

AUSTRALIAN BUSINESS EXPECTATIONS



September Quarter 1995 / June Quarter 1996

ABS Catalogue No. 5250.0

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AUSTRALIAN BUSINESS EXPECTATIONS

September Quarter 1995 and June Quarter 1996

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AUSTRALIAN BUREAU OF STATISTICS

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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- for further information about statistics in this publication and the availability of related unpublished statistics, contact Glen Malam on Canberra (06) 252 6537 or any ABS State office.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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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 May 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 September quarter 1995 and the June quarter 1996 compared with the June quarter 1995. In addition to producing a qualitative indicator it has the following features:

- 3,000 representative Australian businesses sampled;
- 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;
- results are produced in respect of both a short term expectation (next quarter compared with current quarter) and a medium term expectation (equivalent quarter next year compared with current quarter).

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 1992-93* (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 powerful 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 net balance approach, the ABS has produced 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 impact on the net balance indicator and aggregate change as a result of this weighting is presented in the following table.

**Net Proportion of Businesses Expecting an Increase or Decrease
September Quarter 1995
(Per cent)**

	<i>Simple Net Balance</i>	<i>Weighted Net Balance</i>	<i>Weighted aggregate</i>
Sales	24.0	7.4	1.3
Wage Costs	35.8	47.0	1.1
Employment	2.5	4.7	-0.2
<i>Full time equivalent</i>			

That is, for the June quarter 1995 a positive simple net balance of 2.5 per cent of businesses expect an increase in employment. However, the higher weighted net balance of 4.7 per cent indicates that the businesses expecting a rise in employment tend, on average, to be larger than those expecting a fall. Tables 2 and 4 present data for the weighted net balance for the September quarter 1995 and the June quarter 1996.

The expected aggregate change measure is calculated by deriving the weighted averages of the responses provided by businesses. Tables 1 and 3 present data for the expected aggregate change for six quarters of the survey and Tables 5 and 6 present data for the expected aggregate change by size of business. The 0.2 per cent expected aggregate fall in employment indicates that while the businesses that expect a fall tend, on average, to be smaller than those expecting a rise, the size of the fall they expect is larger than the size of expected rises.

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.

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

It will be at least four years until this survey will have sufficient data (five years of each quarter's data) to allow a reliable seasonally adjusted series to be estimated. However, with survey results now available for eight 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 amount of employment of each business, and whether that business is classified as in the Manufacturing industry or another industry. For details see page 19.

Proportion of Businesses Selected by Size within Australia - September Quarter 1995
(Per cent)

	<i>Small</i>	<i>Medium</i>	<i>Large</i>	<i>All business</i>
Manufacturing	57.7	21.2	21.1	100
Other industries	35.9	19.8	44.3	100
All industries	43.8	20.3	35.9	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 of 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 September quarter 1995 compared with the June quarter 1995

Seasonality

Expected short term changes in economic activity reported in this publication may be the result of seasonal influences in addition to any underlying movement in trading performance.

Comparison of results

The results indicate the expected percentage change between the quarter in which the expectation is made and the following quarter. The latest results are for the expected change between the June and the September quarters 1995. The results cannot be summed to calculate an annual figure for a performance indicator.

Business confidence

The weighted net balance indicator is indicative of the level of confidence in the business community. One major influence on the weighted net balance indicator is the degree of responses which record "no change" which can reveal the potential volatility of a business performance indicator.

Weighted net balance results

The weighted net balance results indicate the number of respondents (weighted by size), expressed as a percentage, who indicated whether they expected an increase, decrease or no change for a business performance indicator in the September quarter 1995. The number of respondents reporting for Imports and Exports are much less than for other indicators, because "not applicable" responses are not counted.

Table 1. Australian Business Expectations - Short Term Outlook

Business performance indicators	(Per cent)					
	(Not seasonally adjusted)					
	Expected aggregate change over the previous quarter					
	June qtr 1994 and Mar qtr 1994	Sept qtr 1994 and June qtr 1994	Dec qtr 1994 and Sept qtr 1994	Mar qtr 1995 and Dec qtr 1994	June qtr 1995 and Mar qtr 1995	Sept qtr 1995 and June qtr 1995
Trading performance						
Sales	1.9	1.9	2.3	-0.5	1.4	1.3
Selling prices	0.5	0.4	0.6	0.6	0.4	0.7
Profit	4.4	8.0	10.6	-7.7	3.6	1.5
Investment						
Capital expenditure	4.2	2.5	7.7	1.5	5.5	5.3
Stocks	0.1	1.0	0.0	0.6	-0.3	-0.1
Employment						
Full time equivalent	-0.2	-0.1	0.5	-0.3	0.1	-0.2
Operating Expenses						
Wages	1.1	1.2	1.5	0.7	0.6	1.1
Non-wage labour	1.0	0.9	1.1	0.1	0.5	0.6
Other	1.3	1.0	1.3	-0.3	1.1	1.1
Total	1.3	1.0	1.3	-0.1	1.0	1.1
International Trade						
Imports	1.6	2.4	0.9	0.7	1.5	2.6
Exports	1.3	-0.1	2.2	0.6	0.8	-1.3

Table 2. Australian Business Expectations - September Quarter 1995,

Business performance indicators	Weighted Net Balance			
	(Per cent)			
	(Not seasonally adjusted)			
	Proportion of businesses expecting			
	No Change	Increases	Decreases	Net balance
Trading performance				
Sales	26.8	40.3	32.9	7.4
Selling prices	57.0	33.2	9.8	23.3
Profit	17.6	40.6	41.8	-1.2
Investment				
Capital expenditure	37.0	53.1	9.9	43.3
Stocks	45.9	21.3	32.8	-11.5
Employment				
Full time equivalent	59.9	22.4	17.7	4.7
Operating Expenses				
Wages	35.3	55.8	8.9	47.0
Non-wage labour	46.5	47.0	6.6	40.4
Other	30.5	60.8	8.7	52.0
International Trade				
Imports	53.9	42.4	3.7	38.7
Exports	85.2	8.2	6.6	1.6

SHORT TERM OUTLOOK

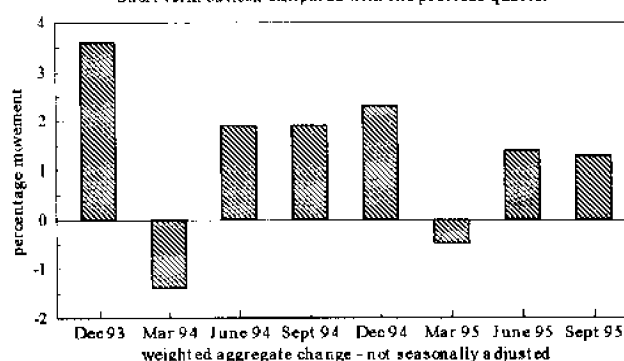
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Expected change for the September quarter 1995 compared with the June quarter 1995

