

AUSTRALIAN BUSINESS EXPECTATIONS MARCH QTR 2000 & DECEMBER QTR 2000

EMBARGO: 11:30AM (CANBERRA TIME) FRI 7 JAN 2000

KEY FIGURES

ORIGINAL ESTIMATES

	Short-term Mar Qtr 2000 % change	Medium-term Dec Qtr 2000 % change
Operating income	-0.7	1.8
Selling prices	0.2	0.9
Profit	-5.6	1.4
Employment	-0.2	0.2

TREND ESTIMATES

	Short-term Mar Qtr 2000 % change	Medium-term Dec Qtr 2000 % change
Operating income	1.1	2.0
Selling prices	0.3	1.2
Profit	3.7	3.2
Employment	0.1	0.2

KEY POINTS

ORIGINAL ESTIMATES

SHORT-TERM

- In the March quarter 2000, businesses expect decreases in Operating income (0.7%), Profit (5.6%) and Employment (0.2%) and a slight increase in Selling Prices (0.2%). The falls in Operating income, Profit and Employment are seasonal.

MEDIUM-TERM

- In the year to the December quarter 2000, businesses expect increases in Operating income (1.8%), Selling prices (0.9%), Profit (1.4%) and Employment (0.2%). The increase in Profit expectations between the September and December quarters 2000 is the smallest since the beginning of the series. Expected increases in Profit have been between 7.3% and 20.0% since the June quarter 1996. Small business uncertainty about the impact of tax reform seems to be the main factor.

TREND ESTIMATES

SHORT-TERM

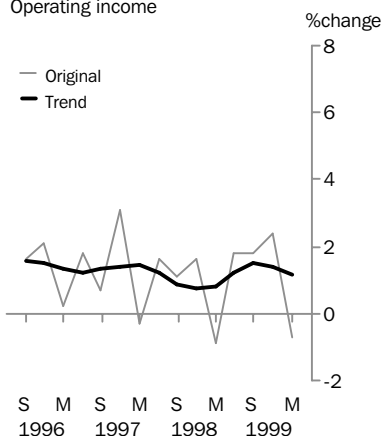
- In trend terms, for the March quarter 2000 businesses expect increases in Operating income (1.1%), Selling prices (0.3%), Profit (3.7%) and Employment (0.1%). The expected increases in Operating income and Profit are slightly less than those for the December quarter 1999 (1.4% and 3.7% respectively).

MEDIUM-TERM

- In trend terms, for the year to the December quarter 2000, businesses expect increases in Operating income (2.0%), Selling prices (1.2%), Profit (3.2%) and Employment (0.2%).

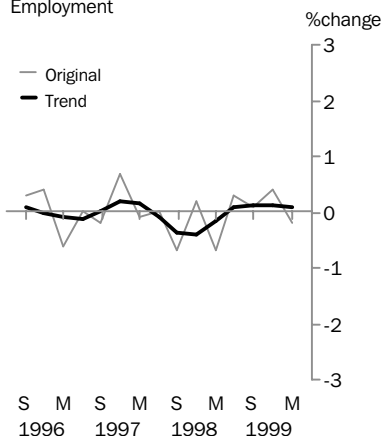
Short term

Operating income



Short term

Employment



- For further information about these and related statistics, contact Fleur Butt on Canberra 02 6252 5427, or Client Services in any ABS office as shown on the back cover of this publication.

NOTES

FORTHCOMING ISSUES

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CHANGES IN THIS ISSUE

There are no changes in this issue.



W. McLennan
Australian Statistician

C O N T E N T S

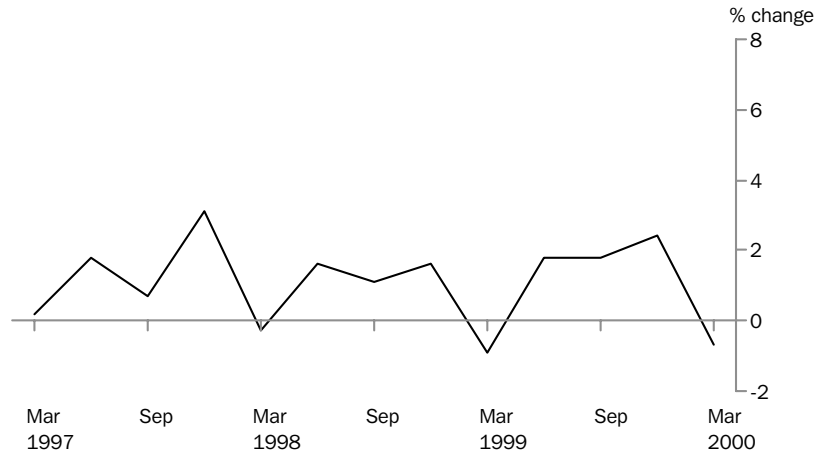
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SUMMARY OF RESULTS: Short-term Outlook

