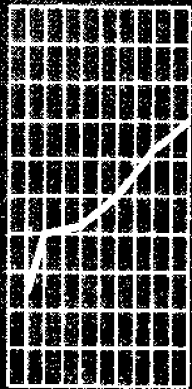




December Quarter 1997 and
September Quarter 1998

EMBARGO: 11:30 AM (CANBERRA TIME) THURS 25 SEPT 1997

Australian Business Expectations



ABS Catalogue No. 5250.0



**AUSTRALIAN BUSINESS EXPECTATIONS
DECEMBER QUARTER 1997 AND
SEPTEMBER QUARTER 1998**

**W. McLennan
Australian Statistician**

AUSTRALIAN BUREAU OF STATISTICS

CATALOGUE NO. 5250.0

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Expected release dates

The expected release date for the March quarter 1998 - December quarter 1998 issue of *Australian Business Expectations* (5250.0) is Monday, 5 January 1998.

The expected release date for the June quarter 1998 - March quarter 1999 issue of *Australian Business Expectations* (5250.0) is Friday, 27 March 1998.

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 August 1997.

The Business Expectations Survey (BES) is the 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 December quarter 1997, and the September quarter 1998 compared with the September quarter 1997. The survey has the following features:

- 3,000 representative Australian businesses sampled;
- employing businesses of all sizes are fully represented;
- all industries except Agriculture, Forestry and Fishing¹ 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 signals 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 Explanatory Notes and Description of Terms on pages 19-24, or contact the officer whose details appear at the foot of page iii.

CHANGES IN THIS ISSUE

Some international trade estimates have been suppressed, due to some instances of very low numbers of businesses within the affected industries which are involved in imports and exports, and the effect of this on the reliability of the statistics.

¹ 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 another year before this survey will have sufficient data to allow a reliable seasonally adjusted series to be estimated. However, with survey results now available for seventeen quarters the opportunity is available to analyse the results from the latest survey with those for the comparable reference period of the previous four years.

Users wanting to discern a trend in expectations are encouraged to compare the medium term outlook for the same quarter in successive years.

SIZE OF BUSINESS

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

1

PROPORTION OF BUSINESSES SELECTED BY SIZE WITHIN AUSTRALIA, DECEMBER QUARTER 1997

	<i>Small</i> %	<i>Medium</i> %	<i>Large</i> %	<i>All businesses</i> %
Manufacturing	65.6	20.0	14.4	100.0
Other industries	64.8	15.0	20.2	100.0
All industries	65.7	16.3	18.0	100.0

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 EXPECTATION, DECEMBER QUARTER 1997

	Simple net balance %	Weighted net balance %	Weighted aggregate %
Sales	48.2	49.2	3.0
Wage costs	48.2	39.7	1.3
Employment <i>Full time equivalent</i>	- 4.3	- 30.5	- 0.2

That is, for the December quarter 1997 a simple net balance of 48.2% of businesses expect a rise in sales. The weighted net balance of 49.2% indicates that the size of businesses expecting a rise in sales tend to be approximately the same size as those expecting a fall. Tables 4 and 6 present data for the weighted net balance for the December quarter 1997 and the September quarter 1998. A rise of 3.0% is expected in sales from September quarter 1997 to December quarter 1997.

In contrast, a simple net balance of 4.3% of businesses expect a fall in employment. The weighted net balance of - 30.5% indicates that the businesses expecting a fall in employment tend to be larger than those expecting a rise. The weighted aggregate expectation of - 0.2% indicates that while more businesses expect a decrease than an increase, the size of the expected increases is on the whole larger than the size of the expected decreases and sufficient to partially offset the result.

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 December quarter 1997 compared with the September quarter 1997

3

AUSTRALIAN BUSINESS EXPECTATIONS, SHORT-TERM OUTLOOK, EXPECTED AGGREGATE CHANGE

Not seasonally adjusted

	<i>Expected aggregate change over the previous quarter</i>				
	<i>Dec qtr 1996</i>	<i>Mar qtr 1997</i>	<i>June qtr 1997</i>	<i>Sept qtr 1997</i>	<i>Dec qtr 1997</i>
<i>Business performance indicators</i>	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>
Trading performance					
Sales	1.6	0.4	1.6	0.7	3.0
Selling prices	0.2	0.1	0.3	0.1	0.2
Profit	3.7	-2.9	7.8	-1.4	14.3
Investment					
Capital expenditure	2.6	5.8	5.4	3.2	6.2
Stocks	-0.6	0.1	-0.3	-0.1	-0.4
Employment					
<i>Full time equivalent</i>	0.3	-0.4	0.0	-0.1	-0.2
Operating expenses					
Wages	1.2	0.6	0.9	0.9	1.3
Non-wage labour	1.1	0.2	0.8	0.3	1.0
Other	1.4	0.9	1.0	0.9	1.7
Total	1.4	0.8	1.0	0.9	1.6
International trade					
Imports	1.4	0.5	5.9	1.9	3.7
Exports	2.6	0.6	1.6	1.3	3.9

4

AUSTRALIAN BUSINESS EXPECTATIONS, SHORT-TERM OUTLOOK, WEIGHTED NET BALANCE, DECEMBER QUARTER 1997

Not seasonally adjusted

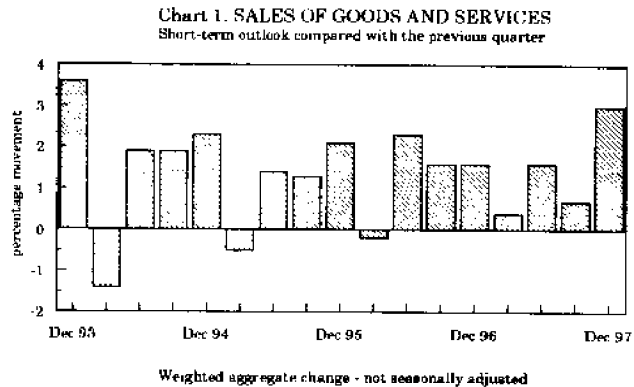
	<i>Proportion of businesses expecting</i>			Net balance
	<i>Decreases</i>	<i>No change</i>	<i>Increases</i>	
<i>Business performance indicators</i>	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>
Trading performance				
Sales	14.1	22.7	63.2	49.2
Selling prices	28.0	46.4	25.7	-2.3
Profit	15.3	12.7	72.0	56.7
Investment				
Capital expenditure	29.1	41.7	29.2	0.0
Stocks	48.7	32.1	19.2	-29.4
Employment				
<i>Full time equivalent</i>	38.6	53.3	8.1	-30.5
Operating expenses				
Wages	13.3	33.7	53.0	39.7
Non-wage labour	10.4	43.7	45.9	35.5
Other	10.9	27.5	61.6	50.7
International trade				
Imports	9.6	42.0	48.4	38.8
Exports	8.9	39.4	51.7	42.8

