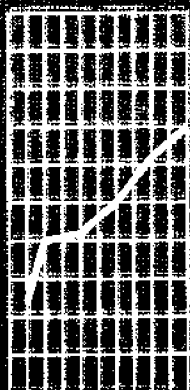




June Qtr 1996–March Qtr 1997

Australian Business Expectations



ABS Catalogue No. 5250.0

EMBARGOED UNTIL 11.30 AM 28 MARCH 1996

AUSTRALIAN BUSINESS EXPECTATIONS
June Quarter 1996 and March Quarter 1997

W. McLennan
Australian Statistician

AUSTRALIAN BUREAU OF STATISTICS

ABS CATALOGUE NO. 5250.0

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INQUIRIES:

- *for further information about statistics in this publication and the availability of related unpublished statistics, contact Glen Malam on Canberra (06) 252 6537 or any ABS State office.*
- *for information about other ABS statistics and services, please refer to the back cover of this publication.*

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Release date for September quarter 1996 - June quarter 1997 issue

The expected release date for the September quarter 1996 - June quarter 1997 issue of
Australian Business Expectations (5250.0) is
Wednesday, 26 June 1996

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 February 1996.

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 June quarter 1996 and the March quarter 1997 compared with the March quarter 1996. 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.

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) or contact the officer whose details appear at the foot of page iii.

BENCHMARKS

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).

The benchmark data items are historical and become 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.

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

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 eleven 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.

1 PROPORTION OF BUSINESSES SELECTED BY SIZE WITHIN AUSTRALIA, JUNE QUARTER 1996

	<i>Small</i>	<i>Medium</i>	<i>Large</i>	<i>All businesses</i>
	%	%	%	%
Manufacturing	50.9	27.1	22.0	100
Other industries	42.9	21.0	36.1	100
All industries	42.8	22.8	34.4	100

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.

2 COMPARISON OF THREE MEASURES OF BUSINESS EXPECTATIONS, JUNE QUARTER 1996

	Simple net balance %	Weighted net balance %	Weighted aggregate %
Sales	38.1	41.9	2.3
Wage Costs	43.0	41.3	1.0
Employment			
Full time equivalent	-1.7	2.1	-0.2

That is, for the June quarter 1996 a simple net balance of 1.7% of businesses expect a fall in employment. However, the small rise in the weighted net balance of 2.1% indicates that the businesses expecting a rise in employment tend to be larger than those expecting an fall. Tables 4 and 6 present data for the weighted net balance for the June quarter 1996 and the March quarter 1997.

The -0.2% 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. It should be noted that these expectations are based on existing businesses, and new businesses may contribute to future values of these variables in a different way from existing businesses. Tables 3 and 5 present data for the expected aggregate change for five quarters of the survey and Tables 7 and 8 present data for the expected aggregate change by size of business.

The net balance is 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.

KEY RESULTS

SHORT-TERM OUTLOOK

Expected change for the June quarter 1996 compared with the March quarter 1996

3 AUSTRALIAN BUSINESS EXPECTATIONS, SHORT-TERM OUTLOOK EXPECTED AGGREGATE CHANGE Not seasonally adjusted

Business performance indicators	Expected aggregate change over the previous quarter				
	June qtr 1995	Sept qtr 1995	Dec qtr 1995	Mar qtr 1996	June qtr 1996
	%	%	%	%	%
Trading performance					
Sales	1.4	1.3	2.1	-0.2	2.3
Selling prices	0.4	0.7	0.9	0.2	0.7
Profit	3.6	1.5	2.9	-9.6	9.6
Investment					
Capital expenditure	5.5	5.3	5.9	4.9	1.8
Stocks	-0.3	-0.1	0.1	-0.7	-0.6
Employment					
Full time equivalent	0.1	-0.2	0.1	0.0	-0.2
Operating expenses					
Wages	0.6	1.1	1.4	0.9	1.0
Non-wage labour	0.5	0.6	0.9	0.4	1.0
Other	1.1	1.1	2.1	1.0	1.2
Total	1.0	1.1	1.9	0.9	1.2
International trade					
Imports	1.5	2.6	3.7	0.0	5.7
Exports	0.8	-1.3	2.6	1.7*	2.6

* This data item has a high standard error.

4 AUSTRALIAN BUSINESS EXPECTATIONS, SHORT-TERM OUTLOOK, WEIGHTED NET BALANCE, JUNE QUARTER 1996 Not seasonally adjusted

Business performance indicators	Proportion of businesses expecting			Net balance
	Decreases	No change	Increases	
	%	%	%	%
Trading performance				
Sales	13.0	32.2	54.9	41.9
Selling prices	5.6	44.4	50.0	44.4
Profit	28.7	21.6	49.7	21.0
Investment				
Capital expenditure	9.6	40.3	50.1	40.6
Stocks	39.2	-33.1	27.7	-11.5
Employment				
Full time equivalent	22.2	53.5	24.3	2.1
Operating expenses				
Wages	7.3	44.1	48.6	41.3
Non-wage labour	5.8	43.8	50.4	44.6
Other	6.2	34.8	59.0	52.8
International trade				
Imports	10.7	40.9	48.4	37.7
Exports	16.6	43.4	39.9	23.3

SHORT-TERM OUTLOOK

(continued)

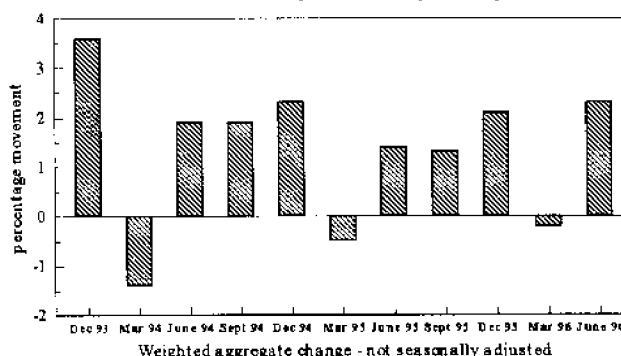
Expected change for the June quarter 1996 compared with the March quarter 1996

Sales of goods and services
+ 2.3%

Sales are expected to rise during the June quarter 1996 by 2.3%. All industries are expecting an increase in the short term