OPERATING INCOME

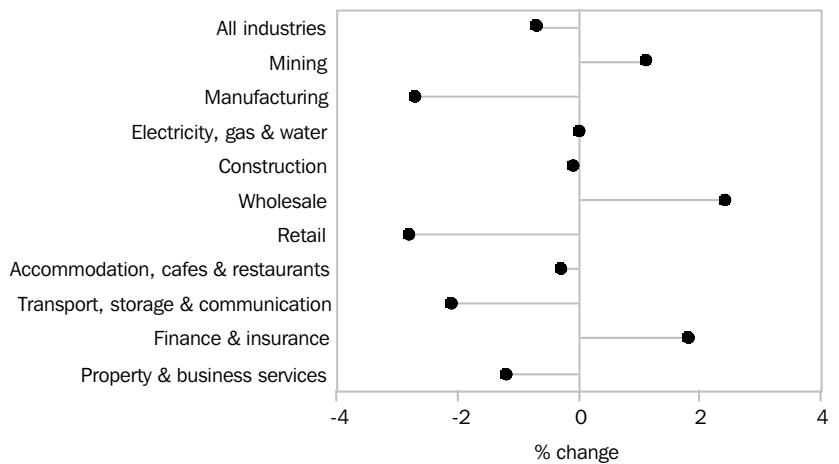
TIME SERIES

The expected decrease of 0.7% for Operating income in the March quarter 2000 follows three quarters of increased expectations but, as can be seen by the graph, reflects a seasonal pattern. Small business expect an increase of 0.4%, while medium and large businesses expect decreases of 1.6% and 2.2% respectively.



MAIN INDUSTRY COMPARISON

Most industries, with the exception of Mining, Electricity, gas & water, Wholesale and Finance and insurance, expect their Operating income to decrease in the March quarter 2000. The largest decreases are expected in the Retail (2.8%) and Manufacturing (2.7%) industries. The decrease in Retail is in part due to seasonal factors.