Sales of goods and services
+1.3%

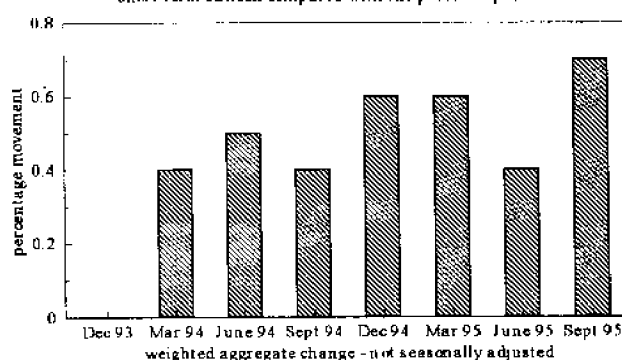
Sales are expected to increase during the September quarter 1995 by 1.3 per cent. This is lower than the increase of 1.9 per cent expected in the September quarter 1994.

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

**Selling prices**
+0.7%

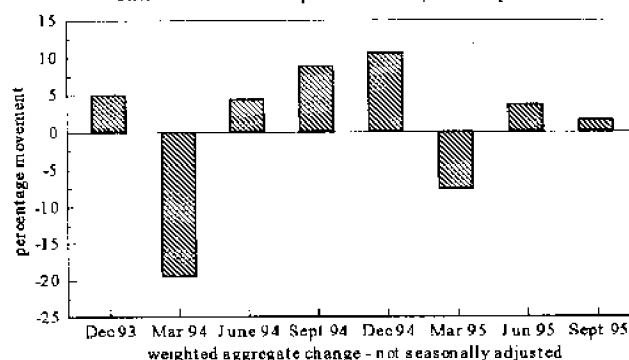
Selling prices are expected to increase by 0.7 per cent in the September quarter 1995.

Chart 2. SELLING PRICES
Short term outlook compared with the previous quarter

**Profit**
+1.5%

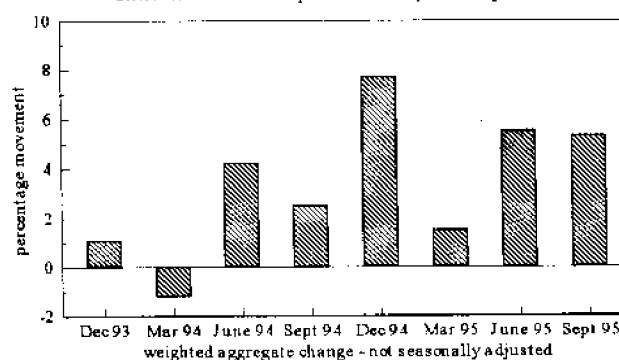
An increase in profit of 1.5 per cent is expected for all industries. This is lower than the increase expected for the same quarter last year (8.0%). Other ABS surveys suggest profit is subject to seasonal factors.

Chart 3. PROFIT
Short term outlook compared with the previous quarter

**Capital expenditure**
+5.3%

Capital expenditure is expected to increase in the September quarter 1995 by 5.3 per cent compared to an increase of 2.5 per cent expected in the same quarter of the previous year.

Chart 4. CAPITAL EXPENDITURE
Short term outlook compared with the previous quarter



KEY RESULTS

SHORT TERM OUTLOOK

(continued)

Expected change for the September quarter 1995 compared with the June quarter 1995

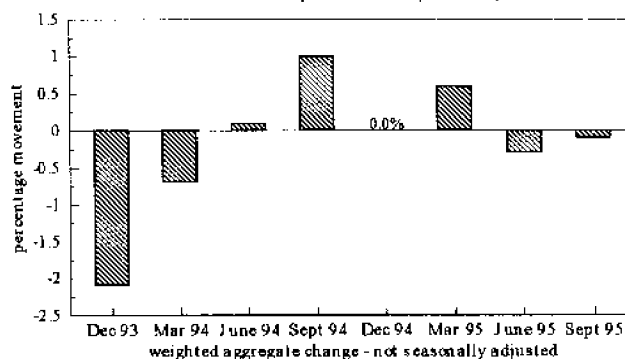
Stocks

-0.1%

There is a slight decrease in the expected level of Stocks for the September quarter 1995.

Chart 5. STOCKS

Short term outlook compared with the previous quarter



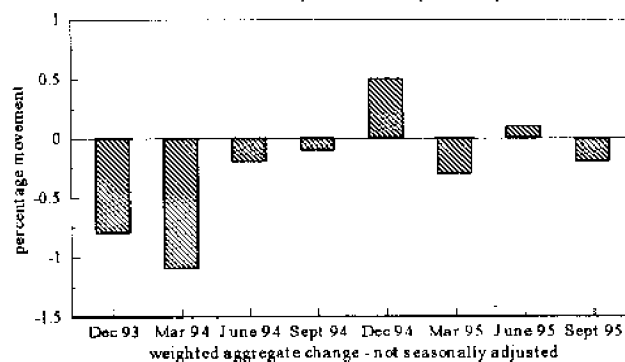
Employment

-0.2%

A decrease of 0.2 per cent is expected in *full time equivalent employment* when compared to the previous quarter.

Chart 6. EMPLOYMENT

Short term outlook compared with the previous quarter



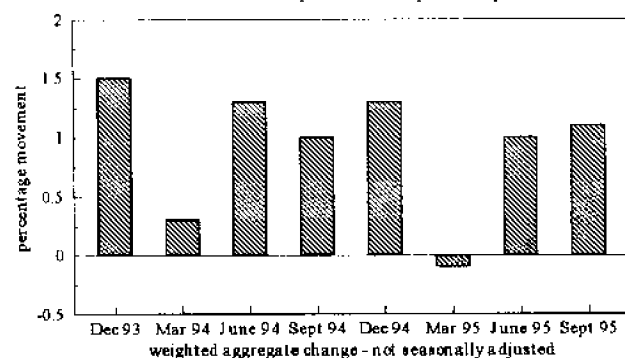
Total Operating Expenses

+1.1%

Total operating expenses are expected to rise in the September quarter 1995.

Chart 7. TOTAL OPERATING EXPENSES

Short term outlook compared with the previous quarter



International trade

Imports +2.6%

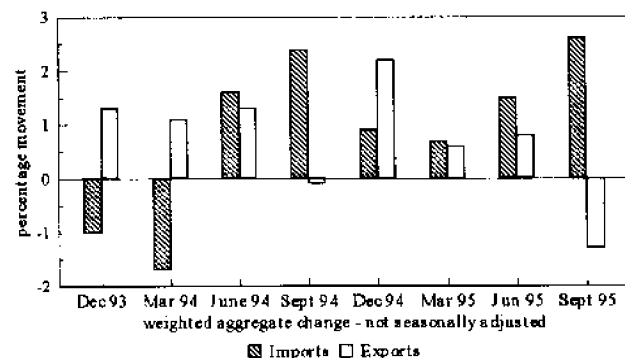
Exports -1.3%

The expected percentage increase in *Imports* for the September quarter 1995 is similar to the expectations reported for the September quarter 1994.

