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**FOR RELEASE: 8:00 P.M. ET, WEDNESDAY, OCTOBER 22, 2003**

The Conference Board<sup>®</sup> Australia Business Cycle Indicators<sup>SM</sup>  
**AUSTRALIA LEADING ECONOMIC INDICATORS**  
**AND RELATED COMPOSITE INDEXES FOR AUGUST 2003**

The Conference Board announced today that the leading index for Australia increased 0.3 percent and the coincident index increased 0.5 percent in August.

- The leading index increased by 0.3 percent in August, but this just offsets a 0.4 percent decline in July and keeps the leading index on an essentially flat path since early this year. The coincident index increased by 0.5 percent in August, but this large one-month increase may be the result of monthly volatility.
- As reported last month, the leading index excluding the money supply had been flat in recent months after falling significantly in early 2003. This hasn't changed. But an improvement in the availability of the money supply data caused a downward revision to the money supply's contribution over the last five months, resulting in a downward revision in the leading index. As a result, the overall leading index as well as the leading index excluding money has been flat since early this year.
- The Australian economy decelerated slowly through the middle of 2003, with real GDP growth slowing to a 1.4 percent annual rate in the first half of the year. This is consistent with the decline in the leading index in late 2002 and early 2003. The flatness in the leading index since early this year suggests somewhat less sluggishness in the second half of the year.

LEADING INDICATORS. Four of the eight components in the leading index increased in August. The positive contributors to the index — in order from the largest positive contributor to the smallest — are money supply\*, share prices, yield spread, and gross operating surplus\*. Three of the eight components of the leading index decreased in August. The negative contributors to the index — in order from the largest negative contributor to the smallest — are (inverted) “medium-term” government bond yield, building approvals\*, and rural goods exports\*. The sales to inventories ratio\* was unchanged.

With the 0.3 percent increase in August, the leading index now stands at 148.0 (1990=100). Based on revised data, this index decreased 0.4 percent in July and remained unchanged in June. During the six-month span through August, the leading index increased 0.1 percent, and four of the eight components increased (diffusion index, six-month span equals 50.0 percent).

\* See notes under data availability.

The next release is scheduled for November 19, 2003 at 6:00 P.M. (ET)  
*In Australia – November 20, 2003 at 10:00 A.M. (AEDST)*

COINCIDENT INDICATORS. All five components in the coincident index increased in August. The increases - in order from the largest positive contributor to the smallest – occurred in employed persons, the (inverted) unemployment rate, retail trade\*, household gross disposable income\*, and industrial production\*.

With the 0.5 percent increase in August, the coincident index now stands at 114.5 (1990=100). Based on revised data, this index declined 0.2 percent in July and remained flat in June. During the six-month period through August, the coincident index increased 0.4 percent, with three components in the series making positive contributions (diffusion index, six-month span equals 60.0 percent).

FOR TABLES AND CHARTS, SEE BELOW

DATA AVAILABILITY. The data series used by The Conference Board to compute the two composite indexes reported in the tables in this release are those available “as of” 5 P.M. ET on October 21, 2003. Some series are estimated as noted below.

NOTES: Series in the leading index that are based on The Conference Board 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 coincident index that are based on The Conference Board estimates are industrial production and household disposable income. CPI was used to deflate retail trade.

Due to the Reserve Bank of Australia’s discontinuation of the 3-month Treasury Bill (for details see “For the Record” in the June 2002 RBA bulletin), The Conference Board will use the Bank Accepted Bill 90 Days to calculate the yield spread from now on.

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THE CYCLICAL INDICATOR APPROACH. The composite indexes are the key elements in an analytic system designed to signal peaks and troughs in the business cycle. The leading and coincident indexes are essentially composite averages of between four and ten 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 leading index have occurred before those in aggregate economic activity, while the cyclical turning points in the coincident index have occurred at about the same time as those in aggregate economic activity.

Further explanations of the cyclical indicator approach and the composite index methodology appear in The Conference Board's *Business Cycle Indicators* report and Web site: [www.globalindicators.org](http://www.globalindicators.org).

