

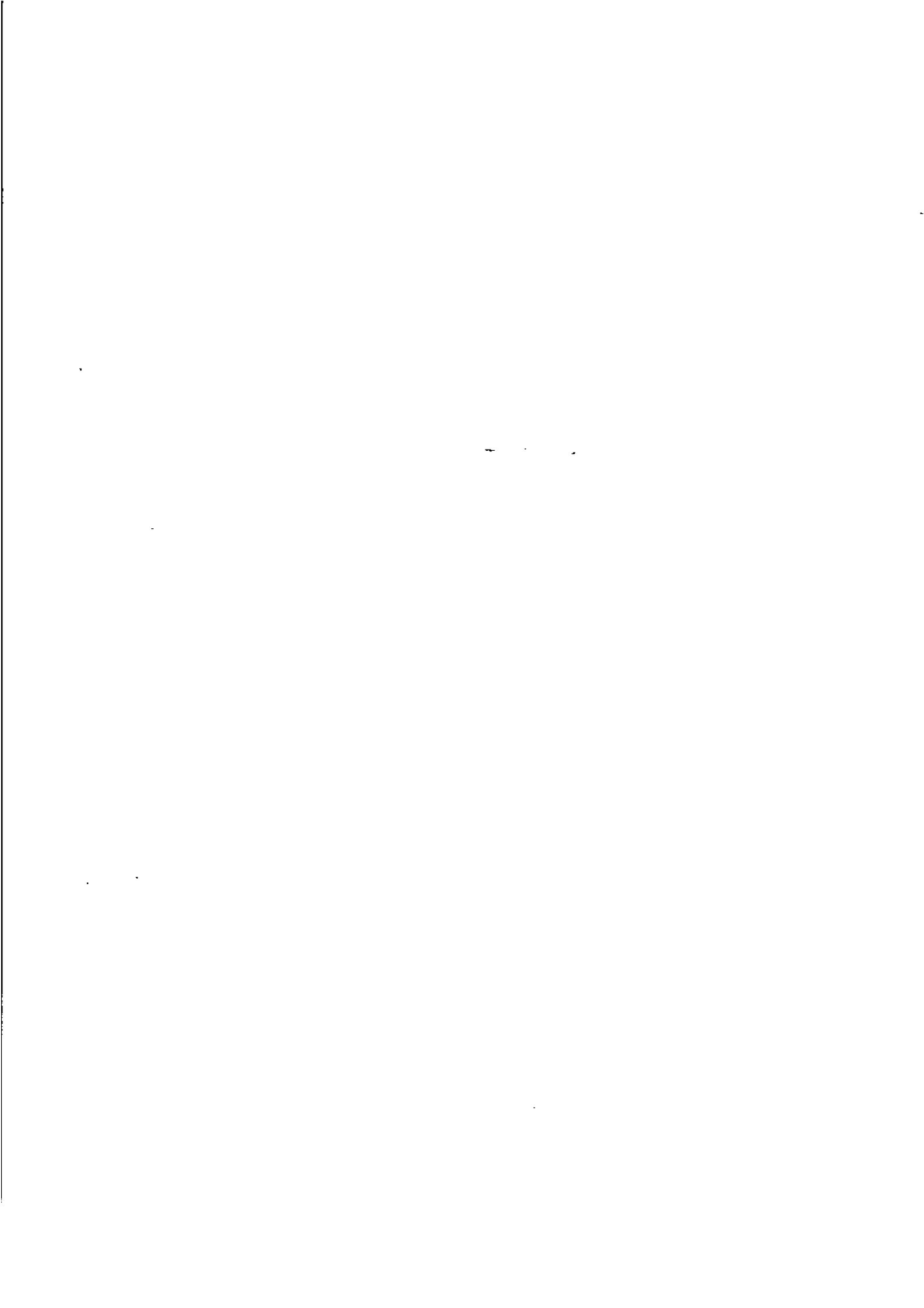


AUSTRALIAN BUSINESS EXPECTATIONS



March Quarter 1996 / December Quarter 1996

ABS Catalogue No. 5250.0



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AUSTRALIAN BUSINESS EXPECTATIONS
March Quarter 1996 and December Quarter 1996

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Australian Statistician

AUSTRALIAN BUREAU OF STATISTICS

ABS CATALOGUE NO. 5250.0

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	<ul style="list-style-type: none"> ▪ <i>for further information about statistics in this publication and the availability of related unpublished statistics</i>, contact Glen Malam on Canberra (06) 252 6537 or any ABS State office. ▪ <i>for information about other ABS statistics and services</i>, please refer to the back cover of this publication.

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ABOUT THIS SURVEY

This publication presents the results of the quarterly Australian Business Expectations survey which has been developed in response to a need for better information about future trading conditions in Australia. The latest survey was conducted during November 1995.

The Business Expectations Survey (BES) is the largest and most comprehensive survey of its type conducted in Australia and is the only survey which provides both a *qualitative* indicator of business confidence (a weighted net balance) and a *quantitative* measure of expected change (a weighted aggregate) for a range of business performance indicators.

The survey is conducted by mail each quarter. The results from this survey relate to business expectations in respect of the March quarter 1996 and the December quarter 1996 compared with the December quarter 1995. The survey has the following features:

- 3,000 representative Australian businesses sampled;
- employing businesses of all sizes are fully represented;
- all industries except Agriculture* and General Government are represented;
- all States and Territories are represented;
- responses are weighted with respect to the size of the reporting business.

This means that the results can be used *indicatively* in terms of expected future levels of economic activity and for providing early warnings about turning points in the economy.

The statistical measure used in the Business Expectations Survey is the *expected (percentage) aggregate change* in comparison with the *actual* level of a previous equivalent period.

Benchmark (or base level) information is obtained from the ABS's annual Economic Activity Survey (EAS). It is used to weight individual business responses and to provide the means whereby percentage responses from different businesses can be aggregated. Results from the EAS are published in *Business Operations and Industry Performance 1993-94* (8140.0).

For an outline and details of methodology used in the survey, refer to the September 1994 issue of the ABS publication *Australian Economic Indicators* (1350.0).

* see the explanatory note on page 19 regarding the agriculture sector.

INTRODUCTION TO RESULTS

Surveys of business expectations have been a feature of the economic forecasting intelligence available to decision makers in Australia for many years. The main output from these surveys has been a qualitative indicator which provides the net proportion of business predicting a rise or fall in future business conditions.

The ABS recognises that the simple *net balance* indicator is a useful indicator of business sentiment about future business conditions. However, it considers that such indicators suffer from the limitation of being based on responses which are *unweighted* with respect to the size of the business. This means that each reporting business is given an equal weight in the overall result.

As an alternative to the simple net balance approach, the ABS produces both a *weighted net balance* indicator and a *weighted measure of expected (percentage) aggregated change*. The weighted net balance is calculated by assigning a weight to each selected business according to its relative economic contribution based on level of sales, expenditure, employment, etc. The expected aggregate change measure is calculated by deriving the weighted averages of the responses provided by businesses.

The impact on the net balance indicator and aggregate change as a result of this weighting is presented in the following table.

**COMPARISON OF THREE MEASURES OF BUSINESS EXPECTATIONS,
MARCH QUARTER 1996**
(per cent)

	Simple Net Balance	Weighted Net Balance	Weighted aggregate
Sales	6.4	- 1.0	- 0.2
Wage Costs	27.9	41.7	0.9
Employment (Full time equivalent)	- 2.6	0.2	0.0

That is, for the March quarter 1996 a simple net balance of 2.6 per cent of businesses expect a fall in employment. However, the small rise in the weighted net balance of 0.2 per cent indicates that the businesses expecting a rise in employment tend, on average, to be larger than those expecting an fall. Tables 2 and 4 present data for the weighted net balance for the March quarter 1996 and the December quarter 1996.

The 0.0 per cent expected aggregate change in employment indicates that while on average, those businesses expecting a rise are larger than those expecting a fall, the magnitude of the falls is larger than the rises, completely offsetting them. Tables 1 and 3 present data for the expected aggregate change for five quarters of the survey and Tables 5 and 6 present data for the expected aggregate change by size of business.

The net balance is, therefore, more in the nature of an *indicator of business confidence* while the expected aggregate change measure is a *measure of likely change in economic activity* resulting from that state of confidence. The latter takes account of the sometimes significant proportion of businesses which expect no change whereas the former does not.

Seasonal influences and price variations

The data presented in this publication cannot currently be adjusted for the impact of seasonal influences or for price variations which may occur between the current period and the expectations periods.

Caution should therefore be exercised in comparing the results across quarters as seasonal influences may outweigh the underlying changes in economic conditions.

It will be at least three years until this survey will have sufficient data to allow a reliable seasonally adjusted series to be estimated. However, with survey results now available for ten quarters the opportunity is available to analyse, largely free of seasonal influences, the results from the latest survey with those for the comparable reference period of the previous year.

Users wanting to discern a trend in expectations are encouraged to study consecutive observations for the medium term outlook, where comparisons are made between the current quarter and the same calendar quarter of the next year.

Size of business

The size of a business has been determined by the employment of each business, and whether that business is classified in the Manufacturing industry or another industry. For details see page 19.

PROPORTION OF BUSINESSES SELECTED BY SIZE WITHIN AUSTRALIA - MARCH QUARTER 1996

	<i>Small</i>	<i>Medium</i>	<i>Large</i>	<i>All businesses</i>
	%	%	%	%
Manufacturing	47.6	28.8	23.5	100
Other industries	38.6	20.7	39.1	100
All industries	41.0	22.8	35.1	100

Benchmarks

The actual data used by BES to benchmark data items is historical and becomes increasingly out of date as the number of the surveys increase. In May each year a new sample is selected and new benchmarks introduced for the survey conducted in August each year.