SHORT-TERM OUTLOOK *continued*

Expected change for the December quarter 1997 compared with the September quarter 1997

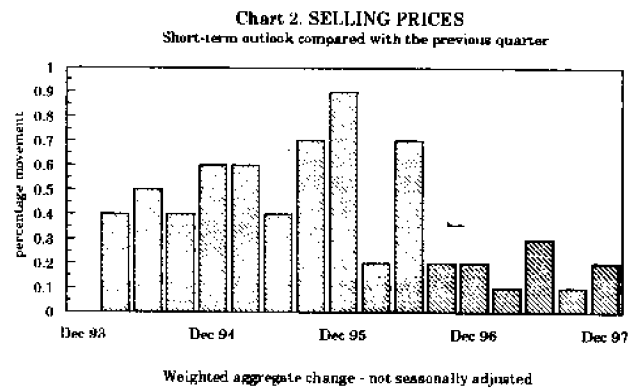
Sales of goods and services
+ 3.0%

Sales of goods and services are expected to rise in the December quarter 1997 by 3.0%. This is the largest increase since the December quarter 1993. The Retail industry expects the largest increase in sales (6.3%)



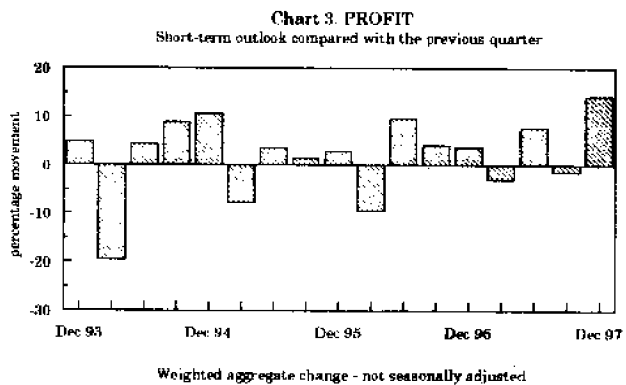
Selling prices
+ 0.2%

A rise in *selling prices* of 0.2% is expected in the December quarter 1997. Large businesses are expecting the greatest increase of 0.3% while small businesses are expecting no change.



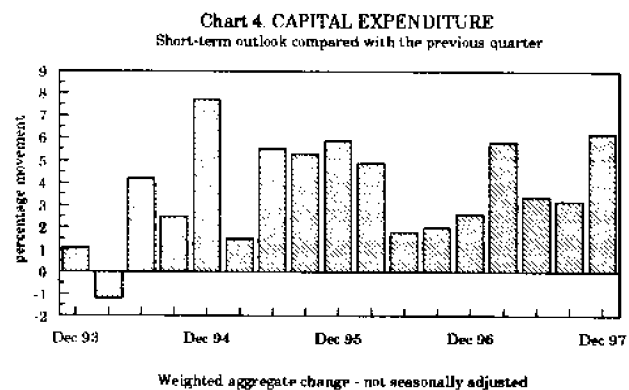
Profit
+ 14.3%

Profit is expected to increase by 14.3%. This is the largest expected increase since the survey commenced in December 1993. As with sales, the Retail industry is expecting the largest increase in profits (30.3%)



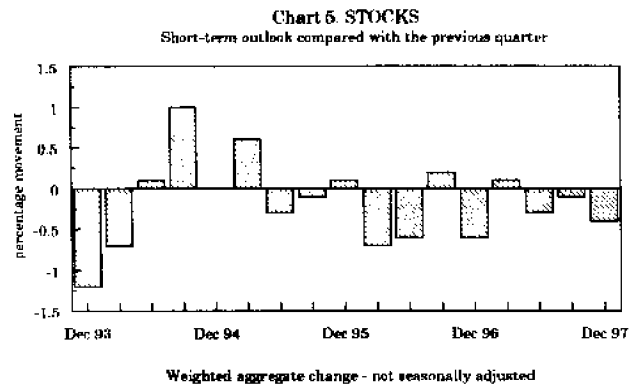
Capital expenditure
+ 6.2%

A 6.2% rise is expected in *capital expenditure* in the December quarter 1997. This is the largest expected rise since the December quarter 1994. Businesses of all sizes are expecting an increase.



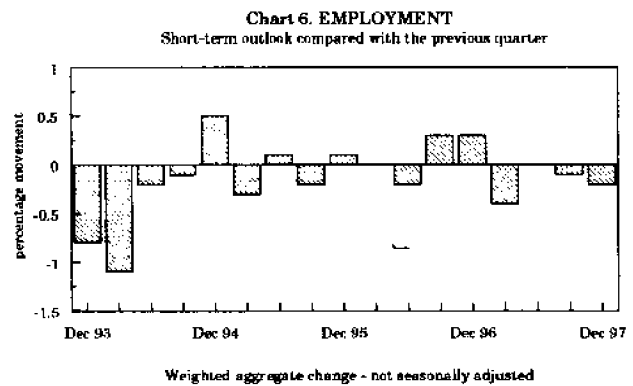
Stocks
- 0.4%

Stocks are expected to fall by 0.4% in the December quarter 1997. Small businesses expect no change in their stock levels, while medium and large businesses expect falls of 0.3% and 1.0% respectively.



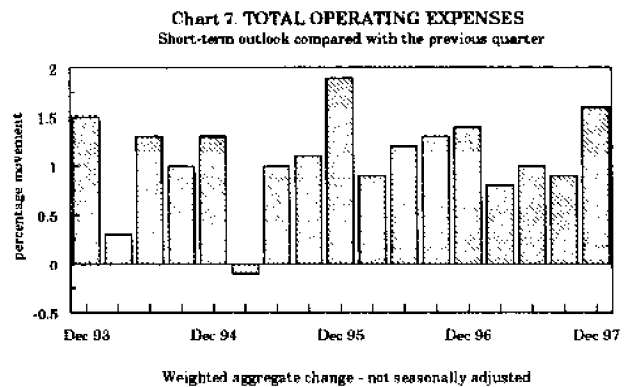
Employment
- 0.2%

Full time equivalent employment is expected to decrease by 0.2%. Small businesses are expecting a decrease of 0.4%, while medium and large businesses expect rises of 0.1% and 1.3% respectively.