The expected percentage fall in *Exports* is expected to be significantly higher than the equivalent expectation for the September quarter 1994.

Chart 8. INTERNATIONAL TRADE

Short term outlook compared with the previous quarter



MEDIUM TERM OUTLOOK

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

Seasonality

For the medium term, comparisons are made between the same calendar quarters twelve months apart. It is unlikely that business expectations will be affected by seasonal influences.

Comparison of results

The results indicate the expected percentage change between the quarter in which the expectation is made and the corresponding quarter in the following year.

The expected aggregate change measurement and the weighted net balance are not directly comparable.

Business confidence

The weighted net balance indicator is indicative of the level of confidence in the business community. One major influence on the weighted net balance indicator is the degree of responses which record "no change" which can reveal the potential volatility of a business performance indicator.

Weighted net balance results

The weighted net balance results indicate the number of respondents (weighted by size), expressed as a percentage, who indicated whether they expected an increase, decrease or no change for a business performance indicator in the June quarter 1996.

Table 3. Australian Business Expectations - Medium Term Outlook

(Per cent)						
(Not seasonally adjusted)						
<i>Expected aggregate change over the same quarter of the previous year</i>						
<i>Business performance indicators</i>	<i>Mar qtr 1995 and Mar qtr 1994</i>	<i>June qtr 1995 and June qtr 1994</i>	<i>Sept qtr 1995 and Sept qtr 1994</i>	<i>Dec qtr 1995 and Dec qtr 1994</i>	<i>Mar qtr 1996 and Mar qtr 1995</i>	<i>June qtr 1996 and June qtr 1995</i>
Trading performance						
Sales	3.9	3.3	4.1	3.3	3.0	2.3
Selling prices	1.3	1.5	2.1	1.8	1.7	1.5
Profit	20.4	11.7	20.9	15.1	4.6	2.8
Investment						
Capital expenditure	0.1	2.8	15.7	1.0	3.7	7.1
Stocks	0.1	1.4	0.6	0.6	0.5	-0.3
Employment (Full time equivalent)	-0.1	0.3	1.1	0.6	0.8	-0.1
Operating Expenses						
Wages	1.8	2.2	3.1	2.4	2.2	2.3
Non-wage labour	1.3	1.8	2.3	1.6	1.4	1.4
Other	1.7	2.1	2.3	2.0	2.7	2.1
Total	1.7	2.1	2.4	2.1	2.6	2.1
International Trade						
Imports	0.6	2.8	4.1	2.9	3.0	2.6
Exports	1.8	2.6	5.2	1.7	3.2	1.0

Table 4. Australian Business Expectations - June Quarter 1996, Weighted Net Balance

(Per cent)				
(Not seasonally adjusted)				
<i>Proportion of businesses expecting -</i>				
<i>Business performance indicators</i>	<i>No Change</i>	<i>Increases</i>	<i>Decreases</i>	<i>Net balance</i>
Trading performance				
Sales	15.9	57.8	26.3	31.5
Selling prices	39.4	51.6	9.0	42.6
Profit	14.5	48.2	37.3	10.8
Investment				
Capital expenditure	32.2	58.0	9.8	48.1
Stocks	40.2	32.5	27.2	5.3
Employment				
Full time equivalent	49.4	32.4	18.2	14.1
Operating Expenses				
Wages	19.2	72.8	8.0	64.7
Non-wage labour	29.9	61.4	8.8	52.6
Other	18.3	74.0	7.7	66.4
International Trade				
Imports	35.5	61.0	3.5	57.4
Exports	80.6	15.9	3.5	12.4

MEDIUM TERM OUTLOOK

(continued)

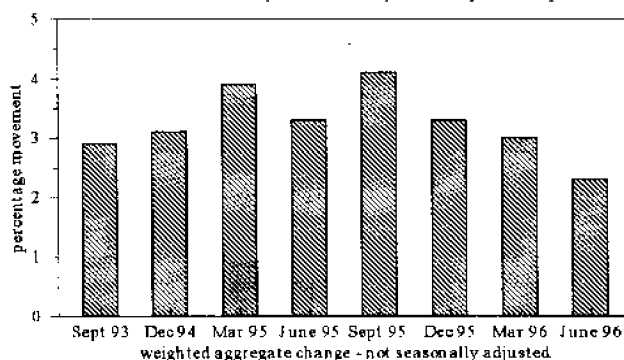
Expected change for the June quarter 1996 compared with the June quarter 1995

**Sales of goods and services
+2.3%**

Sales in the June quarter 1996 are expected to be 2.3 per cent higher than in the June quarter 1995.

Chart 9. SALES OF GOODS AND SERVICES

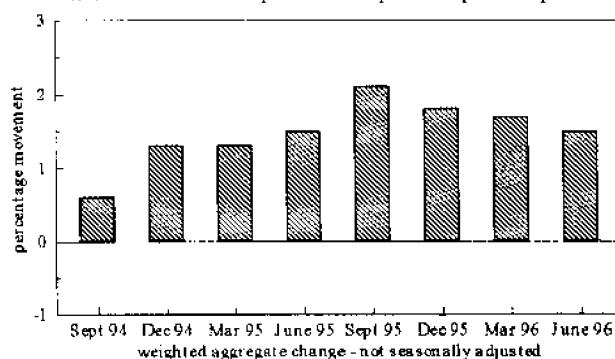
Medium term outlook compared with the previous equivalent quarter

**Selling prices
+1.5%**

The expected increase in *Selling prices* is slightly less than in the previous quarter.

Chart 10. SELLING PRICES

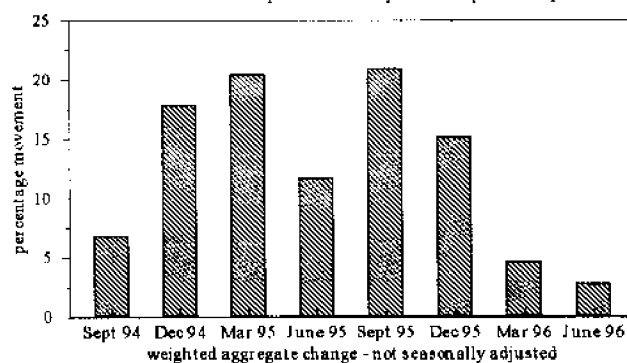
Medium term outlook compared with the previous equivalent quarter

**Profit
+2.8%**

An increase in *profit* of 2.8 per cent is expected for the June quarter 1996. This is a substantial fall from the equivalent expectations for the June quarter 1995.