Chart 1. SALES OF GOODS AND SERVICES

Short-term outlook compared with the previous quarter

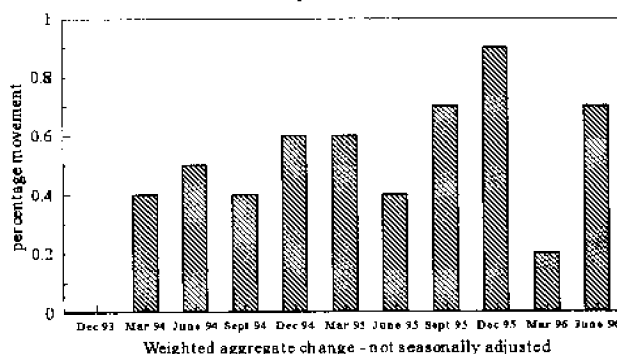


Selling prices
+ 0.7%

Selling prices are expected to increase by 0.7% in the June quarter 1996. This rise is higher than that expected for the June quarter in 1994 and 1995.

Chart 2. SELLING PRICES

Short-term outlook compared with the previous quarter

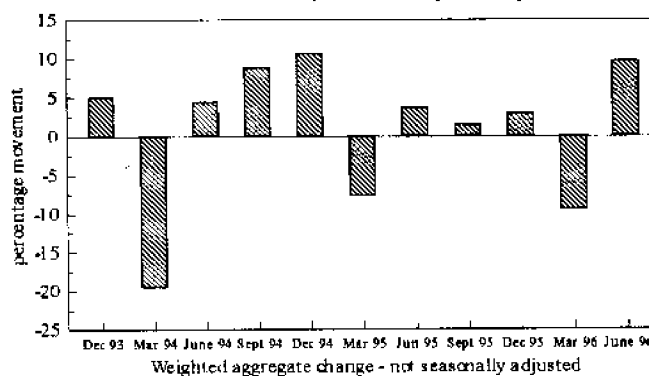


Profit
+ 9.6%

A rise in *Profit* of 9.6% is expected in the June quarter 1996. This is the second highest quarterly expected rise in profit since the collection commenced.

Chart 3. PROFIT

Short-term outlook compared with the previous quarter

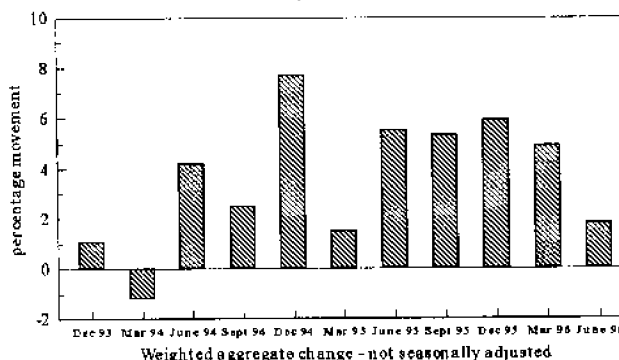


Capital expenditure
+ 1.8%

Capital expenditure is expected to increase in the June quarter 1996 by 1.8%. This is the lowest quarterly expected rise since the March quarter 1995.

Chart 4. CAPITAL EXPENDITURE

Short-term outlook compared with the previous quarter



SHORT-TERM OUTLOOK

(continued)

Stocks

-0.6%

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

Employment

-0.2%

A small fall in *full time equivalent employment* is expected by businesses included in the survey in the June quarter 1996.

Total Operating Expenses
+1.2%

Total operating expenses are expected to rise in the June quarter 1996. Contributing to this rise are wages +1.0%, Other labour costs +1.0% and Other non labour costs +1.2%.

International trade

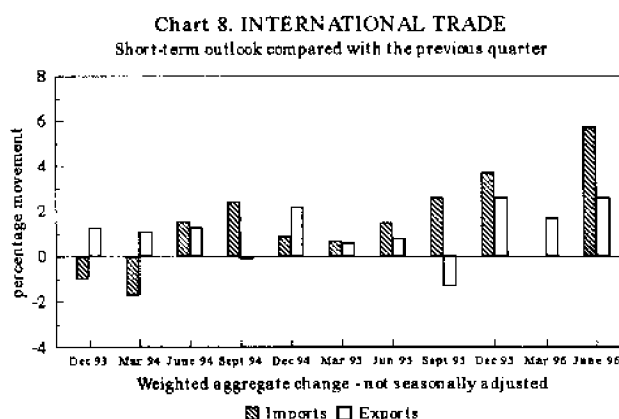
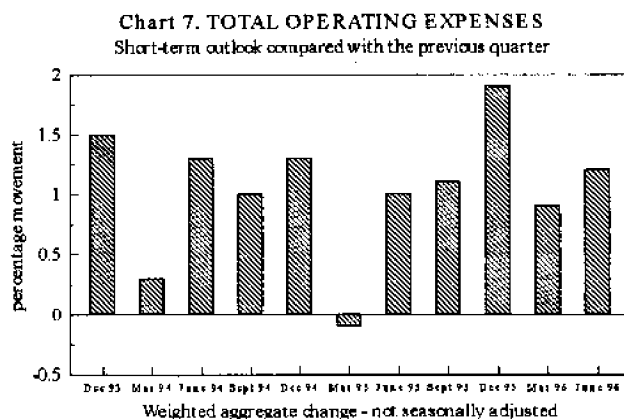
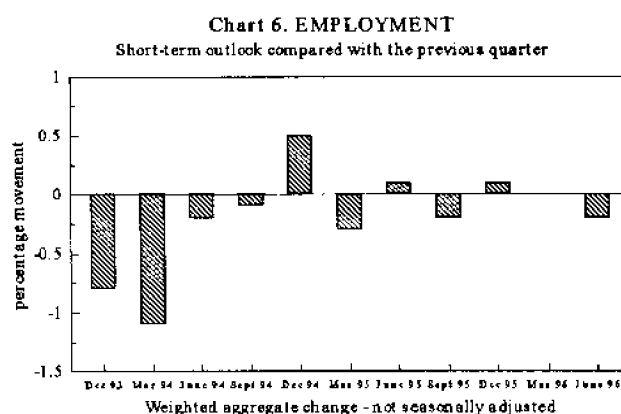
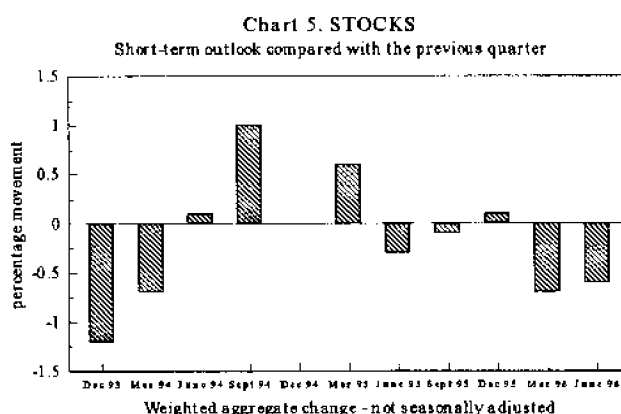
Imports +5.7%

