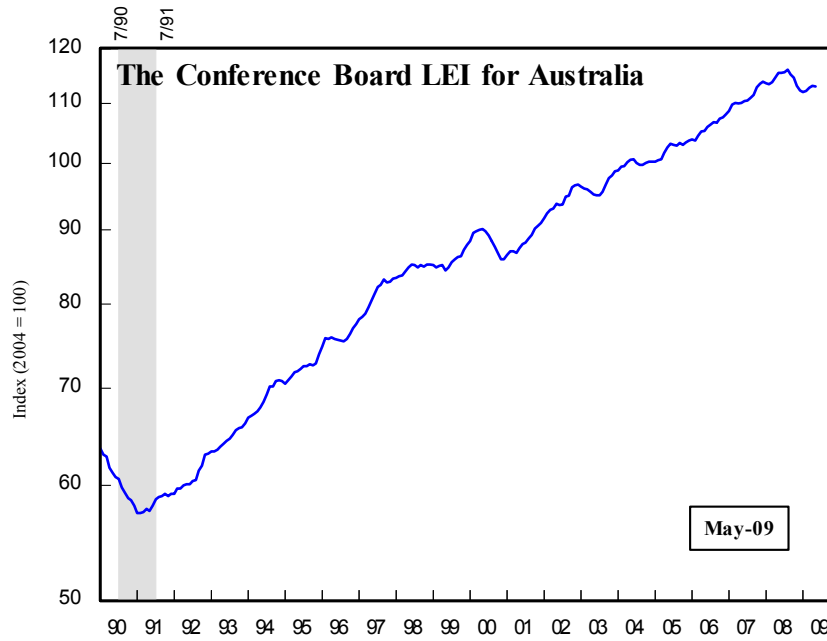
CALCULATION NOTE--The percent change in the index does not always equal the sum of the net contributions of the individual components (because of rounding effects and base value differences).

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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.