



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. AEDT, WEDNESDAY, NOVEMBER 18, 2015

The Conference Board®
Australia Business Cycle IndicatorsSM
THE CONFERENCE BOARD LEADING ECONOMIC INDEX®
(LEI) FOR AUSTRALIA
AND RELATED COMPOSITE ECONOMIC INDEXES FOR SEPTEMBER 2015

The Conference Board Leading Economic Index® (LEI) for Australia declined 0.1 percent and **The Conference Board Coincident Economic Index®** (CEI) increased 0.2 percent in September.

- The Conference Board LEI for Australia declined slightly in September, with the large negative contribution from share prices more than offsetting the positive contributions from money supply and yield spread. Between March and September 2015, the leading economic index decreased 0.9 percent (about a -1.7 percent annual rate), a reversal from the growth of 1.4 percent (about a 2.7 percent annual rate) over the previous six months. The strengths among the leading indicators have become less widespread than the weaknesses in recent months.
- The Conference Board CEI for Australia, a measure of current economic activity, improved in September for the fifth consecutive month. The coincident economic index increased 1.1 percent (about a 2.2 percent annual rate) in the six-month period ending September 2015, moderately less than its growth of 1.4 percent (about a 2.8 percent annual rate) over the previous six months. Meanwhile, real GDP grew by 0.7 percent (annual rate) in the second quarter, down from 3.6 percent (annual rate) in the first quarter.
- The Conference Board LEI for Australia decreased in September and has declined in six of the last seven months. As a result, the six-month growth rate of the LEI has remained in negative territory. Meanwhile, the CEI for Australia continues to increase, but its six-month growth rate has moderated in recent months. The downward trend in the LEI combined with the slower growth rate of the CEI suggests that the current economic expansion will continue at a modest pace in the near-term, but downside risks may persist.

LEADING INDICATORS. Four of the seven components that make up The Conference Board LEI for Australia increased in September. The positive contributors to the index — in order from the largest positive contributor to the smallest — are money supply*, the yield spread, gross operating surplus*, and rural goods exports. Share prices and building approvals declined, while the sales to inventories ratio remained unchanged in September.

The next release is scheduled for December 24, 2015 at 10:00 A.M. (AEDT)
In the U.S. – December 23, 2015 at 6:00 P.M. (ET)

With the 0.1 percent decrease in September, The Conference Board LEI for Australia now stands at 103.5 (2010=100). Based on revised data, this index declined 0.4 percent in August and increased 0.4 percent in July. During the six-month period through September, the leading economic index decreased 0.9 percent, and three of the seven components increased (diffusion index, six-month span equals 42.9 percent).

COINCIDENT INDICATORS. Three of the four components that make up The Conference Board CEI for Australia increased in September. The increases — in order from the largest positive contributor to the smallest — occurred in household gross disposable income*, retail trade, and industrial production*. Employed persons was unchanged in September.

With the increase of 0.2 percent in September, The Conference Board CEI for Australia now stands at 109.2 (2010=100). Based on revised data, this index increased 0.4 percent in August and increased 0.3 percent in July. During the six-month period through September, the coincident economic index increased 1.1 percent, with three of the four components increasing (diffusion index, six-month span equals 75.0 percent).

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 November 16, 2015. Some series are estimated as noted below.

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.

Professional Contacts at The Conference Board:

Carol Courter: 1- 732-672-2817

Jonathan Liu: 1-732- 991- 1754

Email: indicators@conference-board.org

Website: www.conference-board.org/data/bci.cfm

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/data/bci.cfm>.

