



AUSTRALIAN BUSINESS EXPECTATIONS



March Quarter 1995 / December Quarter 1995

ABS Catalogue No. 5250.0

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AUSTRALIAN BUSINESS EXPECTATIONS

March Quarter 1995 and December Quarter 1995

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AUSTRALIAN BUREAU OF STATISTICS

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INQUIRIES

- *for further information about statistics in this publication and the availability of related unpublished statistics, contact Mel Moses on Canberra (06) 252 5607 or any ABS State office.*
- *for information about other ABS statistics and services please refer to the back cover of this publication*

ABOUT THIS SURVEY

This publication presents the results of the quarterly Australian Business Expectations survey which has been developed in response to a need for better information about future trading conditions in Australia. The latest survey was conducted during November 1994.

The Business Expectations Survey 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 expectations in respect of the March quarter 1995 and the December quarter 1995 compared with the December quarter 1994. In addition to producing a qualitative indicator and a quantitative measure, it has the following features:

- 3,000 representative Australian businesses sampled;
- businesses of all sizes are fully represented;
- all industries except Agriculture* and General Government are represented;
- all States and Territories are represented;
- responses are weighted with respect to the size of the reporting business;
- results are produced in respect of both a short term expectation (next quarter compared with current quarter) and a medium term expectation (equivalent quarter next year compared with current quarter).

This means that the results can be used *indicatively* in terms of expected future levels of economic activity and providing early warnings about turning points in the economy.

The statistical measure used in the Business Expectations Survey is the *expected (percentage) aggregate change* in comparison with the *actual* level of a previous equivalent period.

Benchmark (or base level) information is obtained from the ABS's annual Economic Activity Survey (EAS). It is used to weight individual business responses and to provide the means whereby percentage responses from different businesses can be aggregated. Results from the EAS are published in *Business Operations and Industry Performance 1992-93* (8140.0).

For an outline and details of methodology used in the survey, refer to the September 1994 issue of the ABS publication *Australian Economic Indicators* (1350.0).

* see the explanatory note on page 17 regarding the agriculture sector

INTRODUCTION TO RESULTS

Surveys of business expectations have been a feature of the economic forecasting intelligence available to decision makers in Australia for many years. The main output from these surveys has been a qualitative indicator which provides the net proportion of businesses expecting a rise or fall in future business conditions.

The ABS recognises that the simple *net balance* indicator is a powerful indicator of business sentiment about future business conditions. However, it considers that such indicators suffer from the limitation of being based on responses which are *unweighted* with respect to the size of the business. This means that each reporting business is given an equal weight in the overall result.

As an alternative to the net balance approach, the ABS produces both a *weighted net balance* indicator and a *weighted measure of expected (percentage) aggregate change*. The weighted net balance is calculated by assigning a weight to each selected business according to its relative economic contribution based on level of sales, expenditure, employment, etc.

The impact on the net balance indicator and aggregate change as a result of this weighting is presented in the following table.

NET PROPORTION OF BUSINESSES EXPECTING AN INCREASE OR DECREASE, MARCH QUARTER 1995

	<i>Simple Net Balance</i> %	<i>Weighted Net Balance</i> %	<i>Weighted aggregate</i> %
Sales	15.4	4.1	-0.5
Wage Costs	33.5	37.8	0.7
Employment <i>(Full-time equivalent)</i>	4.6	-1.1	-0.3

That is, for the March quarter 1995 a positive simple net balance of 4.6 per cent of businesses expect an increase in employment. However the negative weighted net balance of 1.1 per cent indicates that the businesses expecting a decrease in employment tend on average to be larger than those expecting an increase.

The expected aggregate change measure is calculated by deriving the weighted averages of the responses provided by businesses. Tables 1 and 3 present data for the expected aggregate change for six quarters of the survey and Tables 2 and 4 include both the weighted net balance and the expected aggregate change. The 4.1 per cent positive weighted net balance of businesses expecting sales to increase in the March quarter 1995 translates to an expected aggregate decrease of 0.5 per cent.

The net balance is, therefore, more in the nature of an *indicator of business confidence* while the expected aggregate change measure is a *measure of likely change in economic activity* resulting from that state of confidence.

Seasonal influences and price variations

The data presented in this publication cannot currently be adjusted for the impact of seasonal influences or for price variations which may occur between the current period and the expectations periods.

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

It will be at least five years until this survey will have sufficient data (five years of each quarter's data) to allow a reliable seasonally adjusted series to be estimated. However, with survey results now available for six quarters the opportunity is available to analyse, largely free of seasonal influences, the results from the latest survey with those for the comparable reference period of the previous year.

Users wanting to discern a trend in expectations are encouraged to study consecutive observations for the medium term outlook, where comparisons are made between the current quarter and the same calendar quarter of the next year.

Size of business

The size of a business has been determined by the amount of employment of each business, and whether that business is classified as in the Manufacturing industry or another industry. For details see page 17.

PROPORTION OF BUSINESSES SELECTED BY SIZE WITHIN AUSTRALIA, MARCH QUARTER 1995

	<i>Small %</i>	<i>Medium %</i>	<i>Large %</i>	<i>All business %</i>
Manufacturing	52.7	25.3	21.9	100
Other industries	40.4	17.6	42.0	100
All industries	44.5	20.2	35.3	100

Benchmarks

The actual data used by BES to benchmark data items is historical and becomes increasingly out of date as the number of the surveys increase. In May of each year a new sample is selected and new benchmarks introduced.

KEY RESULTS

SHORT TERM OUTLOOK

Expected change for the March quarter 1995 compared with the December quarter 1994

Seasonality

Caution should be exercised when interpreting movements in business performance indicators within each survey and across successive surveys because the data are presented in original terms and any inherent seasonal influences in the data are not currently measurable.

Typically, the December and March quarters each year exhibit the largest seasonal variations in trading performance. Accordingly, expected changes reported for some items in this publication in and across these periods may be the result more of seasonal influences than of any underlying movement in trading performance.

