



Australian Government
Department of Employment

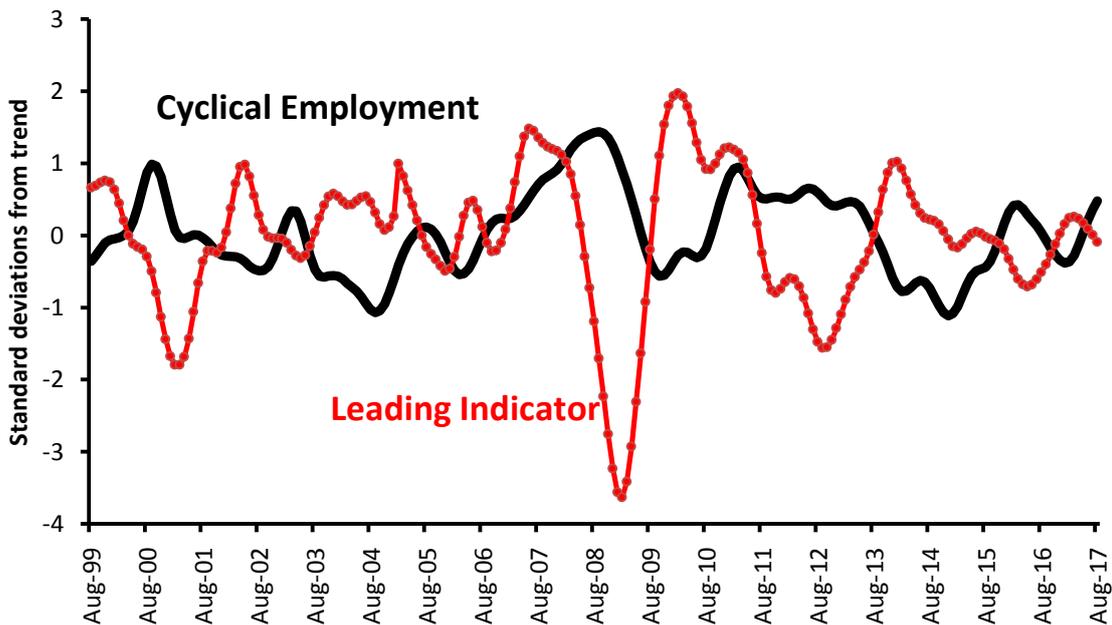
MONTHLY LEADING INDICATOR OF EMPLOYMENT

AUGUST 2017

RESULTS

The Department of Employment’s Monthly Leading Indicator of Employment (the Indicator) has fallen for the fifth consecutive month in August 2017. The Indicator’s fall in August is attributable to all of its components, particularly the US Yield Difference, the Westpac-Melbourne Institute Leading Index of Economic Activity and the Westpac-Melbourne Institute Consumer Sentiment Index. This indicates that the employment growth rate is likely to fall below its long-term trend growth rate after a lag. Cyclical employment has now risen for the seventh consecutive month. There was a strongly confirmed trough in cyclical employment in January 2017, which appears to be following the strongly confirmed trough in the Indicator in May 2016.

Levels of the Leading Indicator of Employment and Cyclical Employment



MONTHLY CHANGES IN VALUE OF LEADING INDICATOR *

	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17
Δ Leading Indicator	0.018	-0.028	-0.058	-0.080	-0.084	-0.097

*monthly changes in standard deviations from the cyclical trend

Under Embargo until 2pm Wednesday 16 August 2017

COMPONENTS OF THE LEADING INDICATOR (SHORT-TERM TREND)**

Series	Change over the Year	Change over the Month	Contribution to Change in Leading Indicator
NBSC Purchasing Managers' Index for Manufacturing Output in China (August 2017 release)	2.5%	0.0%	-0.004
US Yield Difference (10-year vs. 3 month interest rates, August 2017 release)	-0.1 pts	-0.1 pts	-0.028
NAB Forward Orders Index (July 2017 release)	0.9 pts	0.0 pts	-0.003
Westpac-Melbourne Institute Leading Index of Economic Activity (July 2017 release)	0.5%	-0.1%	-0.032
Westpac-Melbourne Institute Consumer Sentiment Index (July 2017 release)	-4.2%	-0.6%	-0.029
<i>Δ Leading Indicator:</i>			<i>-0.097</i>

**Note: The cyclical components of each series, and not the trend percentage changes shown above, contribute to the movements in the Indicator. Data have been trended by the Department of Employment using the Henderson 13-term centred-moving-average process. Each series in the Indicator has the same weight of 20 per cent. The units of measurement for the contributions to change in the Indicator in the rightmost column are monthly changes in the standard deviation from the long-term trend. NBSC stands for the National Bureau of Statistics of China.

TECHNICAL NOTES

The Indicator is the average of the normalised and standardised cyclical elements of the five series in the table above, which have been shown to lead cyclical employment consistently over a long period. The cyclical components and the composite Indicator for previous months are subject to revision when new statistics are incorporated.

The Indicator is designed to give advance warning of turning points in 'cyclical employment' (i.e. the deviation of the centred one-year trend in employment from the centred six-year trend). The average lead time of the Indicator over the series (i.e. the time between a peak or trough in the Indicator and the corresponding peak or trough in cyclical employment) is slightly over a year. A 'turning point' in the Indicator is said to be confirmed when there are six consecutive monthly movements in the same direction after the turning point. A fall (or rise) in the Indicator does not necessarily mean that the level of employment will immediately fall (or rise). Rather, it implies that after a lag, the growth rate of employment may fall below (or rise above) its centred six-year trend rate of about 1.6 per cent a year.

Strongly confirmed turning points (peaks or troughs) are identified (or signalled) when there have been at least six consecutive moves in the same direction before the turning-point signal (but they don't have to be immediately before), followed by at least six consecutive moves in the opposite direction immediately after the turning-point signal. The strongly confirmed peak (or trough) is the maximum (or minimum) value of the Indicator (or Cyclical Employment) in the period between the last strongly confirmed trough (or peak) and the month that the turning-point signal has been identified. Weakly confirmed turning points are not strongly confirmed turning points and have at least six consecutive moves in the same direction immediately before the turning point, followed by at least three consecutive moves in the opposite direction immediately after the turning point, or at least three consecutive moves in the same direction immediately before the turning point, followed by at least six consecutive moves in the opposite direction immediately after the turning point.

The date of the issue of the Indicator, and the labels for the x-axis of the chart, relate to the month the Indicator is released. The data used to derive the cyclical employment chart line, however, are two months behind the release month for the Indicator. The data for the NBSC Purchasing Managers' Index and US Yield Difference are one month behind their release dates, while data for the other three component series are two months behind their release dates.

RELEASE DETAILS

The Indicator is available on the Internet at approximately 2pm on the day of its release. The next issue is scheduled for release on Wednesday 13 September 2017.

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