



September Quarter 1996
and June Quarter 1997

EMBARGOED UNTIL 11:30 AM WED 26 JUNE 1996

Australian Business Expectations

**AUSTRALIAN BUSINESS EXPECTATIONS
SEPTEMBER QUARTER 1996 AND JUNE QUARTER 1997**

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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- *for further information about statistics in this publication and the availability of related unpublished statistics*, contact Glen Malam on Canberra (06) 252 6537 or any ABS State office.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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Release date for December quarter 1996 - September quarter 1997 issue

The expected release date for the December quarter 1996 - September quarter 1997 issue of
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Wednesday, 25 September 1996

ABOUT THIS SURVEY

This publication presents the results of the quarterly Australian Business Expectations survey, which is undertaken to provide comprehensive information about future trading conditions in Australia. The latest survey was conducted during May 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 September quarter 1996, and the June quarter 1997 compared with the June 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; and
- 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 BES 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 Australian Bureau of Statistics (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 two 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 twelve quarters the opportunity is available to analyse the results from the latest survey with those for the comparable reference period of the previous two years.

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, SEPTEMBER QUARTER 1996

	<i>Small</i> %	<i>Medium</i> %	<i>Large</i> %	<i>All businesses</i> %
Manufacturing	52.9	26.4	20.7	100
Other industries	41.2	21.3	37.5	100
All Industries	44.4	22.7	32.9	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, SEPTEMBER QUARTER 1996

	Simple net balance %	Weighted net balance %	Weighted aggregate %
Sales	27.6	30.5	1.6
Wage Costs	44.2	34.5	1.2
Employment			
<i>Full time equivalent</i>	16.6	9.0	0.3

That is, for the September quarter 1996 a simple net balance of 27.6% of businesses expect a rise in sales. The rise in the sales weighted net balance of 30.5% indicates that the businesses expecting a rise in sales tend to be larger than those expecting a fall. Tables 4 and 6 present data for the weighted net balance for the September quarter 1996 and the June quarter 1997.

The 1.6% expected aggregate change in sales indicates that overall, the expected change by most businesses is only a small rise. 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 the 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 September quarter 1996 compared with the June 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				
	Sept qtr 1995	Dec qtr 1995	Mar qtr 1996	June qtr 1996	Sept qtr 1996
	%	%	%	%	%
Trading performance					
Sales	1.3	2.1	-0.2	2.3	1.6
Selling prices	0.7	0.9	0.2	0.7	0.2
Profit	1.5	2.9	-9.6	9.6	4.2
Investment					
Capital expenditure	5.3	5.9	4.9	1.8	2.0
Stocks	-0.1	0.1	-0.7	-0.6	0.2
Employment					
Full time equivalent	-0.2	0.1	0.0	-0.2	0.3
Operating expenses					
Wages	1.1	1.4	0.9	1.0	1.2
Non-wage labour	0.6	0.9	0.4	1.0	0.8
Other	1.1	2.1	1.0	1.2	1.3
Total	1.1	1.9	0.9	1.2	1.3
International trade					
Imports	2.6	3.7	0.0	5.7	2.7
Exports	-1.3	2.6	1.7*	2.6	2.6

* This data item has a high standard error.

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

Business performance indicators	Proportion of businesses expecting			
	Decreases	No change	Increases	Net balance
	%	%	%	%
Trading performance				
Sales	20.3	28.9	50.8	30.5
Selling prices	13.8	44.4	41.8	27.9
Profit	23.3	19.5	57.2	33.9
Investment				
Capital expenditure	34.5	36.3	29.3	-5.2
Stocks	22.0	44.8	33.2	11.2
Employment				
Full time equivalent	17.1	56.8	26.1	9.0
Operating expenses				
Wages	12.9	39.7	47.4	34.5
Non-wage labour	5.8	46.9	47.3	41.6
Other	14.0	29.5	56.5	42.5
International trade				
Imports	7.8	51.8	40.4	32.6
Exports	15.1	57.4	27.5	12.4

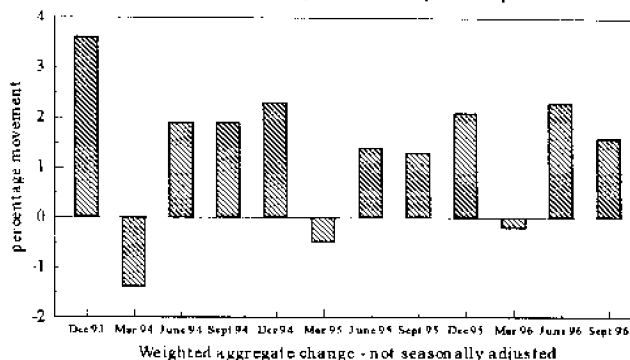
SHORT-TERM OUTLOOK *continued*

Sales of goods and services + 1.6%

Sales are expected to rise during the September quarter 1996 by 1.6%. All industries are expecting an increase in the short term.

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

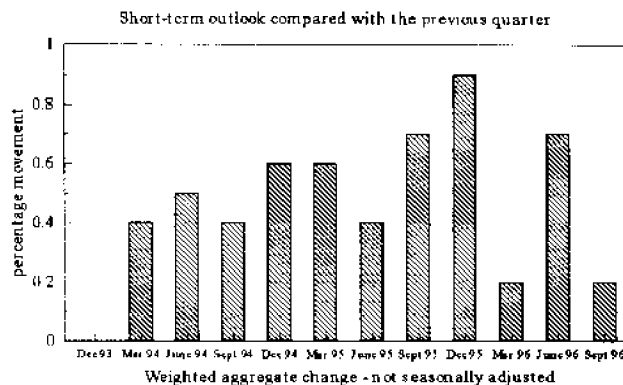
Chart 1. SALES OF GOODS AND SERVICES
Short-term outlook compared with the previous quarter



Selling prices + 0.2%

Selling prices are expected to increase by 0.2% in the September quarter 1996. This is the smallest recorded rise for the September quarter since the survey commenced in 1993.