**Table 1. Australian Business Expectations - Short Term Outlook
(Not seasonally adjusted)**

Business performance indicators	Expected percentage aggregate change between					
	Dec qtr 1993 and Sept qtr 1993	Mar qtr 1994 and Dec qtr 1993	June qtr 1994 and Mar qtr 1994	Sept qtr 1994 and June qtr 1994	Dec qtr 1994 and Sept qtr 1994	Mar qtr 1995 and Dec qtr 1994
	%	%	%	%	%	%
Trading performance						
Sales	3.6	-1.4	1.9	1.9	2.3	-0.5
Selling prices	0.0	0.4	0.5	0.4	0.6	0.6
Profit	5.0	-19.6	4.4	8.8	10.6	-7.7
Investment						
Capital expenditure	1.1	-1.2	4.2	2.5	7.7	1.5
Stocks	-2.1	-0.7	0.1	1.0	0.0	0.6
Employment (Full time equivalent)	-0.8	-1.1	-0.2	-0.1	0.5	-0.3
Operating expenses						
Wages	0.8	0.5	1.1	1.2	1.5	0.7
Non-wage labour	0.5	0.5	1.0	0.9	1.1	0.1
Other	1.7	0.3	1.3	1.0	1.3	-0.3
Total	1.5	0.3	1.3	1.0	1.3	-0.1
International trade						
Imports	-1.0	-1.7	1.6	2.4	0.9	0.7
Exports	1.3	1.1	1.3	-0.1	2.2	0.6

Trading Performance

Sales

Sales of goods and services are expected to decrease by 0.5 per cent in the March quarter 1995 following the 2.3 per cent increase expected for the previous quarter. The decrease expected for the March quarter 1995 is not as pronounced as that expected a year ago for the March quarter 1994.

Selling prices

Businesses are expecting to raise their *Selling prices* by 0.6 per cent, which is the same increase as expected last quarter and similar to the increases expected for the preceding three quarters.

Profit

A decrease of 7.7 per cent in *Profit* is expected in the March quarter 1995, which is a major turnaround from the 10.6 per cent increase expected in the December quarter 1994. This is likely to be heavily influenced by normal seasonal patterns.

SHORT TERM OUTLOOK

(continued)

Investment

Capital expenditure

Businesses are expecting to increase *Capital expenditure* by 1.5 per cent in the March quarter 1995 which is in contrast to the normally strong downward trend recorded for actual *Capital expenditure* in the March quarters of previous years.

Stocks

Stocks are expected to increase by 0.6 per cent in the March quarter 1995 following an expectation of nil movement in the December quarter 1994.

Employment

(Full-time equivalent)

Full-time equivalent employment is expected to decline by 0.3 per cent in the March quarter 1995, following moderate expected growth in the December quarter 1994 of 0.5 per cent. Some of the fall may be attributable to normal seasonal reductions in some industries such as Retail and Construction.

Operating Expenses

Total operating expenses are expected to decrease marginally in the March quarter 1995 with the expected increase in *Wages* (0.7%) and *non-wage labour expenses* (0.1%) being offset by the expected decline in *other operating expenses* (0.3%).

International Trade

For the March quarter slight increases are expected in both *Imports* (0.7%) and *Exports* (0.6%). This expectation seems high when compared with the normal seasonal decline in actual *Imports* and *Exports* recorded for this quarter in recent years.

Imports

The increase in *Imports* of 0.7 per cent follows a 0.9 per cent expected increase for the December quarter 1994 and is in contrast with the decline expected a year ago of 1.7 per cent for the March quarter 1994.

Exports

The increase of 0.6 per cent expected for *Exports* follows an expected increase of 2.2 per cent for the December quarter 1994.

Table 2. Australian Business Expectations - March Quarter 1995, Weighted Net Balance And Expected Aggregate Change

(Not seasonally adjusted)

<i>Business performance indicators</i>	<i>Proportion of businesses expecting</i>				<i>Expected aggregate change</i>
	<i>No Change</i>	<i>Increases</i>	<i>Decreases</i>	<i>Net balance</i>	
	%	%	%	%	%
Trading performance					
Sales	22.8	40.6	36.6	4.1	-0.5
Selling prices	41.5	43.7	14.8	29.0	0.6
Profit	13.5	54.0	32.5	21.5	-7.7
Investment					
Capital expenditure	36.8	45.4	17.7	27.7	1.5
Stocks	27.2	31.0	41.8	-10.8	0.6
Employment <i>(Full time equivalent)</i>	55.0	22.0	23.1	-1.1	-0.3
Operating Expenses					
Wages	30.1	53.8	16.1	37.8	0.7
Non-wage labour	43.0	42.7	14.2	28.5	0.1
Other	28.9	55.9	15.2	40.7	-0.3
Total	n.a.	n.a.	n.a.	n.a.	-0.1
International Trade					
Imports	39.7	36.4	23.9	12.5	0.7
Exports	37.3	35.5	27.2	8.4	0.6

KEY RESULTS

MEDIUM TERM OUTLOOK

Expected change for the December quarter 1995 compared with the December quarter 1994

Seasonality

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

**Table 3. Australian Business Expectations - Medium Term Outlook
(Not seasonally adjusted)**

Business performance indicators	Expected percentage aggregate change between					
	Sept qtr 1994 and Sept qtr 1993	Dec qtr 1994 and Dec qtr 1993	Mar qtr 1995 and Mar qtr 1994	June qtr 1995 and June qtr 1994	Sept qtr 1995 and Sept qtr 1994	Dec qtr 1995 and Dec qtr 1994
	%	%	%	%	%	%
Trading performance						
Sales	2.9	3.1	3.9	3.3	4.1	3.3
Selling prices	0.6	1.3	1.3	1.5	2.1	1.8
Profit	6.8	17.8	20.4	11.7	20.9	15.1
Investment						
Capital expenditure	1.5	-0.2	0.1	2.8	15.7	1.0
Stocks	5.5	-0.2	0.1	1.4	0.6	0.6
Employment (Full time equivalent)	-0.9	-0.5	-0.1	0.3	1.1	0.6
Operating expenses						
Wages	1.1	1.9	1.8	2.2	3.1	2.4
Non-wage labour	0.0	1.8	1.3	1.8	2.3	1.6
Other	2.5	1.6	1.7	2.1	2.3	2.0
Total	2.3	1.6	1.7	2.1	2.4	2.1
International trade						
Imports	0.0	0.0	0.6	2.8	4.1	2.9
Exports	2.6	2.0	1.8	2.6	5.2	1.7

Trading Performance

Sales

Sales of goods and services are expected to be 3.3 per cent higher for the December quarter 1995 than for the December quarter 1994. This continues the trend shown in the series for the previous five medium term comparisons.

