



Australian Government

Department of Employment and Workplace Relations

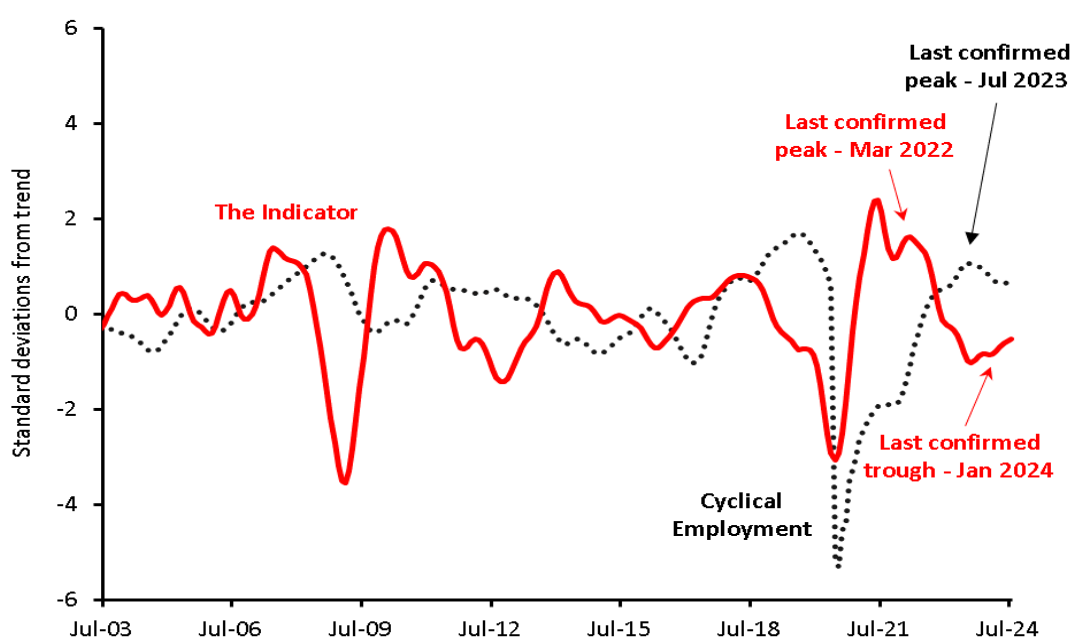
MONTHLY LEADING INDICATOR OF EMPLOYMENT

JULY 2024

The Monthly Leading Indicator of Employment (the Indicator) has risen for six consecutive months from February 2024 to July 2024. The latest data confirm a trough in January 2024 and signal a likely upturn in cyclical employment and a rise in the annual trend growth rate of employment after an average lag of 12-18 months (see Technical Notes). Consistent with the story over the past few months, the rise in July is mainly attributed to increases in two of the five Indicator components—the US Yield Difference and the Westpac-Melbourne Institute Consumer Sentiment Index.

The Indicator's last confirmed peak in March 2022 indicates that the annual trend rate of employment growth would continue to fall to below its long-term trend rate of 2.8 per cent within the next 12-18 months. The annual trend rate of employment growth fell to 2.7 per cent in May 2024 (the most recent data) from the recent high of 4.6 per cent over the year to September 2022.

LEVELS OF THE LEADING INDICATOR OF EMPLOYMENT AND CYCLICAL EMPLOYMENT



Note: Levels expressed as standard deviations from trend.

MONTHLY CHANGES IN VALUE OF LEADING INDICATOR

	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24
Change in Leading Indicator	0.020	0.066	0.087	0.072	0.047	0.030

Note: Monthly changes in standard deviations from the cyclical trend.

COMPONENTS OF THE LEADING INDICATOR

Series	Contribution to change in Leading Indicator		
	May-24	Jun-24	Jul-24
China's Purchasing Managers Index for Manufacturing Output (July 2024 release)	0.019	0.004	-0.006
US Yield Difference (10-year vs. 3-month interest rates) (July 2024 release)	0.046	0.040	0.036
NAB Forward Orders Index (June 2024 release)	-0.016	-0.018	-0.015
Westpac-Melbourne Institute Leading Index of Economic Activity (June 2024 release)	0.00	0.002	0.002
Westpac-Melbourne Institute Consumer Sentiment Index (June 2024 release)	0.023	0.020	0.013
<i>Change in Leading Indicator:</i>	<i>0.072</i>	<i>0.047</i>	<i>0.030</i>

Note: The cyclical components of each series contribute to the monthly movements in the Indicator. 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 are monthly changes in the standard deviation from the long-term trend.

TECHNICAL NOTES

The Indicator is designed to provide 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 confirmed when there are six consecutive monthly movements in the same direction after a 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.

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 individual components and the composite Indicator for previous months are subject to revision when new monthly data become available.

RELEASE DETAILS

The Indicator is available on the Department of Employment and Workplace Relations website ([Monthly Leading Indicator of Employment Latest Release - Department of Employment and Workplace Relations, Australian Government \(dewr.gov.au\)](https://www.dewr.gov.au/monthly-leading-indicator)). The August issue is scheduled for release on Wednesday 14 August 2024.

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