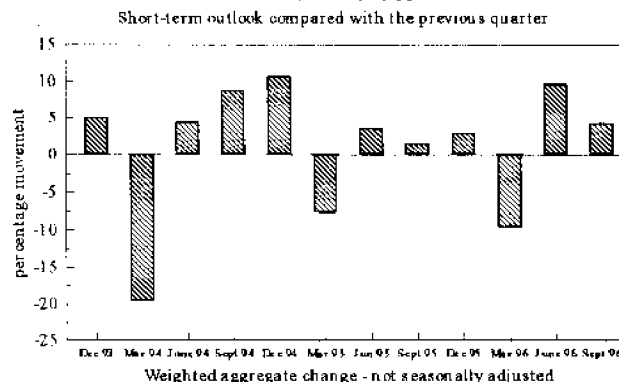
Chart 2. SELLING PRICES
Short-term outlook compared with the previous quarter



Profit + 4.2%

A rise in *profit* of 4.2% is expected in the September quarter 1996.

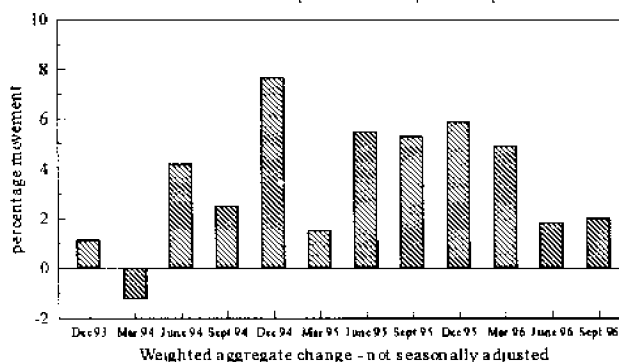
Chart 3. PROFIT
Short-term outlook compared with the previous quarter



Capital expenditure + 2.0%

Capital expenditure is expected to increase in the September quarter 1996 by 2.0%.

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

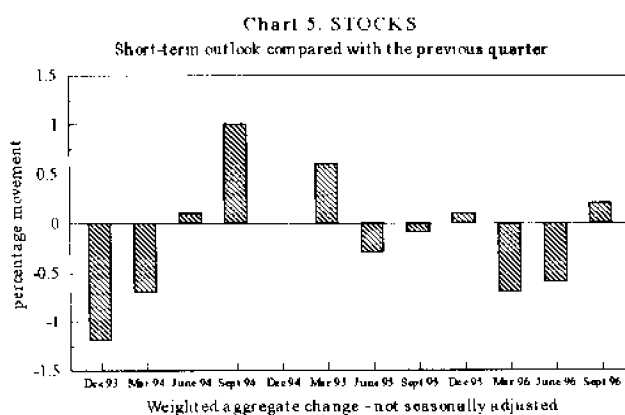


SHORT-TERM OUTLOOK *continued*

Stocks
+0.2%

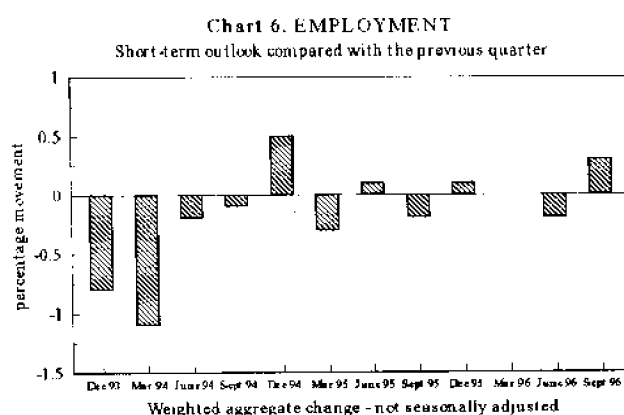
Businesses expect their level of *stocks* to rise slightly in the September quarter 1996.

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



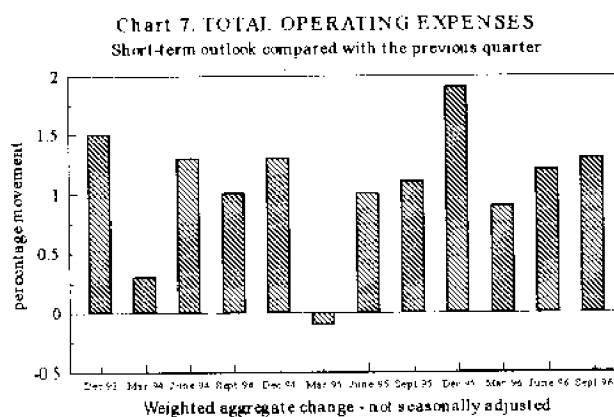
Employment
+0.3%

The rise of 0.3% in *full time equivalent employment* is the second largest expected rise in the three years that the survey has been conducted.



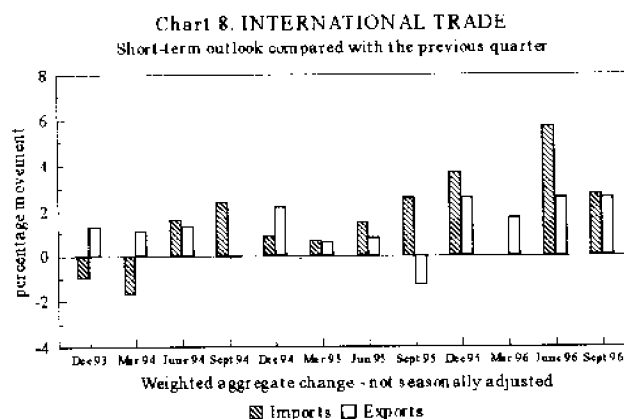
Total Operating Expenses
+1.3%

Total operating expenses are expected to rise in the September quarter 1996. Contributing to this rise are wages +1.2%, other labour costs +0.8% and non labour costs +1.3%.



International trade
Imports +2.7%
Exports +2.6%

Imports are expected to rise by 2.7% in the September quarter 1996, while *exports* are expected to rise by 2.6%.