Selling prices

An increase of 1.8 per cent in *Selling Prices* is expected for the December quarter 1995, which is lower than the increase expected in the previous quarter and is reflecting a continuation of the low inflationary pressure evident in the expectations in the previous surveys.

Profit

Profits are expected to grow by 15.1 per cent between the December 1994 and December 1995 quarters, with substantial contributions being made by the Transport, storage and communications and Mining industries. This follows on strong growth expected in *Profits* for the September quarter 1995.

Investment

Capital expenditure

Following an expected strong growth of 15.7 per cent reported three months ago in respect of the September quarter 1995, *Capital expenditure* is expected to increase by only 1.0 per cent between December 1994 and December 1995.

MEDIUM TERM OUTLOOK

(continued)

Employment
(Full-time equivalent)

Full-time equivalent employment (0.6%) is expected to increase moderately in the December quarter 1995 but by a smaller amount than was expected three months ago in respect of the September quarter 1995 (1.1%).

Operating Expenses

Total operating expenses for the December quarter 1995 are expected to increase by 2.1 per cent, a similar result to the past two surveys.

Wages are expected to increase by 2.4 per cent for the December quarter 1995 with a net balance of 71.7 per cent of all businesses expecting wages to increase.

Non-wage labor expenses are expected to increase by 1.6 per cent in the December quarter 1995 with a net balance of 61.7 per cent of all businesses expecting these expenses to increase.

Other operating expenses are expected to increase by 2.0 per cent in the December quarter 1995, displaying the similar steady growth of previous surveys. A net balance of 73.1 per cent of all businesses expect an increase during the December quarter 1995.

International Trade**Imports**

An increase of 2.9 per cent is expected in *Imports* for the December quarter 1995 with a net balance of 64.7 per cent of all businesses expecting *Imports* to increase. The main increase is expected in the Manufacturing industry (4.2%).

Exports

The increase of 1.7 per cent expected for *Exports* for the December quarter 1995 follows expected growth of 5.2 per cent for the September quarter. Businesses expecting a rise in the December quarter 1995 outnumber those expecting falls by approximately 4 to 1.

Table 4. Australian Business Expectations - December Quarter 1995, Weighted Net Balance And Expected Aggregate Change

(Not seasonally adjusted)

Business performance indicators	Proportion of businesses expecting -			Net balance	Expected aggregate change
	No Change	Increases	Decreases		
	%	%	%	%	%
Trading performance					
Sales	13.4	80.2	6.3	73.9	3.3
Selling prices	22.5	70.5	7.1	63.4	1.8
Profit	8.8	67.5	23.7	43.8	15.1
Investment					
Capital expenditure	27.2	61.8	11.0	50.9	1.0
Stocks	49.7	31.2	19.2	12.0	0.6
Employment (full time equivalent)	43.4	42.8	13.8	28.9	0.6
Operating Expenses					
Wages	13.6	79.0	7.3	71.7	2.4
Non-wage labour	23.6	69.1	7.4	61.7	1.6
Other	13.0	80.1	7.0	73.1	2.0
Total	n.a.	n.a.	n.a.	n.a.	2.1
International Trade					
Imports	29.7	67.5	2.8	64.7	2.9
Exports	28.1	57.7	14.2	43.5	1.7

DETAILED RESULTS - SIZE OF BUSINESS

SHORT TERM OUTLOOK

Expected change for the March quarter 1995 compared with the December quarter 1994

Trading Performance

Sales

Modest increases are expected by both **small** businesses (0.3%) and **medium** businesses (0.6%). **Large** businesses are expecting a decrease of 2.0 per cent, largely due to the decrease expected in the Retail industry (10.0%).

Selling prices

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

Profit

Businesses of all sizes expect a decline in *Profit*, with **large** businesses (-13.1%) expecting the biggest fall. The decline in *Profit* is likely to be influenced by normal seasonal patterns.

Investment

Businesses of all sizes are expecting an increase in *Capital expenditure* with **small** (2.0%) and **medium** (1.9%) predicting marginally more growth than **large** businesses (1.4%).

Stocks are expected to increase in **large** (1.3%) businesses but decline in **small** (-1.6%) and **medium** (-0.4%) businesses.

Employment

(Full-time equivalent)

Both **small** (0.1%) and **medium** (0.2%) businesses expect a marginal increase in *full-time equivalent employment*. **Large** business expect a decrease of 0.6 per cent. A normal seasonal reduction in the Retail industry has impacted on the result.

Operating Expenses

Increases in *Total operating expenses* are expected by **small** businesses (0.7%) and **medium** businesses (0.8%). A small decrease is expected by **large** businesses (-0.4%).

Medium businesses are expecting the biggest increase in *Wages* (1.4%) while **small** businesses expect the largest increase in *Non-wage labour expenses* (0.9%).

International Trade

Medium businesses (-0.4%) expect a small decrease in *Imports* while both **large** (0.8%) and **small** (0.6%) businesses expect a slight increase.

Only **medium** businesses (6.4%) expect *Exports* to increase while **small** businesses expect a fall of 1.2 per cent and **large** businesses do not expect any change.