Chart 11. PROFIT

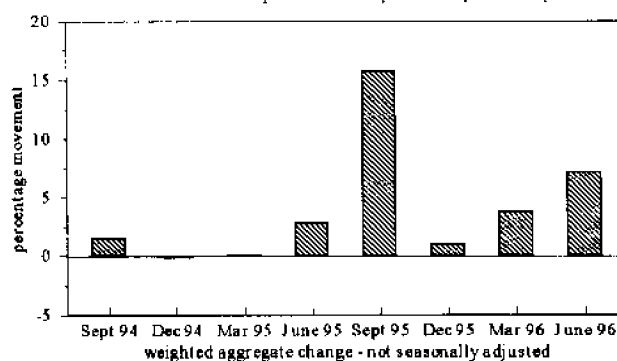
Medium term outlook compared with the previous equivalent quarter

**Capital expenditure
+7.1%**

Capital expenditure is expected to rise 7.1 per cent between the June quarter 1995 and the June quarter 1996. The equivalent expectation for the June quarter 1995 was 2.8 per cent.

Chart 12. CAPITAL EXPENDITURE

Medium term outlook compared with the previous equivalent quarter



MEDIUM TERM OUTLOOK

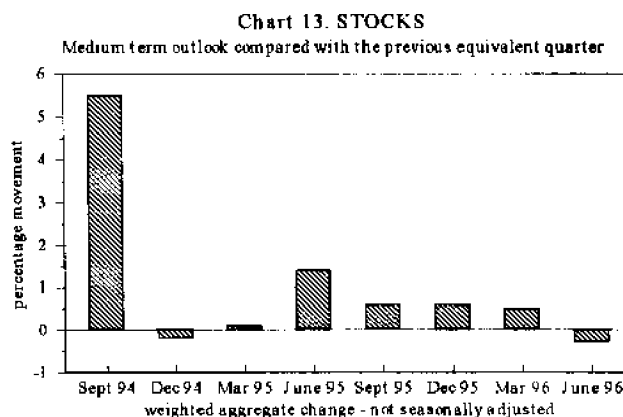
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Expected change for the June quarter 1996 compared with the June quarter 1995

Stocks

-0.3%

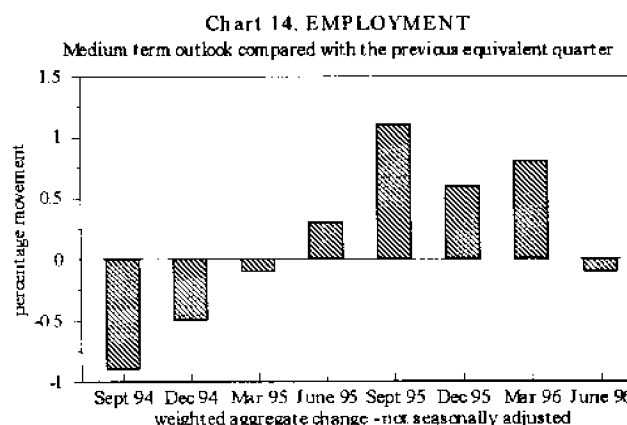
Stock levels are expected to decrease marginally compared with the June quarter 1995.



Employment

-0.1%

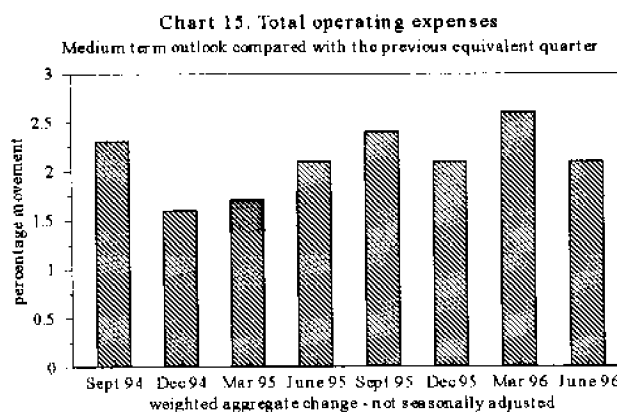
The *full time equivalent employment* is expected to be 0.1 per cent lower in the June quarter 1996 than in the June quarter 1995.



Total operating expenses

+2.1%

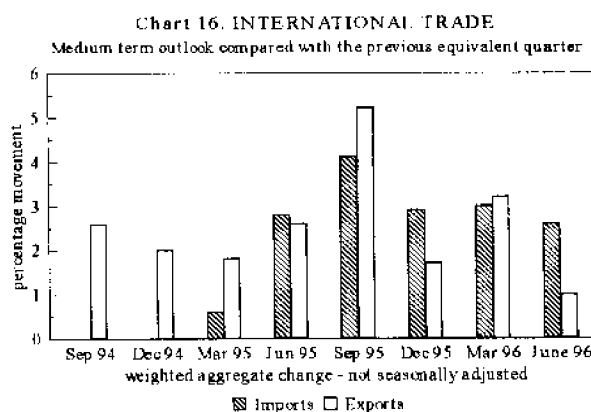
Expectations for *Total operating expenses* show an increase of 2.1 per cent in the June quarter 1996 compared with the June quarter 1995.



International trade

Imports +2.6%**Exports +1.0%**

The expected medium term percentage increases in *Imports* (2.6%) activity for the June quarter 1996 are larger than the equivalent export expectation.



DETAILED RESULTS - SIZE OF BUSINESS

SHORT TERM OUTLOOK

Expected change for the September quarter 1995 compared with the June quarter 1995

Trading Performance

Sales

Businesses of all sizes are expecting growth in *Sales of goods and services*. Large businesses expect the greatest increase of 2.2 per cent, while medium businesses are expecting an increase of 1.3 per cent and small businesses expect an increase of 0.2 per cent.

Selling prices

Businesses of all sizes are expecting a marginal increase in *Selling prices*.

Profit

Large businesses expect an increase in *Profit* (6.6%), while both small and medium sized businesses are expecting a fall (-7.6% and -1.4% respectively).

Investment

Capital investment

An increase in *Capital expenditure* is expected by businesses of all sizes. Medium sized businesses are expecting the largest increase (7.3%) in the September quarter 1995, with large and small employment businesses expecting growth in expenditure of 3.6 per cent and 5.7 per cent respectively.

Stocks

Large businesses expect a small decrease in stocks in the September quarter 1995, while small and medium businesses expect marginal increases.

Employment

(Full time equivalent)

Large and small businesses expect a fall in *full time equivalent employment* of 0.1 per cent and 0.3 per cent respectively. Medium size businesses do not expect any change.

