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| Date: | 28/04/2025 |
| Title:  | PulseCheck Draft Words |
| Summary: | Background and explainer material for PulseCheck to be used for its launch. |

## Overview

York Park Group, together with the expertise of the data scientists at Klara, has created ***PulseCheck –* a quarterly update bringing together quality data from households, businesses, politics and the economy to provide a single point of** **measurement**.

York Park Group is a public strategy firm that specialises in reputation, advocacy and issues and crisis management. In managing reputation, it’s important for an organisation to focus on what it can control while understanding the environment it operates within. The PulseCheck is a new tool to assist with this contextual understanding.

Drawing on data and research from Australia’s big banks, publicly available polling and the Australian Bureau of Statistics (ABS), we have created a methodology that weights the impact of each on the national outlook and provides unique insights into Australia’s ‘pulse’.

Each quarter, PulseCheck will provide an update on how the different measures of the Australian economy and society come together in a single national picture, to inform individuals and organisations as they make critical decisions to build, manage and maintain reputation.

## PulseCheck Metrics

We set out to capture three major aspects of the Australian environment when designing PulseCheck: households, business and politics. In deciding which data sources, our requirements were that they:

* Be statistically reliable
* Capture a representative sample of Australia
* Be regularly updated to ensure monthly changes are captured
* Hold historical data and be consistent methodologically for a minimum of two years

Where there has been a change in our methodology or a new data set added, we will be transparent and highlight the inclusion of the new data.

Indicators based on quarterly data have not been used, since they are released up to two months following the end of the relevant quarter. By that time, the data for the first month of a particular quarter would be five months old when the latest edition of PulseCheck was released. Excluding quarterly data ensures PulseCheck provides an up-to-date report on how well or badly Australia is seen to be performing, incorporating both sentiment and objective measures based on financial, economic and political dimensions.

PulseCheck was launched in June 2025, but the majority of the data sets used date back to 2020, ensuring our methodology is accurate and robust. As new sources of data have become available which improve PulseCheck these are added, and this will continue in the future to increase its accuracy.

Households

**ABS discretionary household spending** released monthly, provides a real-time snapshot of Australian consumer confidence. Discretionary means expenses on non-essential goods and services such as holidays, cars, restaurants and entertainment. All of these are expenses that, when the going gets tough or there is uncertainty about the future, households cut back. The ABS calculates this using banks’ spending data, supermarket transactions data and new vehicle sales data.

**Westpac-Melbourne Institute Survey of Consumer Sentiment** was established in 1975 and asks respondents about their personal finances, expectations for economic conditions and potential spending intentions for major household items. The Reserve Bank has found the components of this survey have a close relationship with durable household consumption, gross domestic income, domestic final demand and GDP.

While the discretionary spending data shows how households have actually responded to their environment through their spending, the consumer sentiment survey data shows Australians’ predictions for the economy and their own spending. Therefore, the combined datasets provide an accurate snapshot of households’ behaviour.

Businesses

**The NAB Business Survey** is a monthly publication surveying Australian businesses of varying size. It produces a number of metrics but for the purposes of the PulseCheck we utilise **business** **conditions** and **business** **confidence**.

The former measures profitability, employment intentions and trading conditions. The latter measures businesses expectations of these factors and conditions in the future. The former Governor of the Reserve Bank, Glenn Stevens, [once said](https://business.nab.com.au/nab-business-reports-35-years-and-going-strong/) if he only had two pieces of information to guide monetary policy, the first one he would pick is the NAB business surveys monthly data. [Need to check his quote. Can someone provide it?] [Comment: in response to Craig’s comment, have hyperlinked ‘once said’ – YPG feel free to change to footnote depending on your style preferences]

### Politics

**The Essential national mood** asks if Australia is heading in the right or wrong direction. It was chosen due to its large sample size and regular publication, making it an accurate indicator of how Australians are feeling about the national government and the economy.

