



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. AEST, WEDNESDAY, MAY 23, 2012

The Conference Board®
Australia Business Cycle IndicatorsSM
THE CONFERENCE BOARD LEADING ECONOMIC INDEX®
(LEI) FOR AUSTRALIA
AND RELATED COMPOSITE ECONOMIC INDEXES FOR MARCH 2012

The Conference Board Leading Economic Index® (LEI) for Australia increased 0.2 percent and **The Conference Board Coincident Economic Index®** (CEI) increased 0.4 percent in March.

- The Conference Board LEI for Australia increased slightly in March following no change in February. Rural goods exports and money supply made the largest contributions to the gain this month. Despite the small increase, the leading economic index declined by 0.5 percent, (about a -0.9 percent annual rate) between September 2011 and March 2012, a reversal from the 2.3 percent increase (about a 4.7 percent annual rate) during the previous six months. In addition, the weaknesses among the leading indicators have been more widespread than the strengths in recent months.
- The Conference Board CEI for Australia, a measure of current economic activity, also increased in March. Between September 2011 and March 2012, the coincident economic index increased by 0.9 percent (about a 1.9 percent annual rate), slightly up from a 0.5 percent increase (about a 1.0 percent annual rate) for the previous six months. At the same time, real GDP increased by 1.7 percent (annual rate) in the fourth quarter of 2011, down from the 3.2 percent (annual rate) growth in the third quarter of 2011.
- The Conference Board LEI for Australia increased slightly in March, but it has not yet fully recovered from a series of declines through December and its six-month growth has remained negative since November. Meanwhile, The Conference Board CEI for Australia continued on its slightly rising trend which started in mid-2011, and the rate of growth has remained fairly stable so far. Taken together, despite some rising risks highlighted by the leading indicators in exports and housing sectors, the recent behavior of the composite indexes suggests that moderate economic growth is likely to continue in the near term.

LEADING INDICATORS. Four of the seven components in The Conference Board LEI for Australia increased in March. 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*. The yield spread and building approvals declined, while stock prices remained unchanged in March.

With the 0.2 percent increase in March, The Conference Board LEI for Australia now stands at 126.2 (2004=100). Based on revised data, this index remained unchanged in February and increased 1.1 percent in January. During the six-month period through March, the leading economic index decreased 0.5 percent, and three of the seven components increased (diffusion index, six-month span equals 42.9 percent).

The next release is scheduled for June 20, 2012 at 10:00 A.M. (AEDST)
In the U.S. – June 19, 2012 at 8:00 P.M. (ET)

COINCIDENT INDICATORS. All four components in The Conference Board CEI for Australia increased in March. The increases – in order from the largest positive contributor to the smallest – occurred in employed persons, retail trade, household gross disposable income*, and industrial production*.

With the increase of 0.4 percent in March, The Conference Board CEI for Australia now stands at 119.9 (2004=100). Based on revised data, this index increased 0.1 percent in February and increased 0.3 percent in January. During the six-month period through March, the coincident economic index increased 0.9 percent, with all four components in the series making positive contributions (diffusion index, six-month span equals 100.0 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 May 22, 2012. 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/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	.1254
2. Share Prices, All Ordinaries	.0457
3. Money Supply, M3	.2625
4. Rural Goods Exports	.0295
5. Sales to Inventory Ratio	.3464
6. Gross Operating Surplus, Private Non-Financial Corporations	.1345
7. Building Approvals	.0560
 <u>Coincident Economic Index</u>	
1. Retail Trade	.2604
2. Industrial Production	.0890
3. Employed Persons	.4405
4. Household Disposable Income	.2101

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 2012 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 2010 as the sample period for measuring volatility for The Conference Board LEI for Australia, and 1982 to 2010 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/data/bci.cfm>.

The trend adjustment factor for The Conference Board LEI for Australia is -0.0706 calculated from 1960-1973, and -0.1577 calculated over the sample period 1974-2010.

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 2012 is:

April 2012 Data	Tuesday, June 19, 2012
May 2012 Data	Tuesday, July 24, 2012
June 2012 Data	Thursday, August 23, 2012
July 2012 Data	Thursday, September 20, 2012
August 2012 Data	Monday, October 22, 2012
September 2012 Data	Monday, November 19, 2012
October 2012 Data	Monday, December 17, 2012

All releases are at 8:00 PM EST (10:00 A M AEDST the next day).