Table 5. Australian Business Expectations - March Quarter 1995 compared with December Quarter 1994, Expected Aggregate Change, by Size of Business

(Not seasonally adjusted)

Business performance indicators	Small	Medium	Large	All business
	%	%	%	%
Trading performance				
Sales	0.3	0.6	-2.0	-0.5
Selling prices	0.5	0.4	0.8	0.6
Profit	-3.5	-6.1	-13.1	-7.7
Investment				
Capital expenditure	2.0	1.9	1.4	1.5
Stocks	-1.6	-0.4	1.3	0.6
Employment (Full time equivalent)	0.1	0.2	-0.6	-0.3
Operating Expenses				
Wages	1.1	1.4	0.3	0.7
Non-wage labour	0.9	0.4	-0.3	0.1
Other	0.5	0.7	-0.6	-0.3
Total	0.7	0.8	-0.4	-0.1
International Trade				
Imports	0.6	-0.4	0.8	0.7
Exports	-1.2	6.4	0.0	0.6

MEDIUM TERM OUTLOOK

Expected change for the December quarter 1995 compared with the December quarter 1994

Trading Performance

Sales

Businesses of all sizes are expecting growth in *Sales of goods and services* (3.3%) with **large** businesses (4.3%) expecting the greatest increase. The overall increase is dampened to some extent by the moderate increase expected by **small** businesses (1.7%).

Profit

Profit is expected to increase only moderately for **small** businesses (2.5%). However the 28.4 per cent increase expected in **large** businesses coupled with the increase of 8.4 per cent for **medium** businesses results in an expected increase of 15.1 per cent for **all** businesses.

Investment

Small (2.4%) and **medium** (2.0%) businesses are forecasting moderate growth in *Capital expenditure* but **large** businesses are predicting a marginal fall (-0.2%). Some minor stock building is expected in **all** businesses.

Employment

(Full-time equivalent)

Businesses of all sizes expect a moderate increase in *full-time equivalent employment*, continuing the trend shown in the previous two surveys.

Operating Expenses

Large businesses are expecting the largest increase in all of the component expense items, with the most significant expected growth being in *Wages* (2.9%).

International Trade

Medium businesses (5.0%) expect the largest increase in *Imports* with significant contributors to this result being the Manufacturing (5.1%) and Wholesale (5.4%) industries. **Large** (2.6%) and **small** (1.2%) businesses are expecting more restrained growth.

Medium businesses are expecting an increase in *Exports* of 4.1 per cent, largely due to growth in the Manufacturing industry (4.4%). **Small** (1.6%) and **large** (1.2%) businesses are expecting moderate growth in *Exports*.

Table 6. Australian Business Expectations - December Quarter 1995 compared with December Quarter 1994, Expected Aggregate Change, by Size of Business

(Not seasonally adjusted)

<i>Business performance indicators</i>	<i>Small</i>	<i>Medium</i>	<i>Large</i>	<i>All business</i>
	%	%	%	%
Trading performance				
Sales	1.7	3.0	4.3	3.3
Selling prices	1.5	1.4	2.1	1.8
Profit	2.5	8.4	28.4	15.1
Investment				
Capital expenditure	2.4	2.0	-0.2	1.0
Stocks	0.1	1.1	1.0	0.6
Employment <i>(Full time equivalent)</i>	0.6	0.3	0.7	0.6
Operating Expenses				
Wages	1.6	2.7	2.9	2.4
Non-wage labour	1.1	1.6	2.1	1.6
Other	1.7	1.8	2.3	2.0
Total	1.6	1.9	2.3	2.1
International Trade				
Imports	1.2	5.0	2.6	2.9
Exports	1.6	4.1	1.2	1.7

DETAILED RESULTS - INDUSTRIES

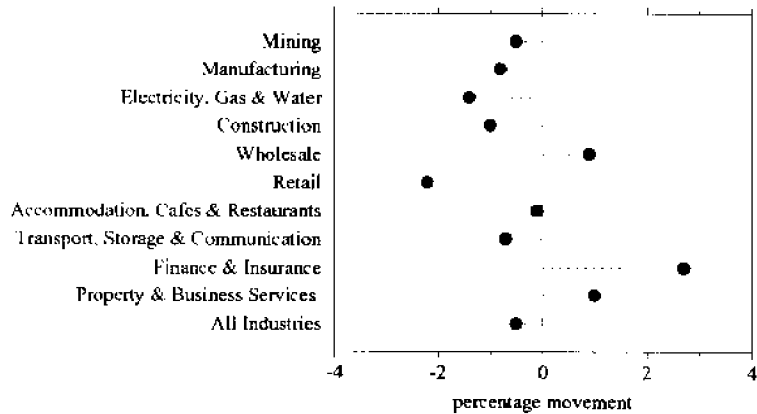
SHORT TERM OUTLOOK

Expected change for the March quarter 1995 compared with the December quarter 1994

Sales of goods and services -0.5%

- Consistent with normal seasonal patterns most industries are expecting sales to decrease, with the most significant being Retail (-2.2%).
- Sales increases are expected in three industries with the most significant being Finance and Insurance (2.7%)

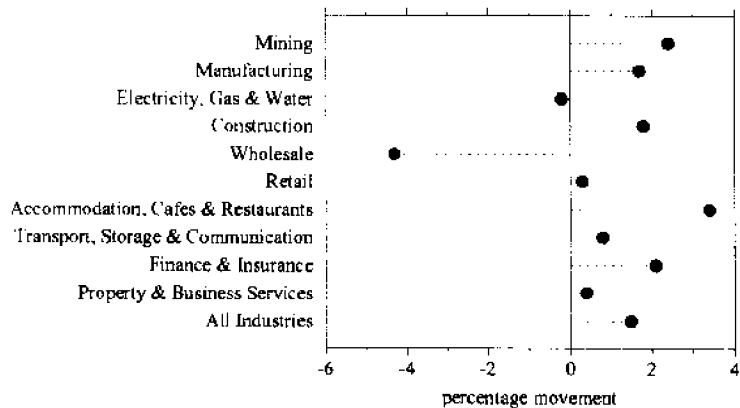
CHART 1. MAIN INDUSTRY COMPARISONS
SALES OF GOODS AND SERVICES
SHORT TERM OUTLOOK
March quarter 1995



Capital expenditure +1.5%

- Capital expenditure is expected to fall in Wholesale (-4.3%) and Electricity, gas and water (-0.2%). An increase is expected in all other industries with the largest growth being in Accommodation, cafes and restaurants (3.4%) and Mining (2.4%).
- Capital expenditure is expected to increase for this quarter in contrast to the normally strong downward trend recorded for actual Capital expenditure in the March quarter in previous years.

