

**AUSTRALIAN BUSINESS EXPECTATIONS  
MARCH QUARTER 1997 AND  
DECEMBER QUARTER 1997**

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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- *for further information about statistics in this publication and the availability of related unpublished statistics*, contact Glen Malam on Canberra (06) 252 6537 or any ABS State office.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 of this publication.
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**Release date for June quarter 1997 - March quarter 1998 issue**

The expected release date for the June quarter 1997 - March quarter 1998 issue of  
*Australian Business Expectations* (5250.0) is  
Wednesday, 26 March 1997



## 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 November 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 March quarter 1997, and the December quarter 1997 compared with the December 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, Forestry and Fishing<sup>1</sup> 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.

<sup>1</sup> 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 fourteen quarters the opportunity is available to analyse the results from the latest survey with those for the comparable reference period of the previous three 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,  
MARCH QUARTER 1997

	<i>Small</i> %	<i>Medium</i> %	<i>Large</i> %	<i>All businesses</i> %
Manufacturing	62.2	21.1	16.7	<b>100.0</b>
Other industries	39.6	22.6	37.8	<b>100.0</b>
All industries	47.0	22.1	30.9	<b>100.0</b>

## 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, MARCH QUARTER 1997

	<i>Simple net balance</i>	<i>Weighted net balance</i>	<i>Weighted aggregate</i>
	%	%	% change
Sales	14.2	2.2	0.4
Wage costs	38.5	39.6	0.6
Employment			
<i>Full time equivalent</i>	- 2.0	- 10.8	- 0.4

That is, for the March quarter 1997 a simple net balance of 2.0% of businesses expect a fall in employment. The fall in the employment weighted net balance of 10.8% indicates that the businesses expecting a fall in employment tend to be larger than those expecting a rise. Tables 4 and 6 present data for the weighted net balance for the March quarter 1997 and the December quarter 1997.

The expected aggregate change in employment overall is - 0.4% from December quarter 1996 to March quarter 1997. 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 March quarter 1997 compared with the December quarter 1996

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

*Expected aggregate change over the previous quarter*

June qtr 1996	Sept qtr 1996	Dec qtr 1996	Mar qtr 1997	Business %	Mar qtr 1996 %
<i>performance indicators</i>	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>
<b>Trading performance</b>					
Sales	-0.2	2.3	1.6	1.6	0.4
Selling prices	0.2	0.7	0.2	0.2	0.1
Profit	-9.6	9.6	4.2	3.7	-2.9
<b>Investment</b>					
Capital expenditure	4.9	1.8	2.0	2.6	5.8
Stocks	-0.7	-0.6	0.2	-0.6	0.1
<b>Employment</b>					
Full time equivalent	0.0	-0.2	0.3	0.3	-0.4
<b>Operating expenses</b>					
Wages	0.9	1.0	1.2	1.2	0.6
Non-wage labour	0.4	1.0	0.8	1.1	0.2
Other	1.0	1.2	1.3	1.4	0.9
Total	0.9	1.2	1.3	1.4	0.8
<b>International trade</b>					
Imports	0.0	5.7	2.7	1.4	0.5
Exports	1.7*	2.6	2.6	2.6	0.6

\* This data item has a high standard error.

### 4 AUSTRALIAN BUSINESS EXPECTATIONS, SHORT-TERM OUTLOOK, WEIGHTED NET BALANCE, MARCH QUARTER 1997 Not seasonally adjusted

*Proportion of businesses expecting*

Business performance indicators	Decreases %	No change %	Increases %	Net balance %
<b>Trading performance</b>				
Sales	34.6	28.6	36.8	<b>2.2</b>
Selling prices	9.9	65.7	24.4	<b>14.5</b>
Profit	19.2	30.7	50.1	<b>30.9</b>
<b>Investment</b>				
Capital expenditure	5.2	40.9	53.9	<b>48.7</b>
Stocks	41.3	33.4	25.4	<b>-15.9</b>
<b>Employment</b>				
Full time equivalent	28.8	53.3	18.0	<b>-10.8</b>
<b>Operating expenses</b>				
Wages	13.2	34.1	52.7	<b>39.6</b>
Non-wage labour	8.8	51.9	39.3	<b>30.5</b>
Other	10.1	32.1	57.8	<b>47.7</b>
<b>International trade</b>				
Imports	15.7	47.1	37.2	<b>21.4</b>
Exports	17.6	50.6	31.7	<b>14.1</b>

SHORT-TERM OUTLOOK *continued*

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

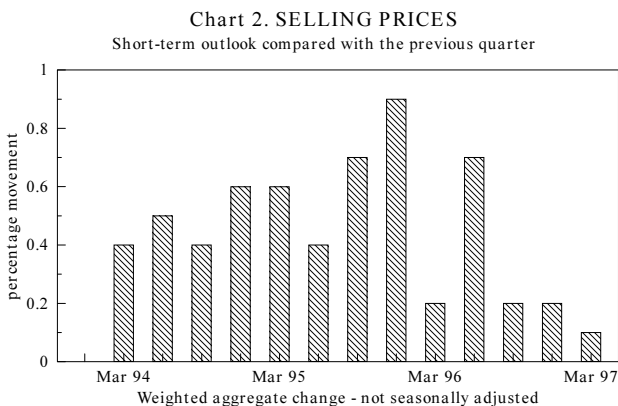
Sales of goods and services  
+ 0.4%

*Sales* are expected to rise by 0.4% in the March quarter 1997. This is the first time since the survey commenced in the December quarter 1993, that there has been a rise in expectations for a March quarter.



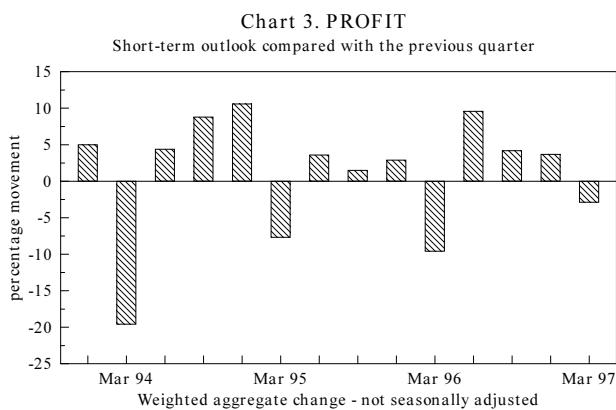
Selling prices  
+ 0.1%

*Selling prices* are expected to rise by 0.1%. This is the smallest rise for a March quarter since the survey commenced. A more detailed industry breakdown can be found on page 12.



