



Australian Government

**Department of Education, Employment
and Workplace Relations**

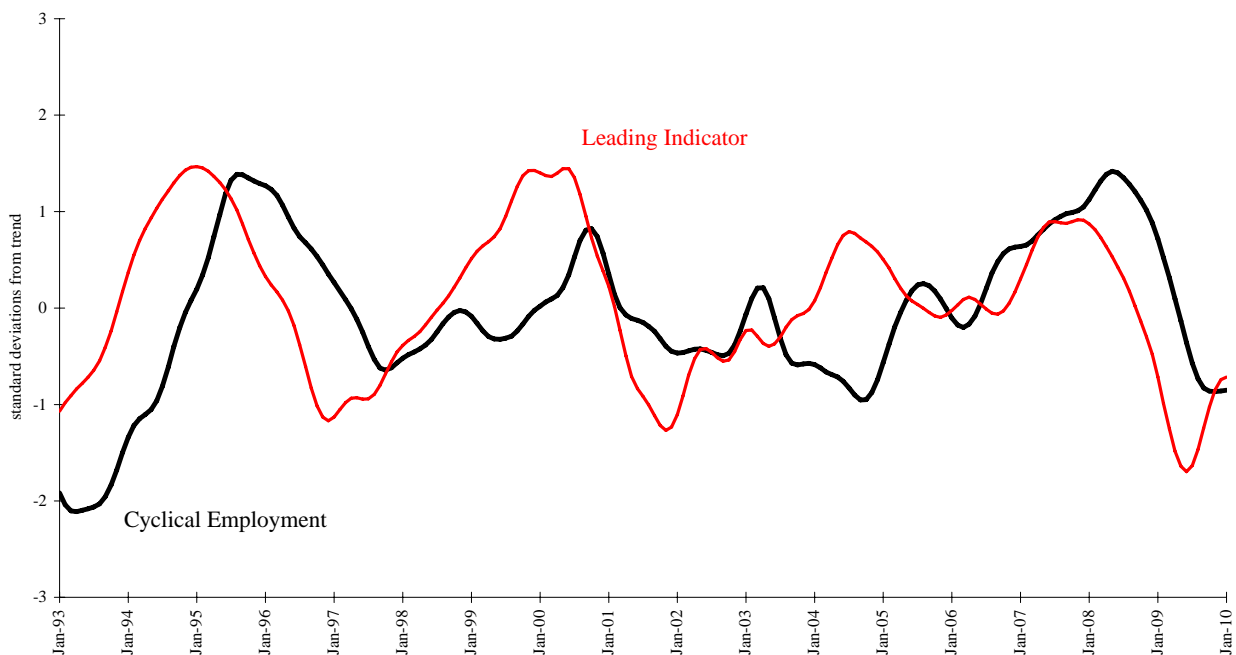
**DEEWR MONTHLY LEADING INDICATOR OF
EMPLOYMENT**

JANUARY 2010

RESULTS

DEEWR’s Monthly Leading Indicator of Employment (Indicator) has *risen* for the seventh consecutive month in January, confirming the prediction that employment is likely to grow more quickly than its long-term trend rate of 1.8 per cent. After falling for eighteen consecutive months, there is a tentative signal that cyclical employment has troughed over the past two months.

Levels of the DEEWR Leading Indicator of Employment and Cyclical Employment



VALUE OF THE LEADING INDICATOR OVER THE PAST SIX MONTHS*

	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10
Leading Indicator	-1.467	-1.246	-1.025	-0.850	-0.743	-0.716

*standard deviations from the cyclical trend

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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 (January 2010 release)	4.8%	19.1%	11.6%	53.1
Dun and Bradstreet Employment Expectations (% pt change) (Year to March Quarter 2009 - January 2010 release)	-17.0%pts	0.0 %pts	-1.0 %pts	24.6
Westpac-Melbourne Institute Leading Index of Economic Activity (December 2009 release)	1.9%	2.7%	0.4%	7.4
Westpac-Melbourne Institute Consumer Sentiment Index (December 2009 release)	23.7%	-4.7%	-3.8%	14.9

*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. The weights are revised annually and the latest revision occurred in February 2009.

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 cyclical components and the composite Indicator for previous months are subject to revision when new statistics are incorporated.

The Leading Indicator is designed to give advance warning of turning points in “cyclical employment” (i.e. the deviation of the one-year trend in employment from the 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 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. For instance, the lead time between the most recent peaks was five months. 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 six-year trend rate of about 1.8 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 date 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 February 2010.

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