

Melbourne Institute Phases of the Australian Business Cycle

March 2024

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Business cycle dates: the expansion continues...

Table 1 presents the turning points (peaks and troughs) and the dates of recessions and expansions when Real GDP is used as the measure of Australian economic activity.¹ An expansion is from a trough to a peak in activity. Expansions are the typical phase of the economy, occurring far more frequently than recessions. Being in an expansion does not mean that the economy is booming – it could be growing only modestly. A recession alternatively starts at a peak in activity and ends when a trough occurs. These turning points are determined using an established rule.²

Economic activity in Australia in the December quarter of 2023 increased, but only slightly and at a well below-trend rate.

Table 1: Real GDP Business Cycle Dates

Peak	Trough	Recession	Expansion	Cycle	
		Peak to trough (quarters)	Trough to peak (quarters)	Peak to peak (quarters)	Trough to trough (quarters)
Mar-1961	Sep-1961	2			
Jun-1965	Mar-1966	3	15	17	18
Sep-1971	Mar-1972	2	22	25	24
Jun-1975	Dec-1975	2	13	15	15
Jun-1977	Dec-1977	2	6	8	8
Sep-1981	Jun-1983	7	15	17	22
Dec-1990	Jun-1991	2	30	37	32
Dec-2019	Jun-2020	2	114	116	116
			<i>Ongoing</i>		
Average durations		3	26	34	34
Standard deviations		2	34	37	37

Note: The average durations and standard deviations are rounded to full quarter. Includes the ongoing phase. Sample is 1959:Q3 – 2023:Q4.

¹ In earlier versions of this report we dated the Westpac-Melbourne Institute Leading Index of Economic Activity. The dates produced corresponded to the growth, rather than the business, cycle.

² The rule is known as Bry-Boschan Quarterly (BBQ). See A. R. Pagan and D. Harding (2002) 'Dissecting the cycle: a methodological investigation', *Journal of Monetary Economics*, 49(2), p. 365-381. Also see <http://www.ncer.edu.au/data/data.jsp>.

Australia is in a per capita recession...

Table 2 presents the phases as measured by GDP per capita. Although this is available for a shorter time span than GDP, GDP per capita has more cycles. This reflects the fact that it has a lower trend growth rate, due to positive trend population growth, and therefore declines in GDP per capita occur more frequently. A GDP per capita recession is less severe than a conventional recession.

Australia is in a per capita recession. GDP per capita declined by 0.3 per cent in the December quarter. The decline reflected weak output growth coupled with strong population growth stemming from net migration. GDP per capita is 1 per cent lower over the year.

While GDP per capita recessions are less severe than a conventional recession, they do reflect a decline in living standards. The unemployment rate previously was at a low by historical standards and the labour market to date has displayed considerable resilience to the weak output growth.

A change from last month is that the current GDP per capita recession is dated as having started earlier, namely in the June, rather than the December, quarter of 2022. This means it has lasted considerably longer than average.

Table 2: Cycles in Real GDP per Capita

Peak	Trough	Recession	Expansion	Cycle	
		Peak to trough (quarters)	Trough to peak (quarters)	Peak to peak (quarters)	Trough to trough (quarters)
	Jun-1974				
Jun-1975	Dec-1975	2	4		6
Jun-1977	Dec-1977	2	6	8	8
Sep-1981	Jun-1983	7	15	17	22
Sep-1985	Sep-1986	4	9	16	13
Sep-1989	Dec-1991	9	12	16	21
Jun-2000	Dec-2000	2	34	43	36
Dec-2005	Jun-2006	2	20	22	22
Mar-2008	Dec-2008	3	7	9	10
Jun-2018	Dec-2018	2	38	41	40
Dec-2019	Jun-2020	2	4	6	6
Jun-2022		<i>ongoing</i>			
Average durations		3	15	20	20
Standard deviations		2	12	14	12

Note: The average durations and standard deviations are rounded to full quarter. Includes the ongoing phase. Sample is 1973:Q3 – 2023:Q4.

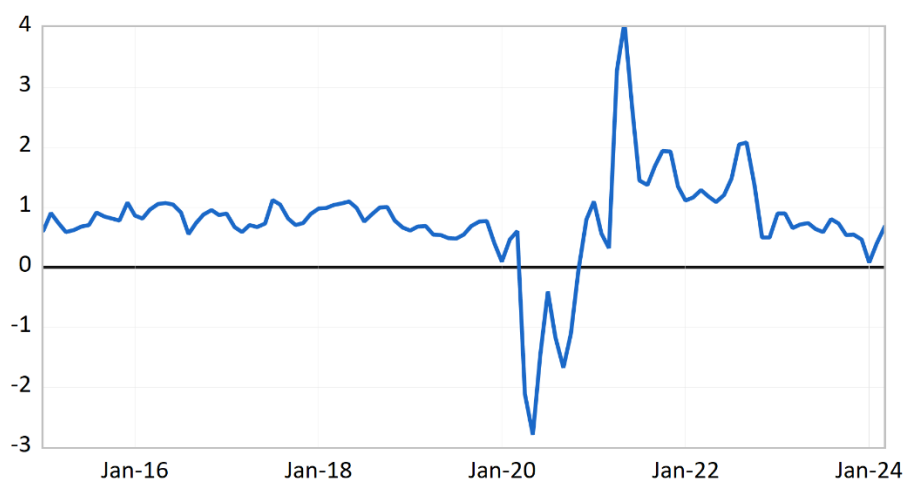
Monthly GDP estimates

GDP and GDP per capita are produced by the Australian Bureau of Statistics (ABS) with a one-quarter lag. More timely information of the state of the business cycle is derived from a Melbourne Institute estimate of monthly GDP. This is constructed so that, at the quarterly frequency, it coincides with the log of real quarterly GDP. Essentially it interpolates the historic quarterly values from the ABS together with our nowcast, using information from monthly series to guide the interpolation.

Our first [nowcast](#) for the March quarter is for the Australian economy to continue to grow weakly (0.2 per cent). It corresponds to year-ended growth slowing to be 1.2 per cent.

The monthly GDP estimates are shown in Figure 1. It is estimated that late last year and in January year-ended growth in the economy slowed, but subsequently rebounded. The observation for March based on only limited data and is likely to be revised as more become available.

Figure 1: Growth in Estimated Monthly GDP
(year-ended, per cent)



Source: Melbourne Institute.

Table 3 presents the monthly dates of recessions and expansions. These are unchanged from last month. It confirms that the Australian economy is currently in an expansionary phase.

Table 3: Monthly Business Cycle Dates

Peak	Trough	Recession	Expansion	Cycle	
		peak to trough (months)	trough to peak (months)	peak to peak (months)	trough to trough (months)
May-1975	Nov-1975	6			
Oct-1981	May-1983	19	71	77	90
Mar-1990	Jun-1991	15	82	101	97
Mar-2020	May-2020	2	345	360	347
			Ongoing		
Averages		11	111	179	178
Standard deviations		8	134	157	146

Note: The average durations are rounded to full months. Includes the ongoing phase. Sample is 1974:10- 2024:03.

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Melbourne Institute Phases of the Australian Business Cycle

The Melbourne Institute Dating the Australian Business Cycle dates turning points in GDP, GDP per capita and an estimate of monthly GDP. These turning points identify the phases of the business cycle, i.e. whether it is in a recession or an expansion.

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For information on the data contained in the report contact the Melbourne Institute, The University of Melbourne, on (03) 8344 2196.

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