CHART 2. MAIN INDUSTRY COMPARISONS
CAPITAL EXPENDITURE
SHORT TERM OUTLOOK
March quarter 1995



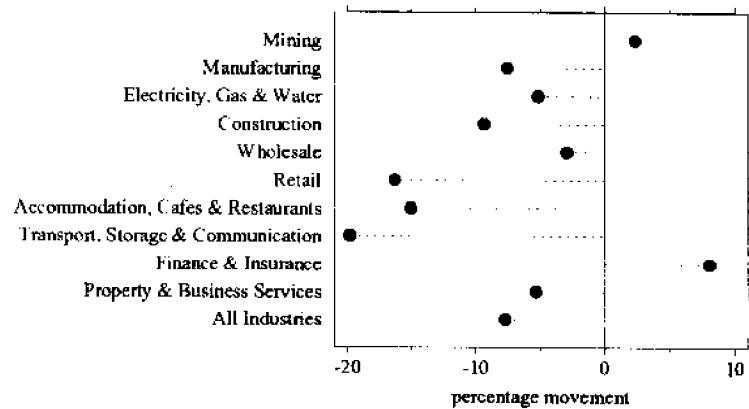
SHORT TERM OUTLOOK

(Continued)

Profit -7.7%

- Consistent with normal seasonal patterns, *Profit* is expected to decrease in most industries with the largest decrease in Transport, storage and communication (-19.8%) and Retail (-16.3%). Only Finance and insurance (8.1%) and Mining (2.4%) expect an increase.

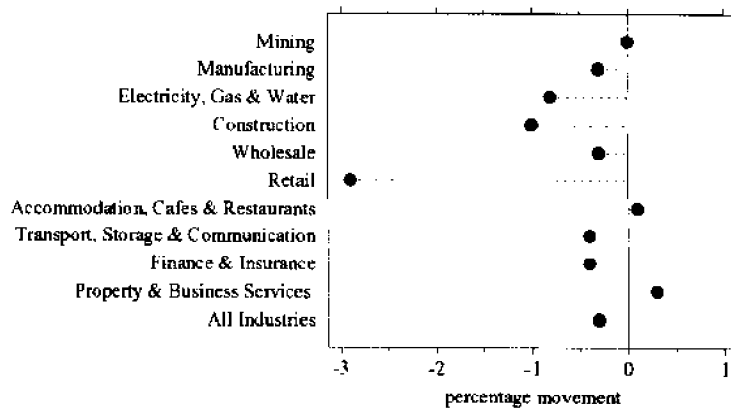
CHART 3. MAIN INDUSTRY COMPARISONS
PROFIT
SHORT TERM OUTLOOK
March quarter 1995



Employment -0.3%
(Full-time equivalent)

- Businesses in all industries except Mining (no change). Accommodation, cafes and restaurants (0.1%) and Property and business services (0.3%) expect to reduce their *full-time equivalent employment*. For a number of industries the fall may be a reflection of normal seasonal patterns.

CHART 4. MAIN INDUSTRY COMPARISONS
EMPLOYMENT
SHORT TERM OUTLOOK
March quarter 1995



DETAILED RESULTS - INDUSTRIES

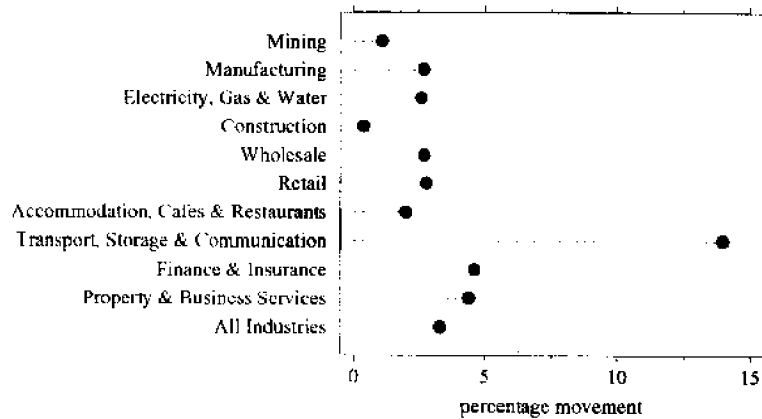
MEDIUM TERM OUTLOOK

Expected change for the December quarter 1995 compared with the December quarter 1994

Sales of Goods and Services +3.3%

- All industries are expecting growth in the medium term with Transport, storage and communication (14.0%) reporting the largest increase.

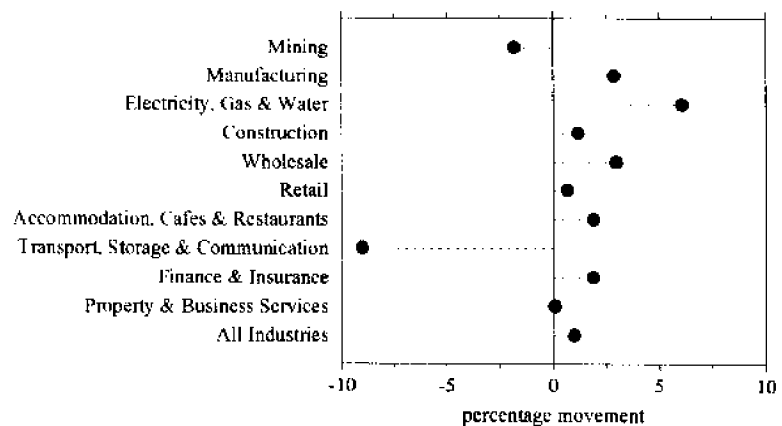
CHART 5. MAIN INDUSTRY COMPARISONS
SALES OF GOODS AND SERVICES
MEDIUM TERM OUTLOOK
December quarter 1995



Capital Expenditure +1.0%

- Most industries expect increases in *Capital expenditure* over the medium term with Electricity, gas and water expecting the greatest rise of 6.1 per cent.
- A substantial decline in Transport, storage and communication (-9.0%) is expected in the medium term.

