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COMPANY PROFITS, AUSTRALIA DECEMBER QUARTER 1993

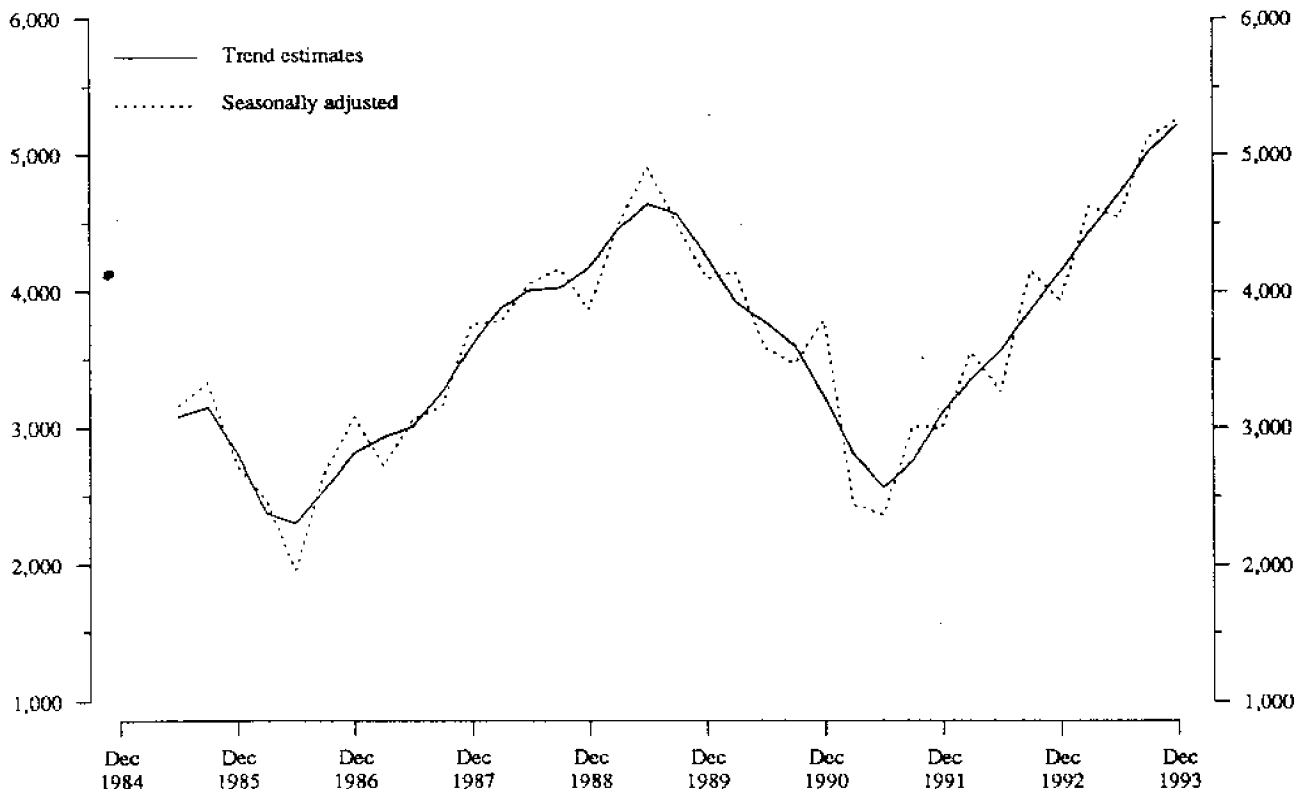
NOTE: Trend estimates aim to remove irregular influences such as industrial disputes or exchange rate variations from seasonally adjusted data. Further details can be found in paragraphs 18 to 20 of the Explanatory Notes. Trend estimates for the latest period are subject to revision as indicated in the note on page 2 on *Reliability of Contemporary Trend Estimates*.

MAIN FEATURES

For the December 1993 quarter, the provisional trend estimate of company profits (before income tax) for companies with more than 30 employees, is estimated to be \$5,226 million, a 4 per cent rise from the revised September quarter estimate.

Company Profits have now recorded 10 consecutive quarters of growth and are now at the highest level since the series began. The December quarter 1993 trend is 26 per cent higher than the December quarter 1992 estimate.

COMPANY PROFITS BEFORE INCOME TAX
\$ Million



INQUIRIES

- for further information about statistics in this publication and the availability of related unpublished statistics, contact Ross Upson on Canberra (06) 252 5617 or any ABS State office.
- for information about other ABS statistics and services please refer to the back page of this publication.