KEY RESULTS

SHORT TERM OUTLOOK

Expected change for the March quarter 1996 compared with the December quarter 1995

1 Australian Business Expectations - Short Term Outlook (Not seasonally adjusted)

Business performance indicators	Expected aggregate change over the previous quarter				
	Mar qtr 1995 and Dec qtr 1994	June qtr 1995 and Mar qtr 1995	Sept qtr 1995 and June qtr 1995	Dec qtr 1995 and Sept qtr 1995	Mar qtr 1996 and Dec qtr 1995
	%	%	%	%	%
Trading performance					
Sales	-0.5	1.4	1.3	2.1	-0.2
Selling prices	0.6	0.4	0.7	0.9	0.2
Profit	-7.7	3.6	1.5	2.9	-9.6
Investment					
Capital expenditure	1.5	5.5	5.3	5.9	4.9
Stocks	0.6	-0.3	-0.1	0.1	-0.7
Employment (Full time equivalent)					
	-0.3	0.1	-0.2	0.1	0.0
Operating Expenses					
Wages	0.7	0.6	1.1	1.4	0.9
Non-wage labour	0.1	0.5	0.6	0.9	0.4
Other	-0.3	1.1	1.1	2.1	1.0
Total	-0.1	1.0	1.1	1.9	0.9
International Trade					
Imports	0.7	1.5	2.6	3.7	0.0
Exports	0.6	0.8	-1.3	2.6	1.7*

* This data item has a high standard error. Please refer to page 21.

2 Australian Business Expectations - Short Term Outlook, Weighted Net Balance - March Quarter 1996 (Not seasonally adjusted)

Business performance indicators	Proportion of businesses expecting -			
	No Change	Increases	Decreases	Net balance
	%	%	%	%
Trading performance				
Sales	25.4	36.8	37.8	-1.0
Selling prices	47.6	44.2	8.2	36.0
Profit	22.0	42.4	35.6	6.9
Investment				
Capital expenditure	34.1	56.5	9.4	47.2
Stocks	28.7	29.4	41.9	-12.4
Employment (Full time equivalent)				
	51.5	24.4	24.2	0.2
Operating Expenses				
Wages	36.4	52.6	11.0	41.7
Non-wage labour	46.3	43.0	10.7	32.4
Other	27.2	62.9	9.9	53.0
International Trade				
Imports	46.7	31.5	21.8	9.6
Exports	30.4	61.7	7.9	53.8

SHORT TERM OUTLOOK

(continued)

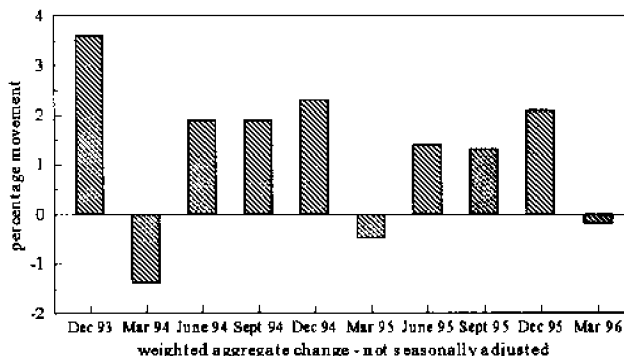
Expected change for the March quarter 1996 compared with the December quarter 1995

Sales of goods and services

- 0.2%

Sales are expected to fall during the March quarter 1996 by 0.2%, with falls expected for the Manufacturing; Electricity, gas and water; Construction; Wholesale; Retail; and Transport, storage and communication industries.

Chart 1. SALES OF GOODS AND SERVICES
Short term outlook compared with the previous quarter



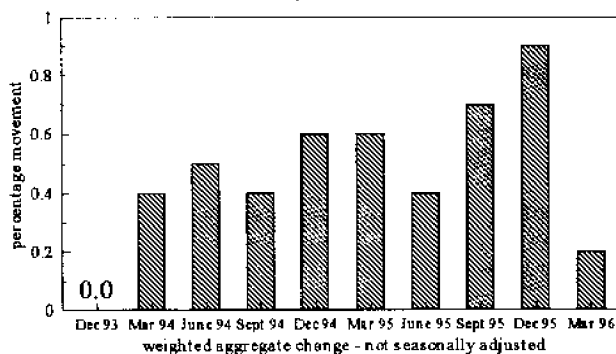
Selling prices

+0.2%

Selling prices are expected to increase by 0.2% in the March quarter 1996. This is the lowest expected rise since the December quarter 1993.

Chart 2. SELLING PRICES

Short term outlook compared with the previous quarter



Profit

- 9.6%

A fall in profit of 9.6% is expected in the March quarter 1996. This is a larger fall than the equivalent expectation for the same quarter last year (- 7.7%).

Chart 3. PROFIT

Short term outlook compared with the previous quarter

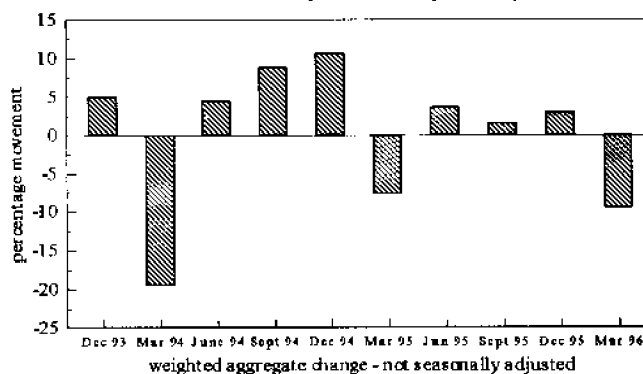
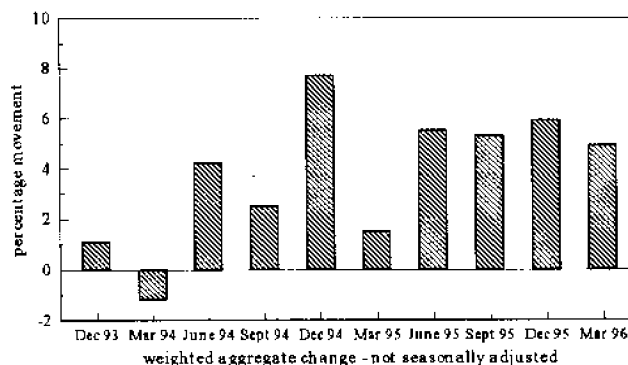


Chart 4. CAPITAL EXPENDITURE

Short term outlook compared with the previous quarter



Capital expenditure

+4.9%

Capital expenditure is expected to increase in the March quarter 1996 by 4.9%. This is comparable with expectations in the three previous quarters.

KEY RESULTS

SHORT TERM OUTLOOK

(continued)

Stocks

- 0.7%

Businesses expect their level of stocks to fall in the March quarter 1996.

Employment

+0.0%

No change is expected in *full time equivalent employment*. This is the first time this has occurred since the survey started.

Total Operating Expenses

+0.9%

Total operating expenses are expected to rise in the March quarter 1996. Contributing to this rise are wages +0.9%, Other labour costs +0.4% and Other non labour costs +1.0%.

International trade

Imports 0.0%

Exports +1.7%

Businesses expect no change in *Imports* in the March quarter 1996.

The expected increase in *Exports* for the March quarter 1996 is larger than the increase expected in March quarter 1995 (+0.6%).

Expected change for the March quarter 1996 compared with the December quarter 1995

Chart 5. STOCKS

Short term outlook compared with the previous quarter

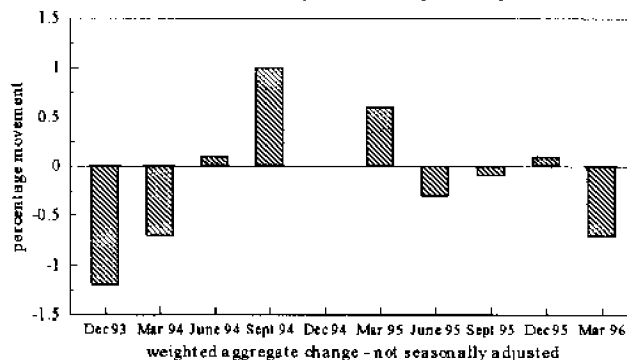


Chart 6. EMPLOYMENT

Short term outlook compared with the previous quarter

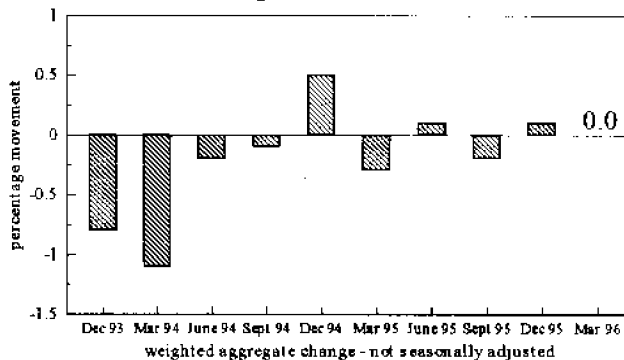


Chart 7. TOTAL OPERATING EXPENSES

Short term outlook compared with the previous quarter

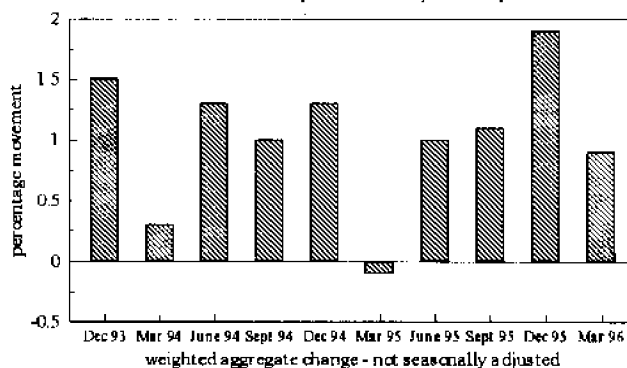
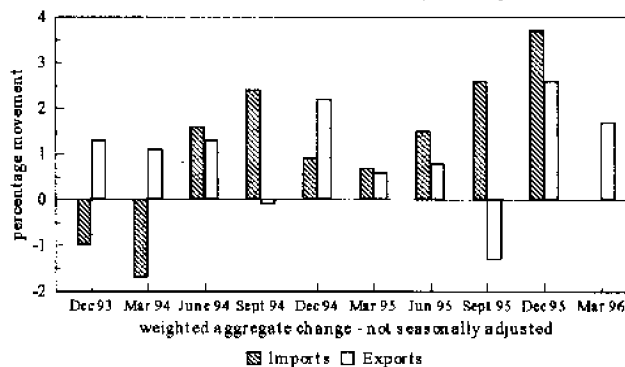


Chart 8. INTERNATIONAL TRADE

Short term outlook compared with the previous quarter



MEDIUM TERM OUTLOOK

Expected change for the December quarter 1996 compared with the December quarter 1995