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Not currently available

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**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

	2011							2012
	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	
Leading index	126.8	126.4 r	125.1 r	124.6 p	126.0 p	126.0 p	126.2 p	
Percent change	-0.7	-0.3 r	-1.0	-0.4 p	1.1 p	0.0 p	0.2 p	
Diffusion index	14.3	42.9	28.6	21.4	57.1	71.4	71.4	
Coincident index	118.8	119.0	119.0	118.9 p	119.3 p	119.4 p	119.9 p	
Percent change	0.3	0.2	0.0	-0.1 p	0.3 p	0.1 p	0.4 p	
Diffusion index	87.5	87.5	62.5	50.0	100.0	75.0	100.0	

	Mar to	Apr to	May to	Jun to	Jul to	Aug to	Sep to
	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Leading index							
Percent change	2.3	1.0	-0.6 r	-0.9 p	-0.5 p	-1.3 p	-0.5 p
Diffusion index	57.1	57.1	57.1	57.1	28.6	42.9	42.9
Coincident index							
Percent change	0.5	0.8	0.9	0.6 p	0.8 p	0.8 p	0.9 p
Diffusion index	87.5	100.0	100.0	75.0	100.0	100.0	100.0

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	2011							2012
	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	
Australia Leading Economic Index component data								
Yield Spread (10 Year - Policy Rate, 3 month moving average)	-0.18	-0.40	-0.53	-0.58	-0.60	-0.47	-0.28	
Share Prices, All Ordinaries (Index 2005=100).....	94.5	96.9	97.3	96.8	97.3	98.9	98.9	
Money Supply, M3 (Mill. Constant A\$, SA).....	773627 r	775936 r	774827 r	783849 r	790531 r	792785 r	797290 ##	
Building Approvals, (Thous. '08-'09 A\$, SA, 3 month moving average).....	6105326 r	5952478 r	5441420 r	5313000 r	6622419 r	7014724 r	6998465	
Rural Goods Exports, (Mill. Constant A\$, SA).....	2814.8 r	3001.3	3007.5 r	2914.9 ##	2818.8 ##	2593.3 ##	2735.1 ##	
Sales to Inventories Ratio, SA (Q).....	1.660	1.650	1.640	1.630 **	1.630 **	1.630 **	1.630 **	
Gross Operating Surplus, Private Non-Financial Corp. (Mill. '08-'09 A\$, SA, Q).....	74763	74076	73389	73128 **	73117 **	73252 **	73471 **	
LEADING INDEX (2004=100).....	126.8	126.4 r	125.1 r	124.6 p	126.0 p	126.0 p	126.2 p	
Percent change from preceding month.....	-0.7	-0.3 r	-1.0	-0.4 p	1.1 p	0.0 p	0.2 p	
Australia Leading Economic Index net contributions								
Yield Spread (10 Year - Policy Rate, 3 month moving average)	....	-0.05	-0.07	-0.07	-0.08	-0.06	-0.04
Share Prices, All Ordinaries (Index 2005=100).....	....	0.12	0.02	-0.02	0.02	0.08	0.00
Money Supply, M3 (Mill. Constant A\$, SA).....	....	0.08 r	-0.04	0.30 r	0.22 r	0.07 r	0.15 ##
Building Approvals, (Thous. '08-'09 A\$, SA, 3 month moving average).....	....	-0.14 r	-0.50 r	-0.13 r	1.23 r	0.32 r	-0.01
Rural Goods Exports, (Mill. Constant A\$, SA).....	....	0.19 r	0.01	-0.09 ##	-0.10 ##	-0.25 ##	0.16 ##
Sales to Inventories Ratio, SA (Q).....	....	-0.20	-0.20	-0.12 **	-0.06 **	-0.02 **	0.01 **
Gross Operating Surplus, Private Non-Financial Corp. (Mill. '08-'09 A\$, SA, Q).....	....	-0.12	-0.13	-0.05 **	0.00 **	0.02 **	0.04 **