MEDIUM-TERM OUTLOOK

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

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

		<i>Expected aggregate change over the same quarter of the previous year</i>				
		<i>June qtr 1996</i>	<i>Sept qtr 1996</i>	<i>Dec qtr 1996</i>	<i>Mar qtr 1997</i>	<i>June qtr 1997</i>
<i>Business performance indicators</i>	%	%	%	%	%	%
Trading performance						
Sales	2.3	3.4	4.4	4.1	3.6	
Selling prices	1.5	1.5	1.3	2.0	1.5	
Profit	2.8	11.0	20.0	13.1	13.5	
Investment						
Capital expenditure	7.1	2.3	6.1	3.5	1.1	
Stocks	-0.3	0.4	0.5	0.1	0.4	
Employment						
Full time equivalent	-0.1	0.1	1.0	0.8	0.5	
Operating expenses						
Wages	2.3	2.4	2.8	3.0	3.1	
Non-wage labour	1.4	1.5	2.4	2.3	1.8	
Other	2.1	2.2	2.5	2.8	2.1	
Total	2.1	2.2	2.5	2.8	2.2	
International trade						
Imports	2.6	4.2	4.3	5.2	2.8	
Exports	1.0	6.2	5.0	5.2	5.2	

6 AUSTRALIAN BUSINESS EXPECTATIONS, MEDIUM-TERM OUTLOOK, WEIGHTED NET BALANCE, JUNE QUARTER 1997 Not seasonally adjusted

		<i>Proportion of businesses expecting</i>			Net balance
		<i>Decreases</i>	<i>No change</i>	<i>Increases</i>	
<i>Business performance indicators</i>	%	%	%	%	%
Trading performance					
Sales	6.1	20.1	73.8		67.8
Selling prices	5.1	27.1	67.8		62.7
Profit	27.1	11.4	61.5		34.3
Investment					
Capital expenditure	35.5	33.6	31.0		-4.5
Stocks	17.5	31.9	50.7		33.2
Employment					
Full time equivalent	12.3	47.6	40.1		27.8
Operating expenses					
Wages	4.9	18.5	76.7		71.8
Non-wage labour	5.7	33.2	61.1		55.3
Other	3.9	20.3	75.8		71.9
International trade					
Imports	5.6	44.8	49.6		44.1
Exports	7.1	48.6	44.3		37.2

MEDIUM-TERM OUTLOOK

(continued)

Sales of goods and services
+3.6

Sales in the June quarter 1997 are expected to be 3.6% higher than in the June quarter 1996.

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

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

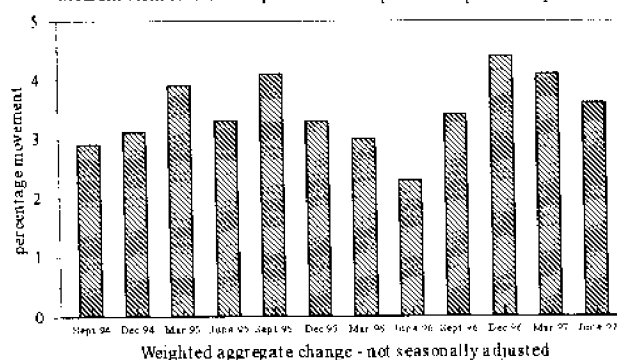
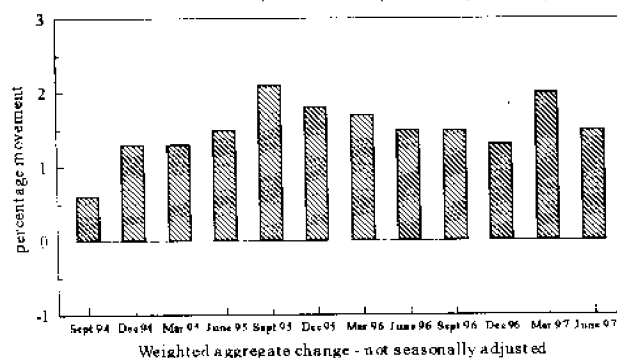


Chart 10. SELLING PRICES

Medium term outlook compared with the previous equivalent quarter

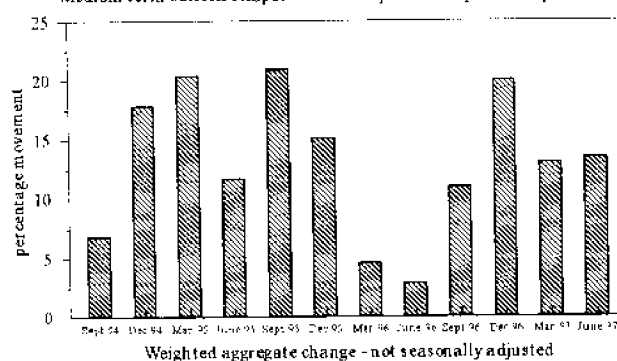


Selling prices
+1.5%

Businesses expect *selling prices* to increase 1.5% by the June quarter 1997. A rise of this level was also expected for the medium term outlook for June 1996 and June 1995.

Chart 11. PROFIT

Medium term outlook compared with the previous equivalent quarter



Profit
+13.5%

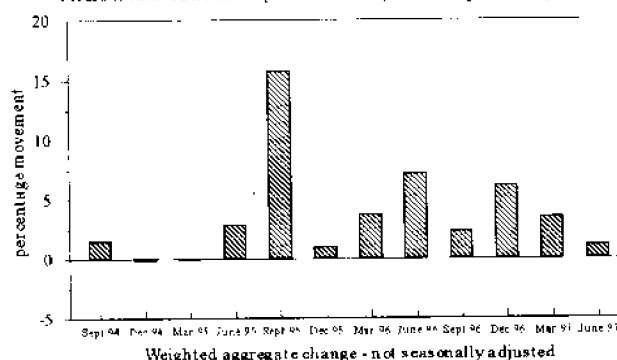
An increase in *profit* of 13.5% is expected for the June quarter 1997.

Capital expenditure
+1.1%

Capital expenditure in the June quarter 1997 is expected to be 1.1% higher than expenditure in the June quarter 1996.