Industry

Trend estimates of company profits for the manufacturing sector continues to show a steady pattern of growth, with estimated profits of \$2,494m, an increase of \$96m, or 4 per cent.

The mining industry reported a fall in profits for the third consecutive quarter with a 7 per cent decrease in December quarter.

The wholesale sector recorded its second consecutive decrease with a drop of 18 per cent in the December quarter, while retail remained static when compared to the revised September quarter.

COMPANY PROFITS BEFORE INCOME TAX Trend estimates by industry

	Dec 93		Change from Sept 1993
	\$m	%	\$m
Mining	1,213	23	-96
Manufacturing	2,494	48	96
Wholesale	322	6	-69
Retail	332	6	2
Total (a)	5,226	100	206

(a) Includes 'Other' industries.

RELIABILITY OF CONTEMPORARY TREND ESTIMATES

The table below presents trend estimates of company profits before income tax from December quarter 1992 onwards.

These trend estimates have been derived by applying a centred 7 term Henderson weighted moving average to all but the last three quarters of the seasonally adjusted series. The last three quarterly trend estimates have been obtained by applying a set of moving averages that approximate the Henderson averages. While this procedure enables production of trend estimates for the latest periods, it also results in revisions to the trend estimates for the most recent quarters as additional seasonally adjusted observations become available in subsequent quarters.

To illustrate the possible impact of future quarters observations on the provisional trend estimates for the latest three quarters, the table also shows the revisions to these trend estimates that would result if the seasonally adjusted estimate of company profits next quarter (March 1994) is 10 per cent higher or lower than this quarter and if there are no revisions to the current or previous quarters' estimates.

The 10 per cent range has been chosen because in the last decade the average quarterly percentage movement, without regard to sign, of the seasonally adjusted company profit before income tax has been about 10 per cent.

If the seasonally adjusted estimate of company profits were to decrease by 10 per cent in the March quarter, the provisional trend estimate for that quarter would be \$5,015, million, a movement of -1 per cent. The movements for June, September and December which are provisionally 6 per cent, 6 per cent and 4 per cent respectively, would be revised to 7 per cent, 5 per cent and 1 per cent respectively. On the other hand, a 10 per cent seasonally adjusted rise in company profits in the March quarter, would produce a trend estimate of \$5,719 million, a movement of 7 per cent, with the movements in the trend estimate for June, September and December being revised to 6 per cent, 7 per cent and 7 per cent, respectively.

COMPANY PROFITS BEFORE INCOME TAX — RELIABILITY OF TREND ESTIMATES

Period	\$m	% change on previous quarter	Revised trend estimate if March 1994 seasonally adjusted company profits before income tax			
			is down 10% on December 1993		is up 10% on December 1993	
			\$m	% change on previous quarter	\$m	% change on previous quarter
<i>1992-93</i>						
December	4,148	7	4,148	7	4,148	7
March	4,441	7	4,441	7	4,441	7
June	4,716	6	4,757	7	4,695	6
<i>1993-94</i>						
September	5,020	6	5,000	5	5,021	7
December	5,226	4	5,054	1	5,351	7
March			5,015	-1	5,719	7

TABLE 1. SUMMARY OF COMPANY PROFITS BEFORE INCOME TAX
(\$ million)

Period	Company Profits Before Income Tax, Net Interest Paid and Depreciation			Company Profits Before Income Tax and Net Interest Paid			Company Profits Before Income Tax		
	Original	Seasonally	Trend	Original	Seasonally	Trend	Original	Seasonally	Trend
		Adjusted	Estimate		Adjusted	Estimate		Adjusted	Estimate
<i>1990-91</i>									
December	9,895	8,816	8,240	7,316	6,296	5,740	4,690	3,789	3,227
March	6,728	7,445	7,774	4,219	4,897	5,254	1,976	2,437	2,807
June	7,010	7,281	7,494	4,474	4,805	4,942	2,122	2,366	2,563
<i>1991-92</i>									
September	7,975	7,851	7,658	5,292	5,173	5,028	3,057	3,012	2,756
December	8,958	7,965	8,037	6,243	5,273	5,312	3,943	2,999	3,109
March	7,577	8,428	8,214	4,807	5,593	5,447	2,883	3,553	3,356
June r	r 7,712	r 8,052	8,243	r 4,973	r 5,315	5,471	r 2,942	r 3,264	3,569
<i>1992-93</i>									
September r	r 8,476	r 8,405	8,322	r 5,713	r 5,655	5,530	r 4,193	r 4,152	3,864
December r	r 9,500	r 8,412	8,509	r 6,593	r 5,521	5,676	r 5,048	r 3,935	4,148
March r	7,999	8,919	8,823	r 5,195	r 6,055	5,939	3,701	4,619	4,441
June r	8,691	9,070	9,153	5,758	6,131	6,220	4,090	4,546	4,716
<i>1993-94</i>									
September r	9,689	9,547	9,480	6,689	6,547	6,451	5,310	5,129	5,020
December p	11,009	9,754	9,740	7,888	6,559	6,541	6,618	5,255	5,226