Operating Expenses

Total operating expenses are expected to increase by 1.1 per cent in the September quarter 1995. Medium size businesses expect the largest increase (1.3%).

International Trade

Small and medium businesses expect increases in *Imports* of 3.5 per cent and 3.1 per cent respectively.

Small and large businesses expect falls in *Exports* of 1.7 per cent and 1.8 per cent respectively, while medium businesses expect an increase of 1.9 per cent.

Table 5. Australian Business Expectations - September Quarter 1995 Compared with June Quarter 1995, Expected Aggregate Change, by Size of Business

(Per cent)

(Not seasonally adjusted)

<i>Business performance indicators</i>	<i>Small</i>	<i>Medium</i>	<i>Large</i>	<i>All business</i>
Trading performance				
Sales	0.2	1.3	2.2	1.3
Selling prices	0.6	0.9	0.6	0.7
Profit	-7.6	-1.4	6.6	1.5
Investment				
Capital expenditure	5.7	7.3	3.6	5.3
Stocks	0.4	0.5	-0.8	-0.1
Employment (Full time equivalent)	-0.3	0.0	-0.1	-0.2
Operating Expenses				
Wages	0.6	1.2	1.3	1.1
Non-wage labour	0.3	0.7	0.9	0.6
Other	1.3	1.3	1.0	1.1
Total	1.1	1.3	1.0	1.1
International Trade				
Imports	3.5	3.1	1.3	2.6
Exports	-1.7	1.9	-1.8	-1.3

MEDIUM TERM OUTLOOK

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

Trading Performance

Sales

Sales of goods and services are expected to increase for businesses of all sizes (2.3%) with large businesses expecting the greatest increase (3.3%).

Selling prices

The increase expected in *Selling prices* for businesses is 1.5 per cent.

Profit

Large businesses are expecting a rise in *Profit* of 5.0 per cent between the June quarters of 1995 and 1996. Small businesses expect an increase in profit of 0.7 per cent, while medium businesses expect a fall in profits of 3.8 per cent.

Investment

Capital investment

Businesses of all sizes are expecting to increase *Capital expenditure*. Medium businesses are expecting the greatest increase (7.0%) followed by large businesses (6.3%) and small businesses (6.1%).

Stocks

Small and medium businesses expect *Stocks* will rise (0.1% and 1.2% respectively), while large businesses are expecting a fall of 1.1 per cent.

Employment

(Full time equivalent)

Large and medium businesses expect a marginal increase in *Employment*, while small businesses expect a fall of 0.5 per cent.

Operating Expenses

Increases in *Total operating expenses* are expected by businesses. The biggest contributor to the increase were large businesses with an expectation of a 2.5 per cent increase.

International Trade

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

An increase of 1.0 per cent is expected in *Exports* by all size businesses with medium businesses (3.6%) expecting the largest growth.

Table 6. Australian Business Expectations - June Quarter 1996 Compared with June Quarter 1995, Expected Aggregate Change, by Size of Business (Per cent)

(Not seasonally adjusted)

<i>Business performance indicators</i>	<i>Small</i>	<i>Medium</i>	<i>Large</i>	<i>All business</i>
Trading performance				
Sales	1.5	1.7	3.3	2.3
Selling prices	1.3	1.9	1.4	1.5
Profit	0.7	-3.8	5.0	2.8
Investment				
Capital expenditure	6.1	7.0	6.3	7.1
Stocks	0.1	1.2	-1.1	-0.3
Employment <i>(Full time equivalent)</i>	-0.5	0.2	0.3	-0.1
Operating Expenses				
Wages	1.1	2.3	3.1	2.3
Non-wage labour	0.7	1.7	1.9	1.4
Other	1.7	2.0	2.4	2.1
Total	1.6	2.1	2.5	2.1
International Trade				
Imports	2.4	3.1	2.6	2.6
Exports	0.7	3.6	0.6	1.0

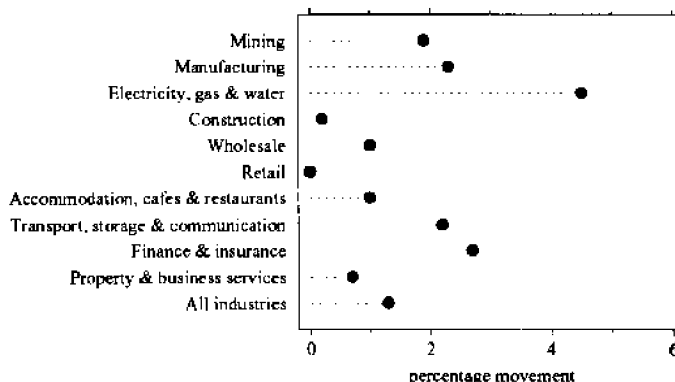
SHORT TERM OUTLOOK

Expected change for the September quarter 1995 compared with the June quarter 1995

Sales of goods and services +1.3%

Increases in *Sales of goods and services* are expected by all industries with the largest being Electricity, gas and water (4.5%).

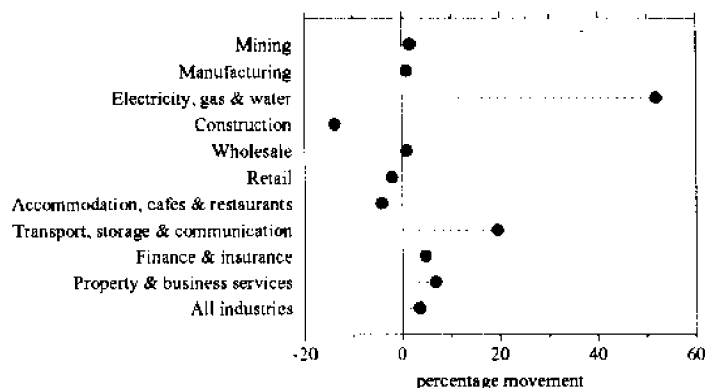
Chart 17. SALES OF GOODS AND SERVICES
Main industry comparison
Short term outlook - September quarter 1995



Profit +1.5%

Profit expectations vary between the different industries with Electricity, gas and water (26.3%) and Manufacturing (7.4%) expecting the largest increases and the Construction industry expecting the largest decrease (down 10.9%).