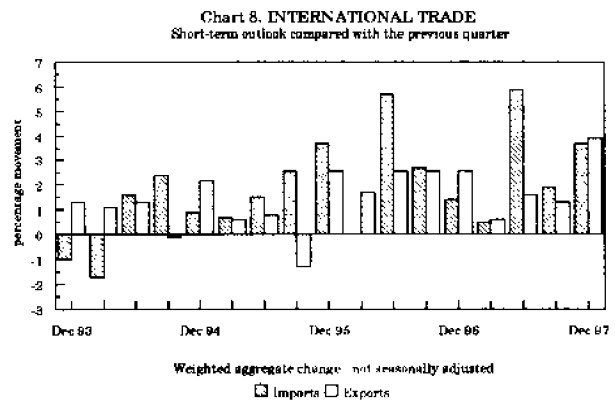
Total Operating Expenses
+1.6%

A 1.6% increase is expected in *total operating expenses* in the December quarter 1997. Contributing to this rise are wages (1.3%), other labour costs (1.0%) and non labour costs (1.7%).



International trade
Imports +3.7%
Exports +3.9%

A rise of 3.7% is expected in *imports*. Most industries are expecting an increase. *Exports* are expected to rise by 3.9%. This is the highest expected rise in exports expectations since the survey commenced in December 1993.



Expected change for the September quarter 1998 compared with the September quarter 1997

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>Sept qtr 1997</i>	<i>Dec qtr 1997</i>	<i>Mar qtr 1998</i>	<i>June qtr 1998</i>	<i>Sept qtr 1998</i>
<i>Business performance indicators</i>	%	%	%	%	%
Trading performance					
Sales	3.1	3.1	2.9	2.4	3.9
Selling prices	1.2	0.9	0.9	0.7	0.7
Profit	10.1	9.6	12.2	12.3	21.0
Investment					
Capital expenditure	6.6	1.2	3.2	3.7	6.2
Stocks	0.0	0.0	0.3	0.2	0.9
Employment					
Full time equivalent	0.6	0.3	0.5	0.1	0.4
Operating expenses					
Wages	2.5	2.4	2.4	1.6	2.1
Non-wage labour	2.0	1.8	1.3	0.5	1.6
Other	2.4	2.2	1.7	1.3	2.0
Total	2.4	2.2	1.8	1.3	2.0
International trade					
Imports	3.6	2.1	3.0	2.6	5.8
Exports	4.7	3.4	3.8	4.5	6.6

6

AUSTRALIAN BUSINESS EXPECTATIONS, MEDIUM-TERM OUTLOOK,
WEIGHTED NET BALANCE, SEPTEMBER QUARTER 1998

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	4.2	18.8	77.0	72.8
Selling prices	6.7	31.4	61.9	55.2
Profit	15.3	10.1	74.5	59.2
Investment				
Capital expenditure	21.7	29.3	49.0	27.1
Stocks	10.7	33.5	55.8	45.0
Employment				
Full time equivalent	3.5	46.5	50.0	46.5
Operating expenses				
Wages	4.6	22.1	73.3	68.7
Non-wage labour	3.6	33.0	63.4	59.8
Other	6.1	20.9	73.1	67.0
International trade				
Imports	6.8	38.7	54.5	47.7
Exports	8.3	26.7	64.9	56.6

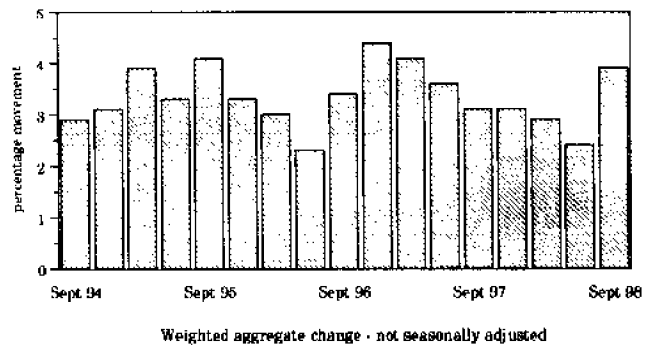
MEDIUM-TERM OUTLOOK
(continued)

Expected change for the September quarter 1998 compared with the September quarter 1997

Sales of goods and services
+ 3.9%

Sales are expected to increase 3.9% in the September quarter 1998 compared to the September quarter 1997. All industries are expecting increases, with Mining and Property and business services expecting the largest increases of 5.3% and 5.2% respectively.

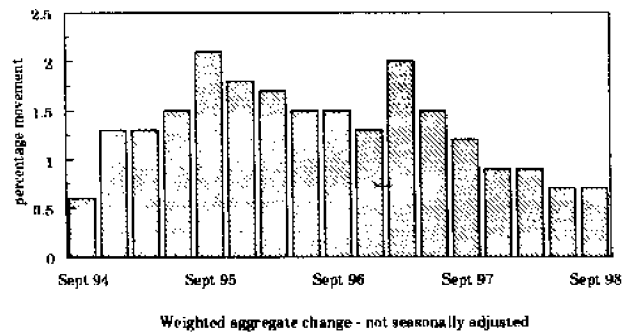
Chart 9. SALES OF GOODS AND SERVICES
Medium-term outlook compared with the previous equivalent quarter



Selling prices
+ 0.7%

An increase in *selling prices* of 0.7% is expected in the September quarter 1998. This is the second successive quarterly increase of this magnitude. All industries expect continuing relatively low price increases.

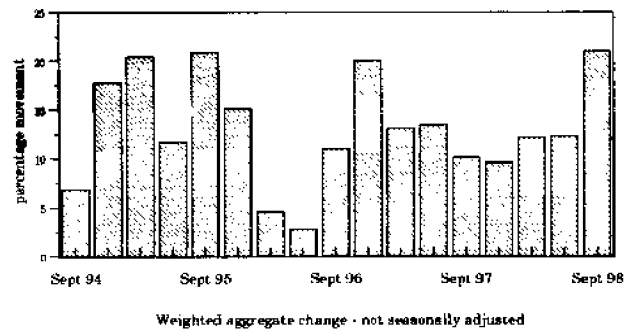
Chart 10. SELLING PRICES
Medium-term outlook compared with the previous equivalent quarter



Profit
+ 21.0%

Profit is expected to increase by 21.0% in the medium term. This is the largest expected increase in profits since the survey commenced (September 1994).

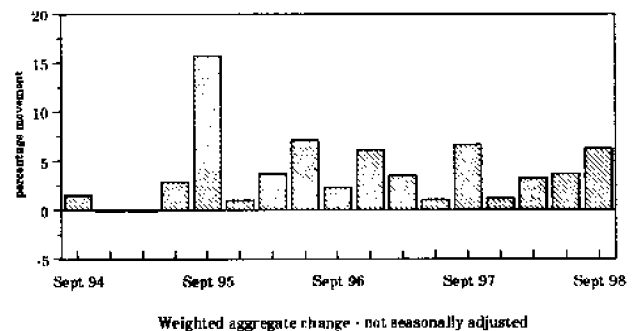
Chart 11. PROFIT
Medium-term outlook compared with the previous equivalent quarter



Capital expenditure
+ 6.2%

Businesses expect *capital expenditure* to be 6.2% higher in the September quarter 1998 than in the September quarter 1997. Large sized businesses are expecting the largest increase of 8.2%.