TABLE 2. COMPANY PROFITS BEFORE INCOME TAX, ORIGINAL SERIES
(\$ million)

Period	Company Profits Before Income Tax, Net Interest Paid and Depreciation	Depreciation	Company Profits Before Income Tax and Net Interest Paid	Net Interest Paid	Company Profits Before Income Tax
1990-91	32,140	10,079	22,061	9,778	12,284
1991-92 r	32,222	10,907	21,315	8,490	12,825
1992-93 r	34,667	11,409	23,258	6,226	17,032
<i>1990-91</i>					
December	9,895	2,579	7,316	2,626	4,690
March	6,728	2,509	4,219	2,243	1,976
June	7,010	2,536	4,474	2,352	2,122
<i>1991-92</i>					
September	7,975	2,683	5,292	2,235	3,057
December	8,958	2,714	6,243	2,300	3,943
March	7,577	2,770	4,807	1,924	2,883
June r	7,712	2,740	4,973	2,031	2,942
<i>1992-93</i>					
September r	8,476	2,763	5,713	1,520	4,193
December r	9,500	2,908	6,593	1,545	5,048
March r	7,999	2,805	5,195	1,494	3,701
June r	8,691	2,933	5,758	1,668	4,090
<i>1993-94</i>					
September r	9,689	3,000	6,689	1,380	5,310
December p	11,009	3,122	7,888	1,270	6,618
APPROXIMATE STANDARD ERRORS					
Quarterly Total	95	30	91	26	83
Quarterly Movement (a)	84	14	82	13	80

(a) Refer to paragraph 22 of the explanatory notes.

TABLE 3. COMPANY PROFITS BEFORE INCOME TAX, NET INTEREST PAID AND DEPRECIATION BY BROAD INDUSTRY SEASONALLY ADJUSTED SERIES AND PERCENTAGE CHANGE

Period	Company Profits Before Income Tax, Net Interest Paid and Depreciation	Company Profits Before Income Tax and Net Interest Paid	Company Profits Before Income Tax					Total
			Mining	Manufacturing	Wholesale Trade	Retail Trade	Other Selected Industries	
\$ MILLION								
<i>1990-91</i>								
December	8,816	6,296	1,768	1,319	541	256	-95	3,789
March	7,445	4,897	1,412	1,096	15	77	-163	2,437
June	7,281	4,805	1,342	1,141	-172	195	-141	2,366
<i>1991-92</i>								
September	7,851	5,173	1,275	1,302	254	160	21	3,012
December	7,965	5,273	1,318	1,385	-19	266	49	2,999
March	8,428	5,593	1,331	1,671	237	169	146	3,553
June r	8,052	5,315	1,123	1,514	418	224	-15	3,264
<i>1992-93</i>								
September r	8,405	5,655	1,598	1,804	308	376	65	4,152
December r	8,412	5,521	1,165	1,901	320	309	240	3,935
March r	8,919	6,055	1,426	2,115	440	417	221	4,619
June r	9,070	6,131	1,360	2,248	452	316	171	4,546
<i>1993-94</i>								
September r	9,547	6,547	1,360	2,462	427	300	580	5,129
December p	9,754	6,559	1,131	2,444	254	366	1,061	5,255
PERCENTAGE CHANGE								
<i>1990-91</i>								
December	5	6	28	-1	-3	-5	-23	9
March	-16	-22	-20	-17	-97	-70	-71	-36
June	-2	-2	-5	4	-1,229	152	14	-3
<i>1991-92</i>								
September	8	8	-5	14	248	-18	115	27
December	1	2	3	6	-108	66	131	0
March	6	6	1	21	1,330	-37	196	18
June r	-4	-5	-16	-9	77	33	-110	-8
<i>1992-93</i>								
September r	4	6	42	19	-26	67	529	27
December r	0	-2	-27	5	4	-18	268	-5
March r	6	10	22	11	38	35	-8	17
June r	2	1	-5	6	3	-24	-23	-2
<i>1993-94</i>								
September r	5	7	0	10	-6	-5	239	13
December p	2	0	-17	-1	-41	22	83	2

