

# **BUSINESS OPERATIONS AND INDUSTRY PERFORMANCE**

**AUSTRALIA**  
*PRELIMINARY*

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- For more information about these and related statistics, contact Dianne Bourke on Canberra 02 6252 5288 or refer to the back cover of this publication.



## NOTES

### ABOUT THIS ISSUE

This is the first issue of preliminary estimates for the Economic Activity Survey (EAS).

Since 1990–91 statistics from the Economic Activity Survey have been released in *Business Operations and Industry Performance* (Cat. no. 8140.0). The next issue of Cat. no. 8140.0 will be available later in 1998 and will contain final 1996–97 estimates and revisions to earlier years.

The data contained in this publication are early estimates based on a response rate of 85%.

### SYMBOLS AND OTHER USAGES

ABS	Australian Bureau of Statistics
ANZSIC	Australian and New Zealand Standard Industrial Classification
EAS	Economic Activity Survey
EBIT	Earnings before interest and tax
IGP	Industry gross product
OPBT	Operating profit before tax
SE	Standard error
RSE	Relative standard error
*	Subject to sampling variability too high for most practical purposes
..	not applicable
n.a.	not available
—	nil or rounded to zero

W. McLennan  
Australian Statistician

## SUMMARY OF FINDINGS

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### OVERVIEW

During 1996–97 public trading enterprises and private businesses with employees grew at a steady rate. Most indicators rose during 1996–97 — operating profit before tax (OPBT) increased by 5%, operating income by 3%, operating expenses by 3%, assets by 7%, liabilities by 14%, employment by 1% and number of businesses by 3%.

### BUSINESS AVERAGES

The average income of businesses fell by 2% to \$1,426,000 over 1996–97, while average expenses rose by 0.4% to \$1,304,000.

Over 1996–97 the average OPBT per business remained the same as in 1995–96, at \$128,000. This is due to a compositional change in business (i.e. an increase in the number of small and medium businesses) as well as an increase in stock levels.

### PERFORMANCE RATIOS

Business performance ratios remained much the same in 1996–97. Long term debt to equity and interest coverage ratios have increased slightly to 0.3 and 2.6 respectively. The profit margin remained the same at 9.0%, and the investment rate increased by 0.6 percentage points to 21.8%.

### SCOPE

General government and businesses without employees are excluded from these statistics. Refer to Explanatory Notes on page 10 for a fuller definition of which businesses are included and excluded from these statistics.

# SUMMARY OF FINDINGS *continued*

## 1 Summary of industry performance, all industries

	1992-93	1993-94	1994-95	1995-96	1996-97
<b>Selected indicators</b>					
Operating businesses('000)	625	662	714	752	773
Employment('000)	5 598	5 512	5 810	6 254	6 331
Total operating income(\$m)	864 148	880 036	956 745	1 071 123	1 105 783
Depreciation expenses(\$m)	25 899	27 880	30 506	33 965	35 970
Interest expenses(\$m)	53 150	44 314	52 778	62 834	61 036
Total operating expenses(\$m)	791 180	802 949	874 416	977 234	1 010 204
Operating profit before tax (\$m)(a)	74 902	81 576	88 681	96 230	100 790
Total assets(\$m)	1 696 253	1 690 450	1 876 769	2 073 628	2 214 916
Total liabilities(\$m)	1 076 988	1 061 304	1 204 792	1 291 895	1 473 897
Net worth(\$m)	619 265	629 146	671 978	781 733	741 019
Capital expenditure(\$m)	46 371	51 065	56 780	65 885	71 996
Industry gross product(\$m)(b)	225 205	230 258	249 213	272 425	274 290
<b>Business averages</b>					
Average income(\$'000)	1 382	1 330	1 354	1 456	1 426
Average expenses(\$'000)	1 265	1 207	1 230	1 299	1 304
Average profit(\$'000)	120	123	124	128	128
Average net worth(\$'000)	990	951	947	1 045	953
Average gross product(\$'000)	360	348	350	409	353
<b>Industry ratios</b>					
Profit margin(%)	8.7	9.3	9.3	9.0	9.0
Return on assets(%)	4.4	4.8	4.7	4.6	4.5
Long-term debt to equity(times)(b)	0.62	0.71	0.36	0.25	0.30
Interest coverage(times)	2.4	2.8	2.7	2.5	2.6
Investment rate(%) (b)	20.6	22.2	22.8	21.2	21.8

(a) Includes change in stocks.