Exports +2.6%

The increase of 5.7% in *Imports* in the June quarter 1996 is the largest quarterly increase since the collection commenced. The Transport, storage and communication industry is contributing substantially to this increase.

Businesses expect to increase *Exports* in the June quarter 1996 by 2.6%.

Expected change for the June quarter 1996 compared with the March quarter 1996



Expected change for the March quarter 1997 compared with the March quarter 1996

5 AUSTRALIAN BUSINESS EXPECTATIONS, MEDIUM-TERM OUTLOOK
EXPECTED AGGREGATE CHANGE
Not seasonally adjusted

<i>Business performance indicators</i>	<i>Expected aggregate change over the same quarter of the previous year</i>				
	<i>Mar qtr 1996</i>	<i>June qtr 1996</i>	<i>Sept qtr 1996</i>	<i>Dec qtr 1996</i>	<i>Mar qtr 1997</i>
	%	%	%	%	%
Trading performance					
Sales	3.0	2.3	3.4	4.4	4.1
Selling prices	1.7	1.5	1.5	1.3	2.0
Profit	4.6	2.8	11.0	20.0	13.1
Investment					
Capital expenditure	3.7	7.1	2.3	6.1	3.5
Stocks	0.5	-0.3	0.4	0.5	0.1
Employment					
Full time equivalent	0.8	-0.1	0.1	1.0	0.8
Operating expenses					
Wages	2.2	2.3	2.4	2.8	3.0
Non-wage labour	1.4	1.4	1.5	2.4	2.3
Other	2.7	2.1	2.2	2.5	2.8
Total	2.6	2.1	2.2	2.5	2.8
International trade					
Imports	3.0	2.6	4.2	4.3	5.2
Exports	3.2	1.0	6.2	5.0	5.2

AUSTRALIAN BUSINESS EXPECTATIONS, MEDIUM-TERM OUTLOOK,
WEIGHTED NET BALANCE, MARCH QUARTER 1997

6 Not seasonally adjusted

<i>Business performance indicators</i>	<i>Proportion of businesses expecting</i>			<i>Net balance</i>
	<i>No Change</i>	<i>Increases</i>	<i>Decreases</i>	
	%	%	%	%
Trading performance				
Sales	19.6	70.4	10.0	60.4
Selling prices	25.8	69.7	4.6	65.1
Profit	11.5	63.2	25.3	37.8
Investment				
Capital expenditure	30.5	46.3	23.2	23.1
Stocks	33.2	40.7	26.1	14.6
Employment				
Full time equivalent	45.6	43.0	11.5	31.5
Operating expenses				
Wages	19.0	76.2	4.8	71.4
Non-wage labour	29.0	67.1	3.9	63.2
Other	19.1	77.5	3.4	74.0
International trade				
Imports	32.8	61.6	5.6	56.0
Exports	36.1	56.9	7.0	49.8

MEDIUM-TERM OUTLOOK
(continued)

Expected change for the March quarter 1997 compared with the March quarter 1996

Sales of goods and services
+4.1%

Sales in the March quarter 1997 are expected to be 4.1% higher than in the December quarter 1996.

Selling prices
+2.0%

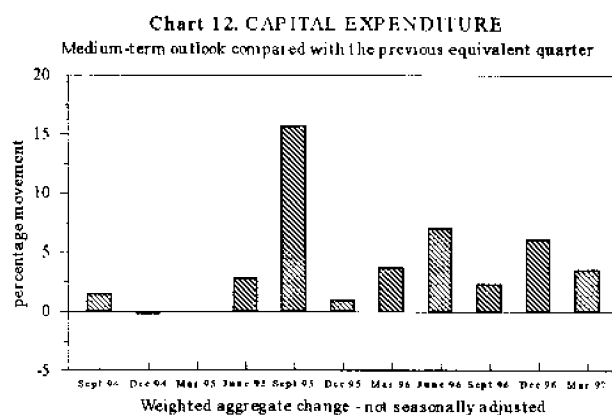
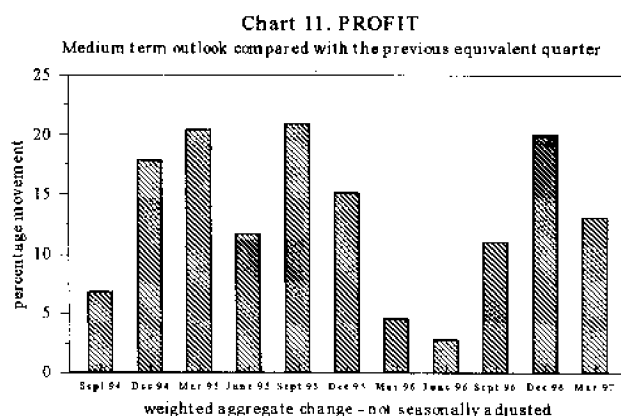
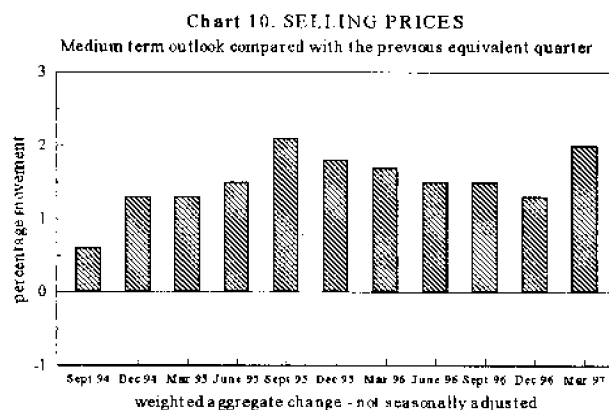
Businesses expect *selling prices* to increase 2.0% by the March quarter 1997. This figure is the second highest rise since the survey began.