TABLE 4. COMPANY PROFITS BEFORE INCOME TAX, NET INTEREST PAID AND DEPRECIATION BY BROAD INDUSTRY
TREND ESTIMATES AND PERCENTAGE CHANGE

Period	Company Profits Before Income Tax, Net Interest Paid and Depreciation	Company Profits Before Income Tax and Net Interest Paid	Company Profits Before Income Tax					Total
			Mining	Manu- facturing	Wholesale Trade	Retail Trade	Other Selected Industries	
\$ MILLION								
<i>1990-91</i>								
December	8,240	5,740	1,551	1,226	469	209	-119	3,227
March	7,774	5,254	1,498	1,156	383	150	-144	2,807
June	7,494	4,942	1,365	1,158	241	155	-106	2,563
<i>1991-92</i>								
September	7,658	5,028	1,299	1,275	141	188	-13	2,756
December	8,037	5,312	1,277	1,430	138	204	66	3,109
March r	8,214	5,447	1,288	1,545	216	216	69	3,356
June r	8,243	5,471	1,311	1,638	310	252	59	3,569
<i>1992-93</i>								
September r	8,322	5,530	1,336	1,756	358	312	102	3,864
December r	8,509	5,676	1,357	1,913	364	365	150	4,148
March r	8,823	5,939	1,371	2,109	412	361	188	4,441
June r	9,153	6,220	1,351	2,265	435	339	326	4,716
<i>1993-94</i>								
September r	9,480	6,451	1,309	2,398	391	330	591	5,020
December p	9,740	6,541	1,213	2,494	322	332	875	5,226
PERCENTAGE CHANGE								
<i>1990-91</i>								
December	-5	-7	4	-12	-1	-32	-93	-10
March	-6	-8	-3	-6	-18	-28	-21	-13
June	-4	-6	-9	0	-37	3	26	-9
<i>1991-92</i>								
September	2	2	-5	10	-42	21	88	8
December	5	6	-2	12	-2	9	627	13
March r	2	3	1	8	56	5	5	8
June r	0	0	2	6	43	17	-16	6
<i>1992-93</i>								
September r	1	1	2	7	16	24	74	8
December r	2	3	2	9	2	17	47	7
March r	4	5	1	10	13	-1	26	7
June r	4	5	-2	7	6	-6	73	6
<i>1993-94</i>								
September r	4	4	-3	6	-10	-2	81	6
December p	3	1	-7	4	-18	1	48	4

TABLE 5. COMPANY PROFITS BEFORE INCOME TAX, NET INTEREST PAID AND DEPRECIATION, BY INDUSTRY
(\$ million)

Period	Manufacturing											Total Manu- facturing	Wholesale Trade	Retail Trade	Other Selected Industries	Total
	Mining	Food, Beverages and Tobacco	Textiles, Clothing and Footwear	Paper and Printing	Chemicals, Petroleum and Coal Products	Basic Metal Products	Transport Equipment	Fabric- ated Metal Products(b)	Other Manu- facturing(c)	Total						
1990-91	9,588	2,989	506	1,738	1,493	2,176	382	1,374	2,478	13,137	2,574	2,287	4,554	32,140		
1991-92 r	8,823	3,093	522	1,824	1,429	1,619	678	1,788	2,327	13,281	2,970	2,129	5,019	32,222		
1992-93 r	9,424	3,508	497	1,764	1,776	1,915	1,108	1,668	2,499	14,735	3,104	2,395	5,008	34,667		
1990-91																
December	2,847	898	143	480	379	656	80	358	711	3,704	1,099	936	1,309	9,895		
March	2,269	748	96	398	328	369	42	314	526	2,821	332	358	947	6,728		
June	2,230	695	100	407	381	435	122	319	556	3,015	193	494	1,079	7,010		
1991-92																
September	2,179	792	158	491	360	418	134	426	630	3,409	694	403	1,289	7,975		
December	2,310	907	149	526	360	338	158	507	655	3,599	823	859	1,367	8,958		
March	2,238	735	110	403	388	435	138	401	528	3,137	591	388	1,223	7,577		
June r	2,095	r 660	105	r 405	321	428	248	454	514	r 3,136	r 862	479	r 1,141	r 7,712		
1992-93																
September	r 2,500	r 848	144	446	374	490	285	402	657	r 3,646	690	521	r 1,119	r 8,476		
December	r 2,254	r 1,130	141	467	400	427	r 275	465	686	r 3,991	860	r 929	r 1,467	r 9,500		
March r	2,295	734	101	406	450	474	232	381	494	3,270	703	446	1,285	7,999		
June r	2,375	797	111	445	552	523	316	421	663	3,829	851	499	1,137	8,691		
1993-94																
September r	2,366	880	184	569	438	602	310	519	775	4,276	824	510	1,713	9,689		
December p	2,312	1,026	183	621	502	597	268	529	797	4,521	797	1,078	2,302	11,009		