**3 Australian Business Expectations - Medium Term Outlook
(Not seasonally adjusted)**

Business performance indicators	Expected aggregate change over the same quarter of the previous year				
	Dec qtr 1995 and Dec qtr 1994 %	Mar qtr 1996 and Mar qtr 1995 %	June qtr 1996 and June qtr 1995 %	Sept qtr 1996 and Sept qtr 1995 %	Dec qtr 1996 and Dec qtr 1995 %
Trading performance					
Sales	3.3	3.0	2.3	3.4	4.4
Selling prices	1.8	1.7	1.5	1.5	1.3
Profit	15.1	4.6	2.8	11.0	20.0
Investment					
Capital expenditure	1.0	3.7	7.1	2.3	6.1
Stocks	0.8	0.5	-0.3	0.4	0.5
Employment (Full time equivalent)					
	0.6	0.8	-0.1	0.1	1.0
Operating Expenses					
Wages	2.4	2.2	2.3	2.4	2.8
Non-wage labour	1.6	1.4	1.4	1.5	2.4
Other	2.0	2.7	2.1	2.2	2.5
Total	2.1	2.6	2.1	2.2	2.5
International Trade					
Imports	2.9	3.0	2.6	4.2	4.3
Exports	1.7	3.2	1.0	6.2	5.0

**4 Australian Business Expectations - Medium Term Outlook, Weighted Net Balance - December Quarter 1996
(Not seasonally adjusted)**

Business performance indicators	Proportion of businesses expecting -			
	No Change %	Increases %	Decreases %	Net balance %
Trading performance				
Sales	22.1	70.7	7.2	63.5
Selling prices	36.2	57.7	6.1	51.6
Profit	14.0	63.9	22.0	41.9
Investment				
Capital expenditure	37.2	56.1	6.7	49.4
Stocks	28.9	39.0	32.1	6.9
Employment (Full time equivalent)				
	46.2	39.9	13.9	26.0
Operating Expenses				
Wages	26.6	68.2	5.2	62.9
Non-wage labour	37.9	57.5	4.6	52.9
Other	20.2	75.4	4.5	70.9
International Trade				
Imports	45.9	46.5	7.6	38.9
Exports	27.4	70.6	2.0	68.6

KEY RESULTS

MEDIUM TERM OUTLOOK

(continued)

Sales of goods and services

+4.4%

Sales in the December quarter 1996 are expected to be 4.4% higher than in the December quarter 1995.

Selling prices

+1.3%

Businesses expect *selling prices* to increase 1.3% by the December quarter 1996. This figure is comparable with the previous two quarters.

Profit

+20.0%

An increase in *profit* of 20.0% is expected for the December quarter 1996. This expectation is higher than the corresponding estimate for the December quarter 1995.

Capital expenditure

+6.1%

Capital expenditure in the December quarter 1996 is expected to be 6.1% higher than the expenditure in the December quarter 1995.

Expected change for the December quarter 1996 compared with the December quarter 1995

Chart 9. SALES OF GOODS AND SERVICES
Medium term outlook compared with the previous equivalent quarter

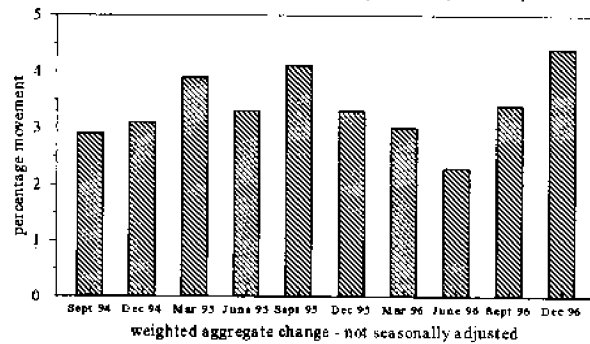


Chart 10. SELLING PRICES
Medium term outlook compared with the previous equivalent quarter

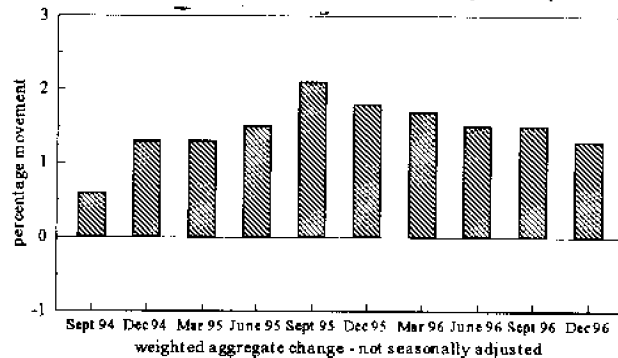


Chart 11. PROFIT
Medium term outlook compared with the previous equivalent quarter

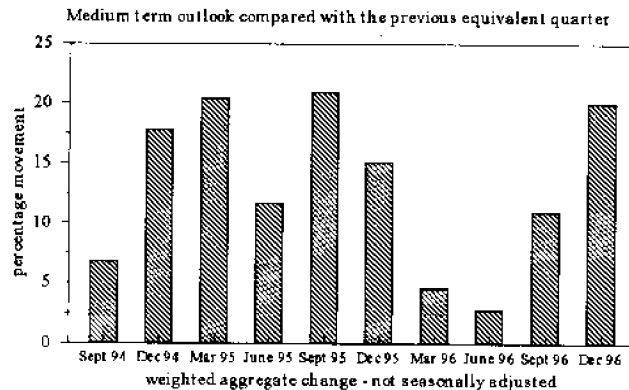
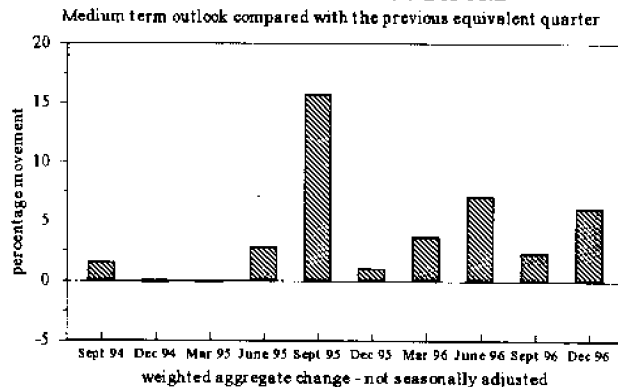


Chart 12. CAPITAL EXPENDITURE
Medium term outlook compared with the previous equivalent quarter



MEDIUM TERM OUTLOOK

(continued)

Expected change for the December quarter 1996 compared with the December quarter 1995

Stocks

+0.5%

Stock levels are expected to increase marginally compared with the December quarter 1995.

Employment

+1.0%

The *Full time equivalent employment* is expected to be 1.0% higher in the December quarter 1996 than in the December quarter 1995.

Total operating expenses

+2.5%

Expectations for *Total operating expenses* show an increase of 2.5% in the December quarter 1996. Contributing to this rise are *Wages* +2.8%, *Other labour costs* +2.4% and *Other non-labour expenses* +2.5%.

International trade

Imports +4.3%

Exports +5.0%

The expected percentage increases in *Imports* (4.3%) is the highest medium term change recorded since the survey commenced. *Business* expect *Exports* to rise by 5.0% in the medium term.

Chart 13. STOCKS

Medium term outlook compared with the previous equivalent quarter

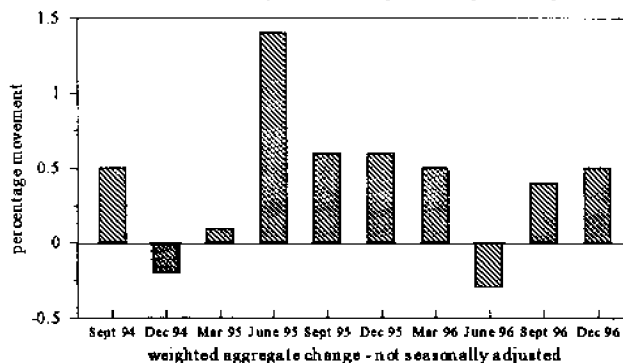


Chart 14. EMPLOYMENT

Medium term outlook compared with the previous equivalent quarter

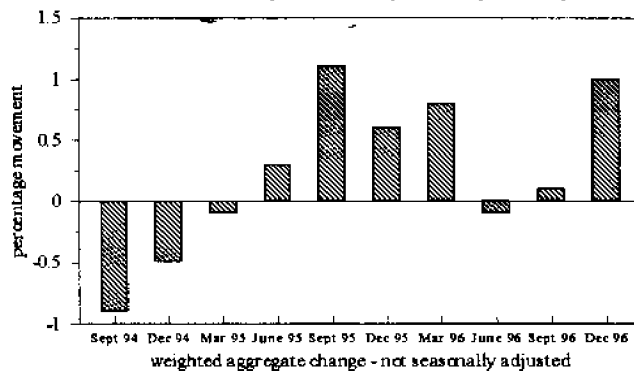


Chart 15. TOTAL OPERATING EXPENSES

Medium term outlook compared with the previous equivalent quarter

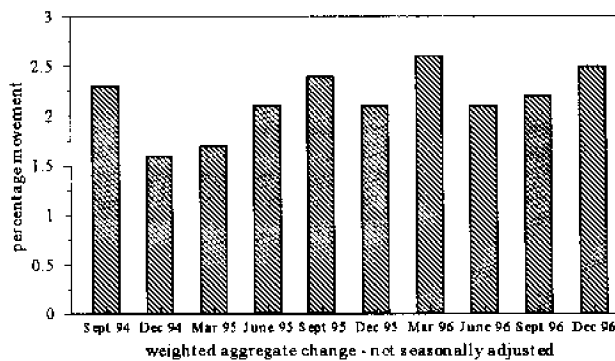
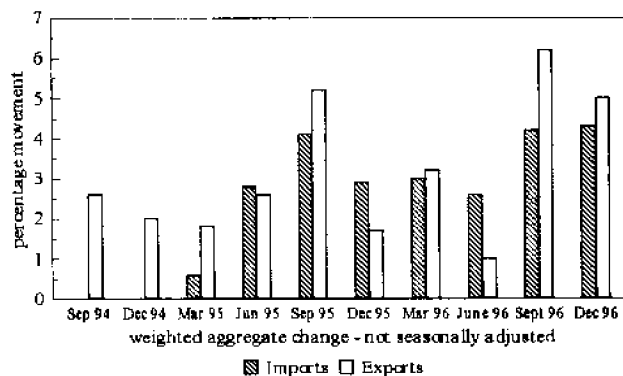


Chart 16. INTERNATIONAL TRADE

Medium term outlook compared with the previous equivalent quarter



DETAILED RESULTS - SIZE OF BUSINESS

SHORT TERM OUTLOOK

Expected change for the March quarter 1996 compared with the December quarter 1995

Trading Performance

Sales

Large businesses expect a fall in sales of 1.1% while medium sized businesses expect no change and small businesses expect a rise of 0.2%.