Profit
+13.1%

An increase in *profit* of 13.1% is expected for the March quarter 1997. This expectation is higher than the corresponding estimates for the March quarter 1996, but less than the estimate for the March quarter 1995.

Capital expenditure
+3.5%

Capital expenditure in the March quarter 1997 is expected to be 3.5% higher than the expenditure in the March quarter 1996.



MEDIUM-TERM OUTLOOK
(continued)

Expected change for the March quarter 1997 compared with the March quarter 1996

Stocks
+0.1%

Stock levels are expected to increase marginally compared with the March quarter 1996.

Employment
+0.8%

The *Full time equivalent employment* is expected to be 0.8% higher in the March quarter 1997 than in the March quarter 1996.

Total operating expenses
+2.8%

Expectations for *Total operating expenses* show an increase of 2.8% in the March quarter 1997. Contributing to this rise are Wages +3.0%, Other labour costs +2.3% and Other non-labour expenses +2.8%.

International trade
Imports +5.2%
Exports +5.2%

The expected percentage increases in *Imports* (5.2%) is the highest medium term change recorded since the survey commenced. Business expect *Exports* to rise by 5.2% in the medium term.

Chart 13. STOCKS

Medium-term outlook compared with the previous equivalent quarter

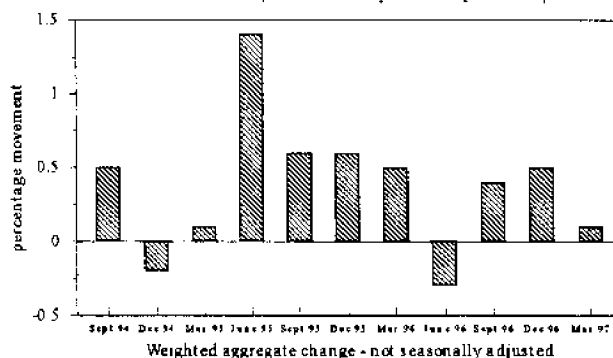


Chart 14. EMPLOYMENT

Medium-term outlook compared with the previous equivalent quarter

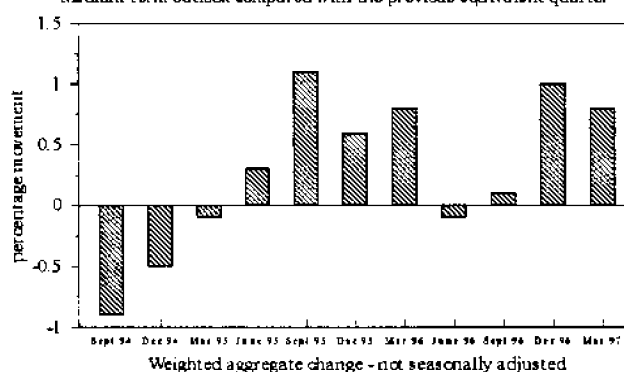


Chart 15. TOTAL OPERATING EXPENSES

Medium-term outlook compared with the previous equivalent quarter

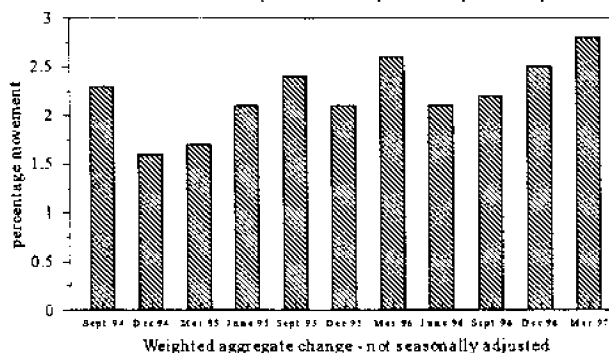
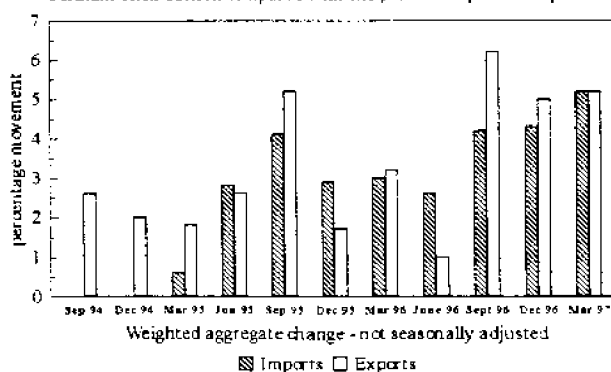


Chart 16. INTERNATIONAL TRADE

Medium-term outlook compared with the previous equivalent quarter



DETAILED RESULTS – SIZE OF BUSINESS

SHORT-TERM OUTLOOK

Expected change for the June quarter 1996 compared with the March quarter 1996

Trading performance

Sales

Businesses of all sizes expect *sales* to increase in the June quarter 1996.

Selling prices

Businesses of all sizes expect *selling prices* to increase in the June quarter 1996.

Profit

Businesses of all sizes expect increases in *Profits* in the June quarter 1996, with large sized businesses expecting the largest percentage increase (16.5%)

Investment

Capital investment

An increase in *Capital expenditure* is expected by businesses of all sizes. Medium sized businesses are expecting the largest increase (4.6%) in the June quarter 1996, with large and small employment businesses expecting growth in expenditure of 3.2% and 1.0% respectively.

Stocks

Small businesses expect *Stocks* in the June quarter 1996 to rise (0.6%), while medium and large businesses expect falls of 0.7% and 2.1% respectively.

Employment

Medium businesses expect a rise in *full time equivalent employment* of 0.1% while small and large size businesses expect a fall of 0.3%.

Operating Expenses

Total operating expenses are expected to increase for businesses of all sizes in the June quarter 1996.

International Trade

Imports are expected to rise by businesses of all sizes, with large businesses expecting the largest rise (7.7%). *Exports* are also expected to rise by businesses of all sizes. Medium businesses expect the largest rise (7.6%).

