

# Melbourne Institute Phases of the Australian Business Cycle

March 2023

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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 December quarter of 2022 was expanding, but at a low rate of growth.

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. These dates are unchanged from last quarter.

GDP per capita in the December quarter declined marginally. With our low [nowcast](#) for output growth in the March quarter it is likely that Australia will soon enter a GDP per capita recession.

**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:Q4.

<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 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
Dec-2019	Jun-2020	2	44 <i>ongoing</i>	47	46
<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>

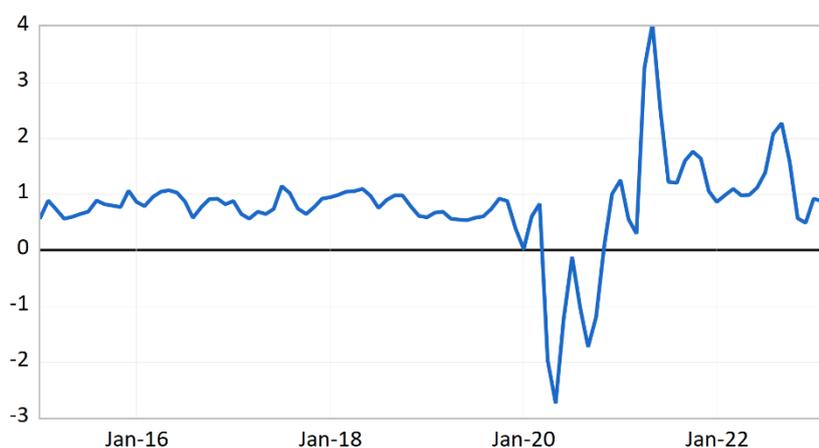
Note: The average durations and standard deviations are rounded to full quarter. Includes the ongoing phase. Sample is 1973:Q3 – 2022:Q4.

## 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 March quarter of 0.4 per cent, which represents a further slowing, due to a weak outlook for domestic demand, with the hikes in interest rates an important contributing factor. Growth in the estimated monthly GDP series is shown in Figure 1. It suggests that growth strengthened early in 2023, but subsequently has eased. It should be noted that the estimate for March is based on only limited timely data and will be revised when 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, albeit with a low rate of growth.

**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>		
<b>Averages</b>		<b>8</b>	<b>110</b>	<b>179</b>	<b>178</b>
<b>Standard deviations</b>		<b>7</b>	<b>135</b>	<b>151</b>	<b>147</b>

Note: The average durations are rounded to full months. Includes the ongoing phase. Sample is 1974:10- 2023:03.

**Next release: 27 April 2023.**

## 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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