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



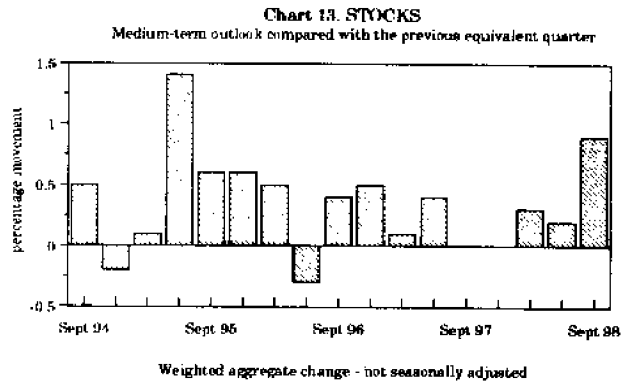
MEDIUM-TERM OUTLOOK

(continued)

Expected change for the September quarter 1998 compared with the September quarter 1997

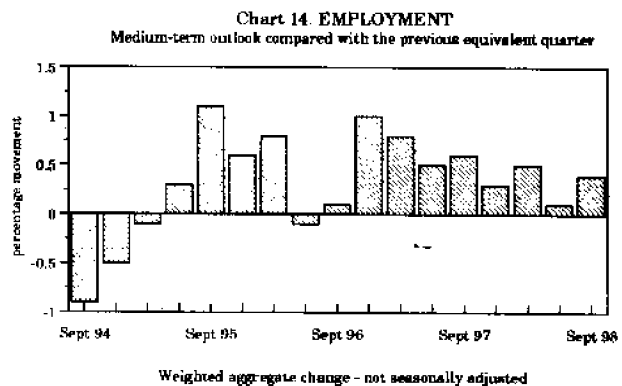
Stocks
+ 0.9%

Stocks in the September quarter 1998 are expected to be 0.9% higher than the September quarter 1997. Large businesses are expecting an increase of 1.2%, while medium sized businesses expect the smallest increase of 0.4%.



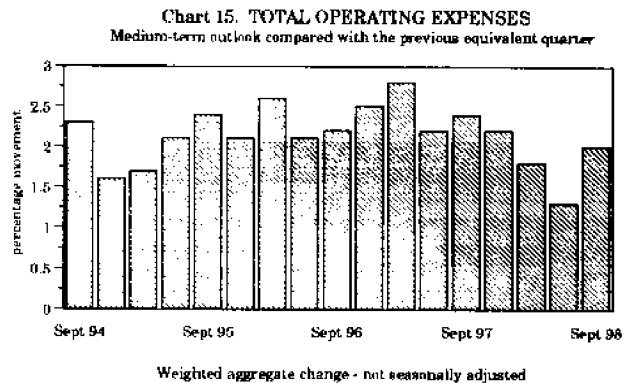
Employment
+ 0.4%

Full time equivalent employment is expected to rise by 0.4% in the September quarter 1998 compared with the September quarter 1997. This is not uniform across industries - refer to Chart 26.



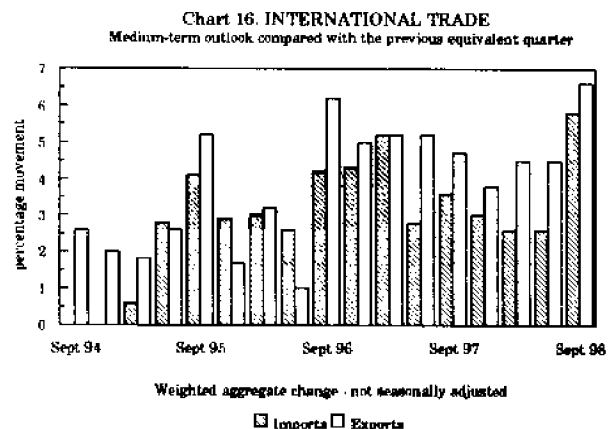
Total operating expenses
+ 2.0%

Total operating expenses are expected to rise by 2.0% in the medium term. Contributing to this rise are wages +2.1%, other labour costs +1.6% and non labour costs +2.0%.



International trade
Imports + 5.8%
Exports + 6.6%

Imports are expected to increase 5.8% in the September quarter 1998 compared with the September quarter 1997, while exports are expected to increase 6.6%, the largest expected increase since the survey commenced in December 1993.



DETAILED RESULTS — SIZE OF BUSINESS

SHORT-TERM OUTLOOK

Expected change for the December quarter 1997 compared with the September quarter 1997.

Trading performance

Sales

Sales are expected to increase in businesses of all sizes in the September quarter 1997, with the greatest increase in large sized businesses (4.9%).

Selling prices

Selling prices are not expected to change for small businesses but are expected to increase by 0.1% and 0.3% for medium and large businesses.

Profit

Businesses of all sizes expect an increase in profit in the September quarter 1997, with large businesses expecting the greatest increase in profit of 27.9%.

Investment

Capital expenditure

Capital expenditure is expected to rise in businesses of all sizes in the short term, with an overall increase of 6.2%.

Stocks

Stocks are expected to fall in medium and large businesses (-0.3% and -1.0% respectively), while small businesses are expecting no change.

Employment

A fall of 0.2% is expected in employment, with small businesses expecting a decrease of 0.4% and medium and large businesses expecting rises of 0.1% and 1.3% respectively.

International Trade

In the September quarter 1997 imports are expected to rise by 3.7% and exports are expected to rise by 3.9%.

7

AUSTRALIAN BUSINESS EXPECTATIONS, DECEMBER QUARTER 1997 COMPARED WITH SEPTEMBER QUARTER 1997, EXPECTED AGGREGATE CHANGE, BY SIZE OF BUSINESS Not seasonally adjusted

Business performance indicators	Small %	Medium %	Large %	All businesses %
Trading performance				
Sales	2.1	1.7	4.9	3.0
Selling prices	0.0	0.1	0.3	0.2
Profit	6.6	5.9	27.9	14.3
Investment				
Capital expenditure	4.6	5.7	7.6	6.2
Stocks	0.0	-0.3	-1.0	-0.4
Employment				
Full time equivalent	-0.4	0.1	1.3	-0.2
Operating expenses				
Wages	1.2	1.4	1.4	1.3
Non-wage labour	1.0	0.9	1.1	1.0
Other	1.7	1.5	1.8	1.7
Total	1.6	1.5	1.7	1.6
International trade				
Imports	4.5	2.8	3.6	3.7
Exports	4.7	4.8	3.2	3.9

MEDIUM-TERM OUTLOOK

Expected change for the September quarter 1998 compared with the September quarter 1997

Trading Performance

Sales

Sales of goods and services are expected to rise in businesses of all sizes in the September quarter 1998.

