

# Melbourne Institute Phases of the Australian Business Cycle

July 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> Australia is currently found to be in an expansion.

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. GDP per capita is found to be in an expansionary phase.

**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>25</b>	<b>31</b>	<b>34</b>
<b>Standard deviations</b>		<b>2</b>	<b>34</b>	<b>36</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:Q1.

<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				
Jun-1977	Dec-1975	2	4		6
Sep-1981	Dec-1977	2	6	8	8
Sep-1985	Jun-1983	7	15	17	22
Dec-1987	Sep-1986	4	9	16	13
Sep-1989	Jun-1988	2	5	9	7
Jun-2000	Dec-1991	9	5	7	14
Dec-2005	Dec-2000	2	34	43	36
Mar-2008	Jun-2006	2	20	22	22
Dec-2019	Dec-2008	3	7	9	10
	Jun-2020	2	44	47	46
			<i>ongoing</i>		
<b>Average durations</b>		<b>3</b>	<b>14</b>	<b>19</b>	<b>17</b>
<b>Standard deviations</b>		<b>2</b>	<b>13</b>	<b>15</b>	<b>13</b>

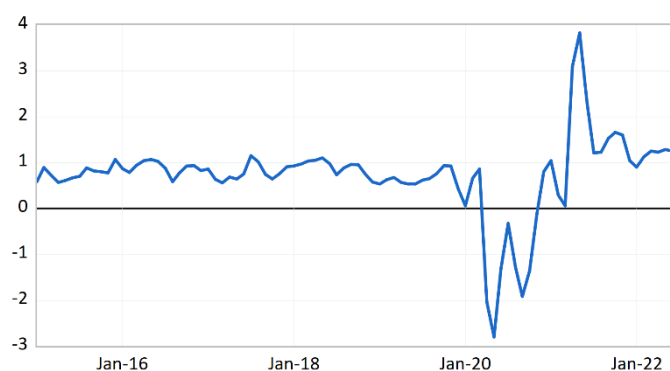
Note: The average durations and standard deviations are rounded to full quarter. Includes the ongoing phase. Sample is 1973:Q3 – 2022:Q1.

## 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 for the current quarter, using information from monthly series to guide the interpolation.

Our current [nowcast](#) is for output growth in the June quarter of 1.3 per cent. Growth in the resulting monthly GDP series is shown in Figure 1.

**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>109</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- 2022:07.

## 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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