Chart 12. CAPITAL EXPENDITURE

Medium-term outlook compared with the previous equivalent quarter



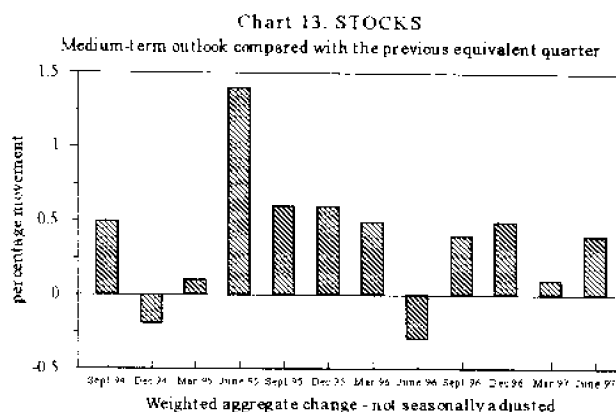
MEDIUM-TERM OUTLOOK

(continued)

Stocks

+0.4%

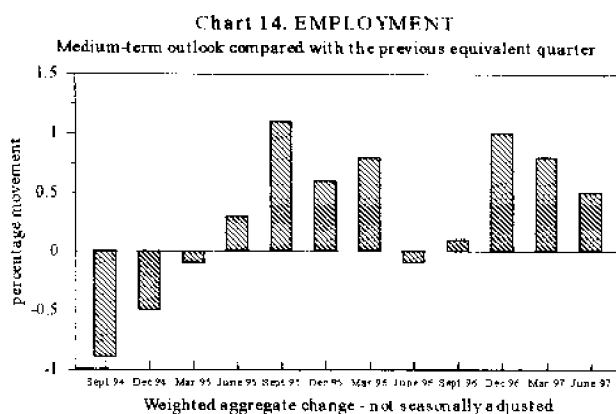
Stock levels are expected to increase compared with the June quarter 1996.



Employment

+0.5%

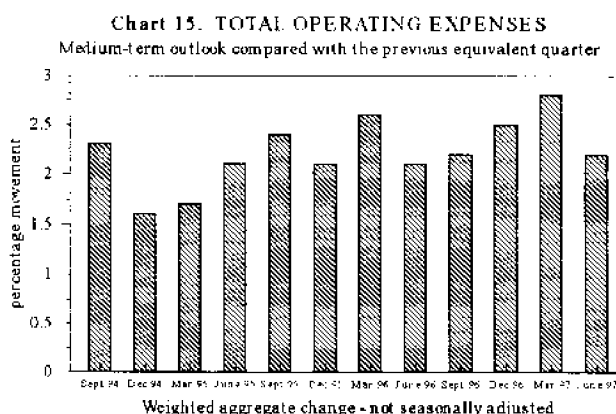
Full time equivalent employment is expected to be 0.5% higher in the June quarter 1997.



Total operating expenses

+2.2%

Expectations for *total operating expenses* show an increase of 2.2% in the June quarter 1997. Contributing to this rise are wages +3.1%, other labour costs +1.8% and non-labour expenses +2.1%.

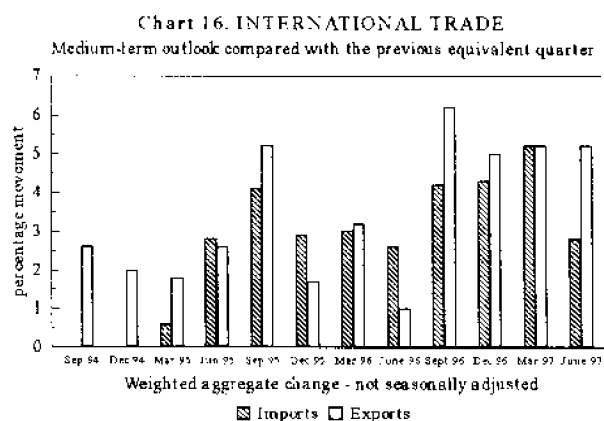


International trade

Imports +2.8%

Exports +5.2%

Imports are expected to increase by 2.8% in the medium term, while *exports* are expected to increase by 5.2%.



DETAILED RESULTS – SIZE OF BUSINESS

SHORT-TERM OUTLOOK

Expected change for the September quarter 1996 compared with the June quarter 1996.

Trading performance

Sales

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

Selling prices

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

Profit

Businesses of all sizes expect increases in *profits* in the September quarter 1996, with medium sized businesses expecting the largest percentage increase (13.8%).

Investment

Capital investment

An increase in *capital expenditure* is expected by businesses of all sizes. Large sized businesses are expecting the largest increase (4.0%) in the September quarter 1996, with small and medium sized businesses expecting growth in expenditure of 1.6% and 0.9% respectively.

Stocks

Small businesses expect *stocks* in the September quarter 1996 to rise (1.1%), while medium and large businesses expect falls of 0.2% and 0.5% respectively.

Employment

Businesses of all sizes expect a rise in *full time equivalent employment*.

Operating Expenses

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

International Trade

Imports are expected to rise by businesses of all sizes, with medium businesses expecting the largest rise (6.2%). *Exports* are also expected to rise by businesses of all sizes. Large businesses expect the largest rise (3.6%).

AUSTRALIAN BUSINESS EXPECTATIONS - SEPTEMBER QUARTER 1996 COMPARED WITH JUNE QUARTER 1996, EXPECTED AGGREGATE CHANGE, BY SIZE OF BUSINESS

7

Not seasonally adjusted

Business performance indicators	Small %	Medium %	Large %	All businesses %
Trading performance				
Sales	1.3	2.0	2.0	1.6
Selling prices	0.2	0.4	0.2	0.2
Profit	1.6	13.8	7.7	4.2
Investment				
Capital expenditure	1.6	0.9	4.0	2.0
Stocks	1.1	-0.2	-0.5	0.2
Employment				
Full time equivalent	0.5	0.3	0.1	0.3
Operating expenses				
Wages	1.1	1.0	1.5	1.2
Non-wage labour	0.8	0.9	0.8	0.8
Other	1.4	0.8	1.4	1.3
Total	1.3	0.8	1.4	1.3
International trade				
Imports	2.1	6.2	2.1	2.7
Exports	1.8	1.2	3.6	2.6

MEDIUM-TERM OUTLOOK

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

Trading Performance

Sales

Sales of goods and services are expected to increase for businesses of all sizes with large businesses expecting the greatest increase (3.8%).

Selling prices

Small size businesses expect the largest increase in *selling prices* (1.7%).

Profit

Medium size businesses expect *profits* in the June quarter 1997 to be 17.2% higher than for the June quarter 1996, while small and large businesses expect rises of 12.0% and 16.3% respectively.

Investment

Capital investment

Businesses of all sizes are expecting to increase *capital expenditure* with small businesses expecting the greatest increase (1.3%).