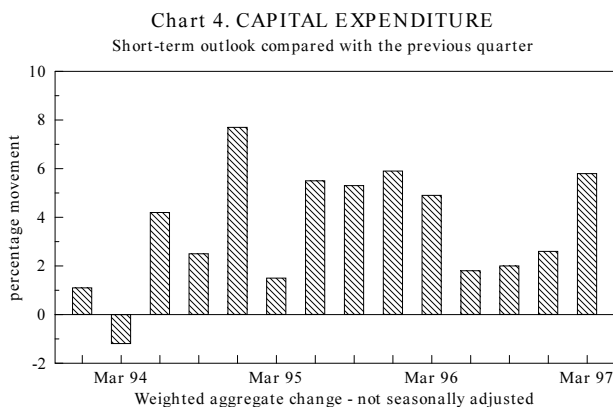
Profit  
- 2.9%

A decrease of 2.9% is expected for *profits* in the March quarter 1997. This is the smallest decrease recorded by this survey for a March quarter.



Capital expenditure  
+ 5.8%

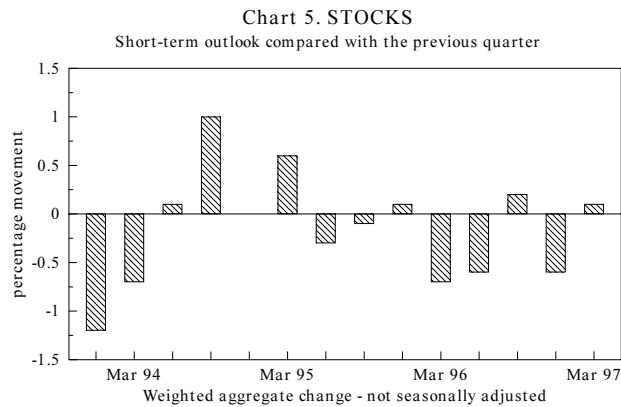
*Capital expenditure* is expected to rise by 5.8% in the March quarter 1997. Medium sized businesses are expecting the largest increase of 8.1%.



**Stocks**

+ 0.1%

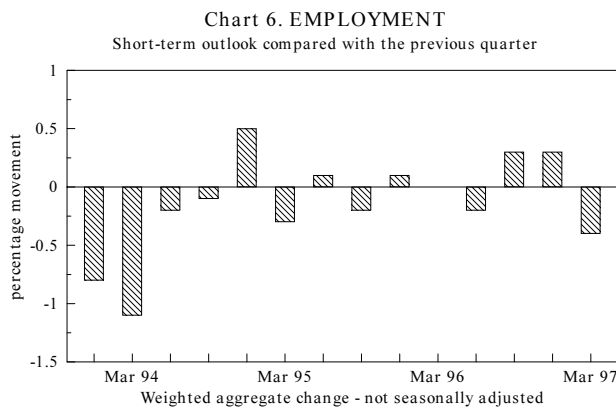
*Stock* levels are expected to rise by 0.1%. This is the first increase in a March quarter since March 1995.



**Employment**

- 0.4%

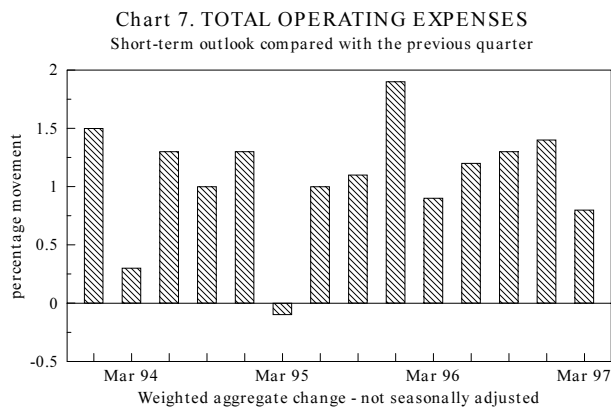
*Full time equivalent employment* is expected to fall by 0.4%. This is the largest fall in employment expectations since March 1994.



**Total Operating Expenses**

+ 0.8%

*Total operating expenses* are expected to rise in the March quarter 1997. Contributing to this rise are wages + 0.6%, other labour costs + 0.2% and non labour costs +0.9%.

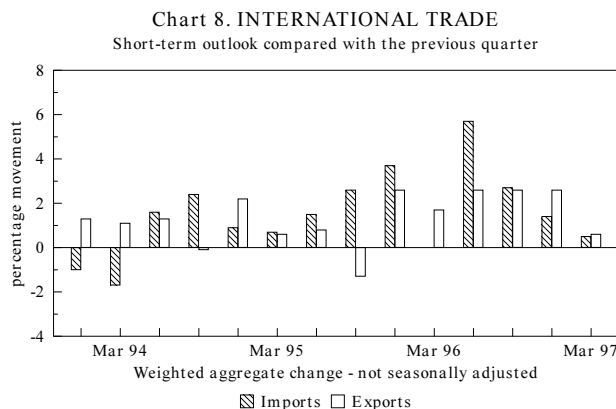


**International trade**

Imports + 0.5%

Exports + 0.6%

*Imports* are expected to rise by 0.5% in the March quarter 1997. All industries are showing an increase, with small sized businesses expecting the largest of 1.0%. *Exports* are also expected to rise by 0.6% in the March quarter with medium sized businesses expecting the largest increase of 1.6%.