(b) Excludes Finance and insurance businesses.

## SUMMARY OF FINDINGS *continued*

### RATIO ANALYSIS

The average profit margin across all businesses was 9.0%. The profit margin for Finance and insurance (32.0%) and Mining (16.3%) were more than double those in many other industries.

During 1996–97 the return on assets across all industries was 4.5%. Private community services (13.1%) had the highest return on assets, while Transport and storage and Agriculture, forestry and fishing (2.3%) had the lowest.

The Long-term debt to equity ratio was lowest for Agriculture, forestry and fishing (0.11) and Personal and other services (0.19), while Construction had the highest (0.96).

The Interest coverage ratio is the number of times interest can be paid from Earnings before interest and tax (EBIT). The Interest coverage ratio for all businesses rose slightly in 1996–97 to 2.6 times. Private community services had the highest interest coverage ratio of 9.2 times, while Transport and storage had the lowest (1.9 times).

Communication services showed the highest investment rate of all industries (89.3%) while Construction showed the lowest (10.2%).

### 2 Industry performance ratios

<i>Industry</i>	<i>Profit Margin</i>	<i>Return on assets</i>	<i>Long-term debt to equity</i>	<i>Interest coverage</i>	<i>Investment rate</i>
	<i>%</i>	<i>%</i>	<i>times</i>	<i>times</i>	<i>%</i>
Agriculture, forestry and fishing	10.3	2.3	0.11	2.7	63.1
Mining	16.3	7.9	n.a.	n.a.	n.a.
Manufacturing	6.9	8.2	0.52	5.0	18.9
Electricity, gas and water supply	11.0	2.8	n.a.	n.a.	n.a.
Construction	4.3	9.1	0.96	4.3	10.2
Wholesale trade	3.1	7.7	0.43	4.2	12.8
Retail trade	2.8	10.4	0.73	3.8	12.7
Accommodation, cafes and restaurants	6.8	6.1	0.65	3.3	28.7
Transport and storage	2.8	2.3	0.73	1.9	27.3
Communication services	7.9	5.0	0.56	3.5	89.3
Finance and insurance	32.0	3.2	..	2.0	..
Property and business services	12.4	5.8	0.66	3.0	15.5
Private community services	11.1	13.1	0.47	9.2	14.6
Cultural and recreational services	4.3	3.0	0.77	2.6	88.1
Personal and other services	12.2	9.5	0.19	8.3	17.1
<b>All industries(a)</b>	<b>9.0</b>	<b>4.5</b>	<b>0.30</b>	<b>2.6</b>	<b>24.9</b>

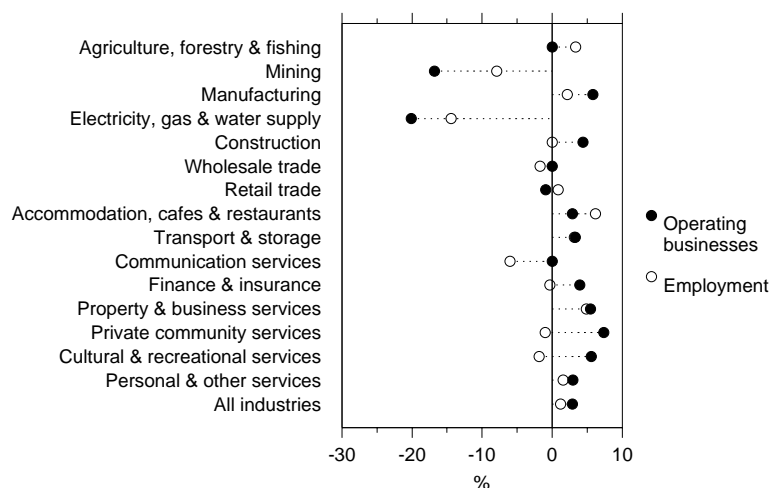
(a) Long-term debt to equity and investment rate for All industries excludes Mining, Electricity, gas and water and Finance and insurance businesses. Interest coverage for All Industries also excludes Mining and Electricity, gas and water.

## SUMMARY OF FINDINGS *continued*

### BUSINESSES AND EMPLOYMENT

Of the 773,000 businesses recorded at the end of 1996–97, 17% (134,000) were in Property and business services and 15% in Agriculture, forestry and fishing (117,000), and in Retail trade (115,000). The industry showing the largest growth over 1996–97 was Property and business services which showed an increase of 7,000.