Australia Composite Economic Indexes: Components and Standardization Factors

<u>Leading Economic Index</u>	<u>Factor</u>
1. Yield Spread, 10 year minus Policy Rate	.0968
2. Share Prices, All Ordinaries	.0364
3. Money Supply, M3	.2133
4. Rural Goods Exports	.0255
5. Sales to Inventory Ratio	.4777
6. Gross Operating Surplus, Private Non-Financial Corporations	.1067
7. Building Approvals	.0436
 <u>Coincident Economic Index</u>	
1. Retail Trade	.2560
2. Industrial Production	.0718
3. Employed Persons	.4221
4. Household Disposable Income	.2501

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 release in January 2015, 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 for The Conference Board LEI for Australia were calculated using 1979 to 2013 as the sample period for measuring volatility. A separate set of factors for 1960 – 1961, 1961 – 1965, 1965 – 1970, 1970 – 1971 and 1971 – 1979 periods are available upon request. The primary sample period for The Conference Board CEI for Australia was 1982 to 2013 and separate set of factors for period 1960-1982 are available upon request. These multiple sample periods are 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/data/bci.cfm>.

The trend adjustment factor for The Conference Board LEI for Australia is -0.0491 calculated from 1960-1973, and -0.1333 calculated over the sample period 1974-2013.

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 Conference Board Leading Economic Index[®] (LEI) for Australia news release schedule for 2015:

Wednesday, December 23, 2015 For October 2015 data

All releases are at 10:00 A.M. AET the next day

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AVAILABLE FROM THE CONFERENCE BOARD

Australia Business Cycle Indicators Internet Subscription

(Includes monthly release, data, charts and commentary)

Not currently available

Individual Data Series

Not currently available

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(Sample available at <http://www.conference-board.org/publications/publicationdetail.cfm?publicationid=852>)

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Business Cycle Indicators for Brazil, China, the Euro Area, France, Germany, India, Japan, Korea, Mexico, Spain, the U.K, and the U.S. are available at \$735 (for TCB members)/\$ 935 (for non-TCB members) per country per year (1 user). Discounts are available to accredited academic institutions.

**The Conference Board Leading Economic Index® (LEI) and
The Conference Board Coincident Economic Index® (CEI) for Australia**

Table 1.--Summary of Australia Composite Economic Indexes

	2015						
	Mar.	Apr.	May.	Jun.	Jul.	Aug.	Sep.
Leading index	104.4	103.9	103.8	103.6 p	104.0 p	103.6 p	103.5 p
Percent change	-0.3	-0.5	-0.1	-0.2 p	0.4 p	-0.4 p	-0.1 p
Diffusion index	35.7	28.6	42.9	35.7	71.4	64.3 r	64.3
Coincident index	108.0	108.0	108.1	108.3 p	108.6 p	109.0 p	109.2 p
Percent change	0.3	0.0	0.1	0.2 p	0.3 p	0.4 p	0.2 p
Diffusion index	75.0	50.0	50.0	62.5	87.5	100.0	87.5

	Sep to	Oct to	Nov to	Dec to	Jan to	Feb to	Mar to
	Mar	Apr	May	Jun	Jul	Aug	Sep
Leading index							
Percent change	1.4	1.1	0.9	0.0 p	-0.2 p	-1.1 p	-0.9 p
Diffusion index	71.4	71.4	71.4	71.4	57.1	28.6	42.9
Coincident index							
Percent change	1.4	1.2	0.9	0.9 p	1.1 p	1.2 p	1.1 p
Diffusion index	100.0	100.0	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.

For more information, visit our Web site at www.conference-board.org/data/bci.cfm

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**The Conference Board Leading Economic Index® (LEI) and
The Conference Board Coincident Economic Index® (CEI) for Australia**

Table 2.--Data and Net Contributions for Components of The Conference Board Leading Economic Index® (LEI) for Australia