## Expected change for the December quarter 1997 compared with the December quarter 1996

## 5 AUSTRALIAN BUSINESS EXPECTATIONS, MEDIUM-TERM OUTLOOK EXPECTED AGGREGATE CHANGE

Not seasonally adjusted

Business performance indicators	Expected aggregate change over the same quarter of the previous year				
	Dec qtr 1996	Mar qtr 1997	June qtr 1997	Sept qtr 1997	Dec qtr 1997
	%	%	%	%	%
<b>Trading performance</b>					
Sales	4.4	4.1	3.6	3.1	3.1
Selling prices	1.3	2.0	1.5	1.2	0.9
Profit	20.0	13.1	13.5	10.1	9.6
<b>Investment</b>					
Capital expenditure	6.1	3.5	1.1	6.6	1.2
Stocks	0.5	0.1	0.4	0.0	0.0
<b>Employment</b>					
Full time equivalent	1.0	0.8	0.5	0.6	0.3
<b>Operating expenses</b>					
Wages	2.8	3.0	3.1	2.5	2.4
Non-wage labour	2.4	2.3	1.8	2.0	1.8
Other	2.5	2.8	2.1	2.4	2.2
Total	2.5	2.8	2.2	2.4	2.2
<b>International trade</b>					
Imports	4.3	5.2	2.8	3.6	2.1
Exports	5.0	5.2	5.2	4.7	3.4

## 6 AUSTRALIAN BUSINESS EXPECTATIONS, MEDIUM-TERM OUTLOOK, WEIGHTED NET BALANCE, DECEMBER QUARTER 1997

Not seasonally adjusted

Business performance indicators	Proportion of businesses expecting			Net balance
	Decreases	No change	Increases	
	%	%	%	%
<b>Trading performance</b>				
Sales	9.3	19.3	71.4	62.1
Selling prices	10.3	32.9	56.8	46.5
Profit	16.9	13.6	69.5	52.6
<b>Investment</b>				
Capital expenditure	23.8	35.5	40.7	16.9
Stocks	33.4	33.6	33.0	-0.3
<b>Employment</b>				
Full time equivalent	13.9	49.9	36.2	22.3
<b>Operating expenses</b>				
Wages	7.3	20.1	72.5	65.2
Non-wage labour	4.8	30.7	64.5	59.7
Other	4.2	20.8	75.0	70.7
<b>International trade</b>				
Imports	3.6	46.4	50.0	46.4
Exports	5.9	41.5	52.6	46.7

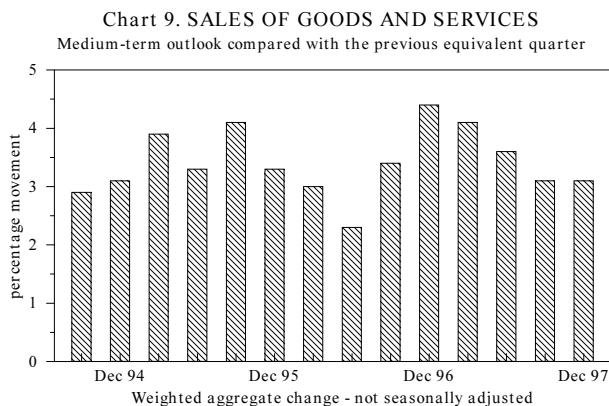
MEDIUM-TERM OUTLOOK

(continued)

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

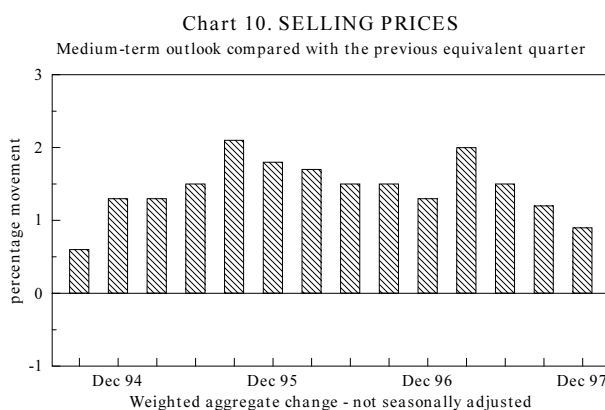
Sales of goods and services  
+ 3.1

Sales in the December quarter 1997 are expected to rise by 3.1%. This is the smallest rise in a December quarter since December 1994.



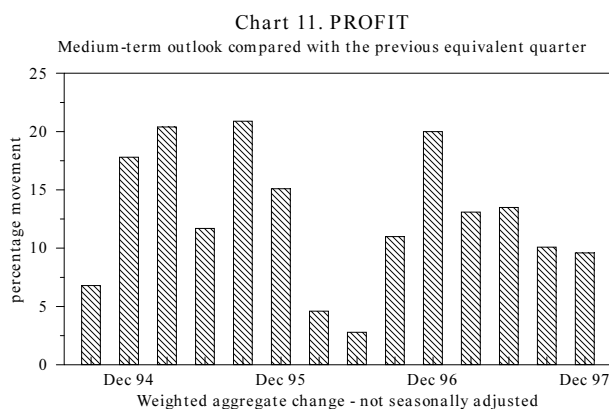
Selling prices  
+ 0.9%

Businesses expect selling prices to rise 0.9%. This is the smallest expected rise since the September quarter 1994.



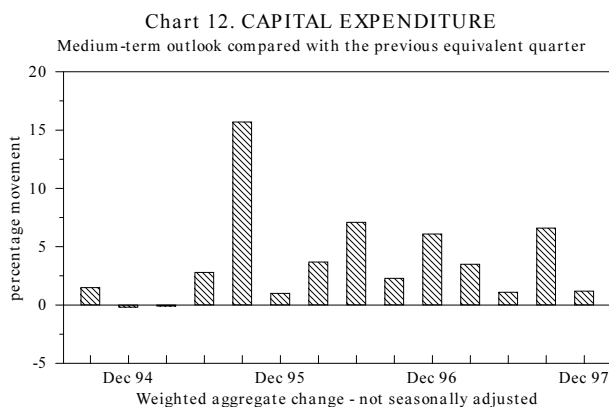
Profit  
+ 9.6%

An increase in profit of 9.6% is expected in the December quarter 1997. This is the smallest increase expected since the June quarter 1996. Medium sized businesses are expecting the largest increase of 11.0%.



Capital expenditure  
+ 1.2%

Capital expenditure is expected to increase by 1.2% in the December 1997 quarter. All industries except Manufacturing are expecting an increase.