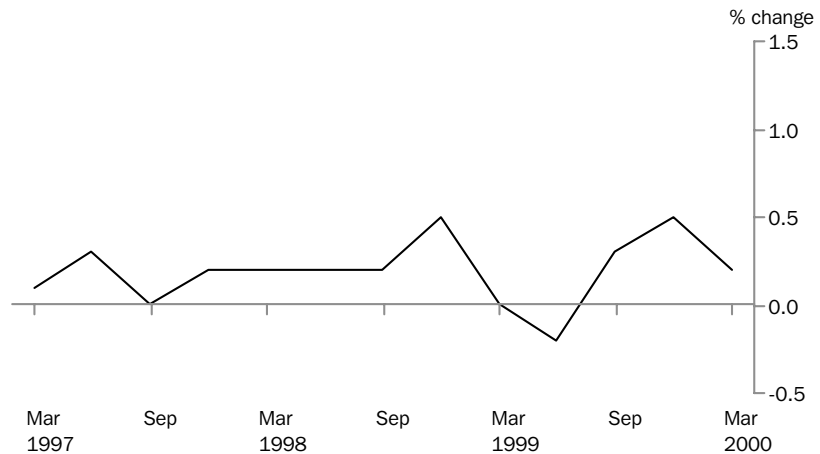


SUMMARY OF RESULTS: Short-term Outlook *continued*

SELLING PRICES

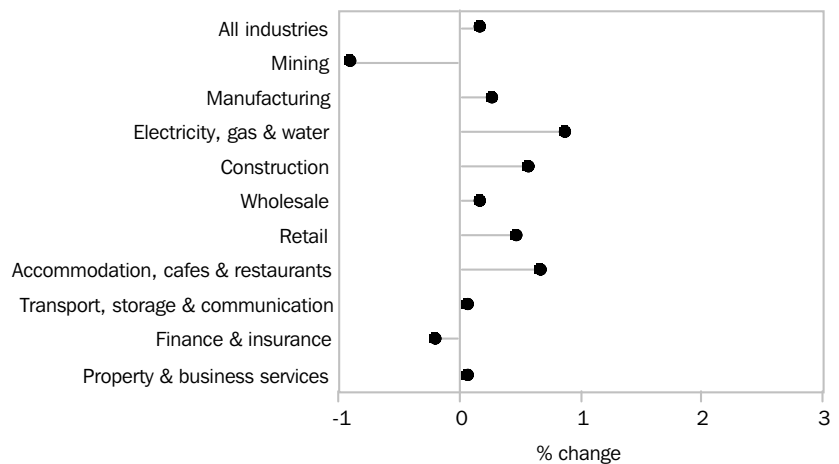
TIME SERIES

Selling prices are expected to rise by 0.2% in the March quarter 2000. The magnitude of the expected increases is similar across all business sizes, with small businesses expecting an increase of 0.2%, medium businesses expecting an increase of 0.3% and large businesses expecting an increase of 0.1%.



MAIN INDUSTRY COMPARISON

With the exception of Mining and Finance & insurance, all industries are expecting increases in Selling prices in the March quarter 2000. The largest increase is expected in the Electricity, gas & water industry (0.9%), while the smallest increase is expected in both the Transport, storage & communication and Property & business services industries (0.1%).

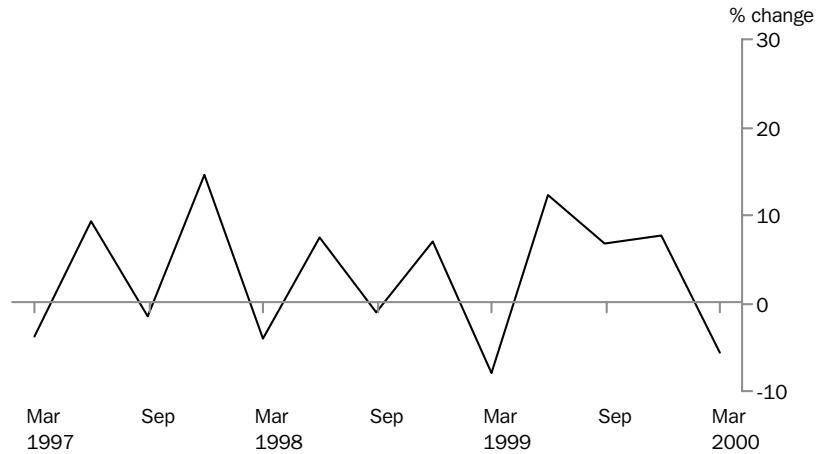


SUMMARY OF RESULTS: Short-term Outlook *continued*

PROFITS

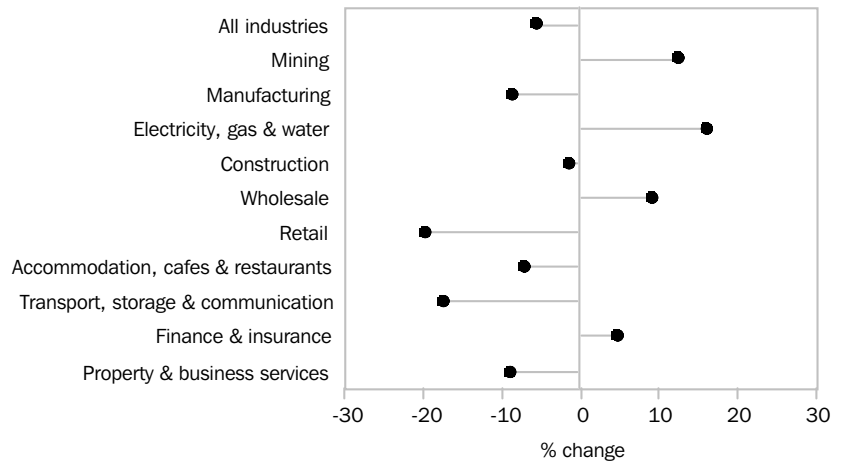
TIME SERIES

Profit is expected to decrease by 5.6% in the March quarter 2000. The expected decrease reflects seasonal factors. Profit is expected to decrease across all business sizes, with medium business expecting the largest decrease (19.0%). Large businesses expect profit to fall by 5.7%, while small businesses expect profit to fall by 3.0%.