Selling prices

Both large and medium sized businesses expect increases in *Selling prices*, while small businesses expect no change.

Profit

Businesses of all sizes expect falls in *Profits* in the March quarter 1996, with medium sized businesses expecting the largest percentage fall (-15.0%)

Investment

Capital investment

An increase in *Capital expenditure* is expected by businesses of all sizes. Small businesses are expecting the largest increase (6.6%) in the March quarter 1996, with large and medium employment businesses expecting growth in expenditure of 0.1% and 5.3% respectively.

Stocks

Businesses of all sizes expect a fall in *Stocks* in the March quarter 1996.

Employment

(Full time equivalent)

Large businesses expect a fall in *full time equivalent employment* of 0.7% while small and medium size businesses expect small rises of 0.4% and 0.2% respectively.

Operating Expenses

Total operating expenses are expected to increase for small and medium sized businesses in the March quarter 1996, while large businesses expect a fall.

International Trade

Medium businesses expect *Imports* to fall by 0.6%, while both small and large businesses expect rises. For *Exports*, small businesses expect a fall of 0.8%, while medium and large businesses expect rises.

5 Australian Business Expectations - March Quarter 1996 Compared with December Quarter 1995, Expected Aggregate Change, by Size of Business (Not seasonally adjusted)

<i>Business performance indicators</i>	<i>Small %</i>	<i>Medium %</i>	<i>Large %</i>	<i>All businesses %</i>
Trading performance				
Sales	0.2	0.0	-1.1	-0.2
Selling prices	0.0	0.5	0.3	0.2
Profit	-11.5	-15.0	-5.8	-9.6
Investment				
Capital expenditure	6.6	5.3	0.1	4.9
Stocks	-0.6	-0.9	-0.7	-0.7
Employment				
(Full time equivalent)	0.4	0.2	-0.7	0.0
Operating Expenses				
Wages	1.0	0.8	0.7	0.9
Non-wage labour	0.5	0.6	0.1	0.4
Other	1.5	1.2	-0.4	1.0
Total	1.5	1.1	-0.2	0.9
International Trade				
Imports	0.2	-0.6	0.1	0.0
Exports	-0.8	1.9	2.3	1.7

MEDIUM TERM OUTLOOK

Expected change for the December quarter 1996 compared with the December quarter 1995

Trading Performance

Sales

Sales of goods and services are expected to increase for businesses of all sizes (4.4%) with small businesses expecting the greatest increase (4.7%).

Selling prices

Medium size businesses expect a large increase in *Selling prices* (1.6%).

Profit

Medium size businesses are expecting a rise in *Profit* of 38.0 per cent between the December quarters of 1995 and 1996, while small and large businesses expect rises of 23.3% and 11.5% respectively.

Investment

Capital investment

Businesses of all sizes are expecting to increase *Capital expenditure* with large businesses expecting the greatest increase (14.7%).

Stocks

Small and medium businesses expect *Stocks* will rise (1.3% and 0.5% respectively), while large businesses are expecting a fall of 0.4 per cent.

Employment

(Full time equivalent)

Businesses of all sizes are expecting increases in *full time equivalent employment*, with the greatest expected increases being in small businesses.

Operating Expenses

Increases in *Total operating expenses* are expected by businesses of all sizes.

International Trade

An increase in both *Imports* and *Exports* is expected by all business sizes between the December quarter 1996 and the December quarter 1995. Medium size businesses are expecting export growth of 6.7%.

6

Australian Business Expectations - December Quarter 1996 Compared with December Quarter 1995, Expected Aggregate Change, by Size of Business

(Not seasonally adjusted)

<i>Business performance indicators</i>	<i>Small %</i>	<i>Medium %</i>	<i>Large %</i>	<i>All businesses %</i>
Trading performance				
Sales	4.7	4.2	3.8	4.4
Selling prices	1.3	1.6	1.2	1.3
Profit	23.3	38.0	11.5	20.0
Investment				
Capital expenditure	3.3	5.7	14.7	6.1
Stocks	1.3	0.5	-0.4	0.5
Employment				
<i>(Full time equivalent)</i>	1.7	0.6	0.1	1.0
Operating Expenses				
Wages	3.2	2.7	2.3	2.8
Non-wage labour	2.8	2.1	1.7	2.4
Other	2.8	1.4	2.3	2.5
Total	2.8	1.6	2.3	2.5
International Trade				
Imports	4.3	8.6	2.4	4.3
Exports	1.6	6.7	5.5	5.0

DETAILED RESULTS - INDUSTRY

SHORT TERM OUTLOOK

Expected change for the March quarter 1996 compared with the December quarter 1995

Sales of goods and services - 0.2%

The only industries to expect a rise in sales for the March quarter 1996 are Mining; Accommodation, Cafes and Restaurants; Finance and Insurance; and Property and Business Services.

Profit - 9.6%

Profit expectations vary between the different industries with the Transport, Storage and Communication (-29.0%) and Construction industries (-22.4%) expecting the largest falls.

Capital expenditure +4.9%

Expectations for Capital expenditure in the March quarter vary. The Property and business services industry expects a rise of 8.1% while the Construction industry expects a fall of 4.6%.

Chart 17. SALES OF GOODS AND SERVICES
Main industry comparison
Short term outlook - March quarter 1996

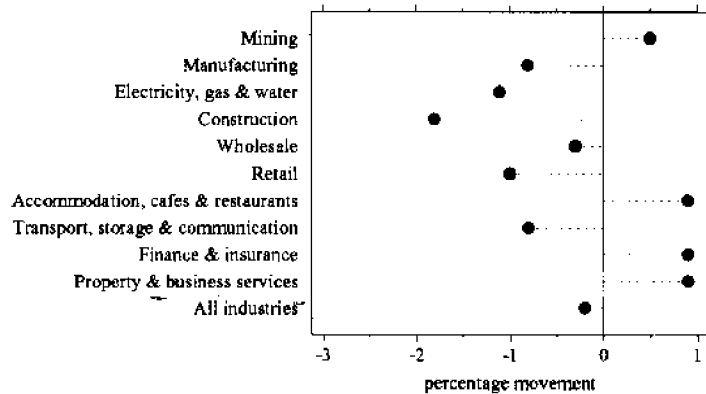


Chart 18. PROFIT
Main industry comparison
Short term outlook - March quarter 1996

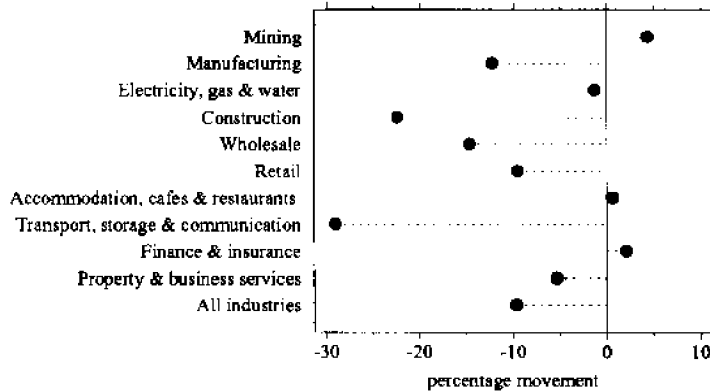
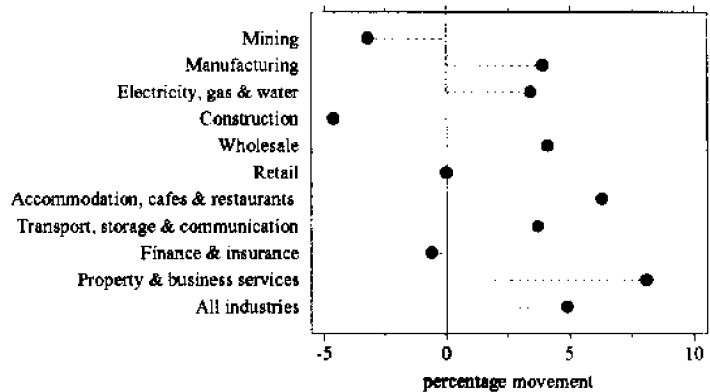


Chart 19. CAPITAL EXPENDITURE
Main industry comparison
Short term outlook - March quarter 1996



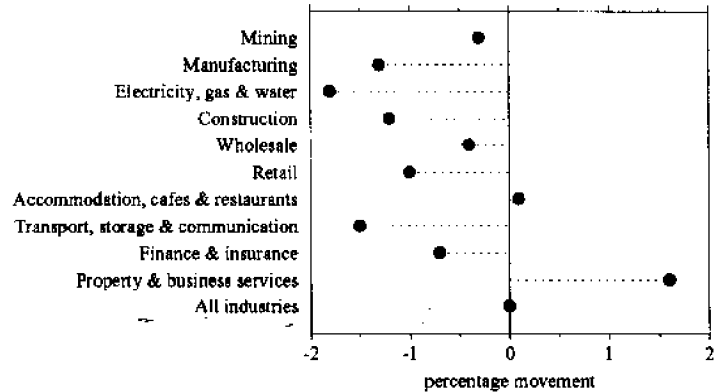
SHORT TERM OUTLOOK
(continued)

Expected change for the March quarter 1996 compared with the December quarter 1995

Employment
(full time equivalent)
0.0%

The majority of industries are expecting a fall in *full time equivalent employment*. Accommodation, cafes and restaurants (+0.1%); and the Property and business services industries (+1.6%) are the only industries to expect increases.