## Australia Composite Indexes: Components and Standardization Factors

<u>Leading Index</u>	<u>Factor</u>
1. Medium Term Government Bond Yield	.0302
2. Yield Spread, 10 year minus 90 day	.3507
3. Share Prices, All Ordinaries	.0279
4. Money Supply, M3	.2215
5. Rural Goods Exports	.0176
6. Sales to Inventory Ratio	.2229
7. Gross Operating Surplus, Private Non-Financial Corporations	.0915
8. Building Approvals	.0376

<u>Coincident Index</u>	
1. Retail Trade	.0822
2. Unemployment Rate	.4612
3. Industrial Production	.0468
4. Employed Persons	.2828
5. Household Disposable Income	.1270

### 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 June 19, 2001 release, and all historical values for the two composite indexes have been revised at the time to reflect the changes. (Under normal circumstances, updates to the leading and coincident indexes only incorporate revisions to data over the past six months.)

The factors above were calculated using 1977-1999 as the sample period for measuring volatility for the leading index, and 1959-1999 as the sample period for the coincident index. There are additional sample periods as the result of different starting dates for the component data. When one or more components is 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: [www.globalindicators.org](http://www.globalindicators.org).

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 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 2003 for the “Leading Economic Indicators” news release is:

September 2003 data...	Wednesday November 19, 2003
October 2003 data...	Tuesday December 23, 2003

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

For detailed information on benchmark revisions, visit our website: [www.globalindicators.org](http://www.globalindicators.org)

ABOUT THE CONFERENCE BOARD. Founded in 1916, The Conference Board is the premier business membership and research network. The Conference Board has become a global leader in helping executives build strong professional relationships, expand their business knowledge and find solutions to a wide range of business challenges. The Board’s Economics Program, under the direction of Chief Economist Gail Fosler, is a recognized source of forecasts, economic analysis and objective indicators such as the Leading Economic Indicators and the Consumer Confidence Index.

This role is part of a long tradition of research and education that stretches back to the compilation of the first continuous measure of the cost of living in the United States in 1919. In 1995, The Conference Board assumed responsibility for computing the composite indexes from the U.S. Department of Commerce. The Conference Board now produces business cycle indexes for the U.S., Australia, France, Germany, Korea, Japan, Mexico, Spain and the U.K. To subscribe to any of these indexes, please visit [www.globalindicators.org](http://www.globalindicators.org), contact the customer service department at 212-339-0345, or email [indicators@conference-board.org](mailto:indicators@conference-board.org).

## AVAILABLE FROM THE CONFERENCE BOARD:

Australia Business Cycle Indicators Internet Subscription	\$ 500 per year (1 user)
<i>(Includes monthly release, data, charts and commentary)</i>	
Individual Data Series	\$ 25 per series downloaded
Monthly BCI Report	\$ 130 per year
<i>(Sample available on request)</i>	
Monthly News Release (fax or email)	\$ 45 per year
BCI Handbook (published 2001)	\$ 20
Corporate Site License	\$2,600 per year

Business Cycle Indicators for France, Germany, Japan, Korea, Mexico, Spain and the U.K. are available at \$500 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 Indexes**

	Feb.	Mar.	Apr.	2003 May	Jun.	Jul.	Aug.
Leading index	147.8	147.8 r	147.9 r	148.2 r	148.2 p	147.6 p	148.0 p
Percent change	-0.5	0.0 r	0.1 r	0.2 r	0.0 p	-0.4 p	0.3 p
Diffusion index	56.3	37.5	37.5	56.3	37.5	62.5	56.3
Coincident index	114.0	113.8 r	113.9 r	114.1 r	114.1 p	113.9 p	114.5 p
Percent change	0.0	-0.2 r	0.1 r	0.2 r	0.0 p	-0.2 p	0.5 p
Diffusion index	60.0	40.0	60.0	80.0	60.0	60.0	100.0
	Aug to Feb.	Sep to Mar.	Oct to Apr.	Nov to May	Dec to Jun.	Jan to Jul.	Feb to Aug.
Leading index							
Percent change	0.5	0.3 r	-0.4 r	-0.3 r	-0.5 r	-0.6 r	0.1
Diffusion index	62.5	43.8	37.5	25.0	31.3	25.0	50.0
Coincident index							
Percent change	0.7	0.5 r	0.5 r	0.4 r	0.4 r	-0.1 r	0.4
Diffusion index	70.0	90.0	80.0	80.0	70.0	40.0	60.0

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.globalindicators.org](http://www.globalindicators.org)

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The Conference Board Australia Business Cycle Indicators

Table 2.--Data and Net Contributions for Components of the Australia Leading Index