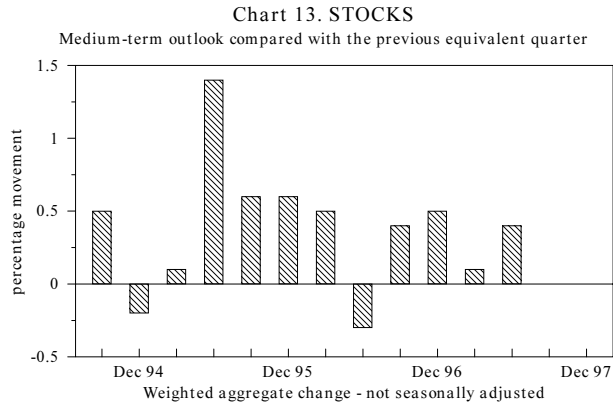


MEDIUM-TERM OUTLOOK  
(continued)

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

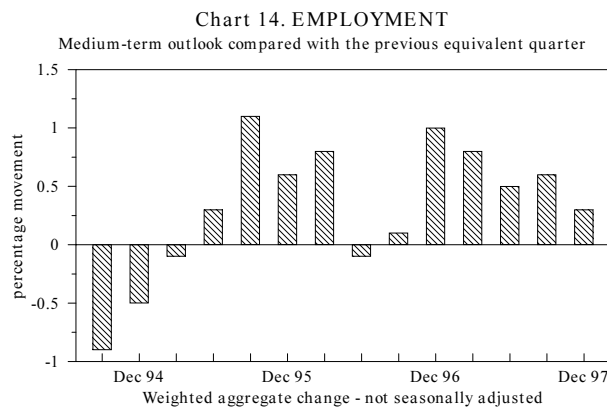
Stocks  
0.0%

There is no change expected in *stock* levels between the December quarter 1996 and the December quarter 1997. This is the second consecutive expectation of no change.



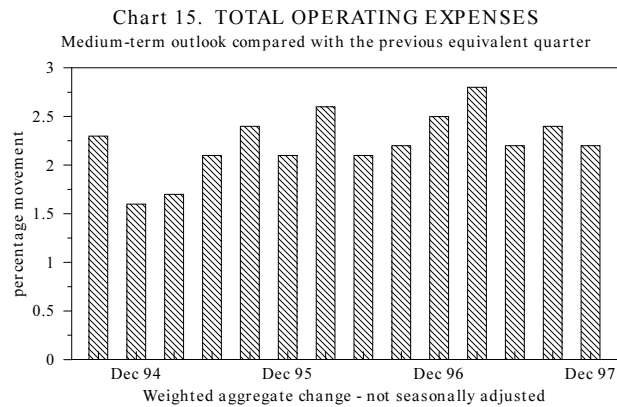
Employment  
+ 0.3%

*Full time equivalent employment* is expected to rise 0.3% in the December quarter 1997. This is the smallest rise since the September quarter 1996 expectation.



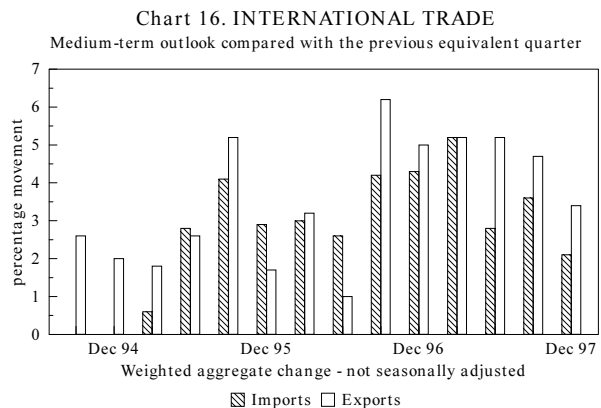
Total operating expenses  
+ 2.2%

*Total operating expenses* are expected to rise by 2.2% in the December quarter 1997. Contributing to this rise are wages + 2.4%, other labour costs + 1.8% and non labour costs + 2.2%.



International trade  
Imports + 2.1%  
Exports + 3.4%

*Imports* are expected to rise by 2.1%, while *exports* are expected to rise by 3.4%. Medium sized businesses are expecting the largest increase in both imports and exports of 3.2% and 6.2% respectively.



## DETAILED RESULTS — SIZE OF BUSINESS

### SHORT-TERM OUTLOOK

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

#### Trading performance

##### Sales

Medium and large sized businesses are expecting decreases of 0.9% and 1.5% respectively in *sales* for the March quarter 1997, while small businesses are expecting an increase of 1.6%.

##### Selling prices

Small and large sized businesses are expecting increases (both 0.2%) in the March quarter 1997, while medium sized businesses are expecting a decrease (0.1%).

##### Profit

A decrease in *profits* for medium and large businesses of 14.4% and 8.5% respectively is expected for the March quarter 1997, while small businesses are expecting an increase of 2.9%.

#### Investment

##### Capital investment

Businesses of all sizes expect an increase in *capital expenditure* for the March quarter 1997, with medium sized businesses expecting the largest increase of 8.1%.

##### Stocks

Small and medium sized businesses are expecting decreases of 0.3% and 0.2% respectively. Large sized businesses are expecting an increase of 0.7%.

#### Employment

Businesses of all sizes are expecting a decrease in *full time equivalent employment* for the March quarter 1997. Large sized businesses are expecting the biggest decrease of 0.7%.

#### Operating Expenses

*Total operating expenses* are expected to increase for small and medium sized businesses 1.5% and 0.2% respectively, while large sized businesses are expecting a 0.2% decrease.

#### International Trade

*Imports* are expecting to increase for the March quarter 1997 in businesses of all sizes except large which expect no change. *Exports* are also expected to rise by businesses of all sizes.

AUSTRALIAN BUSINESS EXPECTATIONS, MARCH QUARTER 1997  
COMPARED WITH DECEMBER QUARTER 1996, EXPECTED AGGREGATE  
CHANGE, BY SIZE OF BUSINESS

7

Not seasonally adjusted

<i>Business performance indicators</i>	<i>Small %</i>	<i>Medium %</i>	<i>Large %</i>	<i>All businesses %</i>
<b>Trading performance</b>				
Sales	1.6	- 0.9	- 1.5	<b>0.4</b>
Selling prices	0.2	- 0.1	0.2	<b>0.1</b>
Profit	2.9	- 14.4	- 8.5	<b>- 2.9</b>
<b>Investment</b>				
Capital expenditure	6.3	8.1	4.4	<b>5.8</b>
Stocks	- 0.3	- 0.2	0.7	<b>0.1</b>
<b>Employment</b>				
<i>Full time equivalent</i>	- 0.3	- 0.2	- 0.7	<b>- 0.4</b>
<b>Operating expenses</b>				
Wages	0.5	1.1	0.4	<b>0.6</b>
Non-wage labour	0.6	0.1	- 0.1	<b>0.2</b>
Other	1.6	0.0	- 0.3	<b>0.9</b>
Total	1.5	0.2	- 0.2	<b>0.8</b>
<b>International trade</b>				
Imports	1.0	0.6	0.0	<b>0.5</b>
Exports	0.5	1.6	0.2	<b>0.6</b>

## MEDIUM-TERM OUTLOOK

Expected change for the December quarter 1997 compared with the December 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 (3.6%).