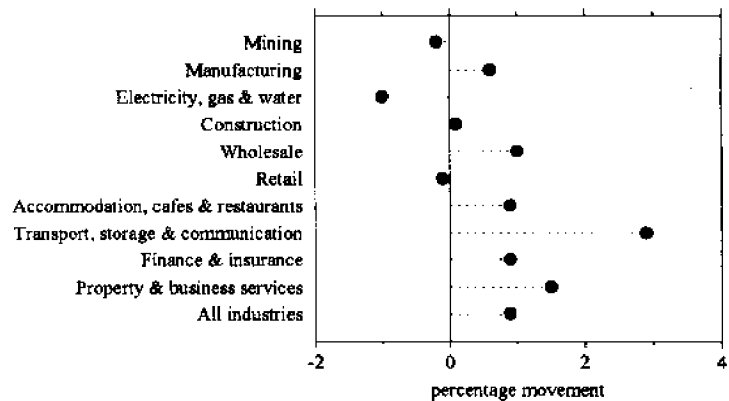
Chart 20. EMPLOYMENT
Main industry comparison
Short term outlook - March quarter 1996



Total operating expenses
+0.9%

Increases in *Operating expenses* are expected by all industries except Mining (down 0.2%); Electricity, gas and water (down 1.0%); and Retail (down 0.1%). The Transport, storage and communication industry is expecting the greatest increase (up 2.9%).

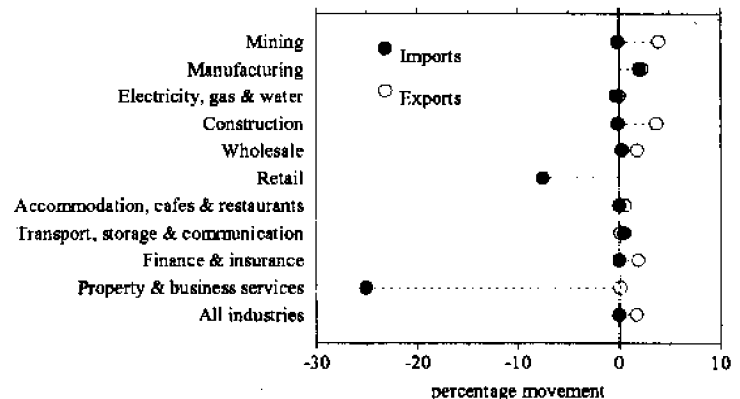
Chart 21. TOTAL OPERATING EXPENSES
Main industry comparison
Short term outlook - March quarter 1996



International trade
Imports +0.0%
Exports +1.7%

Most industries expect export growth to exceed import growth in the March quarter 1996, with the exception of the Transport, storage and communication industry (imports up 0.5% and exports up 0.1%). *Exports* for the Retail industry are not available for publication.

Chart 22. INTERNATIONAL TRADE
Main industry comparison
Short term outlook - March quarter 1996



DETAILED RESULTS - INDUSTRY

MEDIUM TERM OUTLOOK

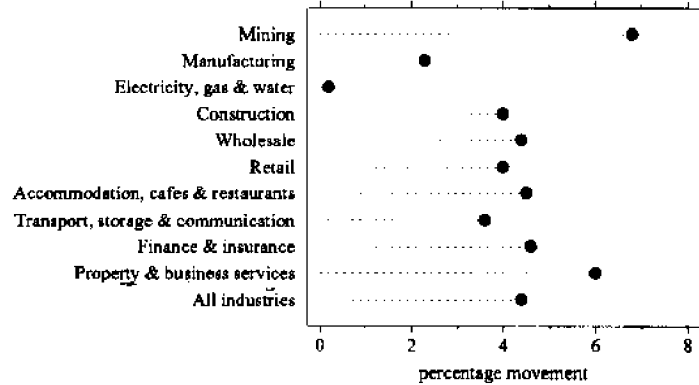
Expected change for the December quarter 1996 compared with the December quarter 1995

Sales of goods and services

+4.4%

All industries are expecting an increase in *Sales of goods and services* in the medium term ranging from the Electricity, gas and water industry expecting a rise of 0.2% to the Mining industry expecting a rise of 6.8%.

Chart 23. SALES OF GOODS AND SERVICES
Main industry comparison
Medium term outlook - December quarter 1996

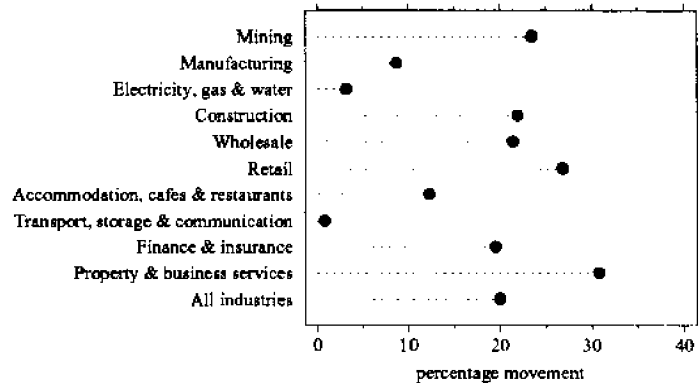


Profit

+20.0%

Profit increases are expected for all industries. The Property and business services industry expects the largest increase (30.8%), while the Transport, storage and communication industry expects the smallest increase (0.8%).

Chart 24. PROFIT
Main industry comparison
Medium term outlook - December quarter 1996

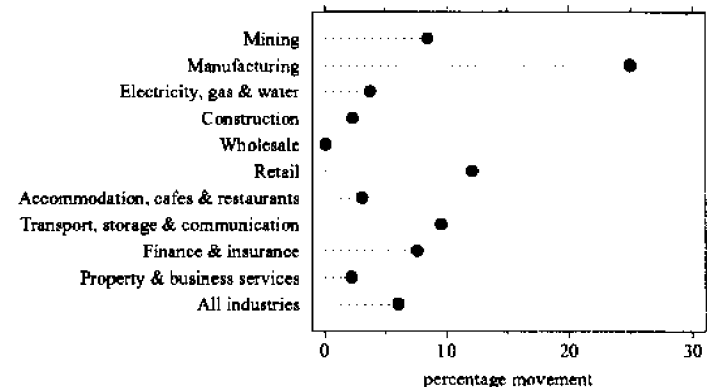


Capital expenditure

+6.1%

Capital expenditure is expected to increase in the medium term for all industries, with the largest growth being in Manufacturing (25.0%).

Chart 25. CAPITAL EXPENDITURE
Main industry comparison
Medium term outlook - December quarter 1996

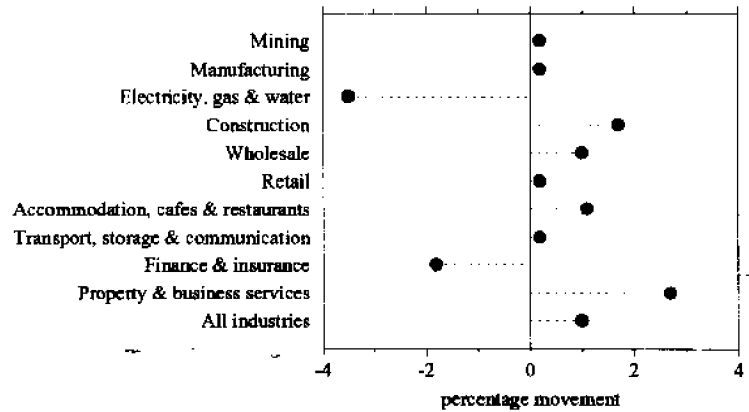


MEDIUM TERM OUTLOOK **Expected change for the December quarter 1996 compared with the December quarter 1995**
 (continued)

Employment
 (Full-time equivalent)
+1.0%

Most industries expect increases in *full time equivalent employment*. Electricity, gas and water (down 3.5%) and Finance and insurance (down 1.8%) are the only industries to expect falls in employment.

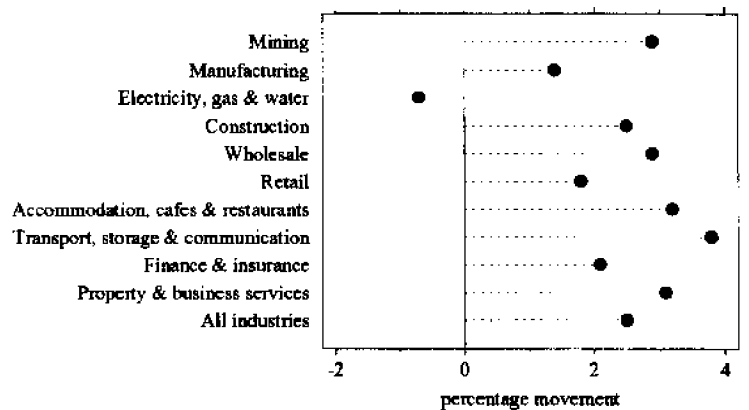
Chart 26. EMPLOYMENT
 Main industry comparison
 Medium term outlook - December quarter 1996



Total operating expenses
+2.5%

All industries are expecting *Total operating expenses* to rise in the December quarter 1996, except the Electricity, gas and water industry which expects a fall of 0.7%.

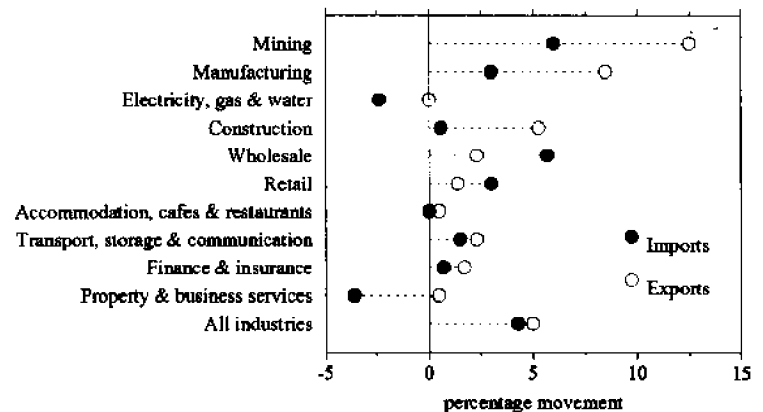
Chart 27. TOTAL OPERATING EXPENSES
 Main industry comparison
 Medium term outlook - December quarter 1996



International trade
Imports +4.3%
Exports +5.0%

Most industries expect export growth to exceed import growth in the medium term. The exceptions are the Wholesale industry (imports up 5.7% and exports up 2.3%) and the Retail industry (imports up 3.0% and exports up 1.4%).