Stocks

Small and medium businesses expect *stocks* will rise by 1.0% and 0.4% respectively, while large businesses are expecting a fall of 0.4%.

Employment

Businesses of all sizes are expecting increases in *full time equivalent employment*, with the greatest expected increases being in medium businesses (0.8%).

Operating Expenses

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

International Trade

Increases in both *imports* and *exports* is expected by businesses of all sizes between the June quarter 1997 and the June quarter 1996.

AUSTRALIAN BUSINESS EXPECTATIONS - JUNE QUARTER 1997 COMPARED WITH JUNE QUARTER 1996, EXPECTED AGGREGATE CHANGE, BY SIZE OF BUSINESS

8

Not seasonally adjusted

Business performance indicators	Small %	Medium %	Large %	All businesses %
Trading performance				
Sales	3.5	3.5	3.8	3.6
Selling prices	1.7	1.6	1.0	1.5
Profit	12.0	17.2	16.3	13.5
Investment				
Capital expenditure	1.3	0.3	0.9	1.1
Stocks	1.0	0.4	-0.4	0.4
Employment				
Full time equivalent	0.7	0.8	0.1	0.6
Operating expenses				
Wages	3.7	2.6	2.5	3.1
Non-wage labour	1.9	2.0	1.5	1.8
Other	2.1	2.0	2.1	2.1
Total	2.3	2.1	2.1	2.2
International trade				
Imports	1.7	5.6	2.7	2.8
Exports	2.6	2.5	7.9	5.2

DETAILED RESULTS – INDUSTRY

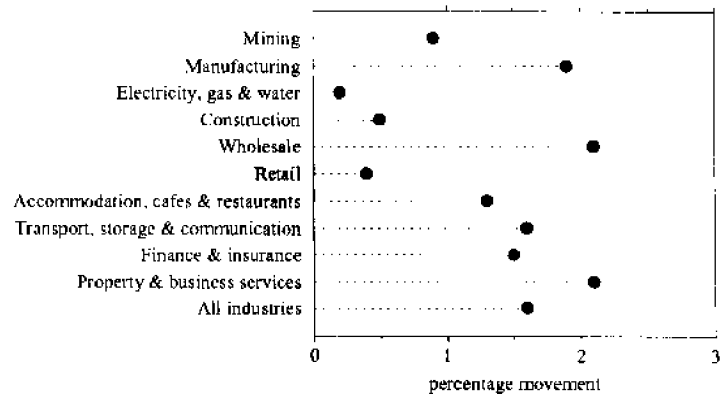
SHORT-TERM OUTLOOK

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

Sales of goods and services
+ 1.6%

All industries expect a rise in *sales* for the September quarter 1996 with Wholesale and Property and business services expecting the largest rise of 2.1%.

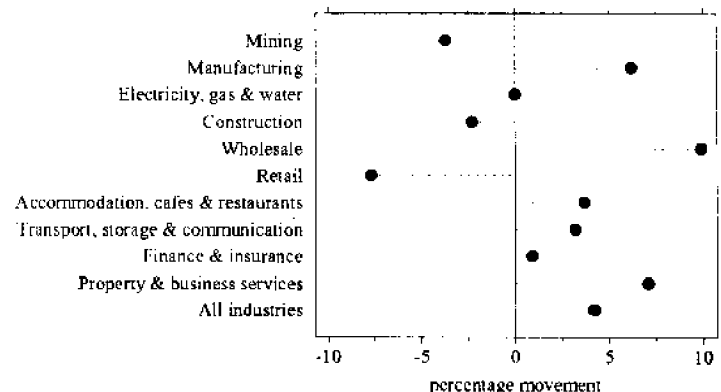
Chart 17. SALES OF GOODS AND SERVICES
Main industry comparison
Short-term outlook - September quarter 1996



Profit
+ 4.2%

Profit expectations vary between the different industries with the Retail industry (-7.7%) expecting the largest fall and the Wholesale industry expecting the largest rise (9.9%).

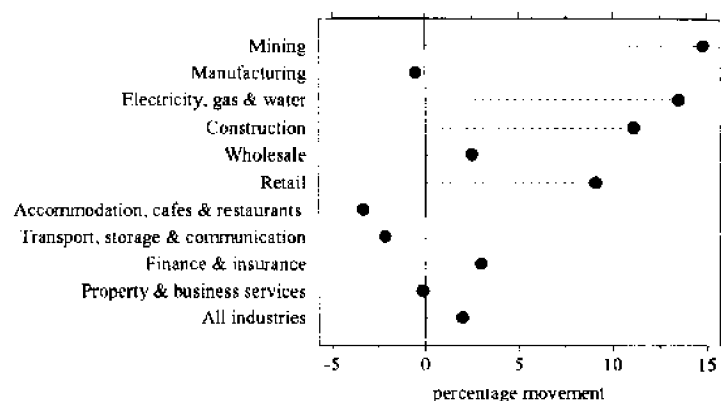
Chart 18. PROFIT
Main industry comparison
Short-term outlook - September quarter 1996



Capital expenditure
+ 2.0%

Expectations for *capital expenditure* in the September quarter 1996 vary. The Mining industry expects a rise of 14.8% while the Accommodation, cafes and restaurants industry expects a fall of 3.3%.

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



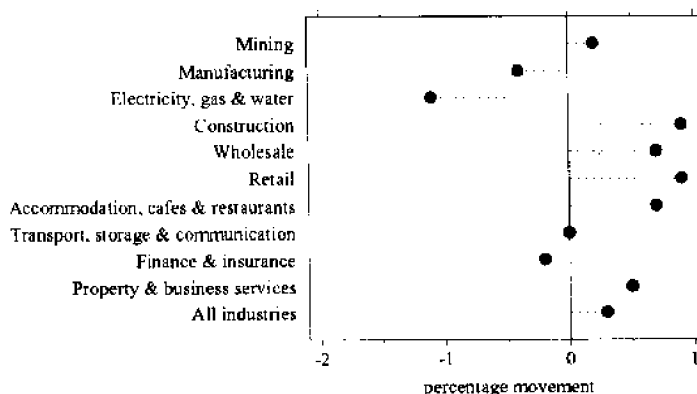
SHORT-TERM OUTLOOK *continued*

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

Employment +0.3%

For businesses represented in the sample (i.e. existing businesses), the majority of industries are expecting a rise in *full time equivalent employment* with the Construction and Retail industries both expecting the largest rise (0.9%).