#### Selling prices

Businesses of all sizes are expecting an increase in *selling prices* with medium and large businesses expecting the greatest increase (both 1.0%).

#### Profit

Medium sized businesses expect *profits* in the December quarter 1997 to be 11.0% higher than for the December quarter 1996, while small and large businesses expect rises of 9.2% and 9.9% respectively.

### Investment

#### Capital investment

Small and medium sized businesses expect *capital expenditure* to increase by 2.4% and 3.1% respectively for the December quarter 1997, while large sized businesses are expecting a decrease of 1.1%.

#### Stocks

*Stocks* are expected to increase in medium and large sized businesses (0.2% and 0.1% respectively) by the end of the December quarter 1997, while small sized businesses are expecting to decrease by 0.2%.

#### Employment

Small and medium sized businesses are expecting an increase of 0.6% and 0.3% respectively in *full time equivalent employment* for the December quarter 1997. Large sized businesses are expecting no change.

### Operating Expenses

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

### International Trade

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

## AUSTRALIAN BUSINESS EXPECTATIONS, DECEMBER QUARTER 1997 COMPARED WITH DECEMBER QUARTER 1996, EXPECTED AGGREGATE CHANGE, BY SIZE OF BUSINESS

### 8

Not seasonally adjusted

<i>Business performance indicators</i>	<i>Small %</i>	<i>Medium %</i>	<i>Large %</i>	<b><i>All businesses %</i></b>
<b>Trading performance</b>				
Sales	2.9	3.2	3.6	<b>3.1</b>
Selling prices	0.8	1.0	1.0	<b>0.9</b>
Profit	9.2	11.0	9.9	<b>9.6</b>
<b>Investment</b>				
Capital expenditure	2.4	3.1	- 1.1	<b>1.2</b>
Stocks	- 0.2	0.2	0.1	<b>0.0</b>
<b>Employment</b>				
<i>Full time equivalent</i>	0.6	0.3	0.0	<b>0.3</b>
<b>Operating expenses</b>				
Wages	2.1	2.8	2.6	<b>2.4</b>
Non-wage labour	1.3	2.1	2.3	<b>1.8</b>
Other	2.2	2.2	2.2	<b>2.2</b>
Total	2.1	2.3	2.3	<b>2.2</b>
<b>International trade</b>				
Imports	2.3	3.2	1.4	<b>2.1</b>
Exports	2.2	6.2	3.1	<b>3.4</b>



## DETAILED RESULTS — INDUSTRY

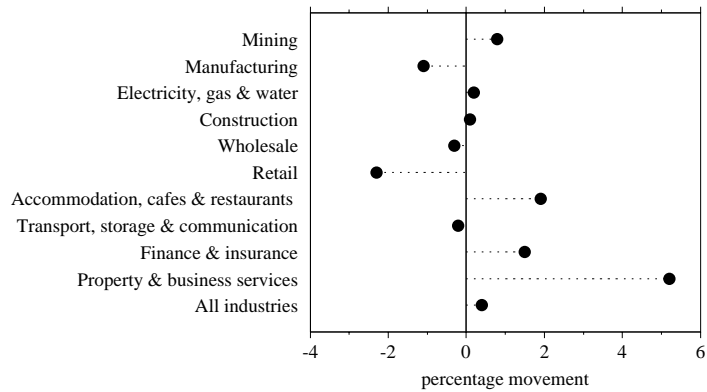
### SHORT-TERM OUTLOOK

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

Sales of goods and services  
+ 0.4%

All industries are expecting a rise in *sales of goods and services* with the exception of Manufacturing, Wholesale, Retail and Transport, storage & communication. The largest rise of 5.2% is expected in the Property & business services industry.

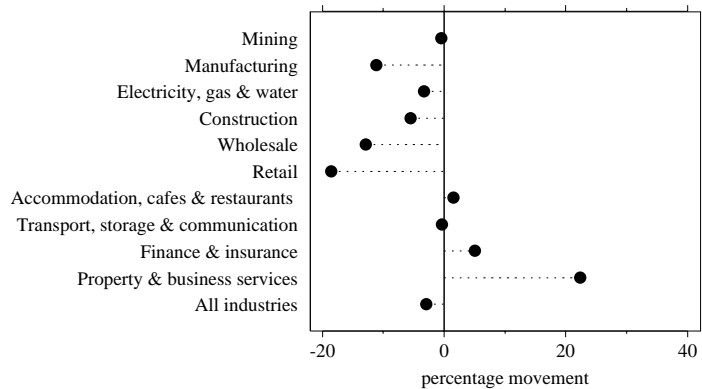
CHART 17. SALES OF GOODS AND SERVICES  
Main industry comparison  
Short-term outlook - March quarter 1997



Profit  
- 2.9%

All industries are expecting a fall in *profit* except Accommodation, cafes & restaurants, Finance & insurance and Property & business services.

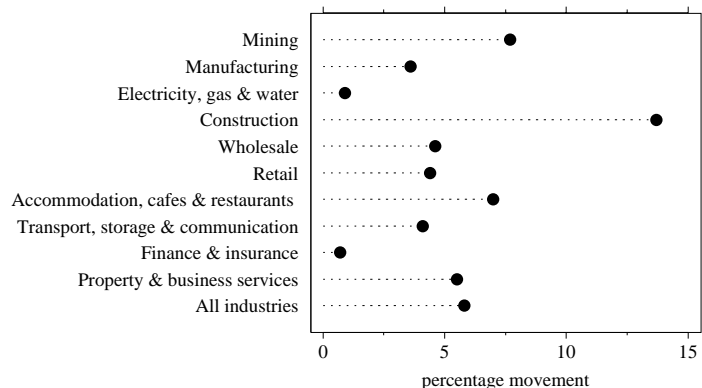
CHART 18. PROFIT  
Main industry comparison  
Short-term outlook - March quarter 1997



Capital expenditure  
+ 5.8%

*Capital expenditure* is expected to rise in all industries, with the largest rise of 13.7% expected in the Construction industry.