**The Freshwater outlook** **index** builds upon this, asking a range of questions to determine a respondent’s outlook, covering direction of Australia, direction of the economy, direction of household finances, how they would pay an unexpected bill and whether cost of living is an unprompted concern. This is combined to create an index that captures the political, economic and financial outlook of Australians.

### Omitted Indicators Reasoning

Although indicators such as inflation and unemployment are important economic measures, we decided against using them. This is primarily because the indicators we have chosen implicitly reflect inflation and unemployment, but from the perspective of how households and business are reacting to them. Further to this, the ABS and Reserve Bank are not yet confident in monthly inflation data, whilst the unemployment rate shows minimal monthly variation.

## PulseCheck Methodology

PulseCheck is formulated as a weighted sum of normalised scores assigned to each indicator. Data scientists at Klara have created linear spline functions – line segments joined at specified points – to normalise the indicators. For each indicator, a total of 11 scores between -50 and 50 have been assigned to a representative sample of indicator’s values. The result is an adaptable but consistent and objective methodology that normalises the various indicators into a unified scale.

Once normalised, each indicator is given a weighting that determines the relative influence of the indicators on the overall PulseCheck. The weightings were selected to achieve a balance between more objective measures that reflect actual spending or economic conditions (e.g. ABS data and NAB business conditions) and more subjective measures that reflect consumer sentiment, business confidence, and political satisfaction. The chosen weightings for each source are set out below.

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| Indicator | Weighting |
| ABS Household Spending Indicator | 20% |
| Westpac and Melbourne Institute Consumer Sentiment Index | 20% |
| NAB Business Survey – Confidence | 20% |
| NAB Business Survey – Conditions | 20% |
| Essential Media – National Mood | 10% |
| Freshwater Outlook Index | 10% |

### Looking ahead

Together, the York Park Group and Klara have built PulseCheck to capture changes in Australia’s economic and political climate. PulseCheck offers a data-driven lens through which organisations can proactively understand their place and manage their reputation in a dynamic and often unpredictable environment. As the data environment matures and new sources emerge, PulseCheck will continue to refine its approach – remaining a reliable, transparent, and relevant guide for decision-making in an increasingly complex world.

## Appendix

Klara chose linear splines to normalise the indicators because they allow a high level of precision and customisability. They are the backbone of PulseCheck that allows it to be interpreted to reflect the state of Australia as a fluctuating pulse.

Linear splines work by assigning scores to key values of the indicator and linearly interpolating between scores when a value lies in between any key values.

The methodology for selecting reference points for each indicator of the PulseCheck involves mapping all indicators onto a fixed output scale ranging from -50 to +50, centred on 0. The closer the value is to +50 the better is the underlying indicator, 0 reflects a neutral value, and the closer to -50 the worse is the underlying indicator.

The mapping of input values to the fixed output scale is adjusted for each indicator based on its typical behaviour. Indicators with low variability – such as discretionary household spending – are mapped to produce more pronounced changes in normalised score, while more volatile indicators are normalised in a way that avoids distorting the overall picture. This non-linear mapping is intended to maintain the visibility of subtle trends while still capturing larger shifts.

Each indicator’s historical minimum and maximum values, including extremes such as those seen during the COVID-19 period, are used to define the outer bounds of this scale. This allows the index to reflect both typical variation and rare, large-scale shocks. While the pandemic period is included for context, the focus of the mapping is on post-2023 data, which is treated as the more stable, “normal” range.

An exact formula of this process is described below:

$$score=spline\left(value\right)= score\_{lower}+\left(score\_{higher}-score\_{lower}\right)×\frac{value-value\_{lower}}{value\_{higher}-value\_{lower}}$$

The overall formula. Including normalisation and weighting can be expressed as:

$PulseCheck=(ABS HSI(Spline)×0.2 weighting)+(Westpac Melbourne Institute CSI(Spline)×0.2 weighting)+(NAB Business Confidence(Spline)×0.2 weighting)+(NAB Business Conditions(Spline)×0.2 weighting)+(Essential Media National Mood(Spline)×0.1 weighting)+(Freshwater Outlook Index(Spline)×0.1 weighting)$