



## Australian Government

### Department of Education, Employment and Workplace Relations

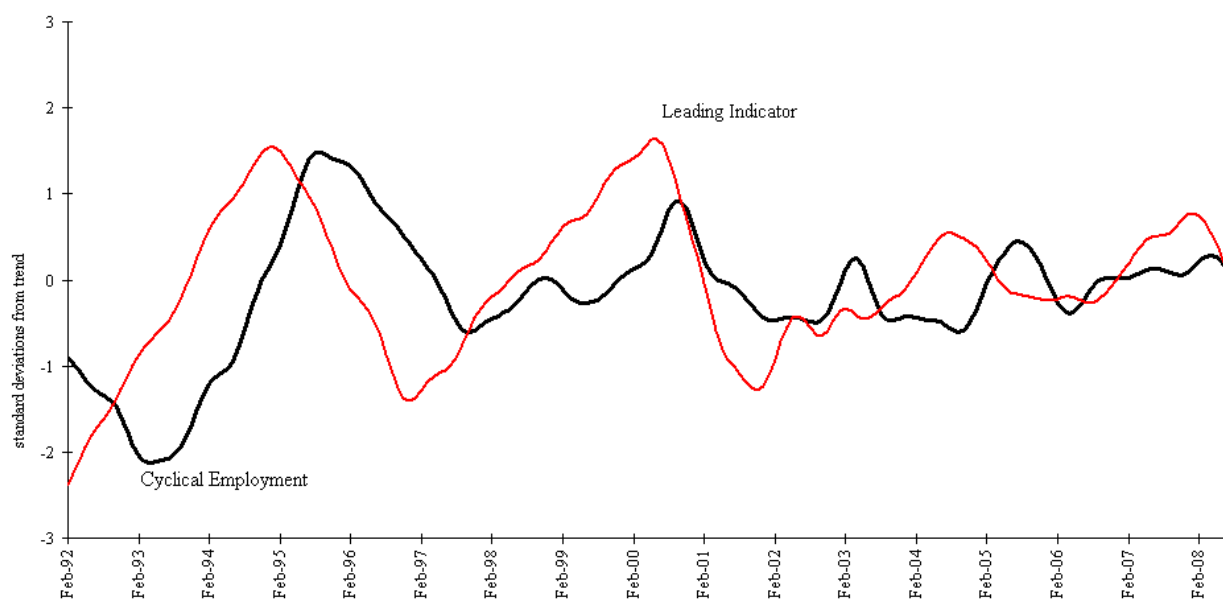
# DEEWR MONTHLY LEADING INDICATOR OF EMPLOYMENT

**AUGUST 2008**

## RESULTS

DEEWR's Monthly Leading Indicator of Employment (Indicator) has *fallen* for seven consecutive months. In August, all four components have contributed to the Indicator's decline. The latest results confirm that a slowing in the pace of employment growth below its long-term trend of 2.5 per cent per annum is likely. Indeed, cyclical employment has fallen for the last four months (two months short of the time required to confirm a downturn in cyclical employment).

### Levels of the DEEWR Leading Indicator of Employment and Cyclical Employment



### VALUE OF THE LEADING INDICATOR OVER THE PAST SIX MONTHS\*

	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08
Leading Indicator	0.663	0.550	0.407	0.243	0.056	-0.120

\*standard deviations from the cyclical trend

**COMPONENTS OF THE LEADING INDICATOR (SEASONALLY ADJUSTED)\***

Series	Percentage Change over the Year	Percentage Change over the Quarter	Percentage Change over the Month	Weights (%)
ANZ Newspaper Job Ads (August 2008)	-21.7%	-20.8%	-5.1%	44.3
Dun and Bradstreet Employment Expectations (% pt change) (Year to December Quarter 2007 - August 2008 release)	6.0%pts	-8.0 %pts	-5.0 %pts	22.4
Westpac-Melbourne Institute Leading Index of Economic Activity (July 2008)	3.6%	0.4%	0.0%	24.1
Westpac-Melbourne Institute Consumer Sentiment Index (July 2008)	-34.6%	-9.6%	-6.7%	9.2

\*Note: The cyclical components of each series, and not the monthly seasonally adjusted percentage changes shown above, contribute to the movements in the Leading Indicator.

**TECHNICAL NOTES**

The DEEWR Leading Indicator of Employment is the average of the normalised and standardised cyclical elements of four series which have been shown to lead cyclical employment consistently over a long period.

The Leading Indicator is designed to give advance warning of turning points in “cyclical employment” (i.e. the deviation of the one-year trended smoothed rate of employment growth from its six-year long-term trend). The average lead time of the Indicator (i.e. the time between a peak or trough in the Indicator and the corresponding peak or trough in cyclical employment) is around nine months (or about twelve months if account is taken of the additional 12-month lag in the Dun and Bradstreet Employment Expectations Index), although it has varied over the past decade. 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 subsequently fall (or rise). Rather, it implies that after a lag, the growth rate of employment may fall below (or rise above) its trend rate of about 2.5 per cent a year. The DEEWR Leading Indicator incorporates data lagged one year for the Dun and Bradstreet Employment Expectations series and the most up to date data for other series. This is based on econometric testing which revealed that the Dun and Bradstreet series had a longer lag. The name of the issue of the DEEWR Leading Indicator of Employment, 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 Indicator release month.

**RELEASE DETAILS**

The DEEWR Leading Indicator is available on the Internet at approximately 2pm on the day of its release. The next issue of the DEEWR Leading Indicator is due for release on Wednesday 10 September 2008.

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