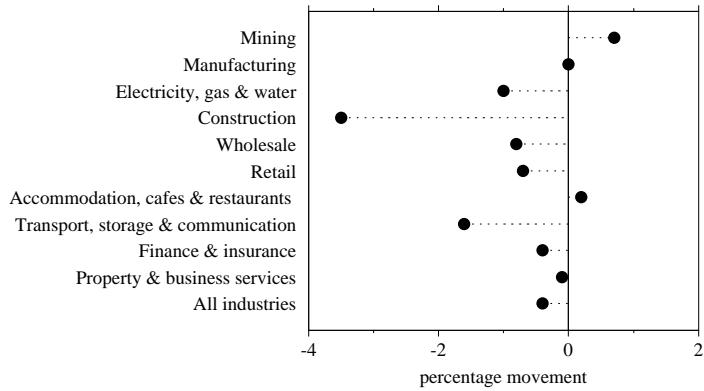
CHART 19. CAPITAL EXPENDITURE  
Main industry comparison  
Short-term outlook - March quarter 1997



**Employment**  
- 0.4%

*Full time equivalent employment* is expected to fall in most industries except Mining and Accommodation, cafes & restaurants, which are expecting increases of 0.7% and 0.2% respectively and Manufacturing which expects no change.

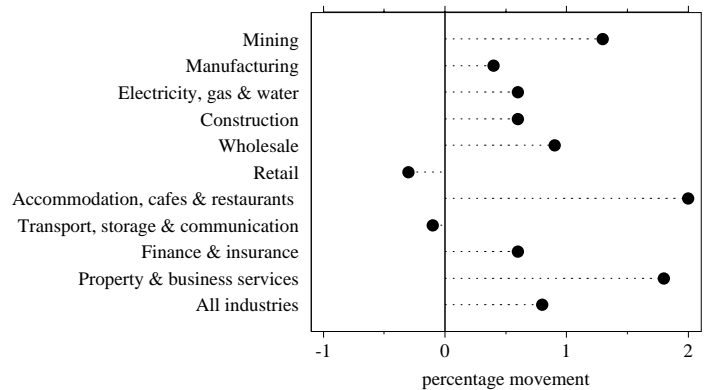
CHART 20. EMPLOYMENT  
Main industry comparison  
Short-term outlook - March quarter 1997



**Total operating expenses**  
+ 0.8%

All industries except Retail and Transport, storage & communication expect an increase in *total operating expenses* in the March quarter 1997.

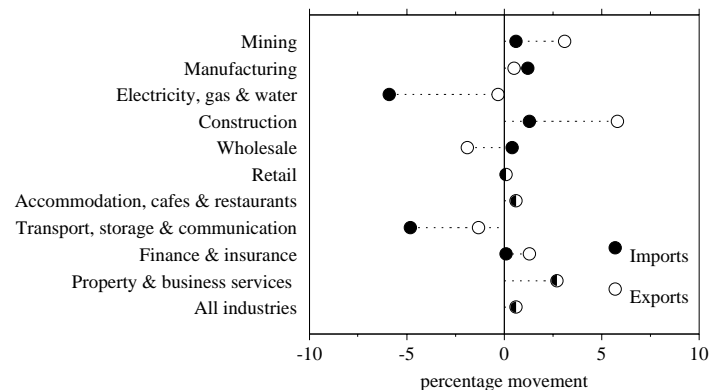
CHART 21. TOTAL OPERATING EXPENSES  
Main industry comparison  
Short-term outlook - March quarter 1997



**International trade**  
Imports + 0.5%  
Exports + 0.6%

*Imports* are expected to rise in all industries except for Electricity, gas & water and Transport, storage & communication. The industry expecting the largest increase is Property & business services. *Exports* are expected to increase in most industries with

CHART 22. INTERNATIONAL TRADE  
Main industry comparisons  
Short-term outlook - March quarter 1997



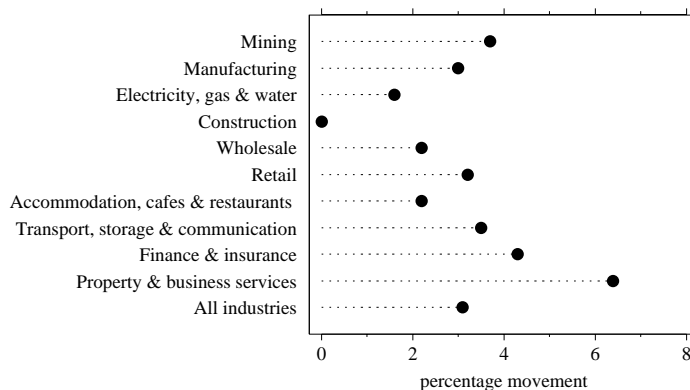
MEDIUM-TERM OUTLOOK

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

Sales of goods and services  
+ 3.1%

All industries are expecting an increase in *Sales of goods and services* in the medium term, ranging from no change in the Construction industry to 6.4% in the Property & business services industry.

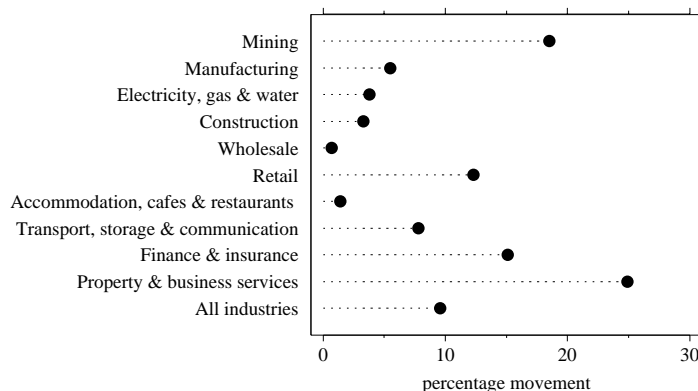
CHART 23. SALES OF GOODS AND SERVICES  
Main industry comparison  
Medium-term outlook - December quarter 1997



Profit  
+ 9.6%

All industries are expecting a rise in *profits* for the medium term with Property & business services expecting the largest increase of 24.9%.

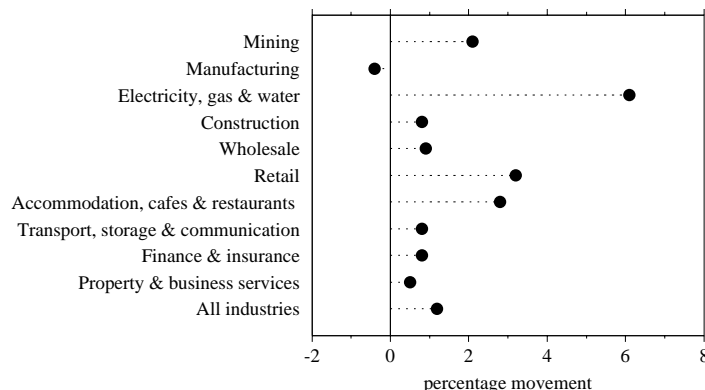
CHART 24. PROFIT  
Main industry comparison  
Medium-term outlook - December quarter 1997



Capital expenditure  
+ 1.2%

Manufacturing is the only industry expecting a decrease in *capital expenditure* for the December quarter 1997 (-0.4%). The largest increase of 6.1% is expected in the Electricity, gas & water industry.

