

Melbourne Institute Phases of the Australian Business Cycle

September 2023

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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 June quarter of 2023 was expanding, but at a below-trend rate of growth. These cycle dates, while now including the June quarter data, are unchanged from last month.

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:Q.

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 enters 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.

GDP per capita declined by 0.3 per cent in the June quarter, following a similar-sized fall in the March quarter. Consequently GDP per capita is dated as having peaked in the December quarter of last year and entering a recession thereafter. Australia’s population has been growing very strongly since early 2022, reflecting net overseas migration recovering after the lockdowns.

While GDP per capita recessions are less severe than a conventional recession, they do reflect a decline in living standards. The Westpac-Melbourne Leading Index anticipates that below-trend output growth will continue into 2024, suggesting that the GDP per capita recession is likely to last for at least 4 quarters, which is their average duration.

These declines in living standards are occurring from a point where the unemployment rate is at a particularly low by historical standards. Such a period of weak growth is difficult to avoid if inflation is to be substantially reduced and brought back in line with the Reserve Bank’s target.

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	Dec-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
Dec-2022	Jun-2020	<i>Ongoing</i>			
Average durations		4	17	22	22
Standard deviations		2	14	15	13

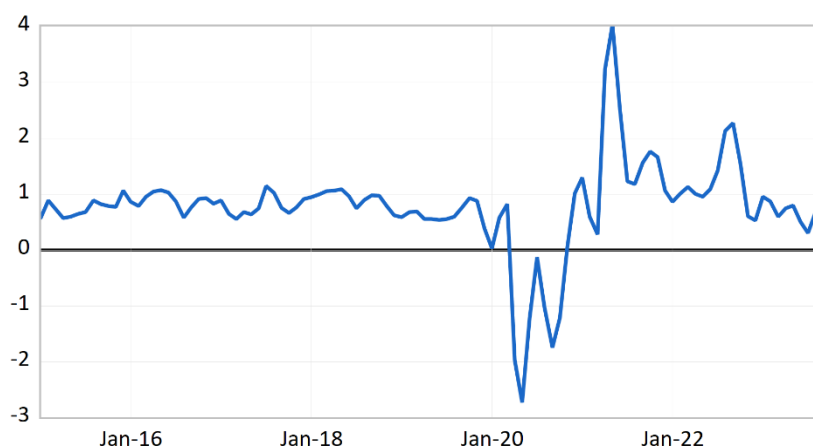
Note: The average durations and standard deviations are rounded to full quarter. Includes the ongoing phase. Sample is 1973:Q3 – 2023:Q2.

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 current [nowcast](#) is that output growth in the September quarter will be slightly less than in the June quarter, namely 0.3 per cent. Turning to the monthly GDP estimates, these are shown in Figure 1. They suggest that year-ended growth picked up in August and September. The estimate for September is based on limited timely data, namely the Westpac-Melbourne Institute Current Conditions Index, and is likely to be revised as more data 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 dates 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			
Jul-1981	Jan-1983	18	68	74	86
Nov-1990	Jun-1991	7	94	112	101
Mar-2020	May-2020	2	345	352	347
			<i>Ongoing</i>		
Averages		8	111	179	178
Standard deviations		7	135	151	147

Note: The average durations are rounded to full months. Includes the ongoing phase. Sample is 1974:10- 2023:09.

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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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