Chart 18. PROFIT
Main industry comparison
Short term outlook - June quarter 1995

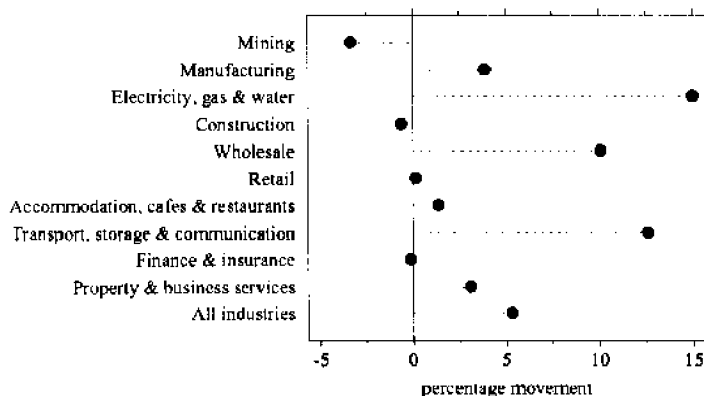


Capital expenditure +5.3%

Capital expenditure is expected to increase with the Electricity, gas and water and Transport, storage and communication industries expecting the largest increases in expenditure of 15.0 per cent and 12.6 per cent respectively.

Mining (-3.3%), Construction (-0.6%) and Finance and Insurance (-0.1%) are expecting falls in capital expenditure.

Chart 19. CAPITAL EXPENDITURE
Main industry comparison
Short term outlook - September quarter 1995

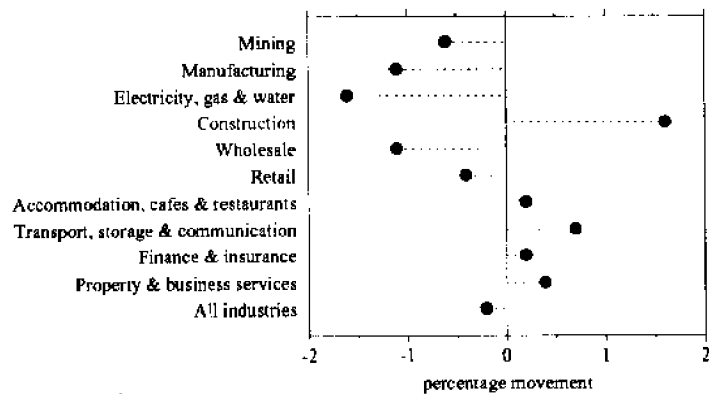


SHORT TERM OUTLOOK*(continued)***Expected change for the September quarter 1995 compared with the June quarter 1995****Employment****-0.2%**

The Construction industry is expecting the largest increase in *full time equivalent employment* (1.6%).

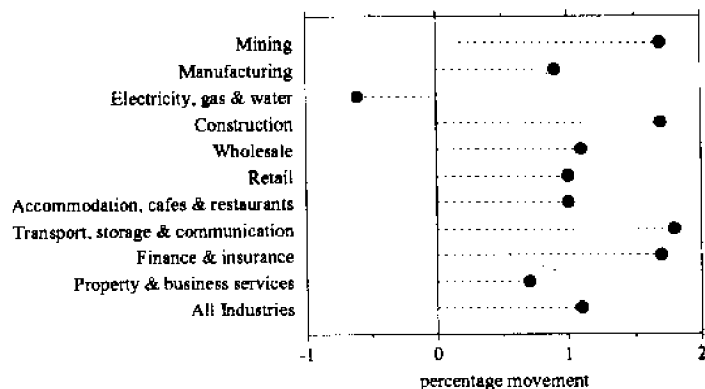
The largest short term decrease is expected in the Electricity, gas and water industry (down 1.6%).

Chart 20. EMPLOYMENT
Main industry comparison
Short term outlook - September quarter 1995

**Total operating expenses****+1.1%**

Increases in *Operating expenses* are expected by all industries except Electricity, gas and water (down 0.6%). The Transport, storage and communication industry is expecting the greatest increase (up 1.8%).

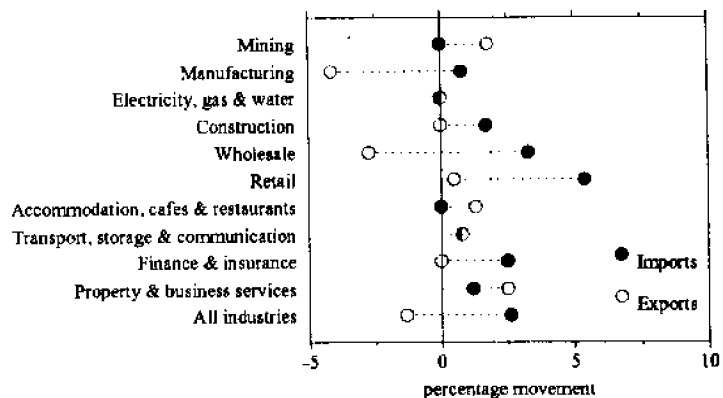
Chart 21. TOTAL OPERATING EXPENSES
Main industry comparison
Short term outlook - September quarter 1995

**International trade****Imports +2.6%****Exports -1.3%**

Most industries are expecting an increase in *Imports*, particularly the Retail industry which recorded a 5.4 per cent increase.

Exports are expected to fall, mainly due to expected falls in the Manufacturing (-4.1%) and Wholesale (-2.7%) industries.

Chart 22. INTERNATIONAL TRADE
Main industry comparison
Short term outlook - September quarter 1995



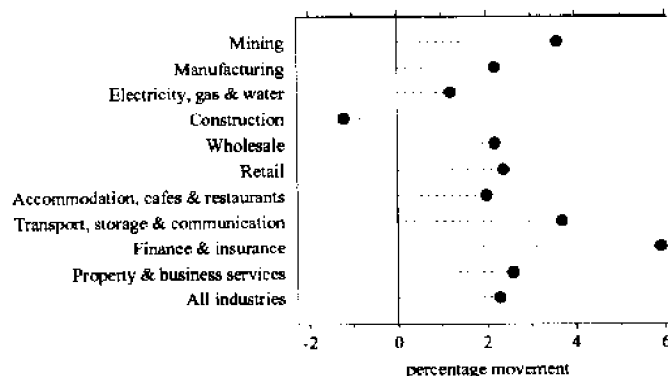
MEDIUM TERM OUTLOOK

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

Sales of goods and services +2.3%

All industries, except for Construction which is expecting a 1.2 per cent decrease, are expecting an increase in *Sales of goods and services* in the medium term with Finance and insurance (5.9%) reporting the largest increase.

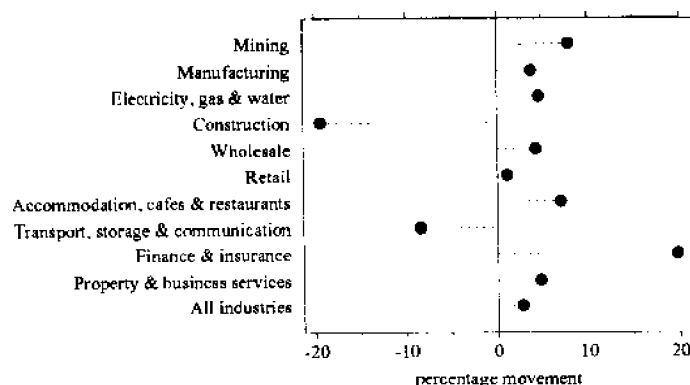
Chart 23. SALES OF GOODS AND SERVICES
Main industry comparison
Medium term outlook - June quarter 1996



Profit +2.8%

Profit increases are expected for most industries. The Finance and insurance industry expects the largest increase (19.8%) however the Construction industry (-19.4%) is expecting a decrease in profit. All other industries expect profit to increase, with the exception of Transport, storage and communication which expects a decrease of 8.4 per cent.