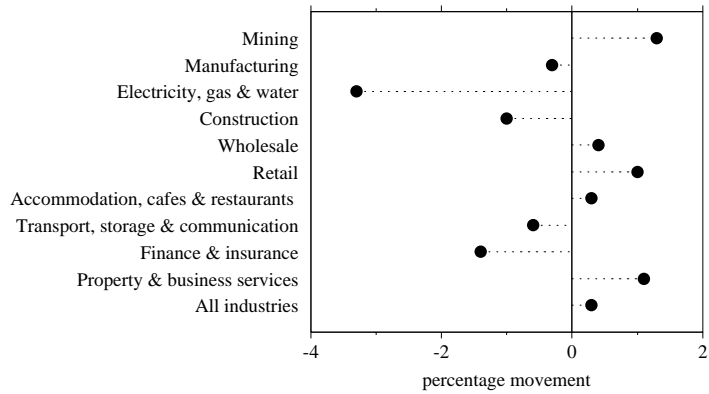
CHART 25. CAPITAL EXPENDITURE  
Main industry comparison  
Medium-term outlook - December quarter 1997



**Employment**  
+ 0.3%

The largest expected increase in *full time equivalent employment* is 1.3% for the Mining industry. The largest decrease of 3.3% is for Electricity, gas & water.

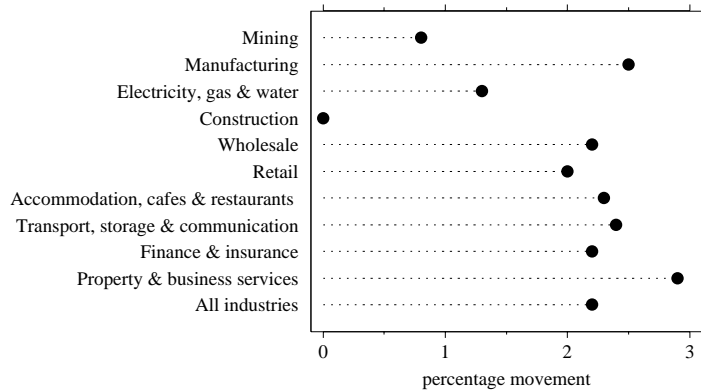
CHART 26. EMPLOYMENT  
Main industry comparison  
Medium-term outlook - December quarter 1997



**Total operating expenses**  
+ 2.2%

All industries except Construction are expecting an increase in the December quarter 1997 ranging from 0.8% in Mining to 2.9% in Property & business services. Construction industry is expecting no change.

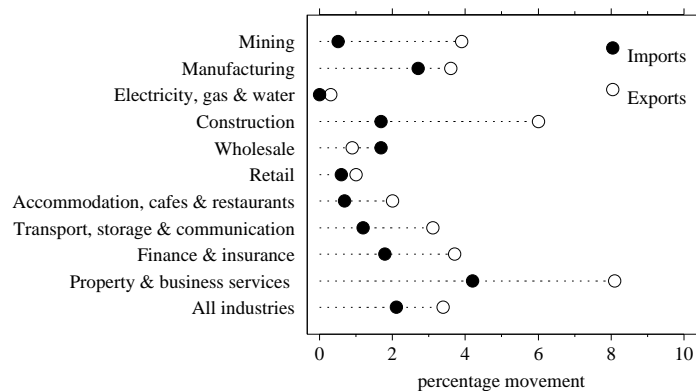
CHART 27. TOTAL OPERATING EXPENSES  
Main industry comparison  
Medium-term outlook - December quarter 1997



**International trade**  
Imports + 2.1%  
Exports + 3.4%

Both *imports* and *exports* are expecting to rise across all industries except Electricity, gas & water which is expecting no change. Property & business services are expecting the largest increase in both imports (4.2%) and exports (8.1%).

CHART 28. INTERNATIONAL TRADE  
Main industry comparisons  
Medium-term outlook - December 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, MARCH QUARTER 1997

	<i>All businesses</i>
	%
Australia	100
New South Wales	39.9
Victoria	25.5
Queensland	15.0
South Australia	6.4
Western Australia	9.6
Tasmania	2.3
Northern Territory	0.4
Australian Capital Territory	0.9

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.

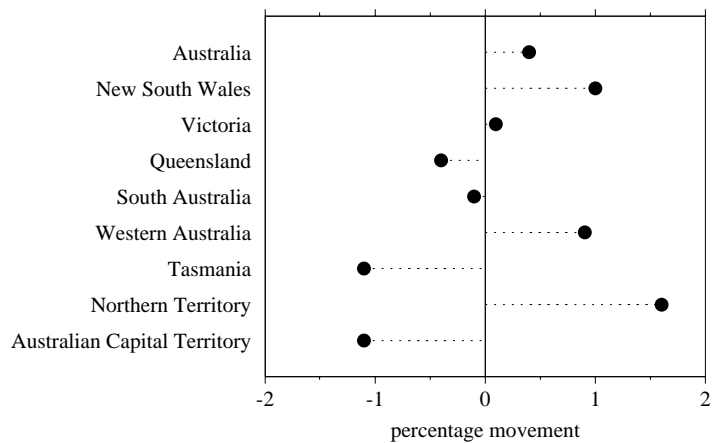
Expected change for the March quarter 1997 compared with the December quarter 1996

**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				
	Mar qtr 1996	June qtr 1996	Sept qtr 1996	Dec qtr 1996	Mar qtr 1997
	%	%	%	%	%
Australia	-0.2	2.3	1.6	1.6	0.4
New South Wales	0.1	2.6	1.8	1.5	1.0
Victoria	-0.9	2.2	1.7	2.0	0.1
Queensland	-0.4	2.6	1.4	1.2	-0.4
South Australia	0.6	1.5	0.3	2.1	-0.1
Western Australia	0.6	2.1	1.5	2.0	0.9
Tasmania	0.0	2.5	0.9	1.3	-1.1
Northern Territory	n.a.	1.3	3.8	2.0	1.6
Australian Capital Territory	0.5	1.8	0.4	-0.3	-1.1