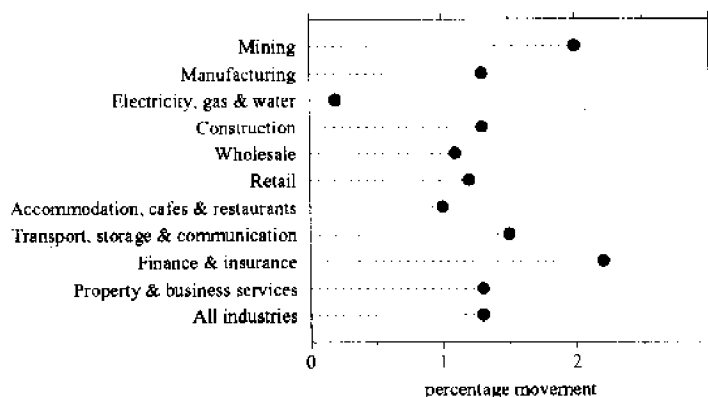
Chart 20. EMPLOYMENT
Main industry comparison
Short term outlook - September quarter 1996



Total operating expenses +1.3%

Increases in *operating expenses* are expected by all industries, with the Finance and insurance industry expecting the largest rise (2.2%).

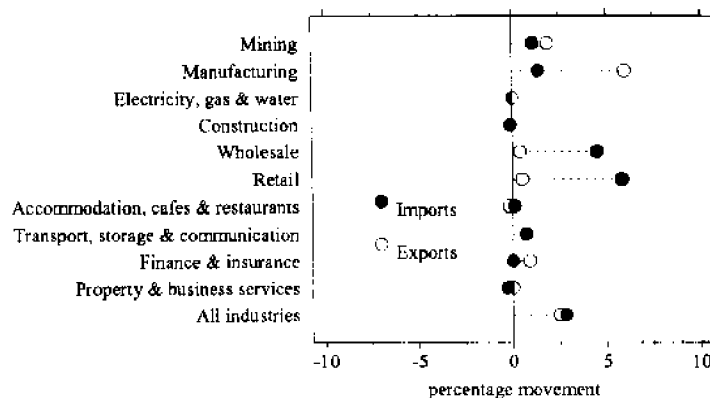
Chart 21. TOTAL OPERATING EXPENSES
Main industry comparison
Short term outlook - September quarter 1996



International trade Imports +2.7% Exports +2.6%

Imports are expected to rise by 2.7% in the September quarter 1996, with the Retail industry showing the largest rise (5.8%). *Exports* are also expected to rise (2.6%).

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



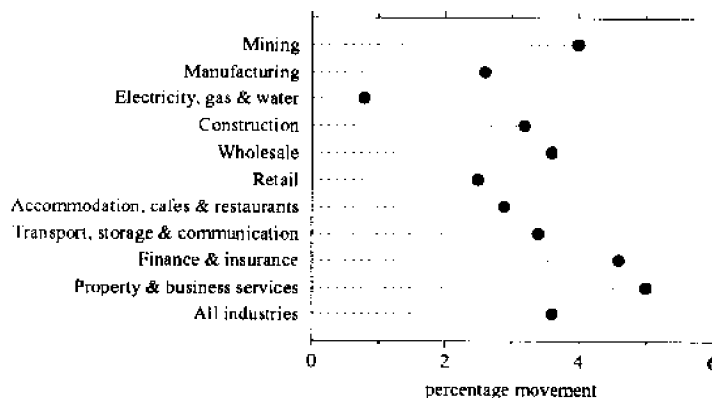
MEDIUM-TERM OUTLOOK

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

Sales of goods and services
+3.6%

All industries are expecting an increase in *sales of goods and services* in the medium term ranging from the Electricity, gas and water industry expecting a rise of 0.8%, to the Property and business services industry expecting a rise of 5.0%.

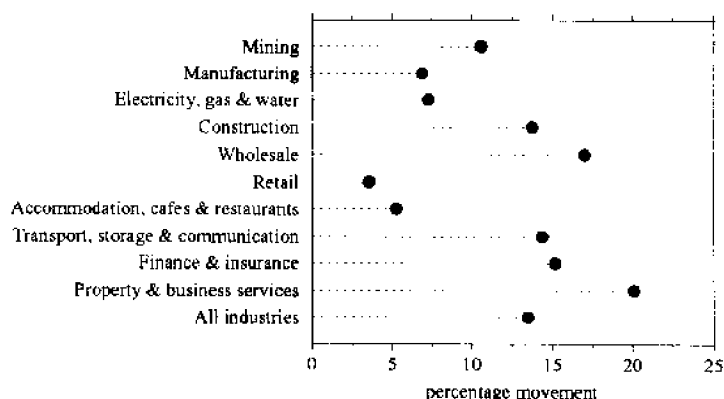
Chart 23. SALES OF GOODS AND SERVICES
Main industry comparison
Medium-term outlook - June quarter 1997



Profit
+13.5%

Profit increases are expected for all industries. The Property and business services industry expects the largest increase (20.1%), while the Retail industry expects the smallest increase (3.6%).

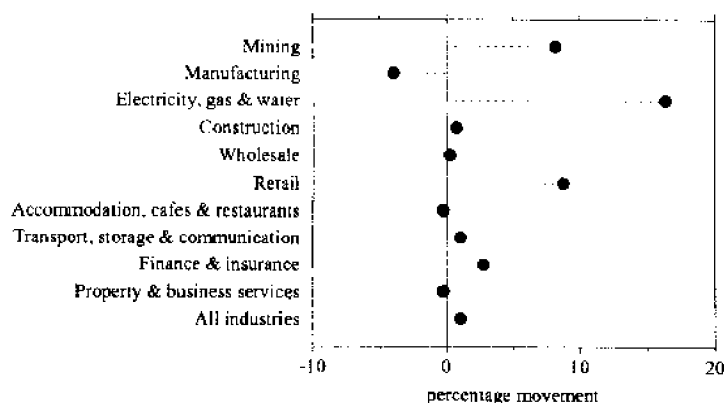
Chart 24. PROFIT
Main industry comparison
Medium-term outlook - June quarter 1997



Capital expenditure
+1.1%

Capital expenditure is expected to increase in the medium term for most industries with the largest growth being in Electricity, gas and water (16.4%). The Manufacturing industry expects a fall of 3.9% in the medium term.