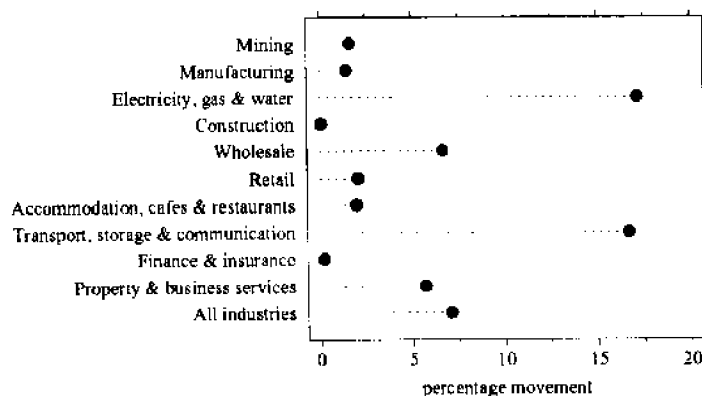
Chart 24. PROFIT
Main industry comparison
Medium term outlook - June quarter 1996



Capital expenditure +7.1%

Capital expenditure is expected to increase in the medium term for all industries with the largest growth being in Electricity, gas and water (17.2%), and Transport, storage and communication (16.7%).

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



MEDIUM TERM OUTLOOK

(continued)

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

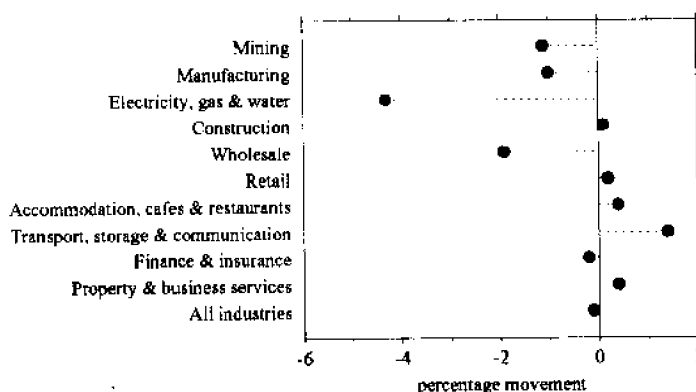
Employment

(Full-time equivalent)

-0.1%

Only small movements are expected in *full time equivalent employment*, with the largest decrease expected in the Electricity, gas and water industry (-4.3%)

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

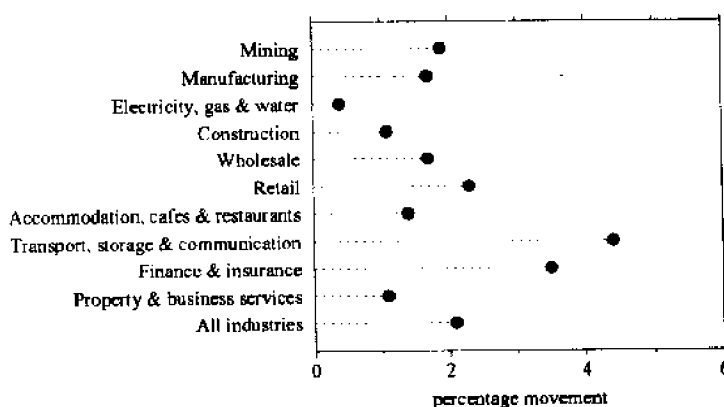


Total operating expenses

+2.1%

All industries are expecting *Total operating expenses* to rise in the June quarter 1996.

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



International trade

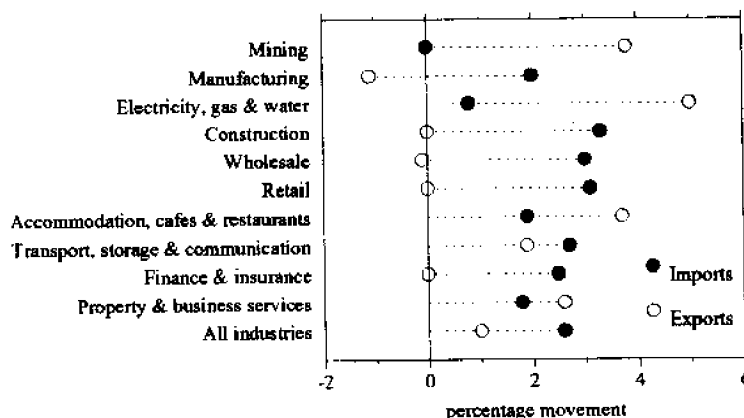
Imports +2.6%

Exports +1.0%

Most industries are expecting slight increases in *Imports* with Mining being the only industry not expecting any change in import activity.

The Electricity, gas and water industry (up 5.0%) is expecting the highest increase in exports. Only the Manufacturing (-1.1%) and Wholesale industries (-0.1) are expecting a decrease in exports.

Chart 28. INTERNATIONAL TRADE
Main industry comparison
Medium term outlook - June 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.

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

Table 7. Proportion of Businesses Selected by State and Territory, Australia, June Quarter 1995 (Per Cent)

	<i>All business</i>
Australia	100.0
New South Wales	35.9
Victoria	27.1
Queensland	13.9
South Australia	6.8
Western Australia	8.7
Tasmania	1.9
Northern Territory	0.8
Australian Capital Territory	1.3

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 September quarter 1995 compared with the June quarter 1995

Table 8. Australian Business Expectations - States and Territories, Sales of Goods and Services, Short Term Outlook

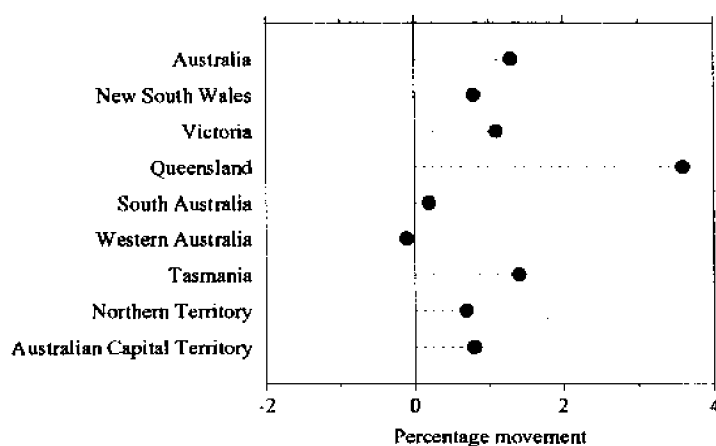
(Per cent)