MAIN INDUSTRY COMPARISON

Most industries, with the exception of Mining, Electricity, gas & water, Wholesale and Finance & insurance, are expecting a reduced Profit in the March quarter 2000. The largest decreases are expected in the Retail (19.7%) and Transport, storage & communication (17.5%) industries. The Electricity, gas & water and Mining industries expect the largest increases in Profit, 16.6% and 12.9% respectively.

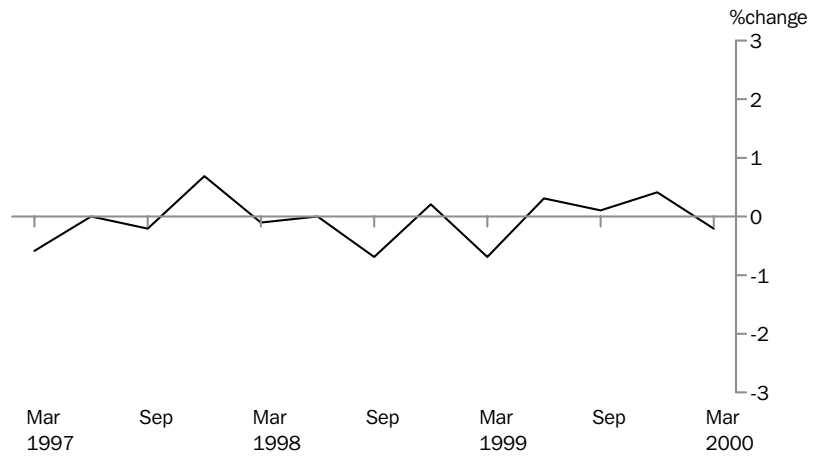


SUMMARY OF RESULTS: Short-term Outlook *continued*

EMPLOYMENT

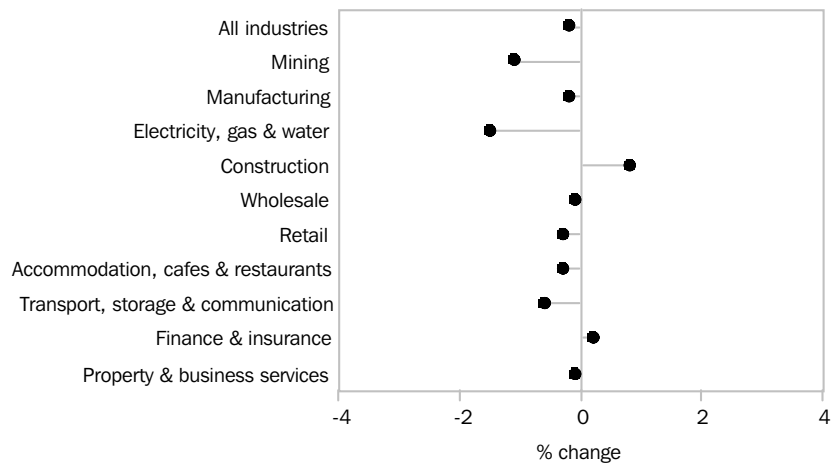
TIME SERIES

Full-time equivalent Employment is expected to decrease by 0.2% in the March quarter 2000. Large and medium businesses expect falls of 0.8% and 0.1% respectively, while small businesses expect an increase of 0.3%.



MAIN INDUSTRY COMPARISON

Only two industries, Construction and Finance & insurance, expect increases in their full time equivalent Employment in the March quarter 2000. The largest decreases are expected in the Electricity, gas & water (1.5%) and Mining (1.1%) industries.

