MELBOURNE INSTITUTE
Applied Economic & Social Research

# Melbourne Institute Phases of the Australian Business Cycle

April 2024

THE UNIVERSITY OF MELBOURNE
MELBOURNE INSTITUTE

# Melbourne Institute Phases of the Australian Business Cycle

Released 24 April 2024

***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 |
| | | | *Ongoing* | | |
| **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 | | *ongoing* | | | |
| **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*

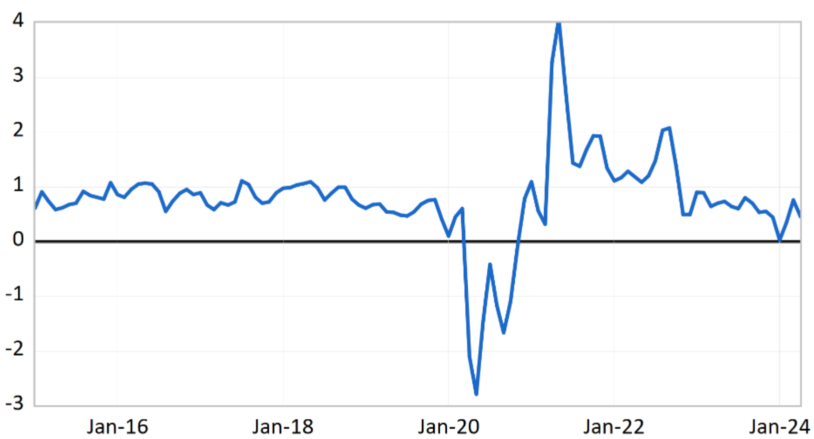
GDP and GDP per capita are produced by the Australian Bureau of Statistics (ABS) with a one-quarter lag. More timely information of the state of the business cycle is derived from a Melbourne Institute estimate of monthly GDP. This is constructed so that, at the quarterly frequency, it coincides with 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 second nowcast for the March quarter is for the Australian economy to continue to grow only weakly (0.2 per cent). This is unchanged from last month. It corresponds to year-ended growth slowing to be 1.2 per cent.

The monthly GDP estimates are shown in in Figure 1. It is estimated that late last year and in early 2024 year-ended growth slowed. Subsequently it has strengthened, although in April this was unwound to a limited extent. The April estimate, however, is only based on only limited data, namely the timely Westpac-Melbourne Institute Consumer Sentiment survey. It is likely to be revised as more data 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. 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- 2024:04.

**Next release: 30 May 2024.**

**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.



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



For more information about the Melbourne Institute, see:
http://melbourneinstitute.unimelb.edu.au/

For more information about Macro@MI and other reports see:
http://melbourneinstitute.unimelb.edu.au/research-programs/macroeconomics

THE UNIVERSITY OF
MELBOURNE

MELBOURNE
INSTITUTE