



**Australian Government**

**Department of Education, Skills and Employment**

**MONTHLY LEADING INDICATOR OF EMPLOYMENT**

**NOVEMBER 2020**

**RESULTS**

The Monthly Leading Indicator of Employment (the Indicator) has risen for the fifth consecutive month in November 2020 (after thirteen consecutive monthly falls). The Indicator’s rise this month is attributed to all five of the Indicator components and especially the NAB Forward Orders index, the Westpac-Melbourne Institute Consumer Sentiment and Leading Index of Activity indices—reflecting the improvement in economic conditions in Australia and abroad.

There was a weakly confirmed turning point in the Indicator in June 2020—tentatively indicating that cyclical employment could grow above its long-term annual trend rate in over a year’s time. However, the long-term growth rate of cyclical employment is now significantly lower than its pre-COVID level due to the economic effects of the pandemic.

The cyclical employment series (derived from a centred six-year trend rate) has been temporarily suspended until more certainty emerges in the underlying trend in labour market activity.

**Levels of the Leading Indicator of Employment**



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

	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20
<b>Δ Leading Indicator</b>	-0.084	0.206	0.383	0.453	0.451	0.583

\*monthly changes in standard deviations from the cyclical trend

## Under Embargo until 2pm Wednesday 18 November 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 (November 2020 release)	3.8%	0.1%	0.007
US Yield Difference (10-year vs. 3 month interest rates, November 2020 release)	0.7 pts	0.0 pts	0.025
NAB Forward Orders Index (October 2020 release)	-2.4 pts	4.4 pts	0.244
Westpac-Melbourne Institute Leading Index of Economic Activity (October 2020 release)	-1.8%	0.3%	0.143
Westpac-Melbourne Institute Consumer Sentiment Index (October 2020 release)	-0.2%	3.6%	0.164
<b><i>Δ Leading Indicator:</i></b>			<b>0.583</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 Education, Skills and 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 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.

Strongly confirmed turning points (peaks or troughs) are identified when there have been at least six consecutive moves in the same direction before the turning-point signal, 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 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 vice versa.

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, 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 Department of Education, Skills and Employment website at approximately 2pm AEDT on the day of its release. The next issue is scheduled for release on Wednesday 16 December 2020.

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