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



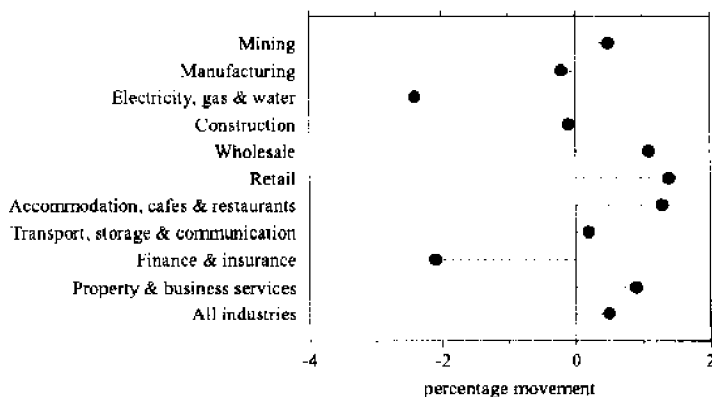
MEDIUM-TERM OUTLOOK *continued*

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

Employment
+0.5%

Most industries expect increases in *full time equivalent employment*. The Electricity, gas and water industry (down 2.4%) expects the largest fall, while the Retail industry (1.4%) expects the largest rise.

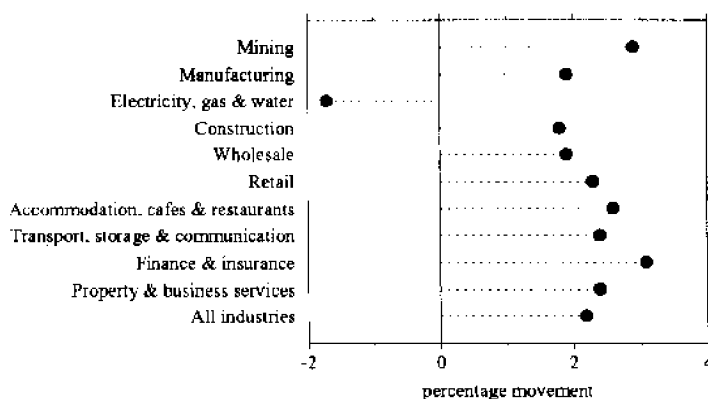
Chart 26. EMPLOYMENT
Main industry comparison
Medium-term outlook - June quarter 1997



Total operating expenses
+2.2%

All industries except Electricity, gas and water (-1.7%) are expecting *total operating expenses* to rise in the June quarter 1997.

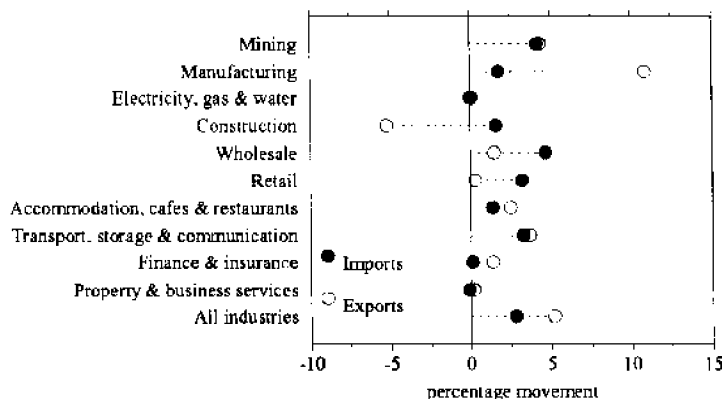
Chart 27. TOTAL OPERATING EXPENSES
Main industry comparison
Medium-term outlook - June quarter 1997



International trade
Imports +2.8%
Exports +5.2%

Imports are expected to rise in all industries except Property and business services (-0.1%). *Exports* are expected to increase in the medium term in all industries except Construction (-5.2%).

Chart 28. INTERNATIONAL TRADE
Main industry comparison
Medium-term outlook - June 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, SEPTEMBER QUARTER 1996	
	<i>All businesses</i>
	%
Australia	100
New South Wales	37.2
Victoria	26.8
Queensland	15.5
South Australia	7.0
Western Australia	9.8
Tasmania	2.2
Northern Territory	0.5
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.

ADDITIONAL DATA

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.

SHORT-TERM OUTLOOK

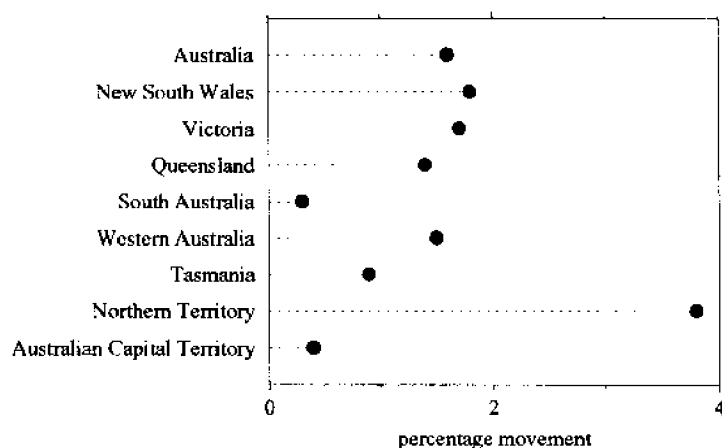
Expected change for the September quarter 1996 compared with the June quarter 1996

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				
	Sept qtr 1995	Dec qtr 1995	Mar qtr 1996	June qtr 1996	Sept qtr 1996
	%	%	%	%	%
Australia	1.3	2.1	-0.2	2.3	1.6
New South Wales	0.8	2.1	0.1	2.6	1.8
Victoria	1.1	2.5	-0.9	2.2	1.7
Queensland	3.6	1.2	-0.4	2.6	1.4
South Australia	0.2	1.6	0.6	1.5	0.3
Western Australia	-0.1	2.5	0.6	2.1	1.5
Tasmania	1.4	3.5	0.0	2.5	0.9
Northern Territory	0.7	3.7	n.a.	1.3	3.8
Australian Capital Territory	0.8	2.0	0.5	1.8	0.4

- An increase in *sales of goods and services* is expected in the short term in all States and Territories, ranging from 0.3% in South Australia to 3.8% in the Northern Territory.