APPROXIMATE STANDARD ERRORS

Quarterly Total	29	15	8	14	17	3	3	22	23	42	40	17	24	95
Quarterly Movement (a)	23	7	5	9	13	2	2	15	18	30	44	15	21	84

(a) Refer to paragraph 22 of the explanatory notes. (b) Includes other machinery and equipment. (c) Includes wood, wood products, furniture, non-metallic mineral products and miscellaneous manufacturing.

TABLE 6. COMPANY PROFITS BEFORE INCOME TAX, NET INTEREST PAID, BY INDUSTRY
(\$ million)

Period	Manufacturing										Total Manu- facturing	Retail Trade	Wholesale Trade	Other Selected Industries	Total
	Mining	Food, Beverages and Tobacco	Textiles, Clothing and Footwear	Paper and Printing	Chemicals, Petroleum and Coal Products	Basic Metal Products	Transport Equipment	Fabric- ated Metal Products(b)	Other Manu- facturing(c)	Total Manu- facturing					
1990-91	6,795	2,305	351	1,384	1,019	1,490	9	903	1,742	9,202	1,723	1,641	2,699	22,061	
1991-92	5,883	r 2,262	396	r 1,388	934	840	242	1,241	1,602	r 8,905	r 1,996	1,436	r 3,095	r 21,315	
1992-93 r	6,235	2,664	369	1,364	1,193	1,111	669	1,165	1,788	10,324	2,173	1,694	2,833	23,258	
1990-91															
December	2,121	726	103	394	258	489	-13	231	524	2,713	880	768	834	7,316	
March	1,546	572	59	316	214	196	-54	202	348	1,853	120	199	500	4,219	
June	1,551	522	63	313	258	252	31	201	366	2,006	-37	323	630	4,474	
1991-92															
September	1,444	594	123	381	244	224	14	286	455	2,321	471	244	812	5,292	
December	1,588	706	115	410	239	160	51	374	466	2,522	561	681	892	6,243	
March	1,483	517	79	294	260	228	34	263	349	2,025	348	207	744	4,807	
June r	1,367	r 445	79	r 302	191	229	143	317	332	r 2,037	r 617	305	r 647	r 4,973	
1992-93															
September	1,734	r 642	111	350	240	297	180	273	484	r 2,577	467	345	r 590	r 5,713	
December	1,402	901	106	368	262	229	r 169	339	504	r 2,878	r 617	r 749	r 947	r 6,593	
March	r 1,546	r 525	r 71	307	r 311	278	124	258	313	r 2,187	483	r 275	r 703	r 5,195	
June r	1,552	596	80	340	380	307	196	296	487	2,681	606	325	593	5,758	
1993-94															
September r	1,524	662	145	462	309	406	198	379	583	3,143	574	285	1,163	6,689	
December p	1,410	793	141	502	367	403	162	393	598	3,360	523	844	1,750	7,888	

APPROXIMATE STANDARD ERRORS

Quarterly Total	29	15	6	11	14	2	3	21	24	40	38	16	25	91
Quarterly Movement (a)	21	7	5	8	13	2	3	15	19	30	44	19	21	82

(a) Refer to paragraph 22 of the explanatory notes. (b) Includes other machinery and equipment. (c) Includes wood, furniture, non-metallic mineral products and miscellaneous manufacturing.