7 AUSTRALIAN BUSINESS EXPECTATIONS - JUNE QUARTER 1996 COMPARED WITH MARCH QUARTER 1996, EXPECTED AGGREGATE CHANGE, BY SIZE OF BUSINESS Not seasonally adjusted

Business performance indicators	Small %	Medium %	Large %	All businesses %
Trading performance				
Sales	1.8	1.9	3.6	2.3
Selling prices	0.7	0.5	0.7	0.7
Profit	6.4	1.4	16.5	9.6
Investment				
Capital expenditure	1.0	4.6	3.2	1.8
Stocks	0.6	-0.7	-2.1	-0.6
Employment				
Full time equivalent	-0.3	0.1	-0.3	-0.2
Operating expenses				
Wages	0.8	1.5	1.1	1.0
Non-wage labour	1.1	1.2	0.7	1.0
Other	1.2	1.8	0.9	1.2
Total	1.2	1.8	0.9	1.2
International trade				
Imports	1.8	3.9	7.7	5.7
Exports	1.4	7.6	1.3	2.6

MEDIUM-TERM OUTLOOK

Expected change for the March quarter 1997 compared with the March quarter 1996

Trading Performance

Sales

Sales of goods and services are expected to increase for businesses of all sizes (4.1%) with small businesses expecting the greatest increase (4.7%).

Selling prices

Small size businesses expect the largest increase in *Selling prices* (2.3%).

Profit

Medium size businesses are expecting a rise in *Profit* of 19.8 % between the March quarters of 1996 and 1997, while small and large businesses expect rises of 17.5% and 5.3% respectively.

Investment

Capital investment

Businesses of all sizes are expecting to increase *Capital expenditure* with medium businesses expecting the greatest increase (6.1%) .

Stocks

Large and medium businesses expect *Stocks* will fall (0.2%), while small businesses are expecting a rise of 0.5%.

Employment

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

Operating Expenses

International Trade

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

An increase in both *Imports* and *Exports* is expected by businesses of all sizes between the March quarter 1997 and the March quarter 1996. Medium size businesses are expecting import growth of 9.3%.

8

AUSTRALIAN BUSINESS EXPECTATIONS, MARCH QTR 1997 COMPARED WITH
MARCH QTR 1996, 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	4.1	2.7	4.1
Selling prices	2.3	1.7	1.5	2.0
Profit	17.5	19.8	5.3	13.1
Investment				
Capital expenditure	2.6	6.1	5.7	3.6
Stocks	0.5	-0.2	-0.2	0.1
Employment				
Full time equivalent	1.0	0.7	0.7	0.8
Operating expenses				
Wages	3.3	2.7	2.8	3.0
Non-wage labour	2.5	1.8	2.3	2.3
Other	3.2	2.4	2.1	2.8
Total	3.2	2.4	2.2	2.8
International trade				
Imports	5.7	9.3	3.5	5.2
Exports	2.0	4.9	7.0	5.2

DETAILED RESULTS – INDUSTRY

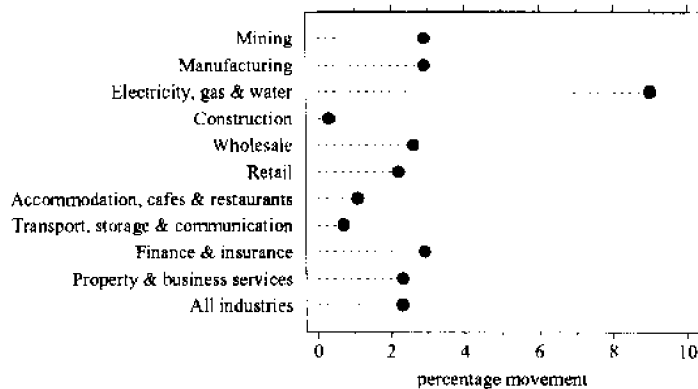
SHORT-TERM OUTLOOK

Expected change for the June quarter 1996 compared with the March quarter 1996

Sales of goods and services
+ 2.3%

All industries expect a rise in sales for the June quarter 1996 with Electricity, gas and water expecting the largest rise of 9.0%, associated with seasonal demand for gas and electricity.

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



Profit
+ 9.6%

Profit expectations vary between the different industries with the Construction industry (-6.2%) expecting the largest fall and the Electricity, gas and water industry expecting the largest rise (57.9%), associated with seasonal increased sales of gas and electricity.

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

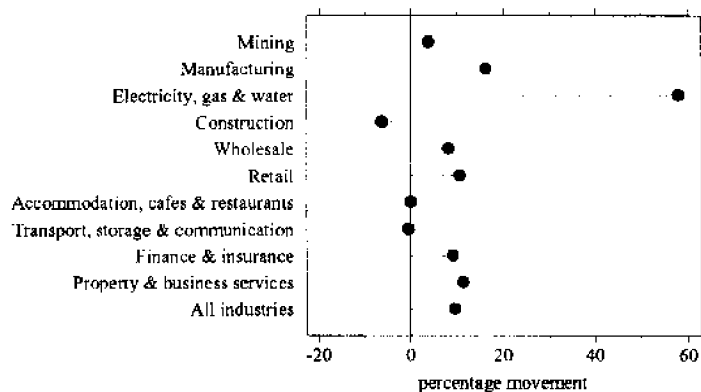
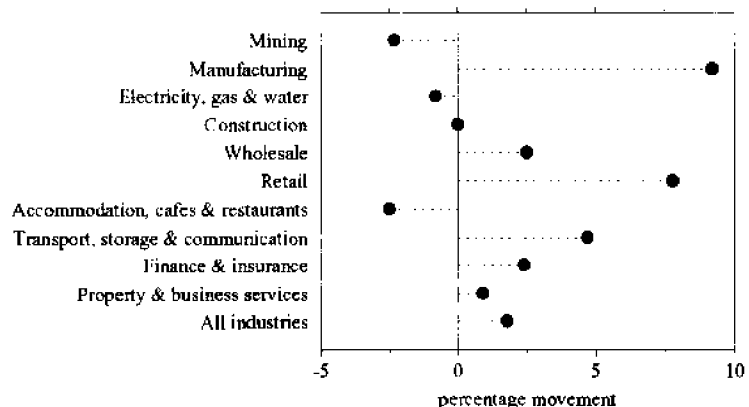


Chart 19. CAPITAL EXPENDITURE
Main industry comparison
Short-term outlook - June quarter 1996

Capital expenditure
+ 1.8%

Expectations for *Capital expenditure* in the June quarter 1996 vary. The Manufacturing industry expects a rise of 9.2% while the Accommodation, cafes and restaurants industry expects a fall of 2.5%.