The total number of working proprietors, partners and employees in June 1997 was 6,331,000, an increase of 1% on the estimate at June 1996. The industries showing the highest percentage growth were Accommodation, cafes & restaurants (up 6% to 429,000), and Property and business services (up 5% to 812,000).



### 3 Operating businesses and employment

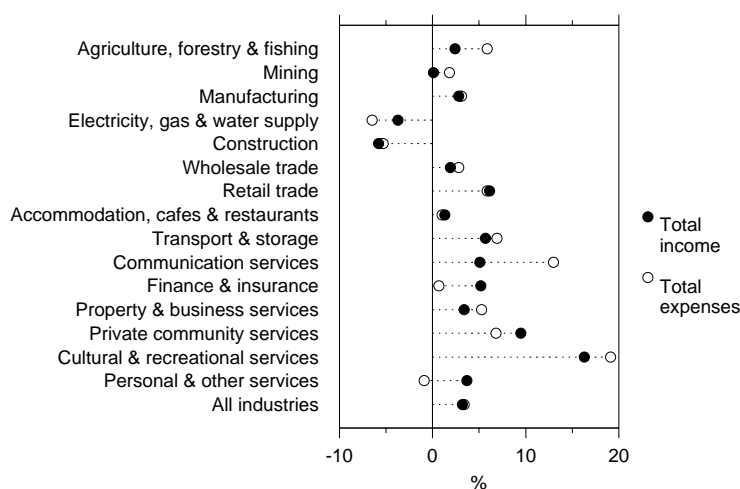
Industry	OPERATING BUSINESSES.....		EMPLOYMENT.....	
	1995-96 '000	1996-97 '000	1995-96 '000	1996-97 '000
Agriculture, forestry and fishing	117	117	358	370
Mining	2	2	85	79
Manufacturing	52	55	997	1 019
Electricity, gas and water supply	0.5	0.4	63	54
Construction	91	95	340	340
Wholesale trade	47	47	419	412
Retail trade	116	115	1 033	1 042
Accommodation, cafes and restaurants	34	35	404	429
Transport and storage	30	31	310	320
Communication services	3	3	134	126
Finance and insurance	22	23	310	309
Property and business services	127	134	774	812
Private community services	54	58	670	663
Cultural and recreational services	18	19	170	167
Personal and other services	38	39	186	189
<b>All industries</b>	<b>752</b>	<b>773</b>	<b>6 254</b>	<b>6 331</b>

## SUMMARY OF FINDINGS *continued*

### INCOME AND EXPENSES

Total operating income for all businesses rose by 3% over 1996–97 to \$1,105,783m, while total operating expenses also increased by 3% to \$1,010,204m.

Most industries showed increases in income and expenses in current price terms over 1996–97. Construction showed a decrease in income and expenses of 6% (to \$52,806m) and 5% (to \$50,694m) respectively. For Electricity, gas and water, income decreased by 4% to \$28,713m, and expenses decreased by 7% to \$26,139m. This occurred because of restructuring within the industry.



#### 4 Total operating income and total operating expenses

Industry	TOTAL OPERATING INCOME.....		TOTAL OPERATING EXPENSES.....	
	1995-96 \$m	1996-97 \$m	1995-96 \$m	1996-97 \$m
Agriculture, forestry and fishing	30 976	31 705	25 992	27 532
Mining	39 562	39 589	32 829	33 434
Manufacturing	210 378	216 167	197 593	203 724
Electricity, gas and water supply	29 828	28 713	27 957	26 139
Construction	56 053	52 806	53 539	50 694
Wholesale trade	191 771	195 462	185 868	191 037
Retail trade	167 610	177 752	163 717	173 308
Accommodation, cafes and restaurants	27 530	27 890	25 762	26 019
Transport and storage	49 842	52 702	46 832	50 072
Communication services	22 512	23 654	19 264	21 777
Finance and insurance	110 278	116 037	78 351	78 861
Property and business services	76 600	79 229	66 046	69 530
Private community services	30 798	33 733	28 079	29 999
Cultural and recreational services	15 474	17 997	14 485	17 258
Personal and other services	11 911	12 347	10 920	10 820
<b>All industries</b>	<b>1 071 123</b>	<b>1 105 783</b>	<b>977 234</b>	<b>1 010 204</b>

