

# Melbourne Institute Phases of the Australian Business Cycle

October 2022

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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.<sup>1</sup> 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.<sup>2</sup> Economic activity in Australia in the June quarter was expanding.

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. Compared to our last estimates, one recession starting in late 1987 has been removed due to very small data revisions; the long, severe recession of the early 1990s remains. GDP per capita in the June quarter was expanding.

**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>		
<b>Average durations</b>		<b>3</b>	<b>26</b>	<b>34</b>	<b>34</b>
<b>Standard deviations</b>		<b>2</b>	<b>34</b>	<b>37</b>	<b>37</b>

Note: The average durations and standard deviations are rounded to full quarter. Includes the ongoing phase. Sample is 1959:Q3 – 2022:Q2.

<sup>1</sup> 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.

<sup>2</sup> 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>.

**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-1975	Jun-1974	2	4		6
Jun-1977	Dec-1975	2	6	8	8
Sep-1981	Jun-1977	7	15	17	22
Sep-1985	Jun-1983	4	9	16	13
Sep-1989	Sep-1986	9	12	16	21
Jun-2000	Dec-1991	2	34	43	36
Dec-2005	Dec-2000	2	20	22	22
Mar-2008	Jun-2006	3	7	9	10
Dec-2019	Dec-2008	2	44	47	46
	Jun-2020		<i>ongoing</i>		
<b>Average durations</b>		<b>4</b>	<b>16</b>	<b>22</b>	<b>22</b>
<b>Standard deviations</b>		<b>2</b>	<b>13</b>	<b>15</b>	<b>13</b>

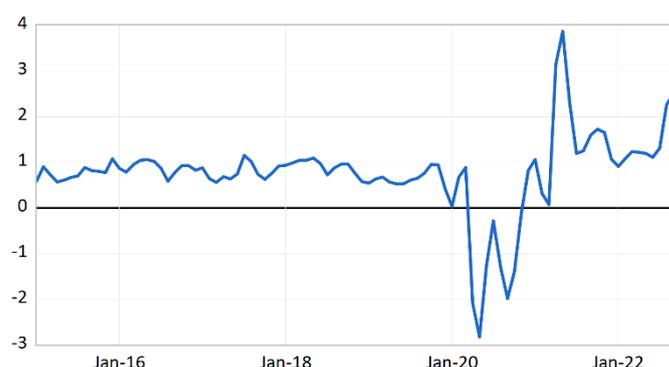
Note: The average durations and standard deviations are rounded to full quarter. Includes the ongoing phase. Sample is 1973:Q3 – 2022:Q2.

## Monthly 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 current [nowcast](#) is for output growth in the September quarter of 0.7 per cent, down from 0.9 per cent in the June quarter. Growth in the resulting monthly GDP series is shown in Figure 1. While in year-ended terms activity picked up as the September quarter progressed, the increase reflects the pandemic-related weakness in September last year. Alternatively, monthly output growth is estimated to have been easing since July. It should be noted that the estimates for the most recent months are based on relatively limited data and may be revised substantially as more information becomes 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. 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	Jan-1983	15	71	77	86
Nov-1990	Jun-1991	7	94	109	101
Mar-2020	May-2020	2	345	352	347
			<i>Ongoing</i>		
<b>Averages</b>		<b>8</b>	<b>110</b>	<b>179</b>	<b>178</b>
<b>Standard deviations</b>		<b>5</b>	<b>136</b>	<b>150</b>	<b>147</b>

Note: The average durations are rounded to full months. Includes the ongoing phase. Sample is 1974:10- 2022:10.

**Next release: 24 November 2022.**

## 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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