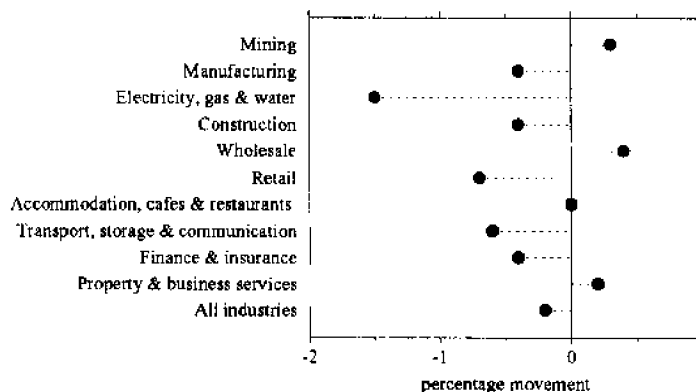
SHORT-TERM OUTLOOK
(continued)

Expected change for the June quarter 1996 compared with the March quarter 1996

Employment
- 0.2%

For businesses represented in the sample (i.e. existing businesses), the majority of industries are expecting a fall in *full time equivalent employment*, with the Electricity, gas and water industry expecting the largest fall (1.5%).

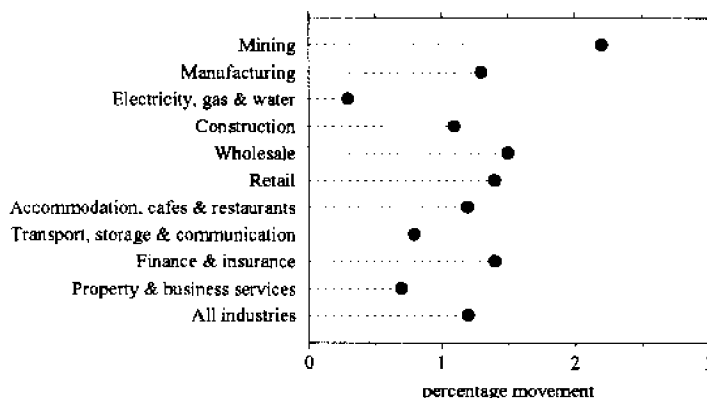
Chart 20. EMPLOYMENT
Main industry comparison
Short-term outlook - June quarter 1996



Total operating expenses
+ 1.2%

Increases in *Operating expenses* are expected by all industries, with the Mining industry expecting the largest rise (2.2%).

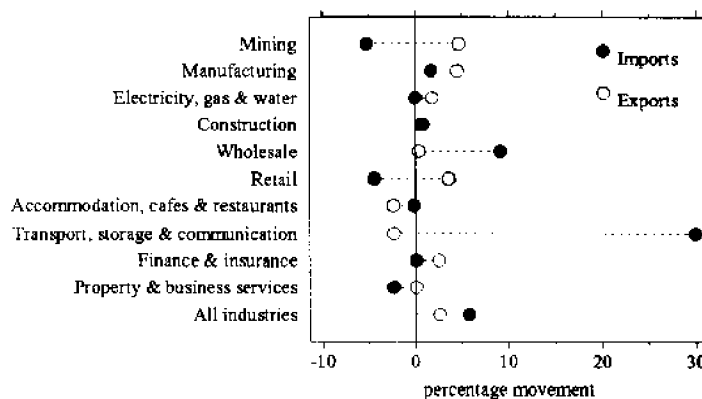
Chart 21. TOTAL OPERATING EXPENSES
Main industry comparison
Short-term outlook - June quarter 1996



International trade
Imports +5.7%
Exports +2.6%

Most industries expect *export* growth to exceed *import* growth in the June quarter 1996, with the exception of Construction, Wholesale and Accommodation, cafes and restaurants.

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



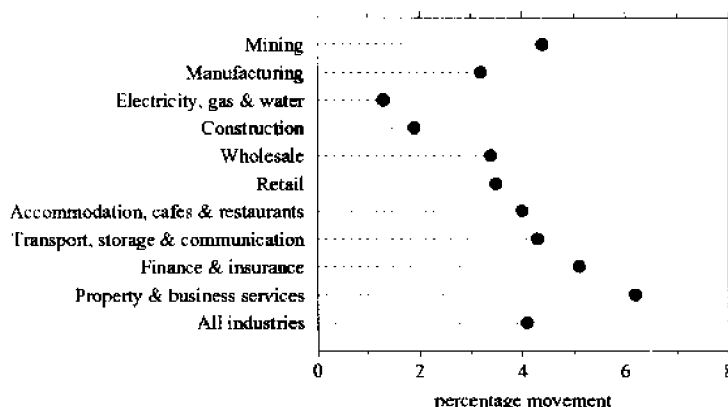
MEDIUM-TERM OUTLOOK

Expected change for the March quarter 1997 compared with the March quarter 1996

Sales of goods and services
+4.1%

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 1.3% to the Property and business services industry expecting a rise of 6.2%.

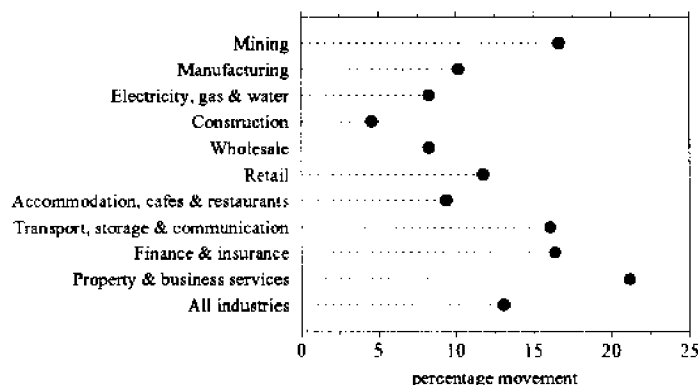
Chart 23. SALES OF GOODS AND SERVICES
Main industry comparison
Medium-term forecast - March quarter 1997



Profit
+13.1%

Profit increases are expected for all industries. The Property and business services industry expects the largest increase (21.2%), while the Construction industry expects the smallest increase (4.6%).