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

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



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

**11**

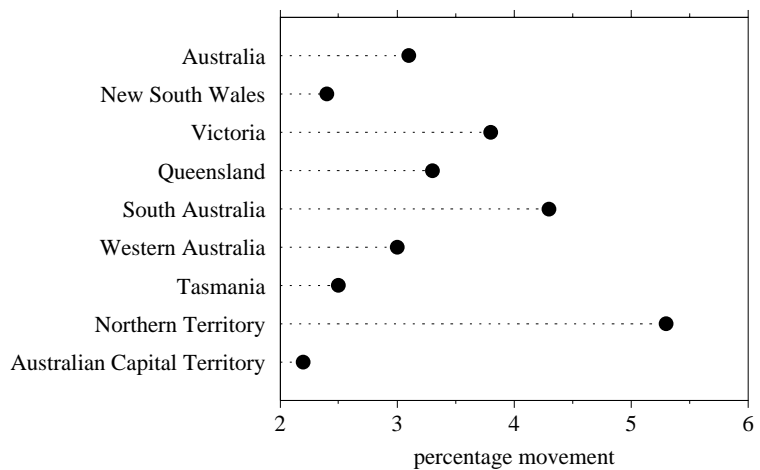
AUSTRALIAN BUSINESS EXPECTATIONS, STATES AND TERRITORIES, SALES OF GOODS AND SERVICES, MEDIUM TERM OUTLOOK (Not seasonally adjusted)

*Expected aggregate change over the same quarter of the previous year*

States and Territories	Dec qtr 1996	Mar qtr 1997	June qtr 1997	Sept qtr 1997	Dec qtr 1997
	%	%	%	%	%
Australia	4.4	4.1	3.6	3.1	3.1
New South Wales	4.4	4.2	3.7	3.1	2.4
Victoria	4.3	3.5	3.7	3.4	3.8
Queensland	4.5	3.7	3.6	2.5	3.3
South Australia	2.5	3.6	2.3	3.3	4.3
Western Australia	5.6	5.7	4.4	3.3	3.0
Tasmania	2.3	4.3	2.8	3.3	2.5
Northern Territory	n.a.	n.a.	4.0	4.9	5.3
Australian Capital Territory	3.8	2.3	1.4	1.5	2.2

- **Sales of goods and services** in the medium term are expected to grow by 3.1%. This growth is based on State rises ranging from 2.2% for the Australian Capital Territory to 5.3% for the Northern Territory.

CHART 30. SALES OF GOODS AND SERVICES  
State estimates  
Medium-term outlook - December 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 fourteenth 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 December quarter 1996 and the March quarter 1997 and the second reports expected change between the December quarter 1996 and the December quarter 1997.

### 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, forestry and fishing;
- 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 (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.



BUSINESS PERFORMANCE INDICATORS	<p><b>13</b> In nearly all cases the management unit coincides with the legal entity owning the business (i.e. company, partnership, trust, sole proprietor, etc.).</p>
	<p><b>14</b> 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".</p>
	<p><b>15</b> 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.</p>
SIMPLE AND WEIGHTED NET BALANCE	<p><b>16</b> 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.</p>
	<p><b>17</b> 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'.</p>
	<p><b>18</b> The net balance is a <i>qualitative</i> 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.</p>
	<p><b>19</b> 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.</p>
EXPECTED AGGREGATE CHANGE	<p><b>20</b> 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.</p>
	<p><b>21</b> 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.</p>
COMPARISON OF RESULTS	<p><b>22</b> The weighted aggregate estimate of a particular indicator, combined with an estimated level, can be used to quantify its future movement.</p>
	<p><b>23</b> 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.</p>
RELIABILITY OF ESTIMATES	<p><b>24</b> The weighted net balance provide a <i>qualitative</i> measure of the proportion of businesses predicting the direction of change in future business conditions. The expected aggregate change, however, provides a <i>quantitative</i> measure predicting the magnitude of change in a selected variable.</p>
	<p><b>25</b> 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.</p>
	<p><b>26</b> All of the estimates in this publication are subject to:</p>

- 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 *profit* for Australia is - 2.9% with a standard error of 0.2, there would be two chances in three that the true value would be within the range - 3.1% and - 2.7%.

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

<i>Business performance indicator</i>	<i>Survey estimate</i>	<i>Standard error</i>
Sales	0.4	0.3
Selling prices	0.1	0.0
Profit	- 2.9	0.2
Capital expenditure	5.8	0.8
Stocks	0.1	0.1
Employment	- 0.4	0.1
Wage costs	0.6	0.2
Imports	0.5	0.1
Exports	0.6	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).

## 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 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 1994–95* (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	<p>The expected change in the value of capital expenditure in new tangible assets.</p> <p>Capital expenditure is generally classed in two categories, <i>Plant machinery and equipment</i> and <i>Buildings</i>.</p> <p>The proportion of total capital expenditure on <i>Plant, machinery and equipment</i> is collected and the amount to be expended on <i>Buildings</i> is derived.</p>
PROFIT	<p>Profit is a derived item based on the present trading performance of a business and the expected changes to the level of sales of goods and services and the sum of all expense items.</p> <p>The difference between the new benchmarks for the <i>sales of goods and services</i> and the sum of all expenses items (the sum of <i>total wage expense, non-wage labour expense and all other operating expenses</i>) as determined by the responses received, the Economic Activity Survey benchmarks for those items and an indicator of present trading performance (cost/sales ratio) are used to determine the expected change for profit for the reference periods.</p> <p>Because of reporting difficulties experienced with the cost/sales ratios, caution should be exercised in interpreting profit expectations.</p>
STATE INFORMATION	<p>State information has been derived for businesses in the survey which operate in more than one State.</p> <p>This has been achieved by</p> <ul style="list-style-type: none"> <li>▪ 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</li> <li>▪ 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.</li> </ul>
REFERENCE PERIODS	<p>There are two reference periods surveyed each quarter:</p> <ul style="list-style-type: none"> <li>▪ Short-term (if the current quarter is December 1996, then the quarter being surveyed is March 1997); and</li> <li>▪ Medium-term (if the current quarter is December 1996, then the quarter being surveyed is December 1997).</li> </ul>

## 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 Glen Malam on (06) 252 6537 or write to:

The Assistant Director  
Business Expectations Survey  
Australian Bureau of Statistics  
PO Box 10  
Belconnen ACT 2616.



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