Component	Mar.	Apr.	May.	2015			
				Jun.	Jul.	Aug.	Sep.
Australia Leading Economic Index component data							
Yield Spread (10 Year - Policy Rate, 3 month moving average)	0.24	0.16	0.88	0.98	0.91	0.72	0.70
Share Prices, All Ordinaries S&P/ASX 200 (EOP,Dec-31-79=500).....	5891.5	5790.0	5777.2	5459.0	5699.2	5207.0	5021.6
Money Supply, M3 (Bill. Constant A\$, SA).....	1646 r	1652 r	1649 r	1659	1673	1677	1682 ##
Building Approvals, (Mill. '11-'12 A\$, SA, 3 month moving average).....	8281 r	7778 r	7991 r	7892 #	8113 #	7993 #	7978 #
Rural Goods Exports, (Mill. Constant A\$, SA).....	3607.3 r	3535.4 r	3610.3 r	3553.5 #	3494.6 #	3543.3 #	3574.5 #
Sales to Inventories Ratio, SA (Q).....	1.580	1.570	1.570	1.570 **	1.570 **	1.570 **	1.570 **
Gross Operating Surplus, Private Non-Financial Corp. (Mill. '11-'12 A\$, SA, Q).....	70603	70274	69947	69941 **	70177 **	70521 **	70889 **
LEADING INDEX (2010=100).....	104.4	103.9	103.8	103.6 p	104.0 p	103.6 p	103.5 p
Percent change from preceding month.....	-0.3	-0.5	-0.1	-0.2 p	0.4 p	-0.4 p	-0.1 p
Australia Leading Economic Index net contributions							
Yield Spread (10 Year - Policy Rate, 3 month moving average)	....	0.02	0.09	0.09	0.09	0.07	0.07
Share Prices, All Ordinaries S&P/ASX 200 (EOP,Dec-31-79=500).....	....	-0.06	-0.01	-0.21	0.16	-0.33	-0.13
Money Supply, M3 (Bill. Constant A\$, SA).....	....	0.08	-0.04	0.13	0.18	0.04	0.07 ##
Building Approvals, (Mill. '11-'12 A\$, SA, 3 month moving average).....	....	-0.27	0.12 r	-0.05 #	0.12 #	-0.06 #	-0.01 #
Rural Goods Exports, (Mill. Constant A\$, SA).....	....	-0.05 r	0.05	-0.04 #	-0.04 #	0.04 #	0.02 #
Sales to Inventories Ratio, SA (Q).....	....	-0.06	-0.06	-0.04 **	-0.03 **	-0.02 **	0.00 **
Gross Operating Surplus, Private Non-Financial Corp. (Mill. '11-'12 A\$, SA, Q).....	....	-0.05	-0.05	0.00 **	0.04 **	0.05 **	0.06 **

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, Haver Analytics

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 Coincident Economic Index® (CEI) for Australia

Table 3.--Data and Net Contributions for Components of The Conference Board Coincident Economic Index® (CEI) for Australia

Component	2015						
	Mar.	Apr.	May.	Jun.	Jul.	Aug.	Sep.
----- Australia Coincident Economic Index component data -----							
Retail Trade (Mill. Constant A\$, SA, 3-month moving average)	22460.5 r	22479.7 r	22459.9	22490.6	22531.1	22597.8	22639.9 ##
Industrial Production (Index 2012-13=100, SA, Q).....	107.3	106.8	106.4	106.2 **	106.2 **	106.3 **	106.5 **
Employed Persons (Thousands of Persons, SA).....	11678.4 r	11667.7 r	11717.6 r	11719.2 r	11760.5 r	11780.4 r	11779.6
Household Gross Disposable Income, (Mill. Constant A\$, SA, Q).....	333540.6	333946.9	334351.0	335858.9 **	337609.9 **	339537.4 **	341440.7 **
COINCIDENT INDEX (2010=100).....	108.0	108.0	108.1	108.3 p	108.6 p	109.0 p	109.2 p
Percent change from preceding month.....	0.3	0.0	0.1	0.2 p	0.3 p	0.4 p	0.2 p
----- Australia Coincident Economic Index net contributions -----							
Retail Trade (Mill. Constant A\$, SA, 3-month moving average)	....	0.02 r	-0.02	0.03	0.05	0.08	0.05 ##
Industrial Production (Index 2012-13=100, SA, Q).....	....	-0.03	-0.03	-0.01 **	0.00 **	0.01 **	0.01 **
Employed Persons (Thousands of Persons, SA).....	....	-0.04	0.18 r	0.01 r	0.15 r	0.07 r	0.00
Household Gross Disposable Income, (Mill. Constant A\$, SA, Q).....	....	0.03	0.03	0.11 **	0.13 **	0.14 **	0.14 **

* 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, Haver Analytics

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).