Selling prices

Selling prices are expected to increase in businesses of all sizes, with an increase of 0.7% for small businesses and 0.8% for both medium and large.

Profit

The largest increase in profit is expected in the small sized businesses (22.9%) with large businesses expecting a 20.0% increase and medium businesses expecting a 17.6% increase.

Investment

Capital expenditure

Businesses of all sizes expect capital expenditure to increase in the September quarter 1998. The largest increase of 8.2% is expected in large businesses.

Stocks

Stocks are expected to increase in businesses of all sizes.

Employment

In the medium term medium sized businesses are expecting the largest increase of 0.9% in full time equivalent employees. Small and large businesses are expecting increases of 0.4% and 0.5% respectively.

Operating Expenses

Total operating expenses are expected to increase for businesses of all sizes, with the largest increase of 2.2% expected for the small sized businesses.

International Trade

Increases in both imports and exports are expected by businesses of all sizes between the September quarter 1997 and September quarter 1998. Small businesses are expecting import growth of 10.4%.

8

AUSTRALIAN BUSINESS EXPECTATIONS, SEPTEMBER QUARTER 1998 COMPARED WITH SEPTEMBER QUARTER 1997, EXPECTED AGGREGATE CHANGE, BY SIZE OF BUSINESS Not seasonally adjusted

Business performance indicators	Small %	Medium %	Large %	All businesses %
Trading performance				
Sales	4.4	2.9	3.9	3.9
Selling prices	0.7	0.8	0.8	0.7
Profit	22.9	17.6	20.0	21.0
Investment				
Capital expenditure	4.3	4.5	8.2	6.2
Stocks	0.9	0.4	1.2	0.9
Employment				
Full time equivalent	0.4	0.9	0.5	0.4
Operating expenses				
Wages	2.3	2.3	1.7	2.1
Non-wage labour	1.7	1.8	1.1	1.6
Other	2.2	1.7	1.8	2.0
Total	2.2	1.8	1.8	2.0
International trade				
Imports	10.4	3.5	2.5	5.8
Exports	8.8	4.1	6.7	6.6

DETAILED RESULTS — INDUSTRY

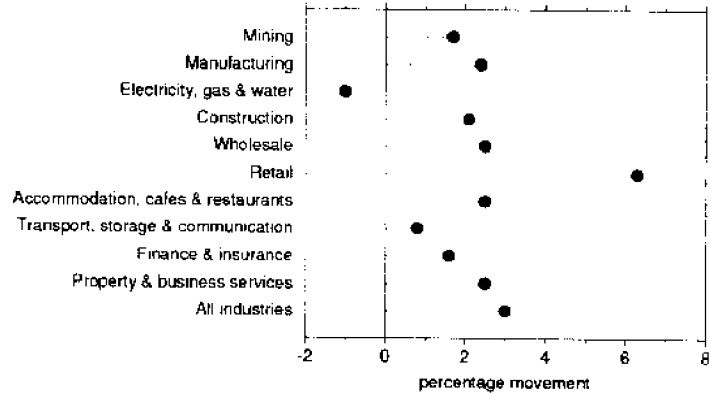
SHORT-TERM OUTLOOK

Expected change for the December quarter 1997 compared with the September quarter 1997

Sales of goods and services
+ 3.0%

Sales of goods and services are expected to increase in all industries in the December quarter 1997 with the exception of electricity, gas and water which is expecting a decrease of 1.0%.

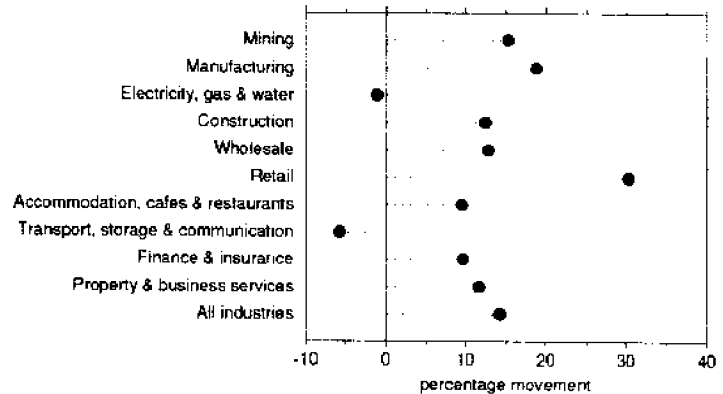
CHART 17. SALES OF GOODS AND SERVICES
Main industry comparison
Short-term outlook - December quarter 1997



Profit
+ 14.3%

The largest increase in *profit* in the short term is expected in retail with an increase of 30.3%. Electricity, gas and water and Transport, storage and communication are the only industries expecting decreases (- 1.1% and - 5.8% respectively).

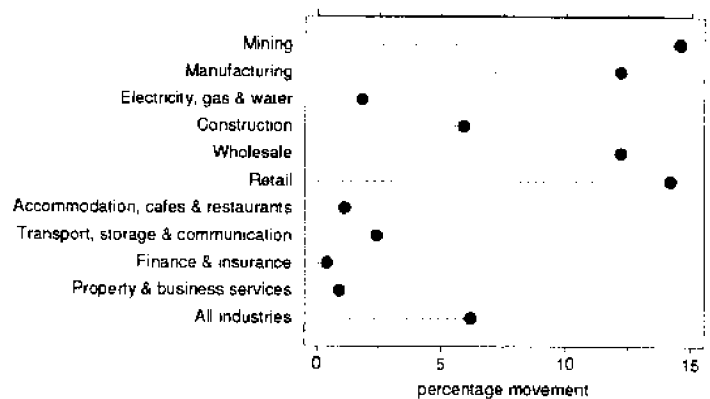
CHART 18-PROFIT
Main industry comparison
Short-term outlook - December quarter 1997



Capital expenditure
+ 6.2%

All industries are expecting a rise in *capital expenditure*. Mining is expecting the largest increase of 14.6%, with Retail expecting an increase of 14.2%