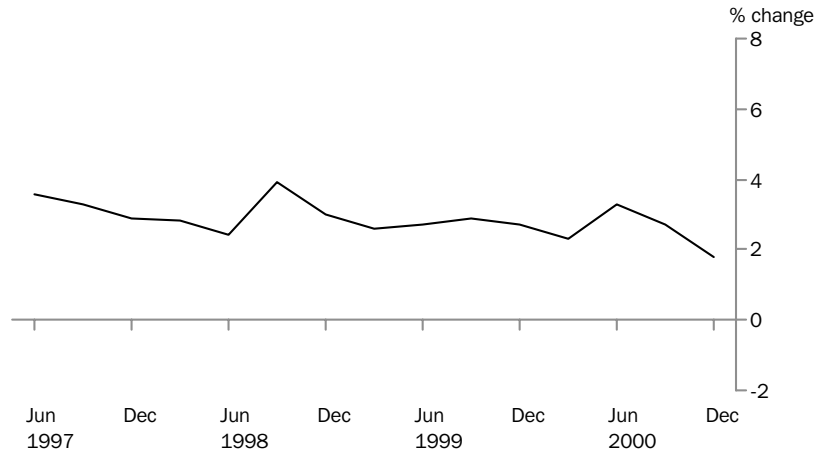


SUMMARY OF RESULTS: Medium-term Outlook

OPERATING INCOME

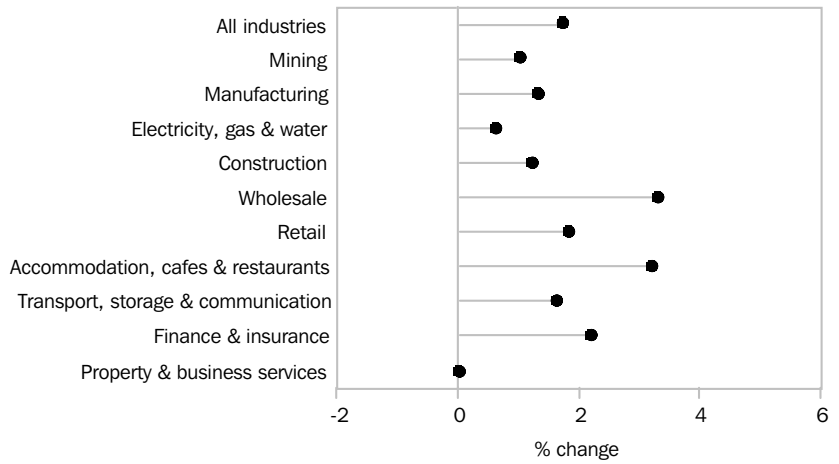
TIME SERIES

Operating income is expected to increase by 1.8% in the medium-term to the December quarter 2000. The greatest increase in Operating income is expected by medium businesses (2.6%), followed by small businesses (1.9%) and large businesses (1.2%).



MAIN INDUSTRY COMPARISON

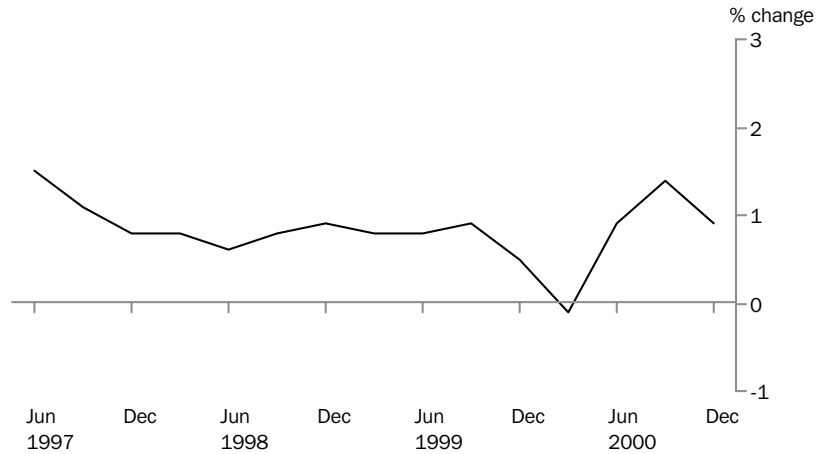
All industries expect their Operating income to increase in the medium-term, with the largest increases expected in the Wholesale (3.4%) and Accommodation, cafes & restaurants (3.3%) industries. The smallest increase (0.1%) is expected by the Property & business services industry.