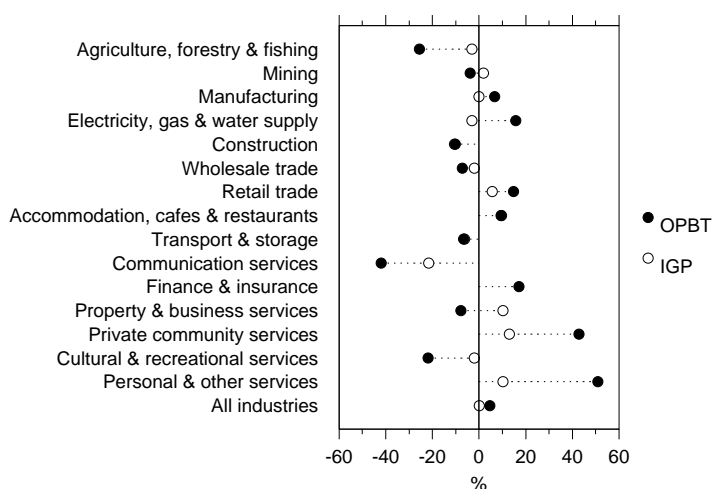


## SUMMARY OF FINDINGS *continued*

### OPERATING PROFIT AND INDUSTRY GROSS PRODUCT

Total OPBT grew by 5% in 1996–97 to \$100,790m for all businesses. This increase in profit was largely driven by the Finance and insurance industry where OPBT rose by 17% to \$37,150m. Communication services showed the largest decrease in profits of 42% down to \$1,880m.

Industry Gross Product (IGP) remained relatively stable at \$274,290m for 1996–97 in current price terms. The largest contributor to the growth rate, in dollar terms, was Property and business services which showed an increase in IGP of 10% to \$36,194m.



### 5 Operating profit before tax and industry gross product

Industry	OPBT.....		IGP.....	
	1995-96	1996-97	1995-96	1996-97
	\$m	\$m	\$m	\$m
Agriculture, forestry and fishing	4 406	3 280	10 756	10 437
Mining	6 716	6 462	20 175	20 559
Manufacturing	14 059	15 001	63 141	63 056
Electricity, gas and water supply	2 724	3 155	12 934	12 528
Construction	2 505	2 250	14 483	12 958
Wholesale trade	6 581	6 112	23 986	23 479
Retail trade	4 320	4 956	25 903	27 345
Accommodation, cafes and restaurants	1 739	1 902	10 014	10 971
Transport and storage	3 013	2 813	20 107	18 885
Communication services	3 239	1 880	12 398	9 713
Finance and insurance	31 695	37 150	..	..
Property and business services	10 625	9 803	32 846	36 194
Private community services	2 622	3 745	16 644	18 801
Cultural and recreational services	985	769	4 891	4 793
Personal and other services	1 001	1 512	4 147	4 571
<b>All industries(a)</b>	<b>96 230</b>	<b>100 790</b>	<b>272 425</b>	<b>274 290</b>

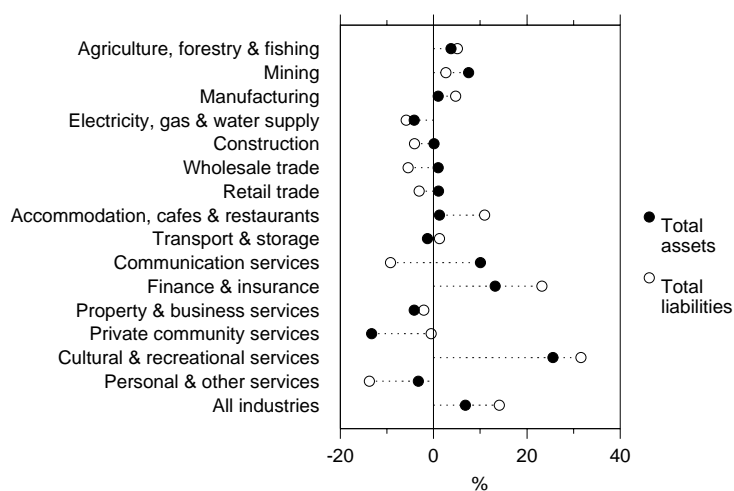
(a) IGP for All industries excludes Finance and insurance businesses.