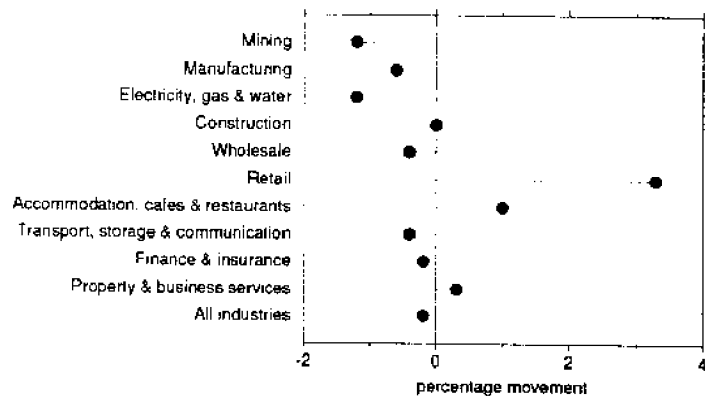
CHART 19. CAPITAL EXPENDITURE
Main industry comparison
Short-term outlook - December quarter 1997



Employment
- 0.2%

Full time equivalent employment is expected to fall in most industries in the September quarter 1997. Mining and Electricity, gas and water both have the largest decrease of 1.2%. In contrast, the Retail industry expects to increase employment by 3.3%

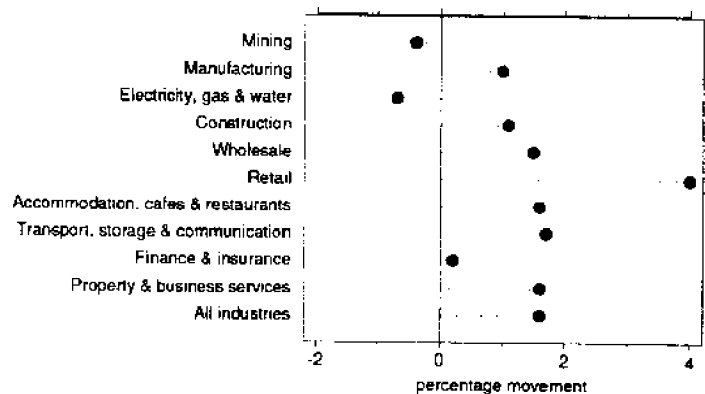
CHART 20. EMPLOYMENT
Main industry comparison
Short-term outlook - December quarter 1997



Total operating expenses
+ 1.6%

Total operating expenses is expected to increase 1.6%. The Retail industry expects the largest increase of 4.0%, partly reflecting increased staffing and activity leading up to Christmas. The Mining and Electricity, gas and water industries expect falls of 0.4% and 0.7% respectively.

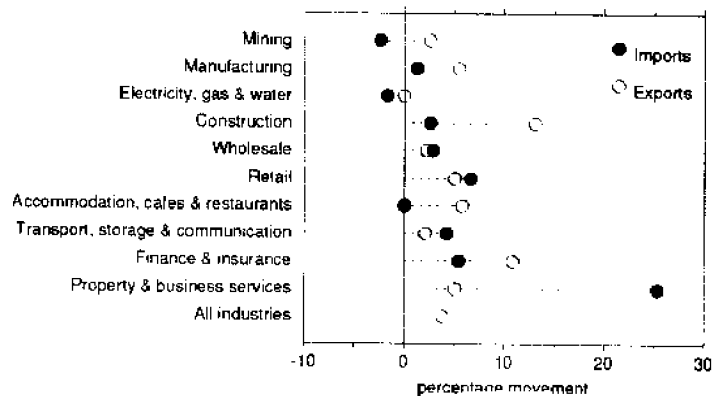
CHART 21. TOTAL OPERATING EXPENSES
Main industry comparison
Short-term outlook - December quarter 1997



International trade
Imports + 3.7%
Exports + 3.9%

Most industries expect a rise in *imports* with the exception of Mining. Electricity, gas and water and Accommodation, cafes and restaurants (- 2.4%, - 1.7% and 0.0% respectively). For the Property and business services industry, a small number of contributors expect relatively large increases in *imports*. *Exports* are expected to increase in all industries, except the Electricity, gas and water industry which expects no change.

CHART 22. INTERNATIONAL TRADE
Main industry comparison
Short-term outlook - December quarter 1997



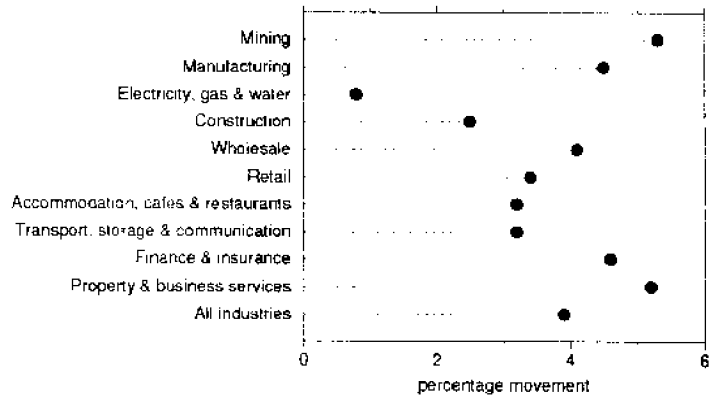
MEDIUM-TERM OUTLOOK

Expected change for the September quarter 1998 compared with the September quarter 1997

Sales of goods and services
+ 3.9%

Sales of goods and services are expected to rise in all industries in the September quarter 1998 with the largest rise of 5.3% in the Mining industry.

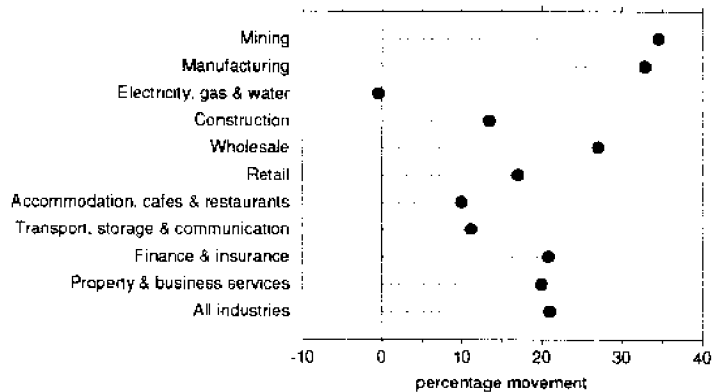
CHART 23. SALES OF GOODS AND SERVICES
Main industry comparison
Medium-term outlook - September quarter 1998



Profit
+ 21.0%

The only industry expecting a decrease in *profit* in the medium term is Electricity, gas and water (-0.4%). The largest expected increase is 34.6% for the Mining industry, while the Manufacturing industry expects an increase in profits of 32.9%.