Component	2003						
	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.
Australia Leading index component data							
"Medium Term" Government Bond Yield (Inverted).....	0.23	0.22	0.21	0.23	0.22	0.21	0.20
Yield Spread (10 Year - T Bill Rate (90 day), 3 month moving average)	0.34	0.42	0.46	0.38	0.31	0.38	0.57
Share Prices, All Ordinaries (Index 1995=100).....	136.8	140.9	146.9	147.1	147.8	152.5	156.3
Money Supply, M3 (Mill. Constant A\$, SA).....	363650.14 r	368585.59 r	371614.86 r	377161.36 r	377975.13 ##	371255.68 ##	377310.81 ##
Building Approvals, (Thous. '96-'97 A\$, SA, 3 month moving average).....	4010612.89 r	3981341.74 r	3922439.59 r	3936488.22 r	4004509.69 #	4092986.08 #	4018542.38 #
Rural Goods Exports, (Mill. Constant A\$, SA).....	2017.48	1943.35	1834.84	1717.71 r	1697.87 #	1707.90 #	1683.80 #
Sales to Inventories Ratio, SA (Q).....	1.290	1.280	1.280	1.280	1.270 **	1.270 **	1.270 **
Gross Operating Surplus, Private Non-Financial Corp. (Mill. '96-'97 A\$, SA, Q).....	29303	29158	29014	28871	28808 **	28796 **	28817 **
<b>LEADING INDEX (1990=100).....</b>	<b>147.8</b>	<b>147.8</b>	<b>147.9</b>	<b>148.2 p</b>	<b>148.2 p</b>	<b>147.6 p</b>	<b>148.0 p</b>
Percent change from preceding month.....	-0.5	0.0	0.1	0.2 p	0.0 p	-0.4 p	0.3 p
Australia Leading index net contributions							
"Medium Term" Government Bond Yield (Inverted).....	....	-0.19	-0.01	0.15	-0.02	-0.22	-0.15
Yield Spread (10 Year - T Bill Rate (90 day), 3 month moving average)	....	0.03	0.01	-0.03	-0.03	0.03	0.07
Share Prices, All Ordinaries (Index 1995=100).....	....	0.08	0.12	0.00	0.01	0.09	0.07
Money Supply, M3 (Mill. Constant A\$, SA).....	....	0.30 r	0.18 r	0.33 r	0.05 ##	-0.40 ##	0.36 ##
Building Approvals, (Thous. '96-'97 A\$, SA, 3 month moving average).....	....	-0.03	-0.06	0.01	0.06 #	0.08 #	-0.07 #
Rural Goods Exports, (Mill. Constant A\$, SA).....	....	-0.07	-0.10	-0.12 r	-0.02 #	0.01 #	-0.03 #
Sales to Inventories Ratio, SA (Q).....	....	-0.06	-0.06	-0.06	-0.03 **	-0.01 **	0.00 **
Gross Operating Surplus, Private Non-Financial Corp. (Mill. '96-'97 A\$, SA, Q).....	....	-0.05	-0.05	-0.05	-0.02 **	0.00 **	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, Datastream

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 Index**

Component	2003						
	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.
<b>Australia Coincident index component data</b>							
Retail Trade (Mill. Constant A\$, SA).....	10284.82 r	10379 r	10473.5 r	10487.6 r	10579.7 ##	10643.8 ##	10724.8 ##
Unemployment Rate, (S.A.)*.....	6.0	6.2	6.1	6.0	6.1	6.2	5.8
Industrial Production (Index 1997-98=100, SA, Q).....	103.0 r	102.5 r	102.0 r	101.5 r	101.6 **	101.7 **	101.8 **
Employed Persons (Thousands of Persons, SA).....	9563.5	9520.7	9506.4	9535.4	9507.5	9452.3	9532.9
Household Gross Disposable Income, (Mill. Constant A\$, SA, Q).....	88217.4	88505.7	88794.2	89082.8	89163.5 **	89250.3 **	89353.2 **
<b>COINCIDENT INDEX (1990=100).....</b>	<b>114.0</b>	<b>113.8 r</b>	<b>113.9 r</b>	<b>114.1 r</b>	<b>114.1 p</b>	<b>113.9 p</b>	<b>114.5 p</b>
Percent change from preceding month.....	0.0	-0.2 r	0.1 r	0.2 r	0.0 p	-0.2 p	0.5 p
<b>Australia Coincident index net contributions</b>							
Retail Trade (Mill. Constant A\$, SA).....	....	0.08 r	0.07 r	0.01 r	0.07 ##	0.05 ##	0.06 ##
Unemployment Rate, (S.A.)*.....	....	-0.09	0.05	0.05	-0.05	-0.05	0.18
Industrial Production (Index 1997-98=100, SA, Q).....	....	-0.02 r	-0.02 r	-0.02 r	0.00 **	0.01 **	0.01 **
Employed Persons (Thousands of Persons, SA).....	....	-0.13	-0.04	0.09	-0.08	-0.16	0.24
Household Gross Disposable Income, (Mill. Constant A\$, SA, Q).....	....	0.04	0.04	0.04	0.01 **	0.01 **	0.01 **

\* 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.