(Not seasonally adjusted)

States and Territories	Expected aggregate change between					
	June qtr 1994 and Mar qtr 1994	Sept qtr 1994 and June qtr 1994	Dec qtr 1994 and Sept qtr 1994	Mar qtr 1995 and Dec qtr 1994	June qtr 1995 and Mar qtr 1995	Sept qtr 1995 and June qtr 1995
	June qtr 1994 and Mar qtr 1994	Sept qtr 1994 and June qtr 1994	Dec qtr 1994 and Sept qtr 1994	Mar qtr 1995 and Dec qtr 1994	June qtr 1995 and Mar qtr 1995	Sept qtr 1995 and June qtr 1995
Australia	1.9	1.9	3.6	-0.5	1.4	1.3
New South Wales	1.7	1.8	2.8	-0.3	1.8	0.8
Victoria	1.7	2.3	2.7	-0.7	1.2	1.1
Queensland	-0.7	2.4	3.6	-0.5	1.0	3.6
South Australia	-2.0	2.0	4.5	-0.1	1.8	0.2
Western Australia	2.4	1.5	6.8	-0.8	0.3	-0.1
Tasmania	-1.1	1.3	3.1	1.1	1.4	1.4
Northern Territory	-2.3	0.4	1.5	n.a.	2.5	0.7
Australian Capital Territory	1.6	1.3	1.1	-1.3	5.2	0.8

- All States and Territories except Western Australia expect an increase in *Sales of goods and services*. Most of the states expect growth of between 0.7 and 1.4 per cent, although strong growth (3.6%) is expected in Queensland. In Western Australia growth is expected to fall 0.1 per cent.

Chart 29. SALES OF GOODS AND SERVICES
State estimates
Short term outlook - September quarter 1995



MEDIUM TERM OUTLOOK

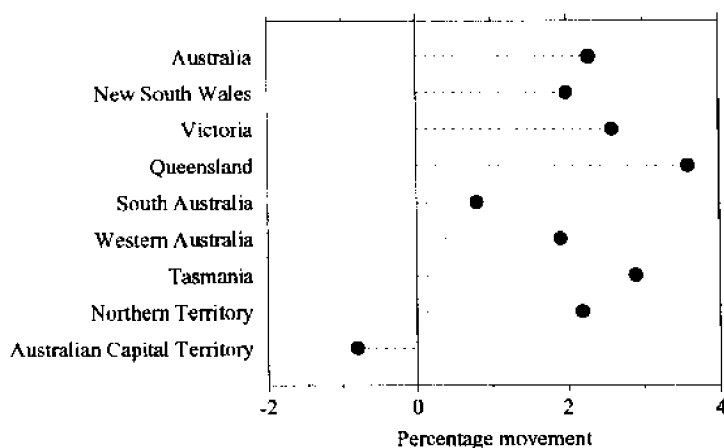
Expected change for the June quarter 1996 compared with the June quarter 1995

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

<i>States and Territories</i>	<i>Expected aggregate change between</i>					
	<i>Mar qtr 1995 and Mar qtr 1994</i>	<i>June qtr 1995 and June qtr 1994</i>	<i>Sept qtr 1995 and Sept qtr 1994</i>	<i>Dec qtr 1995 and Dec qtr 1994</i>	<i>Mar qtr 1996 and Mar qtr 1995</i>	<i>June qtr 1996 and June qtr 1995</i>
Australia	3.9	3.3	2.9	3.3	3.0	2.3
New South Wales	3.8	3.5	2.8	3.7	3.5	2.0
Victoria	4.4	3.0	2.3	3.7	2.8	2.6
Queensland	4.1	3.6	3.6	2.3	3.1	3.6
South Australia	3.1	4.1	3.2	2.8	1.1	0.8
Western Australia	3.0	2.4	4.3	2.7	2.8	1.9
Tasmania	2.7	3.3	3.1	3.0	2.4	2.9
Northern Territory	2.5	2.6	2.9	n.a.	2.8	2.2
Australian Capital Territory	3.8	6.2	1.5	3.5	3.0	-0.8

- Businesses in Queensland (3.6%) expect to have a greater increase in sales than the Australian average of 2.3 per cent in the medium term.
- Businesses in Australian Capital Territory (-0.8%) expect the only decrease in the *Sales of goods and services*.

Chart 30. SALES OF GOODS AND SERVICES
State estimates
Medium term outlook - June quarter 1996



Introduction

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.

This is the eighth 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 1995 and the September quarter 1995 and the second reports expected change between the June quarter 1995 and the June quarter 1996.

Survey methodology

The survey is conducted by mail each quarter.

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.

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

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

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

- agriculture*
- general government

*** Agriculture**

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.

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

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

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

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.

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

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".

EXPLANATORY NOTES

Business performance indicators

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)

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

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'.

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.

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.

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

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.

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

Comparison of results

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.

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

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.

All of the estimates in this publication are subject to:

- sampling error
- non-sampling error
- benchmark bias

Sampling error

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 (continued)

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 of goods and services* for Australia is 1.3 per cent with a standard error of 0.12 there would be two chances in three that the true value would be within the range 1.18 per cent and 1.42 per cent.

Standard Errors of Key Estimates, September Quarter 1995, Short Term Expectation, Australia

<i>Business performance indicator</i>	<i>Survey estimate</i>	<i>Standard error</i>
Sales	1.3	0.12
Selling prices	0.7	0.05
Profit	1.5	0.01
Capital expenditure	5.3	0.44
Stocks	-0.1	0.13
Employment	-0.2	0.07
Wage costs	1.1	0.08
Imports	2.6	0.11
Exports	-1.3	0.07

Non-sampling error

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

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

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.

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

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

Profit	<p>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.</p> <p>The difference between the new benchmarks for the <i>sales of goods and services</i> and the sum of all expenses items (the sum of <i>Total wage expense</i>, <i>Non-wage labour expense</i> and <i>All other operating expenses</i>) 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.</p> <p>Because of reporting difficulties experienced with the cost/sales ratios, caution should be exercised in interpreting profit expectations.</p>
State Information	<p>State information has been derived for businesses in the survey which operate in more than one State.</p> <p>This has been achieved by</p> <ol style="list-style-type: none"> 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	<p>There are two reference periods surveyed each quarter:</p> <p>Short term (if the current quarter is June 1995 then the quarter being surveyed is September 1995).</p> <p>Medium term (if the current quarter is June 1995, then the quarter being surveyed is June 1996).</p>

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
Belconnen ACT 2616.

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