Chart 28. INTERNATIONAL TRADE
 Main industry comparison
 Medium term outlook - December quarter 1996



STATE PERSPECTIVE

Short and medium term expected change in business performance indicators by State are both difficult to compile and subject to a greater degree of estimation than the Australian estimates. This is because of the difficulties which multi-State businesses face in providing separate expectation responses for each State segment of the business and sampling errors, especially for the smaller states.

The following table shows the distribution by State and Territory of businesses selected in the survey sample.

7 Proportion of Businesses Selected by State and Territory, Australia, March Quarter 1996

	<i>All businesses</i>
	%
Australia	100
New South Wales	37.5
Victoria	26.7
Queensland	15.4
South Australia	7.0
Western Australia	9.5
Tasmania	2.2
Northern Territory	0.6
Australian Capital Territory	1.1

To derive results for each State and Territory, the ABS has apportioned the national expectation of business activity to each State in which the businesses operate. This means that the overall performance in percentage terms, of the *business activity* for a reporting business, is used for each State within which the reporting business operates.

Business activity, as defined for BES, is the State of production for manufacturers, State of sales for retailers where they maintain a retail presence, and Finance and Service businesses report on their business activity for each State in which they are based.

For all businesses which only operate in a single State the responses are directly attributed to that State. For those businesses which do not indicate State business activity, the responses are attributed to the State within which the business resides.

The following results relate to the *Sales of goods and services*. Other performance indicators for individual States and Territories may be made available as unpublished data or as a special data service.

Because of the greater degree of estimation and the associated larger variances, the State estimates should be interpreted with care.

Caution should be exercised by users of expectations data for State activity because it is derived from information about the reporting unit's current rather than expected State activity.

SHORT TERM OUTLOOK

Expected change for the March quarter 1996 compared with the December quarter 1995

8

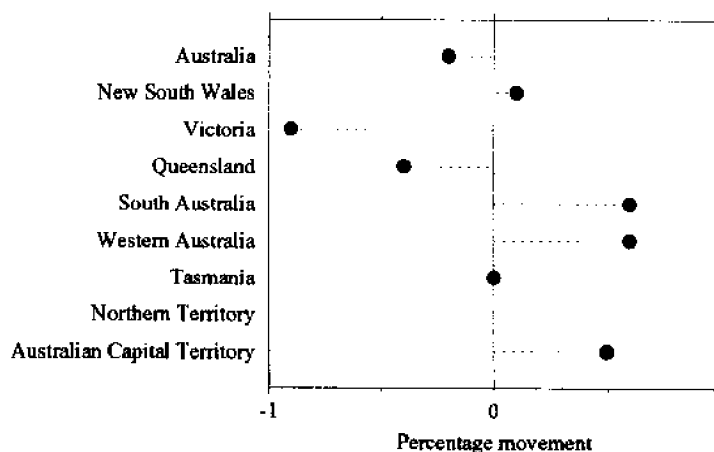
Australian Business Expectations - States and Territories, Sales of Goods and Services, Short Term Outlook

(Not seasonally adjusted)

States and Territories	Expected aggregate change between				
	Mar qtr 1995 and Dec qtr 1994	June qtr 1995 and Mar qtr 1994	Sept qtr 1995 and Jun qtr 1995	Dec qtr 1995 and Sept qtr 1995	Mar qtr 1996 and Dec qtr 1995
	%	%	%	%	%
Australia	-0.5	1.4	1.3	2.1	-0.2
New South Wales	-0.3	1.8	0.8	2.1	0.1
Victoria	-0.7	1.2	1.1	2.5	-0.9
Queensland	-0.5	1.0	3.6	1.2	-0.4
South Australia	-0.1	1.8	0.2	1.6	0.6
Western Australia	-0.8	0.3	-0.1	2.5	0.6
Tasmania	1.1	1.4	1.4	3.5	0.0
Northern Territory	n.a.	2.5	0.7	3.7	n.a.
Australian Capital Territory	-1.3	5.2	0.8	2.0	0.5

- New South Wales, South Australia, Western Australia and the Australian Capital Territory all expect an increase in sales of goods and services in the short term.

Chart 29. SALES OF GOODS AND SERVICES
State Estimates
Short term outlook - March quarter 1995



MEDIUM TERM OUTLOOK

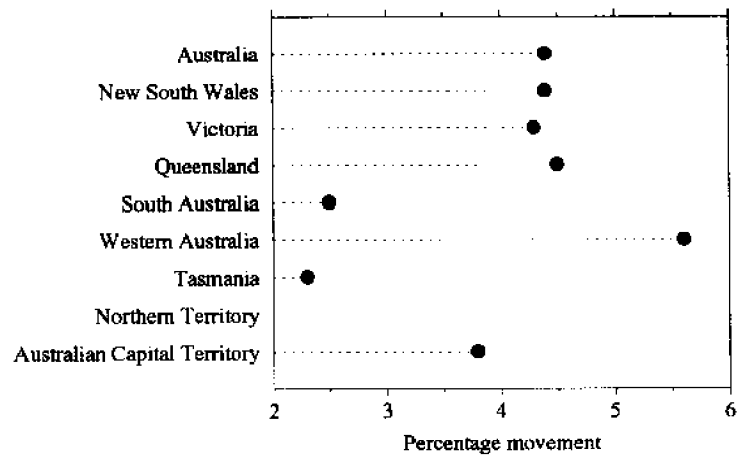
Expected change for the December quarter 1996 compared with the December quarter 1995

9 Australian Business Expectations - States and Territories, Sales of Goods and Services, Medium Term Outlook
(Not seasonally adjusted)

States and Territories	Expected aggregate change between				
	Dec qtr 1995 and Dec qtr 1994	Mar qtr 1996 and Mar qtr 1995	June qtr 1996 and June qtr 1995	Sept qtr 1996 and Sept qtr 1995	Dec qtr 1996 and Dec qtr 1995
	%	%	%	%	%
Australia	3.3	3.0	2.3	3.4	4.4
New South Wales	3.7	3.5	2.0	3.4	4.4
Victoria	3.7	2.8	2.6	3.6	4.3
Queensland	2.3	3.1	3.6	2.8	4.5
South Australia	2.8	1.1	0.8	2.4	2.5
Western Australia	2.7	2.8	1.9	4.3	5.6
Tasmania	3.0	2.4	2.9	4.5	2.3
Northern Territory	n.a.	2.8	2.2	4.4	n.a.
Australian Capital Territory	3.5	3.0	-0.8	3.1	3.8

- Expected sales of goods and services in the medium term are expected to grow by 4.4%. This growth is based on State rises changing from 2.5% for South Australia to 5.6% for Western Australia.

Chart 30. SALES OF GOODS AND SERVICES
State Estimates
Medium term outlook - December quarter 1996



Introduction

1 This publication contains estimates of future economic activity based on the business expectations of senior executives, managers and proprietors of businesses operating in Australia. The estimates have been compiled from data collected by the Australian Bureau of Statistics (ABS) in its quarterly survey of business expectations.

2 This is the tenth issue of this series and it contains estimates of the expected change in a range of business indicators for two time periods. The first reports expected change between the March quarter 1996 and the December quarter 1995 and the second reports expected change between the December quarter 1996 and the December quarter 1995.

Survey methodology

3 The survey is conducted by mail each quarter.

4 It is based on a stratified random sample of approximately 3,000 businesses selected from the ABS's annual Economic Activity Survey (EAS). EAS in turn derives its survey population from the ABS central register of business units.

5 The sample is stratified by industry, sector (private and government business) and size of business (measured by number of employees).

6 The sample is supplemented by a further sample of businesses which have been added to the ABS business register since the original EAS sample was selected. This ensures that the expectations of relatively new businesses are taken into account in the overall estimates.

Scope of the survey

7 The statistics in this publication relate to employing businesses in all industries and sectors of the Australian economy except:

- agriculture*
- general government

*** Agriculture**

8 Data related to intended crop plantings and sheep matings are collected by the ABS and published in catalogue 7221.0 and 7330.0 (final) publications from the Agriculture Census.

9 The Australian Bureau of Agriculture and Resource Economics (ABARE) publishes its forecasts for specific commodities and for the Agriculture industry generally, as part of the annual Outlook conference in February each year. ABARE updates these forecasts in its quarterly publication "Australian Commodities - Forecasts and Issues".

Classification

10 Each statistical unit selected in the survey is classified to an industry, according to the Australian and New Zealand Standard Industrial Classification (ANZSIC).

Business size

11 Data presented in this publication is classified by three business sizes :

- small (generally less than 20 employees, except for manufacturers where it is less than 100),
- medium (generally between 20 and 100 employees, except for manufacturers where it is 100 to 599 employees), and
- large (over 100 employees, except for manufacturers where it is 600 or more employees).

Statistical unit

12 The statistical unit used in the survey of business expectations is the management unit. The management unit is the highest level accounting unit within a business for which sub-annual accounts are maintained, having regard for industry homogeneity.

13 In nearly all cases the management unit coincides with the legal entity owning the business (i.e. company, partnership, trust, sole proprietor, etc.).

Business performance indicators

14 In the case of large diversified businesses, however, there may be more than one management unit, each coinciding with a "division" or "line of business".

15 The survey uses a set of well recognised economic trading indicators in measuring future trading activity. These indicators are: Sales of goods and services, selling prices, expenses, employment*, etc. See Description of terms below for details.

*Employment
(Full time equivalent)

16 The survey asks for paid persons working. Full-time equivalent employment is not a usual definition of employment as used by the ABS. It would be incorrect to assume a direct comparison with labour force statistics or other ABS employment statistics for instance.

Simple and Weighted Net Balance

17 The simple net balance for a selected indicator is estimated by subtracting the percentage of respondents predicting a 'fall' from the percentage of respondents expecting a 'rise'.

18 The net balance is a *qualitative* statistic best suited to indicating the sentiment of businesses about future business conditions, and measures the net proportion of businesses predicting a rise or fall in future business conditions.

19 The weighted net balance is estimated by weighting the surveyed direction of change for each unit by its benchmark level response for the equivalent variable in the Economic Activity Survey.

20 Weighting the responses enables larger businesses to have an influence upon the net balance proportional to the level of their expenditure, employment size, etc. Movements in the weighted net balance indicate the net proportion of business activity predicting a rise or fall in future business conditions.