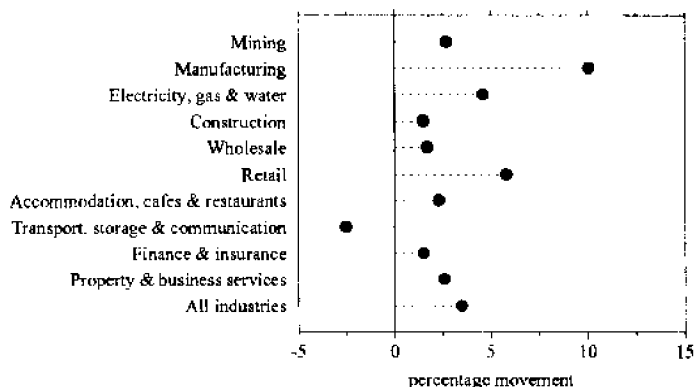
Chart 24. PROFIT
Main industry comparison
Medium-term outlook - March quarter 1997



Capital expenditure
+3.5%

Capital expenditure is expected to increase in the medium term for all industries except Transport, storage and communications (-2.5%), with the largest growth being in Manufacturing (10.2%).

Chart 25. CAPITAL EXPENDITURE
Main industry comparison
Medium-term outlook - March quarter 1997



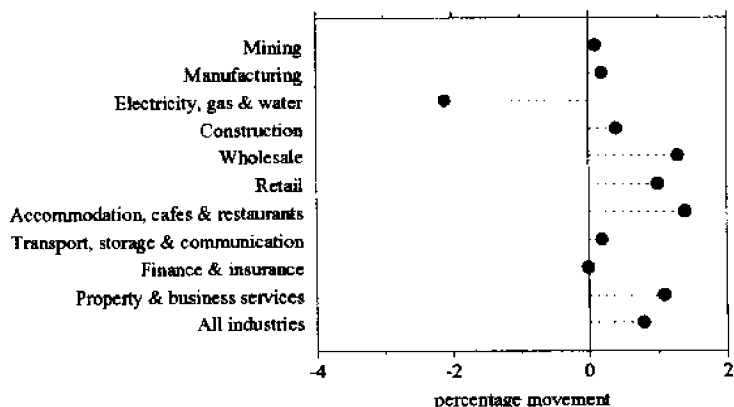
MEDIUM-TERM OUTLOOK
(continued)

Expected change for the March quarter 1997 compared with the March quarter 1996

Employment
+1.0%

Most industries expect increases in *full time equivalent employment*. Electricity, gas and water (down 2.1%) is the only industry to expect a fall in employment.

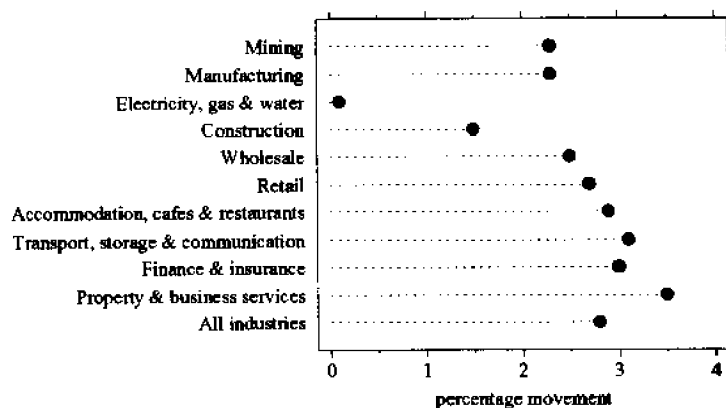
Chart 26. EMPLOYMENT
Main industry comparison
Medium-term outlook - March quarter 1997



Total operating expenses
+2.8%

All industries are expecting *Total operating expenses* to rise in the March quarter 1997.

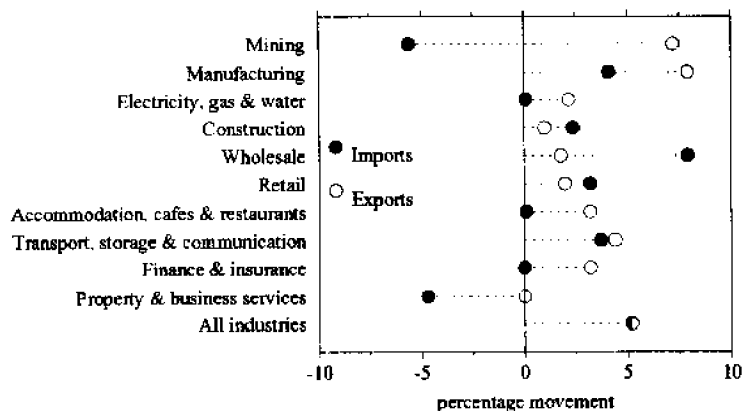
Chart 27. TOTAL OPERATING EXPENSES
Main industry comparison
Medium-term outlook - March quarter 1997



International trade
Imports +5.2%
Exports +5.2%

Most industries expect *export* growth to exceed import growth in the March quarter 1997, with the exception of the Construction, Wholesale and Retail industries.

Chart 28. INTERNATIONAL TRADE
Main industry comparison
Medium-term outlook - March quarter 1997



DETAILED RESULTS – STATE

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.

9 PROPORTION OF BUSINESSES SELECTED BY STATE AND TERRITORY, AUSTRALIA, JUNE QUARTER 1996

<i>All businesses</i>	
	%
Australia	100
New South Wales	37.5
Victoria	26.6
Queensland	15.5
South Australia	7.0
Western Australia	9.6
Tasmania	2.2
Northern Territory	0.6
Australian Capital Territory	1.0

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.

The distribution of businesses' expectations between States is based on businesses' current distribution of activity between States.