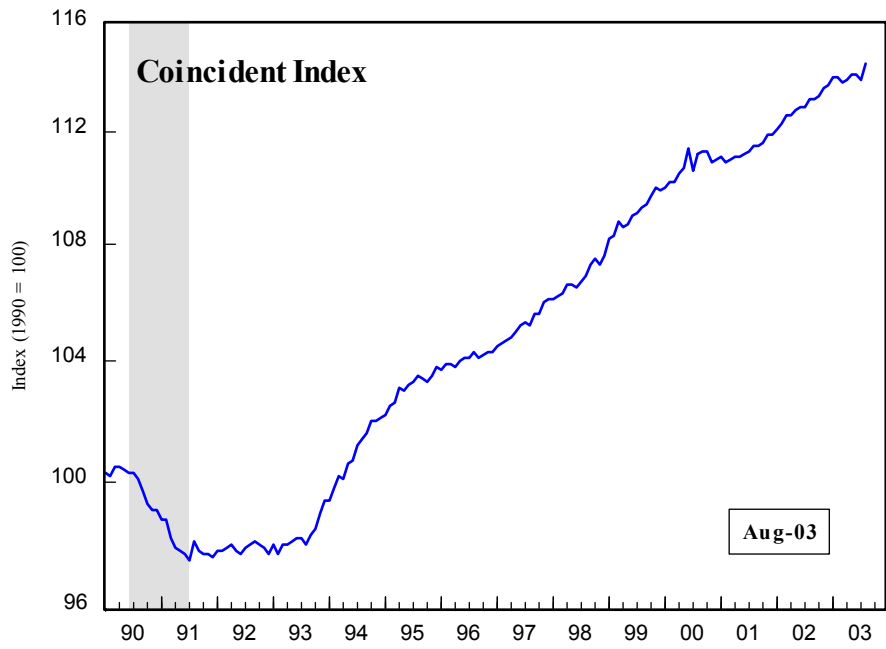
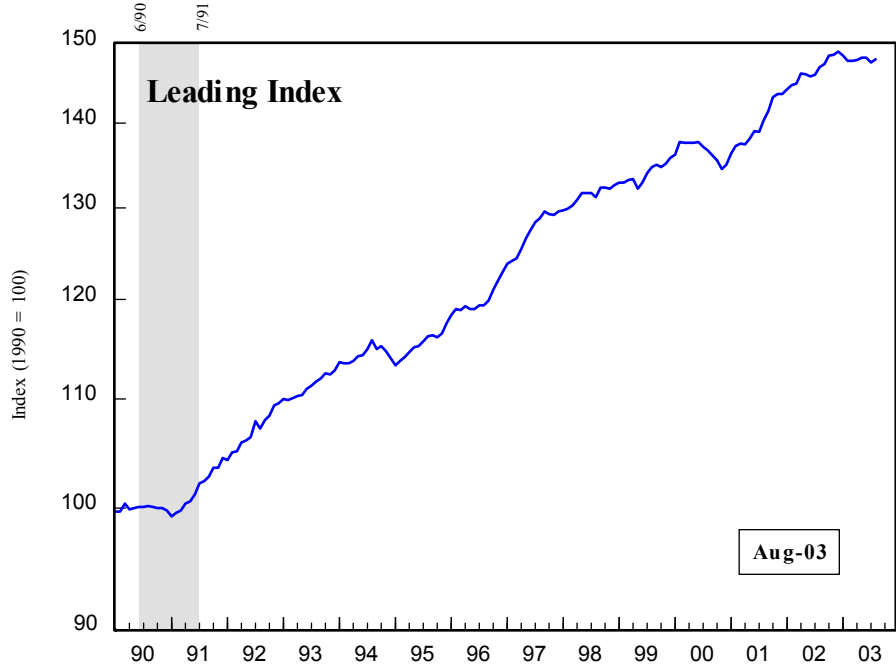
Data Sources: Australian Bureau of Statistics, Reserve Bank of Australia, Datastream

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



Source: The Conference Board

Note: Shaded areas represent business cycle recessions in Australia