Expected aggregate change

21 The expected aggregate change measures the forecasted percentage change in the level of a particular indicator. It is estimated by weighting the expected percentage change reported by respondents to the survey by their proportion of aggregate sales, expenditure, employment, etc. in the economy as measured from the benchmark estimate in the Economic Activity Survey.

22 The weighted aggregate estimate of a particular indicator, combined with an estimated level, can be used to quantify its future movement.

Comparison of results

23 The weighted net balance and expected aggregate change are complementary measures which, in combination, give a broad indication of future business conditions. It is possible to obtain estimates in opposite directions for the net balance and weighted aggregate change estimates.

24 The weighted net balance provide a *qualitative* measure of the proportion of businesses predicting the direction of change in future business conditions. The expected aggregate change, however, provides a *quantitative* measure predicting the magnitude of change in a selected variable.

Reliability of estimates

25 The expected aggregate change estimates are designed to measure the change to each business performance indicator, according to businesses' confidence. Naturally, the predictive power of the weighted aggregate estimates depends on the predictive ability of individual businesses.

26 All of the estimates in this publication are subject to:

- sampling error
- non-sampling error
- benchmark bias

Sampling error

27 Sampling error is due to the use of a sample rather than a complete enumeration; that is, the estimates differ from the values that would have been obtained if all units were surveyed. A measure of the likely difference is given by the *standard error*, which indicates the extent to which an estimate might have

varied by chance because only a sample of units was included. There are about two chances in three that the difference will be within one standard error, and about nineteen chances in twenty that the difference will be within two standard errors.

Reliability of estimates

28 The table below provides standard errors for some of the main estimates of this publication. As an example of how the standard errors can be interpreted, given that the short term expectation for *Capital Expenditure* for Australia is 4.9 per cent with a standard error of 0.69 there would be two chances in three that the true value would be within the range 4.21 per cent and 5.59 per cent.

Standard Errors of Key Estimates, March Quarter 1996, Short Term Expectation, Australia

<i>Business performance indicator</i>	<i>Survey estimate</i>	<i>Standard error</i>
Sales	-0.2	0.30
Selling prices	0.2	0.21
Profit	-9.6	0.03
Capital expenditure	4.9	0.69
Stocks	-0.7	0.16
Employment	0.0	0.14
Wage costs	0.9	0.13
Imports	0.0	0.34
Exports	1.7	15.53

Non-sampling error

29 All other inaccuracies are referred to collectively as non-sampling error. The major areas of concern are:

- non-response
- mis-reporting of data by respondents
- deficiency in the central register of economic units particularly in respect of small units

30 Every effort is made to reduce the non-sampling error to a minimum by careful design of questionnaires and efficient editing and operating procedures.

31 The expected aggregate change is designed to reflect business expectations for each business performance indicator, as accurately as possible. However, while the estimates should be appropriate measures of business climate, the expectations may not predict actual movements accurately. Businesses may be too optimistic or pessimistic in their predictions at different times.

32 In addition, actual movements would be partly comprised of activity of relatively recently formed businesses, and businesses which are formed during the expectations reference period which are not immediately represented in BES because they would not have been included on the ABS's central register of economic units. Allowance is made in other ABS series for coverage deficiencies relating to newly formed businesses but no allowance for this is made in BES.

Benchmark bias

33 Estimating changes to the aggregate economic indicators requires businesses to be weighted, or benchmarked, by their relative contribution to each business performance indicator. ABS historical data for individual businesses is used for this purpose, where possible. This process introduces a benchmark bias because the historical data may be inaccurate for the current quarter. Benchmark bias cannot be measured from the data. However, the likely extent of bias has been estimated using other ABS data. Every effort has been made to minimise this bias, including the use of modelling techniques to improve benchmarks.

Symbols and other usages

- 0 nil or rounded to zero
n.a. not available for publication.

Sales of goods and services	<p>The expected change in the sale of goods or the provision of services by a business in terms of value.</p> <p>Financial institutions report on the expected change in gross interest income plus fees and commissions.</p> <p>Non-profit or charitable organisations report on the expected change in fees received for services, donations from the public and government grants and subsidies.</p>
Selling prices	<p>The expected change in the unit price of goods sold or services provided by the business. Where a business sells a range of products or services a representative product or service is used.</p> <p>Financial institutions report on interest rates, services and commissions charged.</p> <p>The benchmark for weighting the selling prices response is derived from associating selling prices with total expenses.</p>
Total wage expenses	<p>The expected change in the total amount of direct wage and salaries paid to employees.</p>
Non-wage labour expenses	<p>The expected change in the total amount of employment related expenses not paid directly to employees.</p> <p>Some of these expenses are payroll tax, worker's compensation and superannuation.</p>
All other operating expenses	<p>The expected change in the total amount of all expenses which are not classified as labour expenses.</p> <p>Some of these expenses are overheads, advertising, raw materials and packaging and handling.</p>
Total operating expenses	<p>This is a derived estimate from the weighted response for the total of wage, non-wage labour and all other expenses.</p>
Closing stocks	<p>The expected change in the book value of closing stocks between the end of the collection quarter and the end of the reference periods.</p>
Paid persons working	<p>The expected change in the number of paid persons working. Where part time or casual employees are involved employers are requested to convert to a full-time equivalent. It should be noted that other ABS series which provide data on paid persons working do not use a full-time equivalent measure.</p>
Imports	<p>The expected change in the value of all goods and services directly imported by a business.</p> <p>The benchmark for weighting the import response is derived from associating the current percentage of imports to <i>All other expenses</i>, and using that proportion of the <i>All other expenses</i> benchmark as the imports benchmark.</p>
Exports	<p>The expected change in the value of all goods and services directly exported by a business.</p> <p>The benchmark for weighting the export response is derived from associating the current percentage of exports to the <i>Sales of goods and services</i>, and using that proportion of the <i>Sales of goods and services</i> benchmark as the exports benchmark.</p> <p>It should be noted that BES has been designed to provide high quality estimates of business expectations covering a wide range of business performance indicators. Businesses selected in the survey can generally provide expectations on the majority of the business performance indicators, however, this is not the case for imports and exports where only a subset of selected businesses are involved in importing or exporting. Accordingly, caution should be exercised when interpreting imports and exports expectations.</p>

Capital expenditure

The expected change in the value of capital expenditure in new tangible assets.
Capital expenditure is generally classed in two categories, *Plant machinery and equipment* and *Buildings*.
The proportion of total capital expenditure on *Plant, machinery and equipment* is collected and the amount to be expended on *Buildings* is derived.

Profit

Profit is a derived item based on the present trading performance of a business and the expected changes to the level of Sales of goods and services and the sum of all expense items.
The difference between the new benchmarks for the *sales of goods and services* and the sum of all expenses items (the sum of *Total wage expense, Non-wage labour expense and All other operating expenses*) as determined by the responses received, the Economic Activity Survey benchmarks for those items and an indicator of present trading performance (cost/sales ratio) are used to determine the expected change for profit for the reference periods.
Because of reporting difficulties experienced with the cost/sales ratios, caution should be exercised in interpreting profit expectations.

State Information

State information has been derived for businesses in the survey which operate in more than one State.
This has been achieved by
1) applying a weight (the proportion of a business's economic activity undertaken in each State) to the benchmarks for that business to arrive at potentially eight different benchmarks for each business performance indicator.
2) applying the overall percentage change in the business performance indicators obtained from the survey to each of the State benchmarks for each business performance indicator.

Reference Periods

There are two reference periods surveyed each quarter:
Short term (if the current quarter is December 1995 then the quarter being surveyed is March 1996).
Medium term (if the current quarter is December 1995, then the quarter being surveyed is December 1996).

UNPUBLISHED DATA

Available Data

The amount of data collected from the Survey of Business Expectations is much greater than the data contained in this publication.

Subject to the ABS provisions for maintaining the confidentiality of respondents and their information, more detailed information by industry and size of business may be made available on request.

Size of business

The size of business is based on employment. Additional data can be estimated for the following size ranges:

- less than 5 employees.
- less than 20 employees.
- 20 and less than 100 employees.
- less than 100 employees.
- 100 and less than 600 employees.
- 100 and greater employees.
- 600 and greater employees.
- small (generally less than 20 employees except for manufacturing which is less than 100).
- medium (generally 20 to less than 100 employees except for manufacturing which is 100 to less than 600).
- large (generally 100 and greater employees except for manufacturing which is 600 and greater)

Industry

Industry is classified according to ANZSIC and is detailed at the 1 and 2 digit level.

- 15 industries categorised at the 1 digit ANZSIC level.
- 47 industries categorised at the 2 digit ANZSIC level
- user defined industry groups such as "service industries"

State information

State information has been derived from the business activity conducted by business in each State. Where sufficient information is available to provide satisfactory estimates, data may be made available at the same level of detail as that for Australia. State information is subject to a greater degree of variance than the Australia data.