## SUMMARY OF FINDINGS *continued*

### ASSETS AND LIABILITIES

The total assets of businesses in Australia grew by 7% to \$2,214,916m while the level of liabilities grew by 14% to \$1,473,897m. This resulted in a decrease in net worth of 5%.

The Finance and insurance industry holds 53% of the assets of all businesses and is responsible for 66% of the total liabilities.



### 6 Total assets and total liabilities

Industry	TOTAL ASSETS.....		TOTAL LIABILITIES.....	
	1995-96 \$m	1996-97 \$m	1995-96 \$m	1996-97 \$m
Agriculture, forestry and fishing	137 626	142 702	21 784	22 891
Mining	75 951	81 624	43 936	45 074
Manufacturing	180 109	181 970	93 039	97 411
Electricity, gas and water supply	117 581	112 625	47 805	45 008
Construction	24 779	24 804	17 748	17 017
Wholesale trade	78 581	79 339	53 920	50 958
Retail trade	47 286	47 803	33 262	32 241
Accommodation, cafes and restaurants	30 694	31 080	14 093	15 643
Transport and storage	64 798	63 948	34 876	35 313
Communication services	34 432	37 926	17 756	16 114
Finance and insurance	1 036 391	1 172 724	783 749	965 590
Property and business services	175 393	167 995	99 848	97 715
Private community services	32 889	28 514	13 608	13 540
Cultural and recreational services	20 695	25 983	11 415	15 025
Personal and other services	16 423	15 879	5 056	4 357
<b>All industries</b>	<b>2 073 628</b>	<b>2 214 916</b>	<b>1 291 895</b>	<b>1 473 897</b>

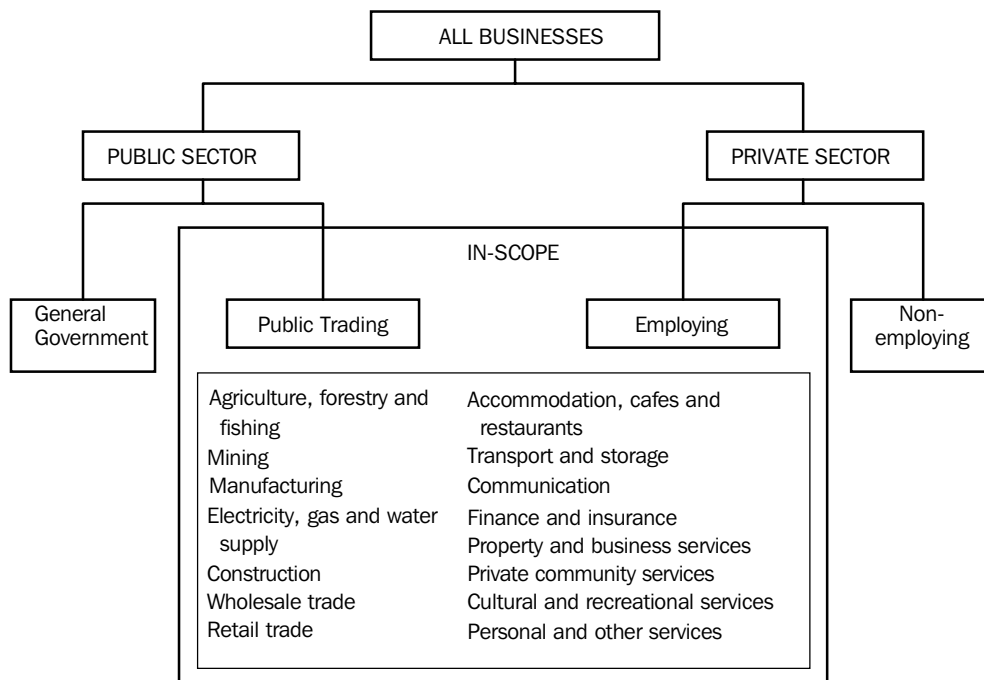
# EXPLANATORY NOTES

## INTRODUCTION

**1** The estimates in this publication have been derived from the Economic Activity Survey (EAS) for the financial year 1996–97.

The statistics in this publication relate to businesses in the public trading and private employing sectors of the economy only. The diagram illustrates the dissection of business in the Australian Economy.