TABLE 7. COMPANY PROFITS BEFORE INCOME TAX, BY INDUSTRY
(\$ million)

Period	Manufacturing										Total Manufacturing	Wholesale Trade	Retail Trade	Other Selected Industries	Total
	Mining	Food, Beverages and Tobacco	Textiles, Clothing and Footwear	Paper and Printing	Chemicals, Petroleum and Coal Products	Basic Metal Products	Transport Equipment	Fabricated Metal Products(b)	Other Manufacturing(c)	Total Manufacturing					
1990-91	5,927	1,543	1,776	263	711	705	-209	603	1,164	4,956	946	904	-449	12,284	
1991-92	5,048	1,706	2,668	756	686	140	58	1,016	1,157	5,788	889	917	184	12,825	
1992-93	5,530	2,159	2,529	1,026	1,011	513	541	1,024	1,437	7,970	1,521	1,333	679	17,032	
1990-91	1,875	532	56	81	181	290	-67	155	369	1,597	645	534	39	4,690	
December	1,356	399	15	27	146	20	-98	135	218	862	-68	34	-208	1,976	
March	1,333	332	27	96	168	71	-33	120	235	1,016	-177	163	-214	2,122	
1991-92	1,253	446	87	172	183	49	-39	221	328	1,447	242	104	10	3,057	
September	1,399	565	77	218	179	-22	-7	316	352	1,678	82	551	233	3,943	
December	1,286	386	51	170	202	56	-5	217	239	1,316	148	75	59	2,883	
March	1,110	308	53	197	122	56	110	262	238	1,347	417	186	-118	2,942	
1992-93	1,572	513	84	281	196	156	153	239	381	2,003	300	248	70	4,193	
September	1,236	765	71	302	221	75	145	306	412	2,304	420	639	449	5,048	
December	1,384	413	44	249	279	120	99	228	236	1,667	347	185	117	3,701	
March	1,338	469	53	195	315	162	144	251	408	1,996	454	260	42	4,090	
1993-94	1,338	553	108	397	279	377	179	332	508	2,733	420	199	620	5,310	
September	1,198	690	110	439	342	376	145	342	520	2,965	353	756	1,345	6,618	
December															

APPROXIMATE STANDARD ERRORS

Quarterly Total	25	10	5	10	12	2	3	18	23	36	36	15	24	83
Quarterly Movement (a)	17	6	5	8	13	1	3	16	19	30	44	19	20	80

(a) Refer to paragraph 22 of the explanatory notes. (b) Includes other machinery and equipment. (c) Includes wood, furniture, non-metallic mineral products and miscellaneous manufacturing.

EXPLANATORY NOTES

Introduction

This publication presents preliminary estimates of company profits for selected industries in Australia. The series have been compiled from data collected by the Australian Bureau of Statistics (ABS) in its quarterly Survey of Company Profits.

Scope of the survey

2. The survey is designed to measure profits, depreciation and net interest paid of companies (i.e. incorporated business enterprises) in the private sector in Australia. Companies excluded are those primarily engaged in agriculture, forestry, fishing, hunting (ASIC categories 01-04), banking (614), non-bank finance (615), unit trusts, land trusts, mutual funds (6161), insurance (623), public administration (71) and community service activities (81-84).

3. The data in this publication relate to companies employing more than 30 people. It is estimated (from a 1987-88 annual survey) that smaller companies account for only about 10% of profit in the selected industries, with coverage of company profits for the major industry groups as follows:

- Mining — 99%
- Manufacturing — 93%
- Wholesale/retail — 74%
- Other industries — 66%

Coverage in this publication

4. In order to classify profits by industry in these series, each statistical unit (see paragraph 10) is classified to the Australian Standard Industrial Classification (ASIC) industry in which it *mainly* operates.

5. The industries shown in this publication are detailed below.

<i>Publication Industry</i>	<i>ASIC</i>
MINING	DIVISION B
MANUFACTURING	DIVISION C
Food, Beverages & Tobacco	Sub-division 21
Textiles, Clothing and Footwear	Sub-division 23,24
Paper and Printing	Sub-division 26
Chemicals, Petroleum and Coal Products	Sub-division 27
Basic Metal Products	Sub-division 29
Transport Equipment	Sub-division 32
Fabricated Metal Products	Sub-division 31
Other Machinery and Equipment	Sub-division 33
Other Manufacturing	
Wood, Wood Products and Furniture	Sub-division 25
Non-metallic Mineral Products	Sub-division 28
Miscellaneous Manufacturing	Sub-division 34
WHOLESALE TRADE	SUB-DIVISION 47
RETAIL TRADE	SUB-DIVISION 48
OTHER SELECTED INDUSTRIES	
Include -	
Electricity, gas and water	Division D
Construction	Division E
Transport and storage	Division G

Communication	Division H
Holding companies n.e.c. and holder investors n.e.c.	Classes 6162-3
Services to finance and investment	Group 617
Services to insurance	Group 624
Property and business services	Sub-division 63
Entertainment and recreational services	Sub-division 91
Restaurants, hotels and clubs	Sub-division 92
Personal services	Sub-division 93

Definitions

6. A *company* is an incorporated private sector business enterprise. For the purpose of the survey, branches of overseas companies operating in Australia are included but overseas branches of Australian companies are excluded.