Expected change for the June quarter 1996 compared with the March quarter 1996

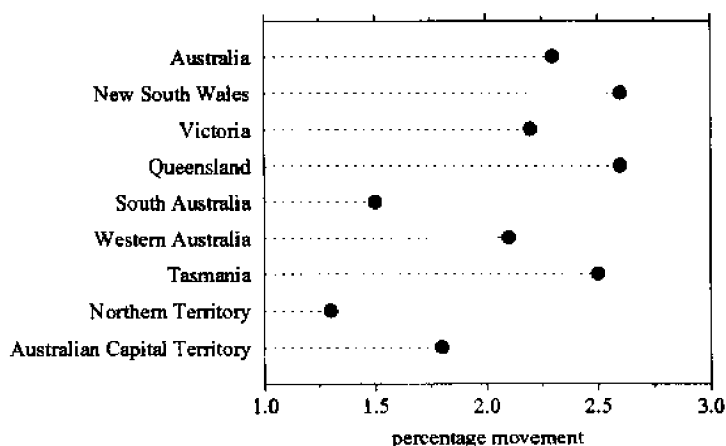
10

AUSTRALIAN BUSINESS EXPECTATIONS - STATES AND TERRITORIES,
SALES OF GOODS AND SERVICES, SHORT-TERM OUTLOOK
(Not seasonally adjusted)

States and Territories	Expected aggregate change over the previous quarter				
	June qtr 1995	Sept qtr 1995	Dec qtr 1995	Mar qtr 1996	June qtr 1996
	%	%	%	%	%
Australia	1.4	1.3	2.1	-0.2	2.3
New South Wales	1.8	0.8	2.1	0.1	2.6
Victoria	1.2	1.1	2.5	-0.9	2.2
Queensland	1.0	3.6	1.2	-0.4	2.6
South Australia	1.8	0.2	1.6	0.6	1.5
Western Australia	0.3	-0.1	2.5	0.6	2.1
Tasmania	1.4	1.4	3.5	0.0	2.5
Northern Territory	2.5	0.7	3.7	n.a.	1.3
Australian Capital Territory	5.2	0.8	2.0	0.5	1.8

- An increase in *sales of goods and services* is expected in the short term in all states and territories, ranging from 1.3% in the Northern Territory to 2.6% in New South Wales and Queensland.

CHART 29. SALES OF GOODS AND SERVICES
STATE ESTIMATES
SHORT-TERM OUTLOOK - JUNE QUARTER 1996



Expected change for the March quarter 1997 compared with the March quarter 1996

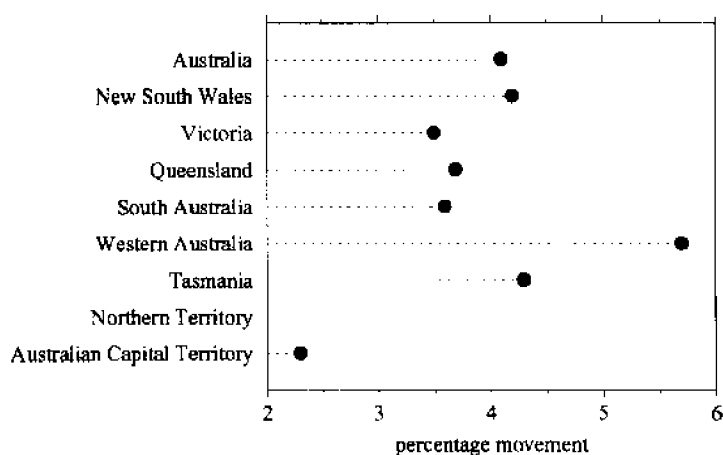
11

AUSTRALIAN BUSINESS EXPECTATIONS, STATES AND TERRITORIES,
SALES OF GOODS AND SERVICES, MEDIUM TERM OUTLOOK
(Not seasonally adjusted)

States and Territories	Expected aggregate change over the same quarter of the previous year				
	Mar qtr 1996	June qtr 1996	Sept qtr 1996	Dec qtr 1996	Mar qtr 1997
	%	%	%	%	%
Australia	1.4	1.3	2.1	-0.2	4.1
New South Wales	1.8	0.8	2.1	0.1	4.2
Victoria	1.2	1.1	2.5	-0.9	3.5
Queensland	1.0	3.6	1.2	-0.4	3.7
South Australia	1.8	0.2	1.6	0.6	3.6
Western Australia	0.3	-0.1	2.5	0.6	5.7
Tasmania	1.4	1.4	3.5	0.0	4.3
Northern Territory	2.5	0.7	3.7	n.a.	n.a.
Australian Capital Territory	5.2	0.8	2.0	0.5	2.3

- *Sales of goods and services* in the medium term are expected to grow by 4.1%. This growth is based on State rises ranging from 2.3% for the Australian Capital Territory to 5.7% for Western Australia.

CHART 30. SALES OF GOODS AND SERVICES
STATE ESTIMATES
MEDIUM-TERM OUTLOOK - MARCH QUARTER 1997



EXPLANATORY NOTES

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 eleventh 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 June quarter 1996 and the March quarter 1996 and the second reports expected change between the March quarter 1997 and the March quarter 1996.

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.

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.).

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.

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.

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.

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.

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.

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; and
- benchmark bias.

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

BUSINESS PERFORMANCE INDICATORS

SIMPLE AND WEIGHTED NET BALANCE

EXPECTED AGGREGATE CHANGE

COMPARISON OF RESULTS

RELIABILITY OF ESTIMATES

SAMPLING ERROR

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 *Sales* for Australia is 2.3 % with a standard error of 0.39 there would be two chances in three that the true value would be within the range 1.91% and 2.69%.

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	2.3	0.39
Selling prices	0.7	0.09
Profit	9.6	0.53
Capital expenditure	1.8	0.29
Stocks	-0.6	0.11
Employment	-0.2	0.12
Wage costs	1.0	0.17
Imports	5.7	0.20
Exports	2.6	0.39

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; and 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. This is important for some variables, where the contribution of new businesses to that variable is relatively substantial (e.g. employment, capital expenditure or stocks).

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.

DESCRIPTION OF TERMS

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; and

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 March 1996 then the quarter being surveyed is June 1996); and

Medium-term (if the current quarter is March 1996, then the quarter being surveyed is March 1997).

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

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Belconnen ACT 2616.

ABS Catalogue No. 5250.0

Australian Business Expectations

June Quarter 1996 and March Quarter 1997, Preliminary

Produced by the Australian Government Publishing Service
© Commonwealth of Australia 1996

Recommended retail price: \$17.00



2525000006961
ISSN 1320-811X