



**Australian Government**

**Department of Education, Skills and Employment**

## MONTHLY LEADING INDICATOR OF EMPLOYMENT

***FEBRUARY 2020***

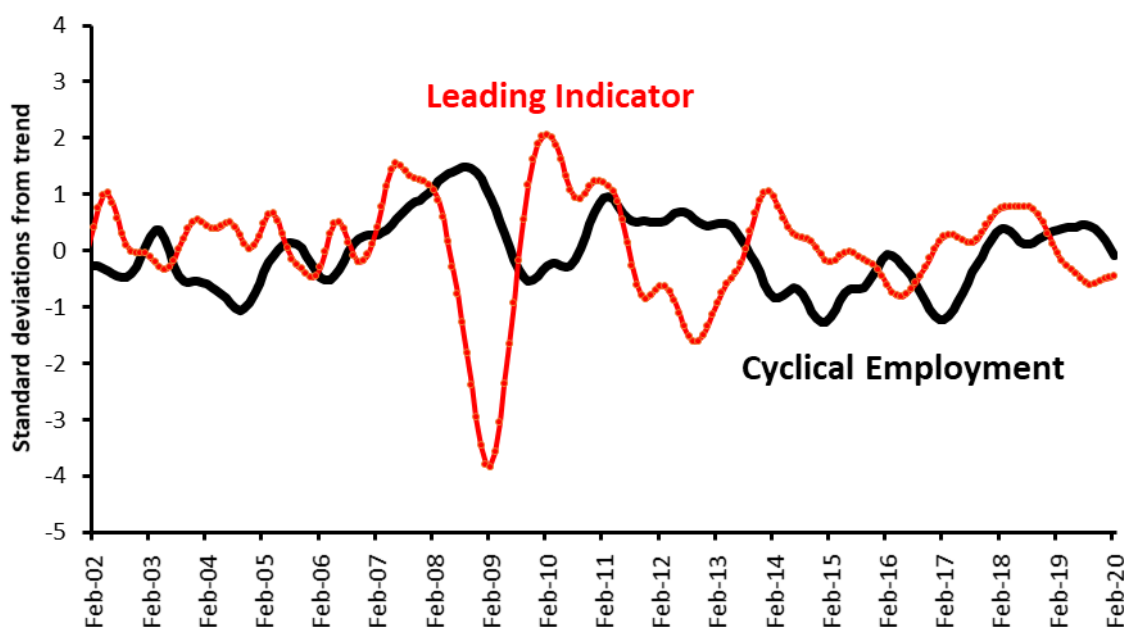
### RESULTS

The Monthly Leading Indicator of Employment (the Indicator) has risen for the fifth consecutive month in February 2020, after sixteen consecutive monthly falls. The Indicator's rise this month is primarily attributed to rises in the US Yield Difference and the NAB Forward Orders Index.

The Indicator's recent rises, following its weakly-confirmed trough in September 2019, indicate that the rate of employment growth may eventually rise above its long-term trend growth rate of 2.4 per cent per annum—however, there is usually a lag of around a year and half between movements in the Indicator and movements in cyclical employment.

There was a strongly-confirmed peak in cyclical employment in August 2019, and it has since fallen for six consecutive months.

**Levels of the Leading Indicator of Employment and Cyclical Employment**



### MONTHLY CHANGES IN VALUE OF LEADING INDICATOR \*

	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20
<b>Δ Leading Indicator</b>	-0.032	0.018	0.041	0.040	0.026	0.015

\*monthly changes in standard deviations from the cyclical trend

## Under Embargo until 2pm Wednesday 19 February 2020

### 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 (February 2020 release)	2.2%	0.0%	0.000
US Yield Difference (10-year vs. 3 month interest rates, February 2020 release)	-0.1 pts	0.0 pts	0.032
NAB Forward Orders Index (January 2020 release)	-0.8 pts	0.3 pts	0.019
Westpac-Melbourne Institute Leading Index of Economic Activity (January 2020 release)	-0.4%	0.0%	-0.017
Westpac-Melbourne Institute Consumer Sentiment Index (January 2020 release)	-7.7%	-0.5%	-0.020
<b><i>Δ Leading Indicator:</i></b>			<b>0.015</b>

\*\*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, Skills, Small and Family Business 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 around a year and a half. 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 2.4 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 18 March 2020.

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