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 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	2011						2012
	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Australia Coincident Economic Index component data							
Retail Trade (Mill. Constant A\$, SA, 3-month moving average)	11610.7 r	11641.0 r	11646.4 r	11638.7 r	11646.2 r	11670.0 r	11733.7
Industrial Production (Index 2008-09=100, SA, Q).....	102.5	102.8	103.1	103.4**	103.6 **	103.8 **	104.0 **
Employed Persons (Thousands of Persons, SA).....	11442.5 r	11454.4 r	11449.9 r	11413.6 r	11462.9 r	11447.9 r	11485.5
Household Gross Disposable Income, (Mill. Constant A\$, SA, Q).....	131749.6	131713.5	131677.5	132076.9 r	132600.8 r	133197.7 **	133782.9 **
COINCIDENT INDEX (2004=100).....	118.8	119.0	119.0	118.9 p	119.3 p	119.4 p	119.9 p
Percent change from preceding month.....	0.3	0.2	0.0	-0.1 p	0.3 p	0.1 p	0.4 p
Australia Coincident Economic Index net contributions							
Retail Trade (Mill. Constant A\$, SA, 3-month moving average)	....	0.07	0.01 r	-0.02 r	0.02 r	0.05 r	0.14
Industrial Production (Index 2008-09=100, SA, Q).....	....	0.03	0.03	0.02**	0.02 **	0.02 **	0.02 **
Employed Persons (Thousands of Persons, SA).....	....	0.05	-0.02 r	-0.14	0.19	-0.06	0.14
Household Gross Disposable Income, (Mill. Constant A\$, SA, Q).....	....	-0.01	-0.01	0.06 r	0.08 r	0.09 **	0.09 **

* 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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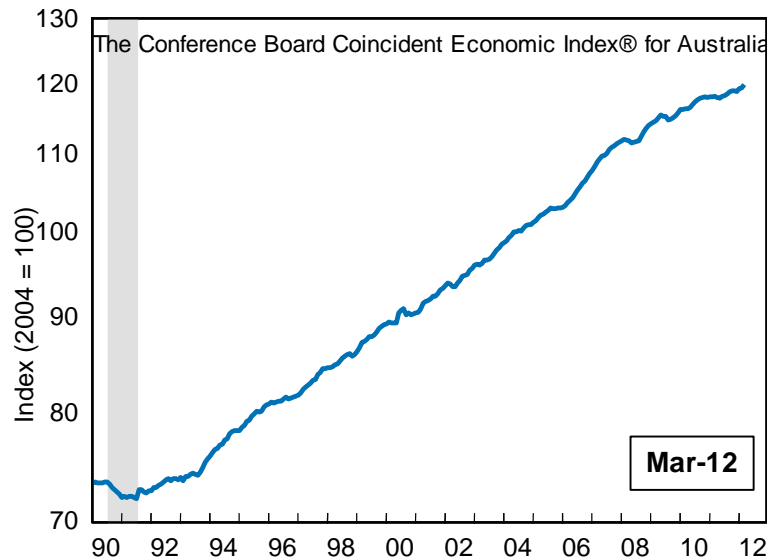
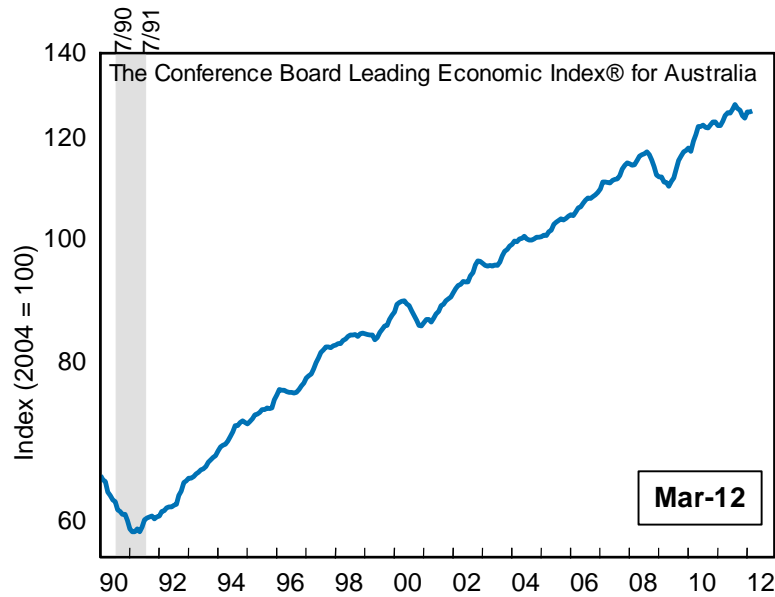
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Australia Composite Economic Indexes



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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