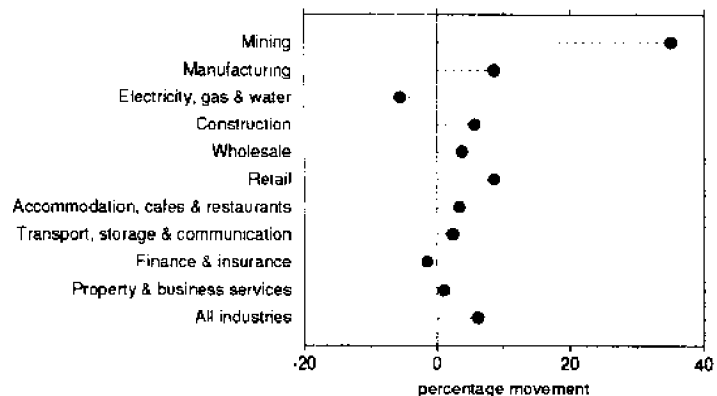
CHART 24. PROFIT
Main industry comparison
Medium-term outlook - September quarter 1998



Capital expenditure
+ 6.2%

Electricity, gas and water and Finance and Insurance are the only industries expecting a decrease in *capital expenditure* in the September quarter 1998 (-5.5% and -1.4% respectively). The largest increase of 35.1% is expected for the Mining industry.

CHART 25. CAPITAL EXPENDITURE
Main industry comparison
Medium-term outlook - September quarter 1998



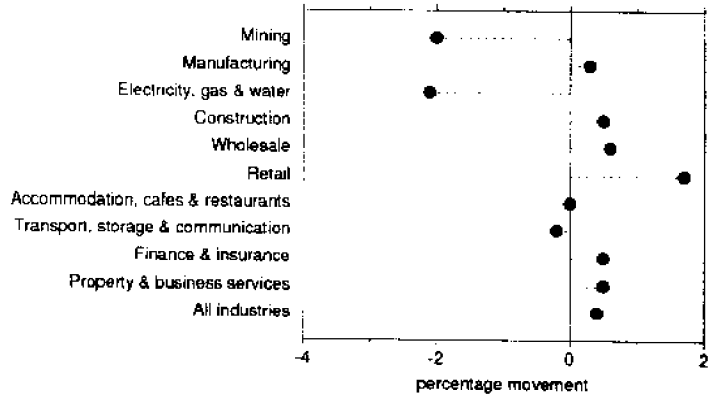
MEDIUM-TERM OUTLOOK *continued*

Expected change for the September quarter 1998 compared with the September quarter 1997

Employment
+ 0.4%

Most industries expect an increase in *full time equivalent employment* in the medium term, with the exception of Mining (-2.0%), Electricity, gas and water (-2.1%), Accommodation, cafes and restaurants (0.0%) and Transport, storage and communication (-0.2%).

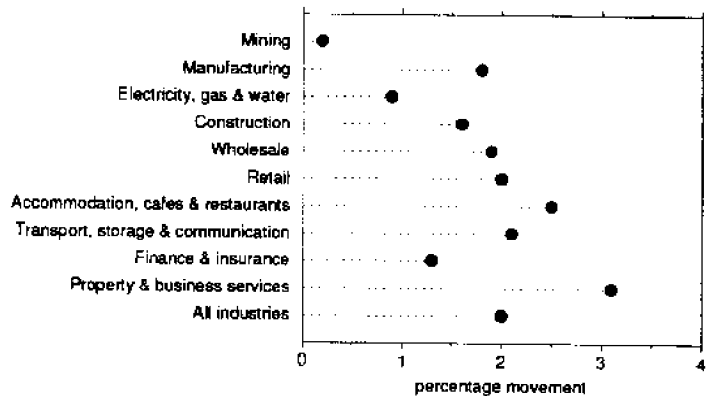
CHART 26. EMPLOYMENT
Main industry comparison
Medium-term outlook - September quarter 1998



Total operating expenses
+ 2.0%

Total operating expenses are expected to rise in the September quarter 1998 with the largest increase of 3.1% in the Property and business services industry.

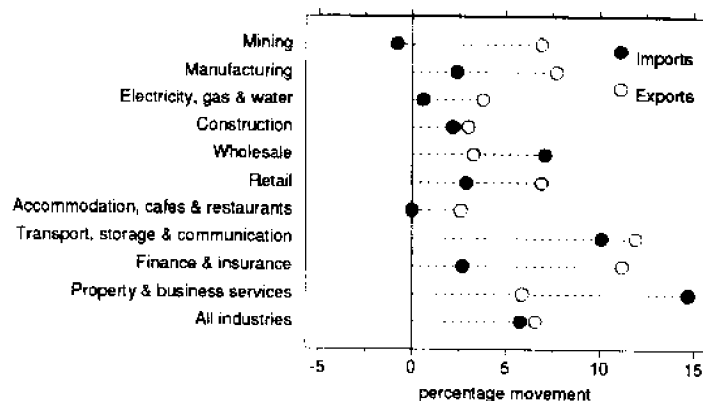
CHART 27. TOTAL OPERATING EXPENSES
Main industry comparison
Medium-term outlook - September quarter 1998



International trade
Imports + 5.8%
Exports + 6.6%

Mining is the only industry expecting a decrease in *imports* (-0.8%). All industries are expecting *exports* to increase, with the Transport, storage and communication industry expecting the largest increase of 11.9%.

CHART 28. INTERNATIONAL TRADE
Main industry comparison
Medium-term outlook - September quarter 1998



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, DECEMBER QUARTER 1997

	<i>All businesses</i> %
Australia	100.0
New South Wales	38.5
Victoria	25.5
Queensland	15.3
South Australia	6.5
Western Australia	10.3
Tasmania	2.2
Northern Territory	0.6
Australian Capital Territory	1.1

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

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

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

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.

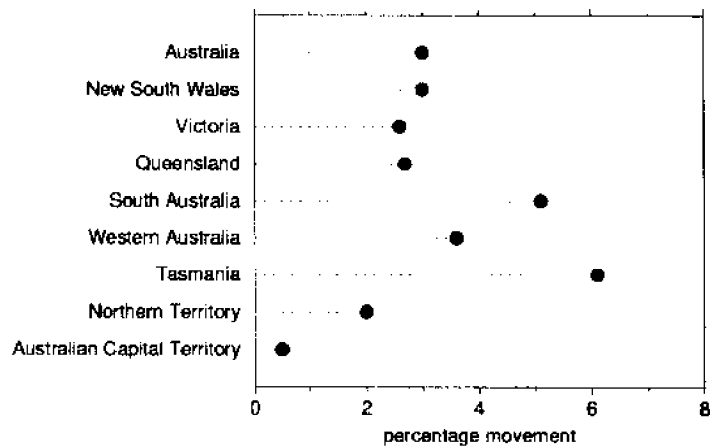
Expected change for the December quarter 1997 compared with the September quarter 1997

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				
	Dec qtr 1996 %	Mar qtr 1997 %	June qtr 1997 %	Sept qtr 1997 %	Dec qtr 1997 %
Australia	1.6	0.4	1.6	0.7	3.0
New South Wales	1.5	1.0	1.4	1.0	3.0
Victoria	2.0	0.1	1.9	0.4	2.6
Queensland	1.2	-0.4	1.4	0.9	2.7
South Australia	2.1	-0.1	2.8	0.0	5.1
Western Australia	2.0	0.9	2.0	1.2	3.6
Tasmania	1.3	-1.1	0.8	-0.7	6.1
Northern Territory	2.0	1.6	2.6	-0.3	2.0
Australian Capital Territory	-0.3	-1.1	1.3	-1.7	0.5

- All states expect increases in *sales of goods and services* in the short term, with Tasmania expecting the largest increase.
- The largest expected increases in sales for Tasmania were in Manufacturing (14.3%) and retail (11.8%).
- The Australian Capital Territory expects the smallest increase in sales (0.5%).