CHART 6. MAIN INDUSTRY COMPARISONS
CAPITAL EXPENDITURE
MEDIUM TERM OUTLOOK
December quarter 1995



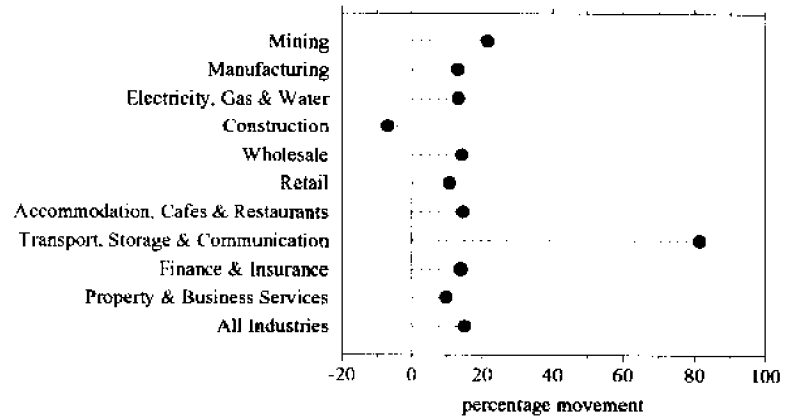
MEDIUM TERM OUTLOOK

(Continued)

Profit +15.1%

- Profit increases are expected in all industries except Construction (-6.8%).
- The Transport, storage and communication industry is expecting a large increase of 81.7 per cent.

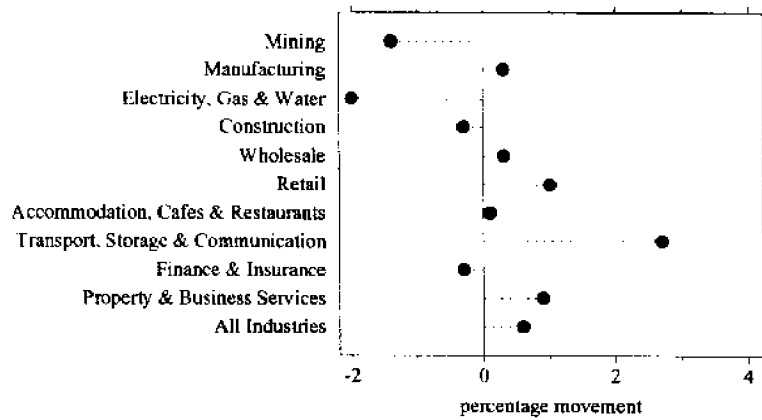
CHART 7. MAIN INDUSTRY COMPARISONS
PROFIT
MEDIUM TERM OUTLOOK
December quarter 1995



Employment +0.6%
(Full-time equivalent)

- Most industries are expecting a moderate increase in *full-time equivalent employment* with Transport, storage and communication expecting the largest growth of 2.7 per cent.
- Electricity, gas and water (-2.0%), Mining (-1.4%), Construction (-0.3%) and Finance and insurance (-0.3%) expect to reduce employment.

CHART 8. MAIN INDUSTRY COMPARISONS
EMPLOYMENT
MEDIUM TERM OUTLOOK
December quarter 1995



DETAILED RESULTS - STATE

STATE PERSPECTIVE

Short and medium term expected change in business performance indicators by State are both difficult to compile and subject to a greater degree of estimation than the Australian estimates. This is because of the difficulties which multi-State businesses face in providing separate expectations responses for each State segment of the business, and because of the smaller number of businesses contributing to the State estimates.

The following table shows the distribution by State and Territory of the head office of businesses selected in the survey sample. Some businesses operate in more than one State.

**Table 7. Proportion of Businesses Selected by State and Territory, Australia
March Quarter 1995**

	%
New South Wales	38.2
Victoria	28.2
Queensland	13.5
South Australia	6.8
Western Australia	9.2
Tasmania	1.8
Northern Territory	0.9
Australian Capital Territory	1.4
Australia	100

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.

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

The following results relate to the Sales of goods and services. Other performance indicators for individual States and Territories may be made available as unpublished data or as a special data service.

Because of the greater degree of estimation and the associated larger variances, the State estimates should be interpreted with care.

The State dissection of expectations data is derived from information supplied by respondents about their current business activity. 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.

In some cases this may not reflect the changing nature of a business's future activity, and in a few cases the geographical reporting arrangements for a particular business may not correspond to State boundaries.

Caution should be exercised by users of expectations data for State activity because it is derived from information about the reporting unit's current rather than expected State activity.

SHORT TERM OUTLOOK

Expected change for the March quarter 1995 compared with the December quarter 1994

Table 8. Australian Business Expectations - States and Territories, Sales of Goods and Services, Short Term Outlook (Not seasonally adjusted)

States and Territories	Expected percentage aggregate change between					
	Dec qtr 1993 and Sept qtr 1993	Mar qtr 1994 and Dec qtr 1993	June qtr 1994 and Mar qtr 1994	Sept qtr 1994 and June qtr 1994	Dec qtr 1994 and Sept qtr 1994	Mar qtr 1995 and Dec qtr 1994
	%	%	%	%	%	%
Australia	3.6	-1.4	1.9	1.9	2.3	-0.5
New South Wales	2.8	-2.6	1.7	1.8	2.7	-0.3
Victoria	2.7	-1.2	1.7	2.3	2.2	-0.7
Queensland	3.6	-0.7	2.4	2.5	2.2	-0.5
South Australia	4.5	-0.9	2.1	2.0	2.2	-1.0
Western Australia	6.8	0.0	2.4	1.5	2.4	-0.8
Tasmania	3.1	-0.2	1.1	1.3	2.2	1.1
Northern Territory	1.5	-1.4	2.3	0.4	-1.5	*
Australian Capital Territory	1.1	0.1	1.6	1.3	3.8	-1.3

- Businesses in South Australia (-1.0%) and the Australian Capital Territory (-1.3%) expect a stronger decline in sales compared with the Australian figure of -0.5 per cent.
- Tasmania is expecting a moderate increase of 1.1 per cent.
- Results for the Northern Territory have not been released due to the unacceptably high standard errors associated with the estimate in this quarter.