Chart 29. SALES OF GOODS AND SERVICES
State estimates
Short-term outlook - September quarter 1996



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

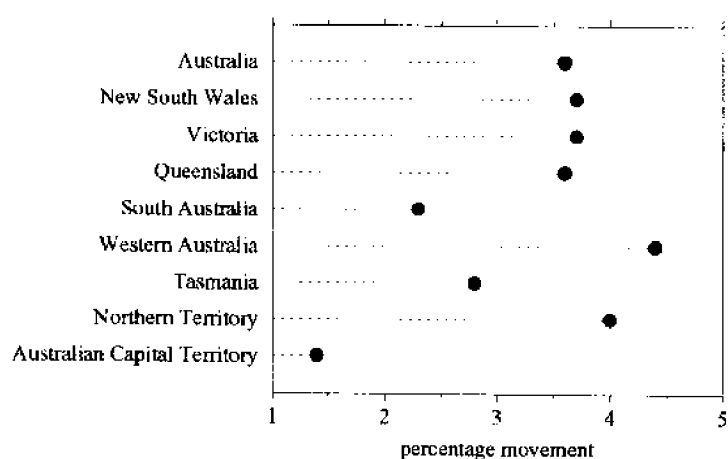
11

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				
	June qtr 1996	Sept qtr 1996	Dec qtr 1996	Mar qtr 1997	June qtr 1997
	%	%	%	%	%
Australia	2.3	3.4	4.4	4.1	3.6
New South Wales	2.0	3.4	4.4	4.2	3.7
Victoria	2.6	3.6	4.3	3.5	3.7
Queensland	3.6	2.8	4.5	3.7	3.6
South Australia	0.8	2.4	2.5	3.6	2.3
Western Australia	1.9	4.3	5.6	5.7	4.4
Tasmania	2.9	4.5	2.3	4.3	2.8
Northern Territory	2.2	4.4	n.a.	n.a.	4.0
Australian Capital Territory	-0.8	3.1	3.8	2.3	1.4

- *Sales of goods and services* in the medium term are expected to grow by 3.6%. This growth is based on State rises ranging from 1.4% for the Australian Capital Territory to 4.4% for Western Australia.

Chart 30. SALES OF GOODS AND SERVICES
State estimates
Medium-term outlook - June 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 twelfth 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 September quarter 1996 and the June quarter 1996 and the second reports expected change between the June quarter 1997 and the June 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".

BUSINESS PERFORMANCE INDICATORS

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

SIMPLE AND WEIGHTED NET BALANCE

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

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

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

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

EXPECTED AGGREGATE CHANGE

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

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

COMPARISON OF RESULTS

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

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

RELIABILITY OF ESTIMATES

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

aggregate estimates depends on the predictive ability of individual businesses.

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

- sampling error;
- non-sampling error; and
- benchmark bias.

SAMPLING ERROR

27 Sampling error is due to the use of a sample rather than a complete enumeration; that is, the estimates differ from the values that would have been obtained if all units were surveyed. A measure of the likely difference is given by the *standard error*, which indicates the extent to which an estimate might have varied by chance because only a sample of units was included. There are about two chances in three that the difference will be within one standard error, and about nineteen chances in twenty that the difference will be within two standard errors.

RELIABILITY OF ESTIMATES

28 The table below provides standard errors for some of the main estimates of this publication. As an example of how the standard errors can be interpreted, given that the short term expectation for *sales* for Australia is 1.6% with a standard error of 0.2, there would be two chances in three that the true value would be within the range 1.4% and 1.8%.

STANDARD ERRORS OF KEY ESTIMATES, JUNE QUARTER 1996, SHORT-TERM EXPECTATION, AUSTRALIA

<i>Business performance indicator</i>	<i>Survey estimate</i>	<i>Standard error</i>
Sales	1.6	0.2
Selling prices	0.2	0.1
Profit	4.2	0.0
Capital expenditure	2.0	0.5
Stocks	0.2	0.1
Employment	0.3	0.1
Wage costs	1.2	0.1
Imports	2.7	0.3
Exports	2.6	0.1

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

The expected change in the sale of goods or the provision of services by a business in terms of value.

Financial institutions report on the expected change in gross interest income plus fees and commissions.

Non-profit or charitable organisations report on the expected change in fees received for services, donations from the public and government grants and subsidies.

SELLING PRICES

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.

Financial institutions report on interest rates, services and commissions charged.

The benchmark for weighting the selling prices response is derived from associating selling prices with total expenses.

TOTAL WAGE EXPENSES

The expected change in the total amount of direct wage and salaries paid to employees.

NON-WAGE LABOUR EXPENSES

The expected change in the total amount of employment related expenses not paid directly to employees.

Some of these expenses are payroll tax, worker's compensation and superannuation.

ALL OTHER OPERATING EXPENSES

The expected change in the total amount of all expenses which are not classified as labour expenses.

Some of these expenses are overheads, advertising, raw materials and packaging and handling.

TOTAL OPERATING EXPENSES

This is a derived estimate from the weighted response for the total of wage, non-wage labour and all other expenses.

CLOSING STOCKS

The expected change in the book value of closing stocks between the end of the collection quarter and the end of the reference periods.

PAID PERSONS WORKING

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.

IMPORTS

The expected change in the value of all goods and services directly imported by a business.

The benchmark for weighting the import response is derived from associating the current percentage of imports to *All other expenses*, and using that proportion of the *All other expenses* benchmark as the imports benchmark.

EXPORTS

The expected change in the value of all goods and services directly exported by a business.

The benchmark for weighting the export response is derived from associating the current percentage of exports to the *Sales of goods and services*, and using that proportion of the *Sales of goods and services* benchmark as the exports benchmark.

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.

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

- 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
- 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 June 1996 then the quarter being surveyed is September 1996); and
- Medium-term (if the current quarter is June 1996, then the quarter being surveyed is June 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 one digit ANZSIC level;
- 47 industries categorised at the two digit ANZSIC level; and
- 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.

For more information . . .

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