7. *Company profits (before income tax)* is defined as *Net operating profit or loss before income tax and extraordinary items* and is net of capital profits or losses and dividends received.

8. *Net interest paid* is interest expense less any interest revenue. Interest received from or paid to overseas is included. The interest component of finance lease payments is also included.

9. *Depreciation of fixed assets* is as per management accounts and includes depreciation on equipment acquired under a finance lease.

Statistical unit

10. From the beginning of 1989, the ABS has introduced a new statistical unit known as the *management unit*. The management unit is the highest-level unit within a business, having regard for industry homogeneity, for which accounts are maintained; in nearly all cases it coincides with the legal entity owning the business (i.e. incorporated company). 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'. A division or line of business is recognised where separate and comprehensive accounts are compiled for it. The management unit is being implemented on the ABS central register of businesses and included in the Survey of Company Profits as reporting arrangements with the larger groups of companies are finalised.

11. Where the management unit has not been implemented, the statistical unit is still the company as presently recorded on the ABS central register of businesses.

Computability of series

12. The conceptual basis of the survey has changed from that used in the June quarter 1989. Since the September quarter 1989, the survey collects information from respondents' *management accounts*. Previously, data was sought on a *modified tax* basis.

13. There will be an on-going effect on the aggregate data due to the change of statistical unit (see paragraphs 10 to 11 above). No attempt has been made to adjust back series for this change but the effects are likely to be insignificant.

Seasonal adjustment

14. Seasonal adjustment is a means of removing the estimated effects of normal seasonal variation from the series so that the effects of other influences can be more clearly recognised.

15. Seasonal adjustment may be carried out by various methods and the results will vary accordingly. Seasonally adjusted statistics are in fact only conditional estimates. Short term movements in all the published series cannot be assumed to indicate changes in trend.

16. It should also be noted that the seasonally adjusted figures necessarily reflect the sampling and other errors to which the original figures are subject.

17. At least once each year the seasonally adjusted series are revised to take into account the latest available data. The most recent reanalysis of the company profits series takes into account data collected up to and including the June quarter 1992 survey. The nature of the seasonal adjustment process is such that the magnitude of some revisions resulting from reanalysis may be quite significant, especially for data for more recent quarters. For this reason, additional care should be exercised when interpreting movements in seasonally adjusted data for more recent quarters.

18. Seasonal adjustment procedures do not aim to remove the irregular or non-seasonal influences which may be present in any particular quarter, such as processing delays or industrial disputes. Irregular influences that are highly volatile can make it difficult to interpret the movement of the series even after adjustment for seasonal variation.

19. The seasonally adjusted series can, however, be smoothed to reduce the impact of the irregular component in the adjusted series. This smoothed seasonally adjusted series is called a trend estimate. The trend estimates of company profits statistics have been derived by applying a 7-term Henderson-weighted moving average to the seasonally adjusted series.

20. While this technique enables trend estimates for the latest period to be produced, it does result in revisions to the trend estimate for the most recent quarters as additional observations become available. There may also be revisions as a result of changes in the original data, and as a result of re-estimation of seasonal factors. Users may wish to refer to the ABS Information Papers, *A Guide to Smoothing Time Series — Estimates of "Trend"* (1316.0) and *Time Series Decomposition — An Overview* (1317.0) for more detailed information on smoothing of seasonally adjusted time series data.

Survey sample redesign

21. September quarter data reflect changes in the sample of companies surveyed. About 20% of sampled companies are rotated out of the survey in the September quarter and replaced with companies of similar size and activity. The major effect of this rotation is that standard errors of movement for the September quarter tend to be larger than for other quarters. The movement standard errors in Tables 2, 5, 6 and 7 are based on data from a number of quarters and will therefore tend to understate the true standard errors for September quarter movement

estimates. Estimates of September quarter movement standard errors are available on request.