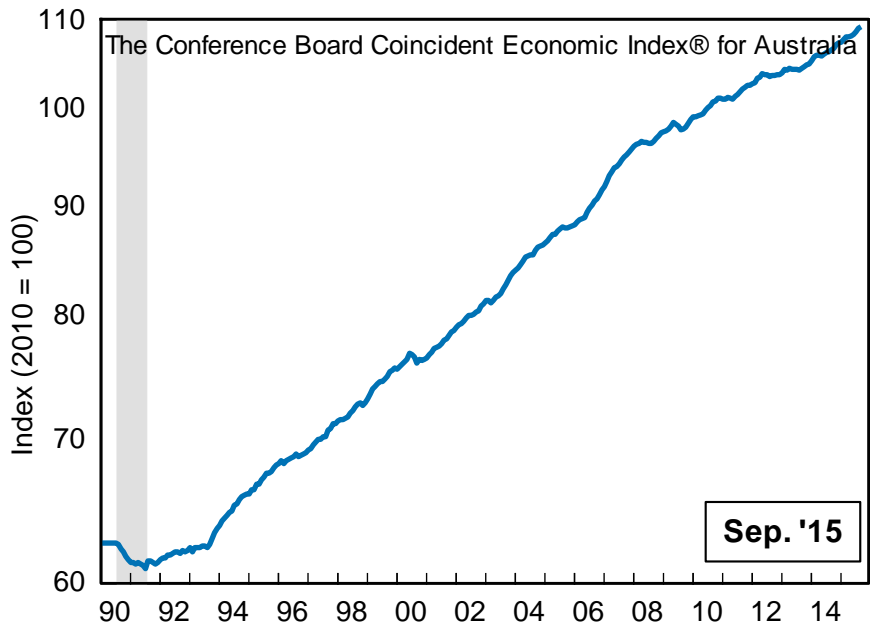
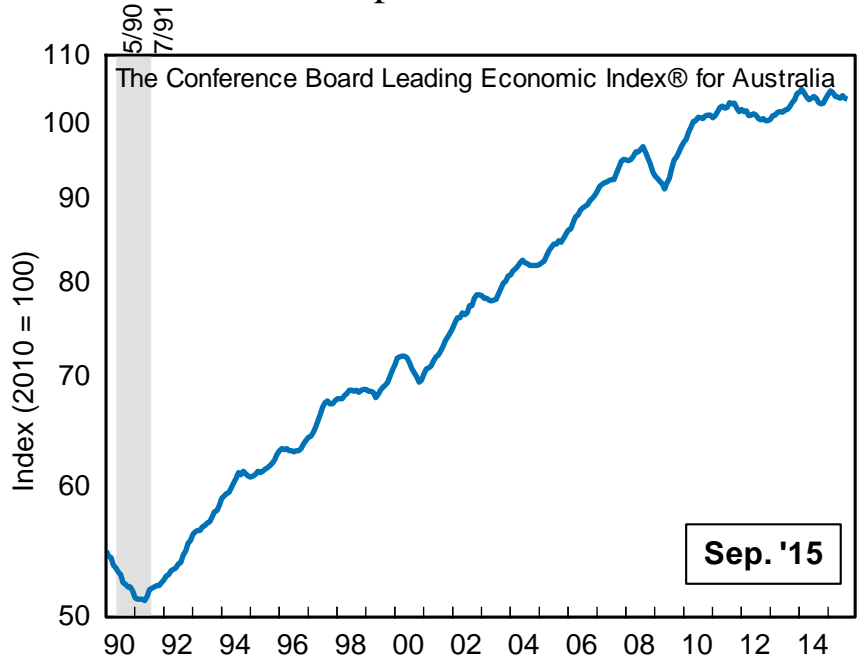
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Australia Composite Economic Indexes



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.

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