CHART 9. STATE ESTIMATES SALES OF GOODS AND SERVICES SHORT TERM OUTLOOK March quarter 1995

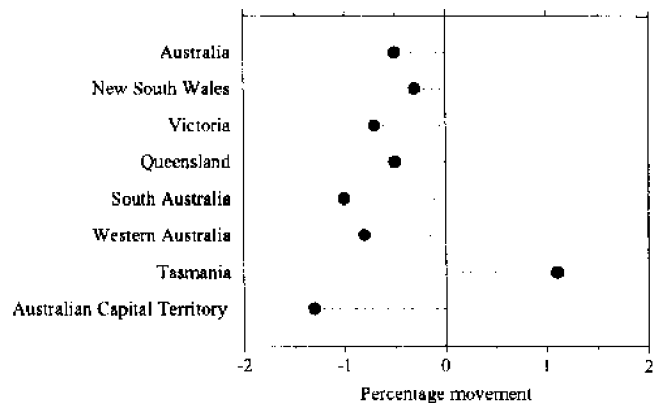
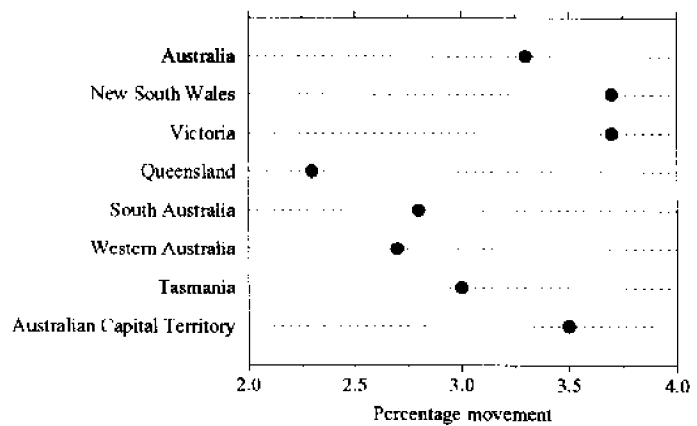


Table 9. Australian Business Expectations - States and Territories, Sales of Goods and Services, Medium Term Outlook (Not seasonally adjusted)

States and Territories	Expected percentage aggregate change between					
	Sept qtr 1994 and Sept qtr 1993	Dec qtr 1994 and Dec qtr 1993	Mar qtr 1995 and Mar qtr 1994	June qtr 1995 and June qtr 1994	Sept qtr 1995 and Sept qtr 1994	Dec qtr 1995 and Dec qtr 1994
	%	%	%	%	%	%
Australia	2.9	3.1	3.9	3.3	4.1	3.3
New South Wales	2.8	1.9	3.8	3.5	5.1	3.7
Victoria	2.3	2.6	4.4	3.0	3.4	3.7
Queensland	3.6	3.5	4.1	3.6	3.4	2.3
South Australia	3.2	5.9	3.1	4.1	1.8	2.8
Western Australia	4.3	2.7	3.0	2.4	7.0	2.7
Tasmania	3.1	2.7	2.7	3.3	2.4	3.0
Northern Territory	2.9	1.8	2.5	2.6	1.7	*
Australian Capital Territory	1.5	2.7	3.8	6.2	2.3	3.5

- All States and the Australian Capital Territory expect an increase in *Sales of goods and services* exceeding 2 per cent.
- Businesses in New South Wales (3.7%), Victoria (3.7%) and the Australian Capital Territory (3.5%) expect a slightly larger growth than the Australian average (3.3%).
- Results for the Northern Territory have not been released due to the unacceptably high standard errors associated with the estimate in this quarter.

CHART 10. STATE ESTIMATES SALES OF GOODS AND SERVICES MEDIUM TERM OUTLOOK December quarter 1995



Introduction

This publication contains estimates of future economic activity based on the business expectations of senior executives, managers and proprietors of businesses operating in Australia. The estimates have been compiled from data collected by the Australian Bureau of Statistics (ABS) in its quarterly survey of business expectations.

This is the sixth 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 March quarter 1995 and the December quarter 1994 and the second reports expected change between the December quarter 1995 and the December quarter 1994.

Survey methodology

The survey is conducted by mail each quarter.

It is based on a stratified random sample of approximately 3,000 businesses selected from the ABS's annual Economic Activity Survey (EAS). EAS in turn derives its survey population from the ABS central register of business units.

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

The sample is supplemented by a further sample of businesses which have been added to the ABS business register since the original EAS sample was selected. This ensures that the expectations of relatively new businesses are taken into account in the overall estimates.

Scope of the survey

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

- Agriculture*
- General Government

*** Agriculture**

Data related to intended crop plantings and sheep matings are collected by the ABS and published in catalogue 7221.0 and 7330.0 (final) publications from the Agriculture Census.

The Australian Bureau of 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

Each statistical unit selected in the survey is classified to an industry, according to the Australian and New Zealand Standard Industrial Classification (ANZSIC).

Business size

Data presented in this publication is classified by three business sizes :

- small (generally less than 20 employees, except for manufacturers where it is less than 100)
- medium (generally between 20 and 100 employees, except for manufacturers where it is 100 to 599 employees)
- large (over 100 employees, except for manufacturers where it is 600 or more employees).