CHART 29. SALES OF GOODS AND SERVICES
State estimates
Short-term outlook - December quarter 1997



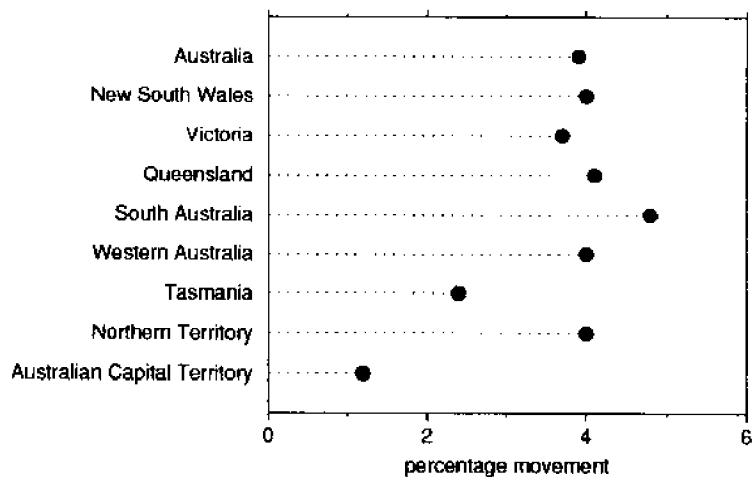
Expected change for the September quarter 1998 compared with the September quarter 1997

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				
	Dec qtr 1997	Mar qtr 1998	June qtr 1998	Sept qtr 1998	Dec qtr 1998
	%	%	%	%	%
Australia	3.1	3.1	2.9	2.4	3.9
New South Wales	3.1	2.4	2.7	2.4	4.0
Victoria	3.4	3.8	2.8	2.9	3.7
Queensland	2.5	3.3	2.8	1.8	4.1
South Australia	3.3	4.3	4.0	3.4	4.8
Western Australia	3.3	3.0	3.4	2.2	4.0
Tasmania	3.3	1.5	1.5	2.2	2.4
Northern Territory	4.9	4.5	4.5	3.7	4.0
Australian Capital Territory	1.5	1.7	1.7	2.0	1.2

- An overall increase of 3.9% is expected in sales of goods and services in the medium term. This growth is based on rises in each State ranging from 1.2% in the Australian Capital Territory to 4.8% in South Australia.

CHART 30. SALES OF GOODS AND SERVICES
State estimates
Medium-term outlook - September quarter 1998



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 survey commenced with short term expectations for the December quarter 1993 and medium term expectations for the September quarter 1994. This quarters publication contains estimates of the expected change between the September quarter 1997 and the December quarter 1997 and the September quarter 1998.

3 The survey is conducted by mail each quarter. This quarter's survey was collected during August 1997.

4 It is based on a stratified random sample of approximately 3,000 businesses selected from the ABS 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, forestry and fishing;
- general government.

8 Data related to intended crop plantings and sheep matings are collected by the ABS and published in catalogue 7111.0 and 7113.0 publications from the Agriculture Census.

9 The Australian Bureau of Agricultural 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 (less than 20 employees, except for manufacturers where it is less than 100);
- medium (20 to less than 100 employees, except for manufacturers where it is 100 to 599 employees); and
- large (100 and greater 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 expected 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. 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

STANDARD ERRORS OF KEY ESTIMATES, DECEMBER QUARTER 1997,
SHORT TERM EXPECTATION, AUSTRALIA

<i>Business performance indicator</i>	<i>Survey estimate</i>	<i>Standard error</i>
Sales	3.0	0.1
Selling prices	0.2	0.0
Profit	14.3	0.0
Capital expenditure	6.2	0.4
Stocks	-0.4	0.1
Employment	-0.2	0.8
Wage costs	1.3	0.1
Imports	3.7	0.1
Exports	3.9	0.2

Australia is 3.0% with a standard error of 0.1, there would be two chances in three that the true value would be within the range 2.9% and 3.1%.

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 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).

BENCHMARKS

Benchmark (or base level) information is obtained from the ABS annual Economic Activity Survey (EAS). It is used to weight individual business responses by their relative contribution to each business performance

indicator. This enables percentage responses from different businesses to be aggregated.

In June each year a new sample is selected from units surveyed by EAS in the previous financial year. New benchmarks are introduced for the survey conducted in August each year. The benchmark data become increasingly out of date as they are used in the surveys conducted in November, February and May. In certain cases, the benchmark data may not accurately reflect the current activity of a business. It is currently not possible to measure the extent of any such inaccuracies.

Results from the EAS are published in *Business Operations and Industry Performance* (8140.0).

SYMBOLS AND OTHER USAGES

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

DESCRIPTION OF TERMS

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

CAPITAL EXPENDITURE

The expected change in the value of capital expenditure in new tangible assets.

Capital expenditure is generally classed in two categories, *Plant machinery and equipment* and *Buildings*.

The proportion of total capital expenditure on *Plant, machinery and equipment* is collected and the amount to be expended on *Buildings* is derived.

PROFIT

Profit is a derived item based on the present trading performance of a business and the expected changes to the level of sales of goods and services and the sum of all expense items.

The difference between the new benchmarks for the *sales of goods and services* and the sum of all expenses items (the sum of *total wage expense, non-wage labour expense and all other operating expenses*) as determined by the responses received, the Economic Activity Survey benchmarks for those items and an indicator of present trading performance (cost/sales ratio) are used to determine the expected change for profit for the reference periods.

Because of reporting difficulties experienced with the cost/sales ratios, caution should be exercised in interpreting profit expectations.

STATE INFORMATION

State information has been derived for businesses in the survey which operate in more than one State.

This has been achieved by

- 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 September 1997, then the quarter being surveyed is December 1997); and
- Medium-term (if the current quarter is September 1997, then the quarter being surveyed is September 1998).

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