### Dissection of businesses by broad sector



## SCOPE AND COVERAGE

**2** The population frame for these statistics consisted of all business units in the Australian economy except for agricultural businesses which had an estimated value of agricultural operations of less than \$22,500, non-emplying businesses, businesses classified to the General Government sector and private households emplying staff.

**3** Detailed explanatory notes for the current survey will be included in the publication *Business Operations and Industry Performance, Australia* (Cat. no. 8140.0) or with reference to previous editions of that publication.

**4** This publication represents statistics classified according to the *Australian and New Zealand Standard Industrial Classification (ANZSIC), 1993* (Cat. no. 1292.0). The publication presents data for ANZSIC Divisions. The exception is Private community services which is a combination of Division N (Education) and Division O (Health and community services), because a significant proportion of organisations classified to these industries belong to the General Government Sector and are therefore not included in these statistics.

### STATISTICAL UNIT, SAMPLING AND ESTIMATION

**5** The business unit about which information is collected and published for the EAS is termed the management unit. The management unit is the highest level unit within a business, having regard to the required level of industry dissection, for which a set of management accounts are maintained.

**6** Approximately 23,000 management units were selected using stratified random sampling techniques. All management units with employment of 200 or more persons were automatically selected in the sample.

**7** Data in this publication have been adjusted to allow for lags in processing new businesses to the Australian Bureau of Statistics (ABS) business register, and the omission of some businesses from the business register. First, adjustments have been made to include new businesses in the estimates in the period in which they commenced operations, rather than when they are processed onto the ABS business register. Adjustments of this type will continue to be applied in future periods. Second, adjustments have been made for businesses which had been in existence for several years, but, for various reasons, were not previously added to the ABS business register. For more information on these adjustments, please refer to *Information Paper: Improvements to ABS Economic Statistics, 1997* (Cat. no. 1357.0).

**8** The counts of operating businesses included in this publication should be used with caution. Over and above the sampling error associated with these estimates, they are more affected than other estimates presented by such factors as internal restructuring of businesses (e.g. changes in divisional structure, mergers, take-overs and changes in ABS Business Register). Because of these influences, estimates of the number of businesses have been smoothed, using a three-year moving average. This technique reduces the effect which the above influences have on movements in the number of operating businesses across the years.

### ASSETS AND LIABILITIES

**9** The ABS releases details of the level of Australia's financial assets and liabilities in *Australian National Accounts: Financial Accounts* (Cat. no. 5232.0). This publication presents data for each subsector of the domestic economy, with the assets and liabilities of each subsector consolidated to eliminate financial assets issued and held by units within the same subsector. Data is only presented by subsector and the methodology used does not enable information to be classified by industry.

**10** The level of assets and liabilities presented in the national accounts are more appropriate for analysing macroeconomic financial relationships than the levels in this publication. This is because of the consolidation issue mentioned above and because the management unit is a less appropriate statistical unit for collecting this type of information. Despite these differences, the data are considered suitable for use in various financial performance ratios at the individual business unit level.

### GENERAL ACKNOWLEDGMENT

**11** ABS publications draw extensively on information provided freely by individuals, businesses, governments and other organisations. Their continued cooperation is very much appreciated: without it, the wide range of statistics published by the ABS would not be available. Information received by the ABS is treated in strict confidence as required by the *Census and Statistics Act 1905*.

### UNPUBLISHED STATISTICS

**12** As well as the statistics included in this and related publications, the EAS may have other relevant unpublished data available. Inquiries should be made to Dianne Bourke by telephone on 02 6252 5288 or free call 1 800 020 580; internet email address [dianne.bourke@abs.gov.au](mailto:dianne.bourke@abs.gov.au) or fax free call 1 800 246 303.

### RELATED PUBLICATIONS

**13** In addition to the publications already mentioned, others of interest include:

- *Agricultural Industries, Financial Statistics, Australia, Preliminary Estimates, 1996–97* (Cat. no. 7506.0)
- *Agricultural Industries, Financial Statistics, Australia, 1995–96* (Cat. no. 7507.0)
- *Electricity, Gas, Water and Sewerage Industries, Australia* (Cat. no. 8208.0)
- *Mining, Electricity and Gas Operations, Australia, Preliminary, 1996–97* (Cat. no. 8401.0)
- *Australian Mining Industry, 1996–97* (Cat. no. 8414.0)
- *Manufacturing Industry, Australia, Preliminary, 1996–97* (Cat. no. 8201.0)
- *Manufacturing Industry, Australia, 1995–96* (Cat. no. 8221.0)
- *Small and Medium Enterprises, Business Growth and Performance Survey, Australia, 1995–96* (Cat. no. 8141.0)