Statistical unit

The statistical unit used in the Business Expectations Survey is the management unit. The management unit is the highest level accounting unit within a business for which sub-annual accounts are maintained, having regard for industry homogeneity.

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

In the case of large diversified businesses, however, there may be more than one management unit, each coinciding with a "division" or "line of business".

EXPLANATORY NOTES

Business performance indicators

The survey uses a set of well recognised economic trading indicators in measuring future trading activity. These indicators are: Sales of goods and services, selling prices, expenses, employment*, etc. See Description of terms below for details.

*Employment (Full-time equivalent)

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

Simple and Weighted Net Balance

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

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

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

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

Expected aggregate change

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

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

Comparison of results

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

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

Reliability of estimates

The expected aggregate change estimates are designed to measure the change to each business performance indicator, according to businesses' expectations. Naturally, the predictive power of the weighted aggregate estimates depends on the predictive ability of individual businesses.

All of the estimates in this publication are subject to:

- sampling error
- non-sampling error
- benchmark bias

Sampling error

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

Reliability of estimates
(continued)

The table below provides standard errors for some of the main estimates of this publication. As an example of how the standard errors can be interpreted, given that the short term expectation for *Sales of goods and services* for Australia is -0.5 per cent with a standard error of 0.17, there would be two chances in three that the true value would be within the range -0.67 per cent and -0.33 per cent, and 95% probability that it would be within the range -0.84 per cent to -0.16 per cent.

Standard Errors of Key Estimates

March Quarter 1995, Short Term Expectation, Australia

<i>Business performance indicator</i>	<i>Survey estimate</i>	<i>Standard error</i>
Sales	-0.5	0.17
Selling prices	0.6	0.18
Profit	-7.7	0.05
Capital expenditure	1.5	0.17
Stocks	0.6	0.36
Employment	-0.3	0.12
Wage costs	0.7	0.10
Imports	0.7	0.13
Exports	0.6	0.19

Non-sampling error

All other inaccuracies are referred to collectively as non-sampling error. The major potential sources of such errors are:

- non-response
- mis-reporting of data by respondents
- deficiency in the central register of economic units, particularly in respect of small units

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

The expected aggregate change is designed to reflect business expectations for each business performance indicator, as accurately as possible. However, while the estimates should be appropriate measures of business climate, the expectations may not predict actual movements accurately. Businesses may be too optimistic or pessimistic in their predictions at different times.

In addition, actual movements would be partly comprised of activity of relatively recently formed businesses, and businesses which are formed during the expectations reference period which are not immediately represented in BES because they would not have been included on the ABS's central register of economic units. Allowance is made in some other ABS series for coverage deficiencies relating to newly formed businesses, but no allowance for this is made in BES.

Benchmark bias

Estimating changes to the aggregate economic indicators requires businesses to be weighted, or benchmarked, by their relative contribution to each business performance indicator. ABS historical data for individual businesses is used for this purpose, where possible. This process introduces a benchmark bias because the historical data may be inaccurate for the current quarter. Benchmark bias cannot be measured from the data. However, the likely extent of bias has been estimated using other ABS data. Every effort has been made to minimise this bias, including the use of modelling techniques to improve benchmarks.

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, workers' compensation premiums or payments, 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 ends 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 basis. It should be noted that other ABS series which provide data on employed persons do not use a full-time equivalent measure.</p>
Imports	<p>The expected change in the value of all goods and services imported directly 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 exported directly 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 expectations in respect of imports and exports.</p>
Capital expenditure	<p>The expected change in the value of capital expenditure on 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 in 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 data.</p>				
State Information	<p>State information has been derived for businesses in the survey which operate in more than one State.</p> <p>This has been achieved by</p> <ol style="list-style-type: none"> 1) applying a weight (the proportion of a business's economic activity undertaken in each State) to the benchmarks for that business to arrive at up to eight different benchmarks for each business performance indicator. 2) applying the overall percentage change in the business performance indicators obtained from the survey to each of the State benchmarks for each business performance indicator. 				
Reference Periods	<p>There are two reference periods surveyed each quarter:</p> <p>Short term (for example, if the current quarter is December 1994 then the quarter being surveyed is March 1995)</p> <p>Medium term (for example, if the current quarter is December 1994, then the quarter being surveyed is December 1995)</p>				
Symbols and other usages	<table border="0"> <tr> <td style="padding-right: 20px;">0.0</td> <td>nil or rounded to zero</td> </tr> <tr> <td>n.a.</td> <td>not available for publication.</td> </tr> </table>	0.0	nil or rounded to zero	n.a.	not available for publication.
0.0	nil or rounded to zero				
n.a.	not available for publication.				

Available Data

The amount of data collected from the survey of Australian Business Expectations is much greater than the data contained in this publication.

Subject to the ABS provisions for maintaining the confidentiality of respondents and their information, more detailed information by industry and size of business may be made available on request.

Size of business

The size of business is based on employment. Additional data can be estimated for the following size ranges:

- less than 5 employees
- less than 20 employees
- 20 and less than 100 employees
- less than 100 employees
- 100 and less than 600 employees
- 100 and greater employees
- 600 and greater employees
- small (generally less than 20 employees except for manufacturing which is less than 100)
- medium (generally 20 to less than 100 employees except for manufacturing which is 100 to less than 600)
- large (generally 100 and greater employees except for manufacturing which is 600 and greater)

Industry

Industry is classified according to ANZSIC and is detailed at the 1 and 2 digit level.

- 15 industries categorised at the 1 digit ANZSIC level.
- 47 industries categorised at the 2 digit ANZSIC level
- user defined industry groups such as "service industries", based on combinations of ANZSIC categories.

State information

State information has been derived from the business activity conducted by business in each State. Where sufficient information is available to provide satisfactory estimates, data may be made available at the same level of detail as that for Australia. State information is subject to a greater degree of variance than the Australia data.

Net balance

A weighted net balance for industries and size of business can be produced as a special data service.

More Information

For more information please contact the officer named at the front of this publication or write to:

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



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