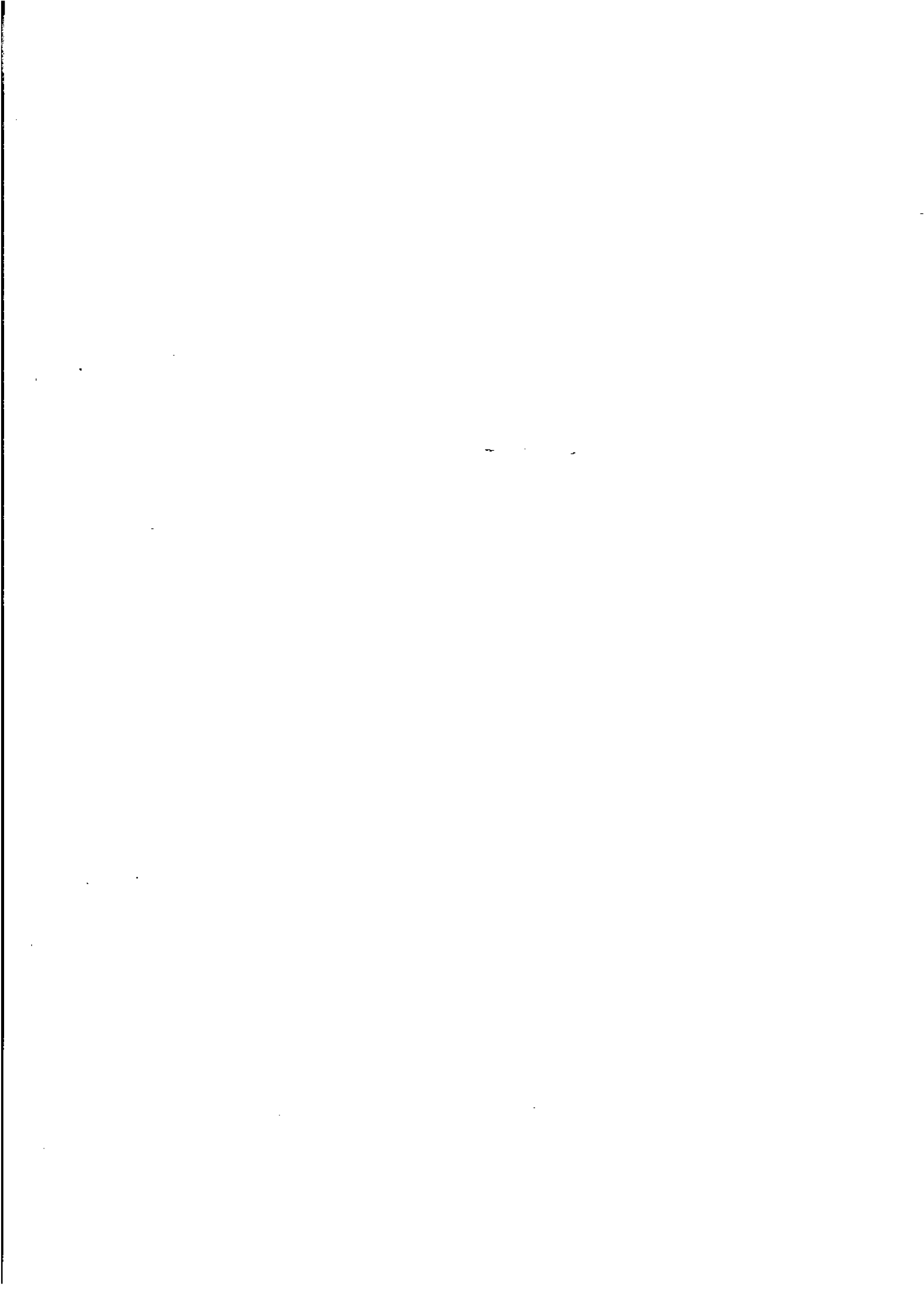
Net balance

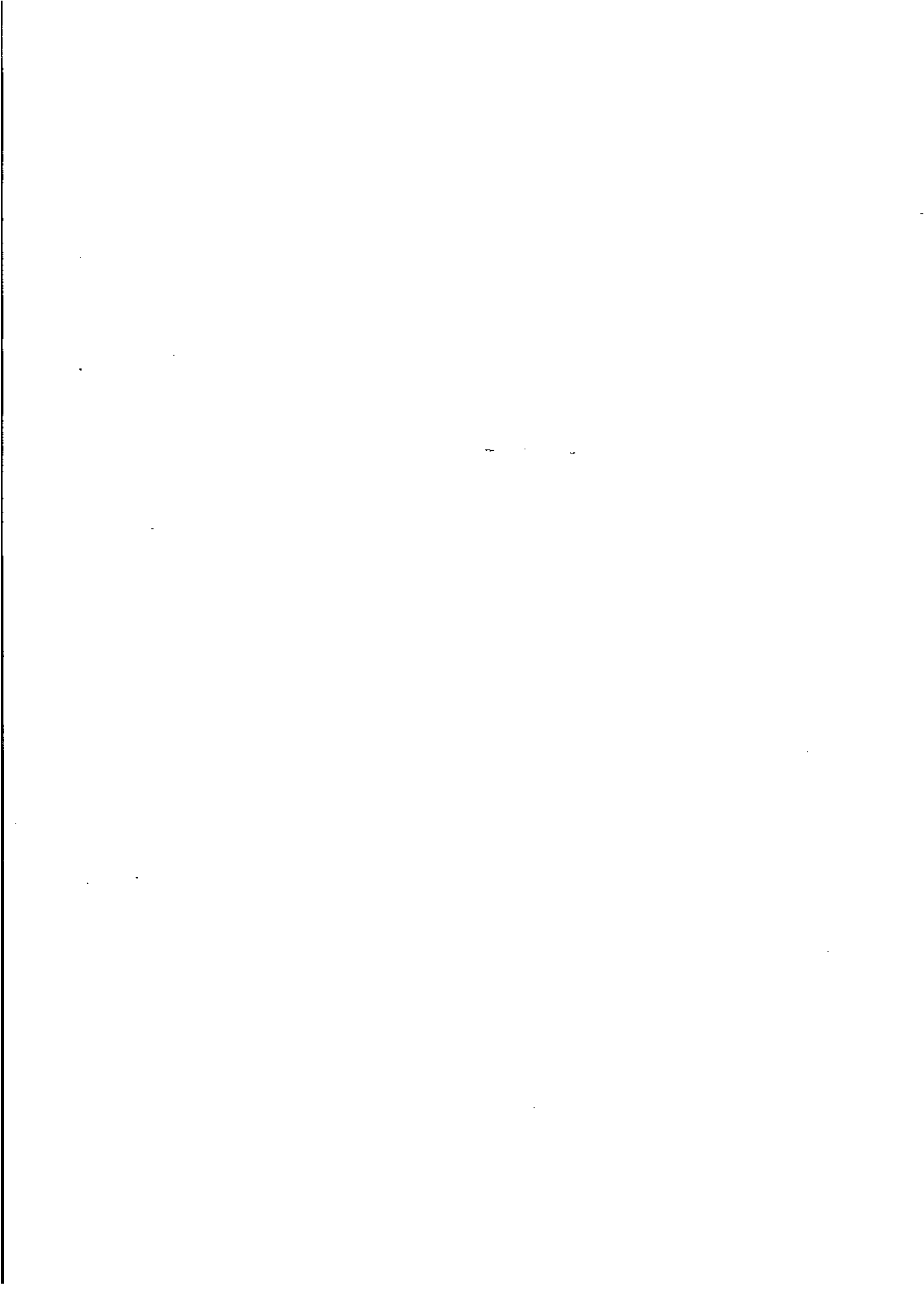
A weighted net balance for industries and size of business can be produced as a special data service.

More Information

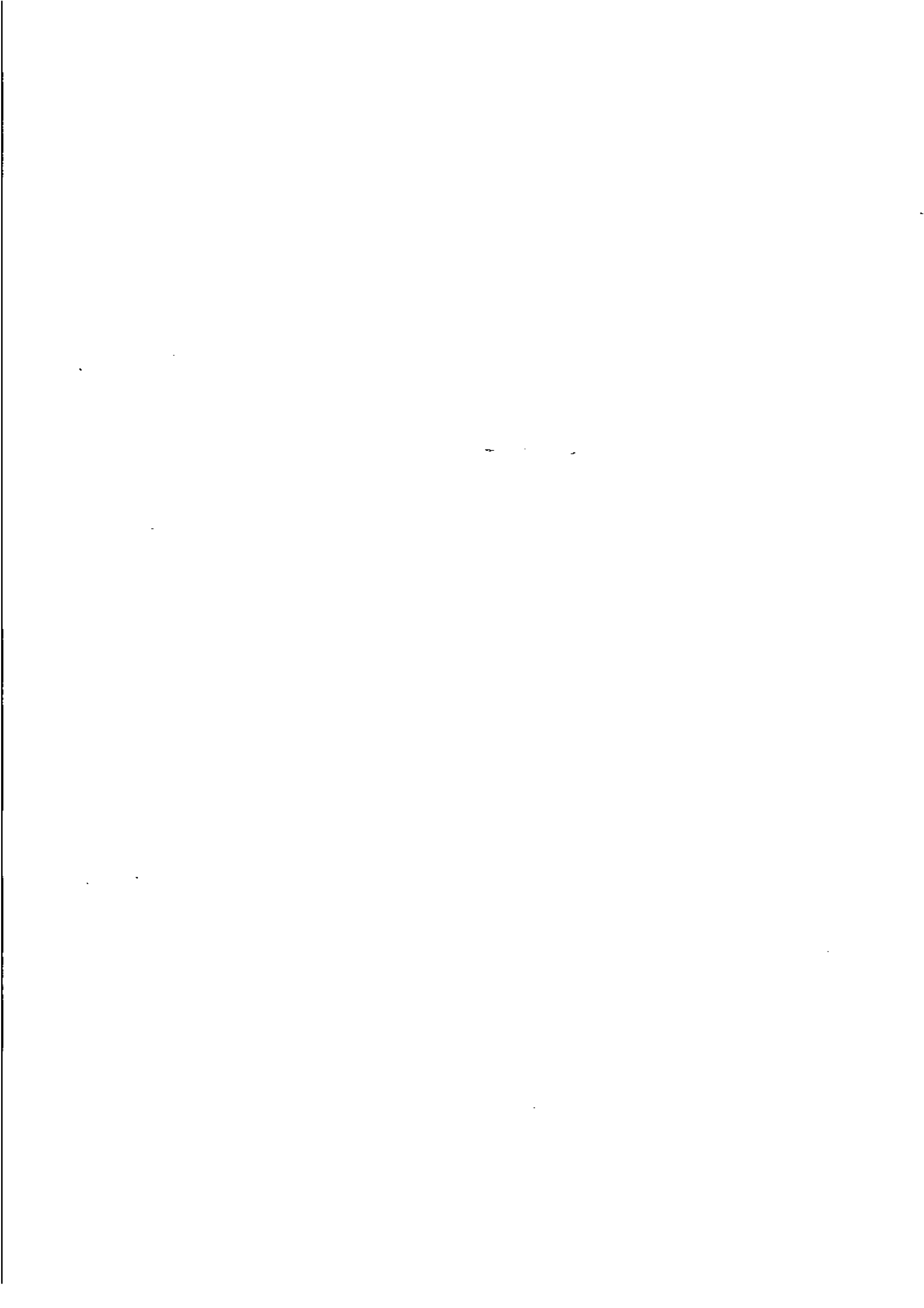
For more information please contact the officer named at the front of this publication or write to:

The Assistant Director
Business Expectations Survey
Australian Bureau of Statistics
PO Box 10
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