## TECHNICAL NOTES

### SAMPLING ERROR

**1** Since the estimates in this publication are based on information obtained from a sample drawn from units in the surveyed population, the estimates are subject to sampling variability; that is, they may differ from the figures that would have been produced if all units had been included in the survey. One measure of the likely difference is given by the standard error (SE), which indicates the extent to which an estimate might have varied by chance because only a sample of units was included. The relative standard error (RSE) is a useful measure in that it provides an immediate indication of the percentage of errors likely to have occurred due to sampling, and thus avoids the need to refer also to the size of the estimate. Table 7 provides RSEs for a selection of estimates presented in this publication.

#### RSEs of selected estimates, all sizes, Australia, 1996–97

<i>Industry</i>	<i>Operating profit before tax</i>	<i>Total assets</i>	<i>Industry gross product</i>
	%	%	%
Agriculture, forestry and fishing	5	2	3
Mining	*	11	*
Manufacturing	7	2	1
Electricity, gas and water supply	5	–	–
Construction	9.8	4	4
Wholesale trade	9	3	3
Retail trade	10	3	3
Accommodation, cafes and restaurants	9.6	7	4
Transport and storage	5.6	2	2
Communication services	1	–	–
Finance and insurance	11	2	..
Property and business services	5	3	5
Private community services	13	7	6
Cultural and recreational services	36	3	7
Personal and other services	10	9	4
<b>All industries</b>	5	1	5.2

### NON-SAMPLING ERROR

**2** There are other inaccuracies which can occur with estimates, and these 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. Every effort is made to reduce the non-sampling error to a minimum by careful design of questionnaires and efficient editing and operating procedures.

## GLOSSARY

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<b>Business averages</b>	Variables expressed as a simple average per operating business.
<b>Capital expenditure</b>	Includes acquisitions of fixed tangible assets (e.g. plant and machinery) and intangible assets (e.g. patents and licences).
<b>Change in stocks</b>	Opening stocks minus closing stocks.
<b>Depreciation expense</b>	Includes depreciation allowed on buildings and other fixed tangible assets.
<b>Employment</b>	Includes working proprietors, working partners, permanent, part-time, temporary and casual employees, and managerial and executive employees working for a business during the last pay period in June each year. Employees absent on paid or prepaid leave are included.
<b>Industry gross product (IGP)</b>	The unduplicated gross product of a business defined as gross output minus intermediate inputs.
<b>Interest coverage</b>	The number of times over that a business can meet their interest expenses from their earnings before interest and tax (EBIT), i.e. EBIT/interest expenses.
<b>Interest expense</b>	Interest paid on loans from banks, finance companies, insurance companies and related companies.
<b>Investment rate</b>	The proportion of industry gross product used to acquire capital, i.e. capital expenditure x 100/IGP.
<b>Long-term debt to equity</b>	Non-current liabilities/net worth.
<b>Net worth</b>	Is derived by subtracting total liabilities from total assets and is equal to the interests of shareholders or other owners in the assets of the business.
<b>Operating businesses</b>	The business unit about which information is collected and published for the EAS is termed the management unit.
<b>Operating profit before tax (OPBT)</b>	A measure of profit before extraordinary items are taken into account and prior to the deduction of income tax and payments to owners such as dividends.
<b>Profit margin</b>	The percentage of total operating income available as operating profit before tax, i.e. OPBT x 100/Total operating income.
<b>Return on assets</b>	Operating profit before tax as a percentage of the total book value of assets, i.e. OPBT x 100/Total assets.
<b>Total assets</b>	The book value of both current and non-current assets as at the end of the financial year. This includes cash on hand, stocks, trade debtors and other accounts receivable, plant and machinery, property and goodwill.
<b>Total liabilities</b>	The book value of both current and non-current liabilities as at the end of the financial year. This includes provisions for taxation, leave, claims, trade creditors and other accounts payable, bank overdraft, bank loans, debentures and unsecured notes.
<b>Total operating expenses</b>	The total expenses of a business, excluding extraordinary items.
<b>Total operating income</b>	The total income of a business, excluding extraordinary items.