Reliability of the estimates

22. Since estimates are based on information obtained from a sample drawn from units in the surveyed population, the estimates and the movements derived from them are subject to sampling variability. One measure of the 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 a sample estimate will differ by less than one standard error from the figure that would have been obtained if all units had been included, and about nineteen chances in twenty that the difference will be less than two standard errors.

23. Approximate standard errors for estimates of level and movement for company profits, depreciation and net interest paid are presented in Tables 2, 5, 6 and 7.

An example of the use of standard errors for the current quarter is as follows:

Estimate of movement. The estimate of quarterly movement to December quarter 1993 for company profits before income tax was \$1,308m from the September estimate of \$5,310m. The standard error on movement is \$80m (Table 2). There are two chances in three that a complete collection would have given an estimate of movement within one standard error of the sample estimate (i.e. in the range \$1,228m to \$1,388m). There are nineteen chances in twenty that a complete collection would give an estimate within two standard errors of the sample estimate (i.e. in the range \$1,148m to \$1,468m).

24. The imprecision due to sampling is not the only type of inaccuracy to which the estimates are subject. Other inaccuracies, referred to collectively as non-sampling errors, may occur for example, because of incorrect reporting by respondents, and deficiencies in the central register of businesses from which the sample is selected.

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

Survey methodology

26. The survey is conducted by mail on a quarterly basis. Forms are sent to a sample of approximately 3,000 business units employing more than 30 people. The sample is selected from the ABS central register of businesses and is stratified by industry and number of employees. All business units with over 140 employees and/or known large profit/loss are included in the sample.

27. Respondents are asked to provide data on the same basis as their own management accounts. Where a particular business unit does not respond in a given survey, an estimate is substituted. Aggregates are calculated from reported data using the *number raised* estimation technique. Data are edited both at individual business unit level and at aggregate level.

Revisions to estimate

28. It should be noted that the estimates in this publication are subject to revision. This is particularly so with the latest quarter which is usually compiled on the basis of incomplete response. In addition, earlier quarters may be revised by companies as they finalise their accounts.

Comparison with other ABS statistics

29. The series 'Company Profits Before Income Tax, Net Interest Paid and Depreciation' equates, broadly with the national accounting series of 'Gross Operating Surplus of Private Corporate Trading Enterprises'. However, the two series are not directly comparable for the following reasons:

- (a) the national accounts estimates of gross operating surplus include the profits of all companies whereas results from the survey relate only to those companies with employment of more than 30 persons
- (b) the national accounts estimates of gross operating surplus include estimates for companies classified to the agriculture, forestry, fishing and hunting, and community services industries
- (c) the national accounts estimates of gross operating surplus are after deduction of the stock valuation adjustment which measures the portion of income attributable to holding gains or losses resulting from stock valuation practices
- (d) the national accounts estimates of gross operating surplus include details relating to net third party insurance transfers, royalty and land rent payments
- (e) the national accounts estimates incorporate data from other sources such as taxation data as well as information from the Survey of Company Profits.

Unpublished statistics

30. More detailed industry data from this survey are available on request. The cost for such a service being dependant upon the amount of data requested. Inquiries should be made to the officer named in the Phone Inquiries section at the front of this publication or by writing to The Director, Business Surveys Section, Australian Bureau of Statistics, P.O. Box 10, Belconnen, A.C.T. 2616.

Related publications

31. Users may also wish to refer to the following publications:

Private New Capital Expenditure, Australia, Actual and Expected Expenditure, Preliminary (5625.0) — issued quarterly

Private New Capital Expenditure, Australia (5626.0) — issued quarterly

State Estimates of Private New Capital Expenditure, Actual and Expected Expenditure (5646.0) — issued quarterly

Stocks Manufacturers' Sales and Expected Sales, Australia (5629.0) — issued quarterly

Australian National Accounts, National Income and Expenditure (5206.0) — issued quarterly

A Guide to Smoothing Time Series Estimates of Trend (1316.0)

32. Current publications produced by the ABS are listed in the *Catalogue of Publications and Products, Australia* (1101.0). The ABS also issues, on Tuesdays and Fridays, a *Publications Advice* (1105.0) which lists publications to be released in the next few days. The Catalogue and the Publications Advice are available from any ABS office.

Symbols and other usages

- | | |
|------|---|
| r | data or series revised since previous issue |
| p | preliminary figures or series subject to revision |
| s.a. | seasonally adjusted figures |

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