SELLING PRICES

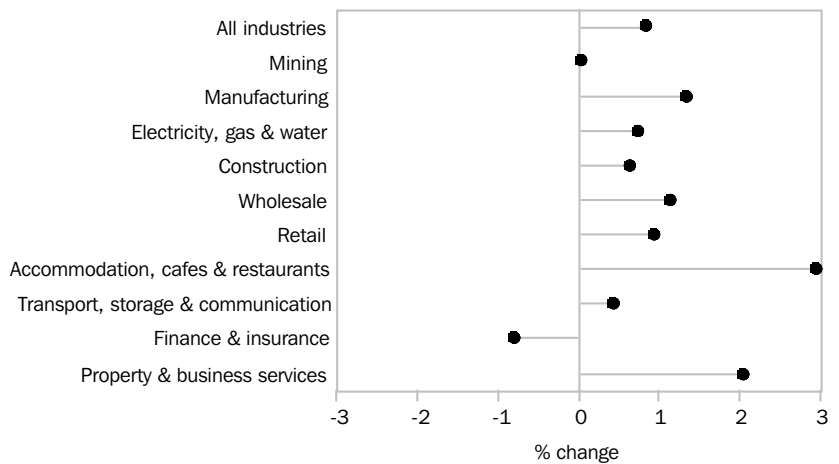
TIME SERIES

Selling prices are expected to rise by 0.9% in the medium-term. The magnitude of the expected increases is similar across all business sizes, with small businesses expecting an increase of 0.9%, medium businesses expecting an increase of 1.0% and large businesses expecting an increase of 1.1%.



MAIN INDUSTRY COMPARISON

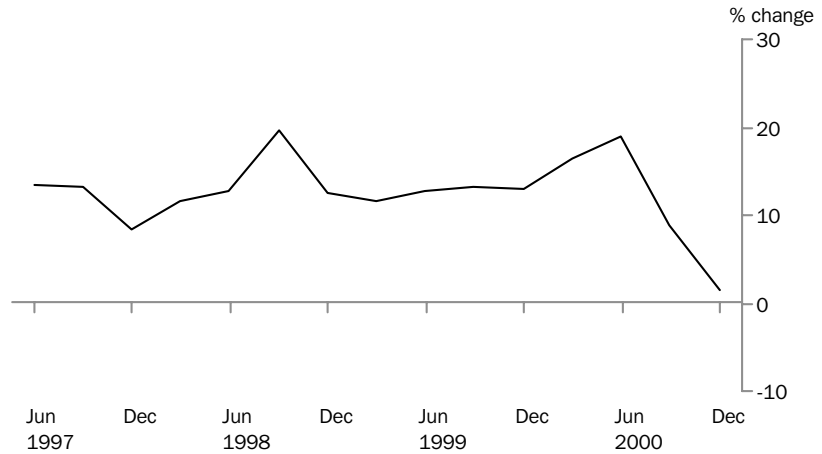
All industries expect Selling prices to increase in the medium-term, except for Finance & insurance, which expects a fall of 0.8%. The highest increases are expected in the Accommodation, cafes & restaurants (3.0%) and Property & business services (2.1%) industries.



PROFITS

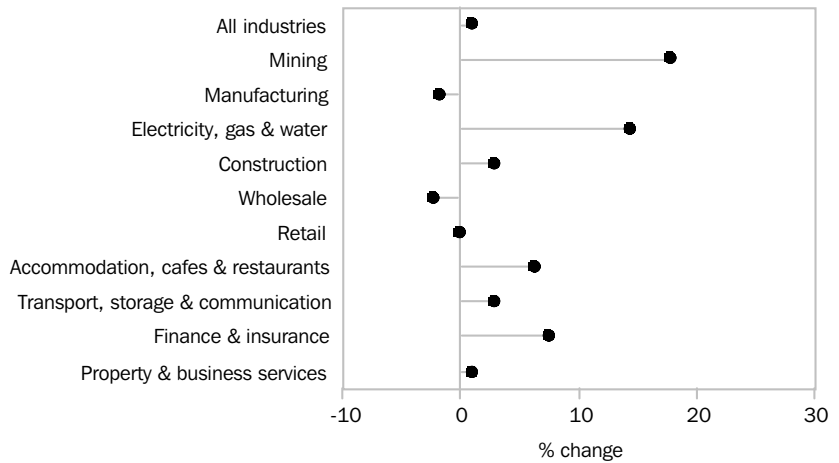
TIME SERIES

Profit is expected to increase by 1.4% in the medium-term. Large and medium businesses expect Profit to increase by 4.5% and 7.9% respectively, while small businesses expect a decrease of 0.9%. An increasing number of businesses indicated that their profits were likely to be adversely affected by tax reform.



MAIN INDUSTRY COMPARISON

All industries except Manufacturing, Wholesale and Retail expect increased Profit in the medium-term. The Retail industry expects Profit to remain at the same level. The largest increases in Profit are expected by the Mining (18.2%) and Electricity, gas & water (14.8%) industries. The largest decrease in Profit is expected by the Wholesale industry (2.3%).

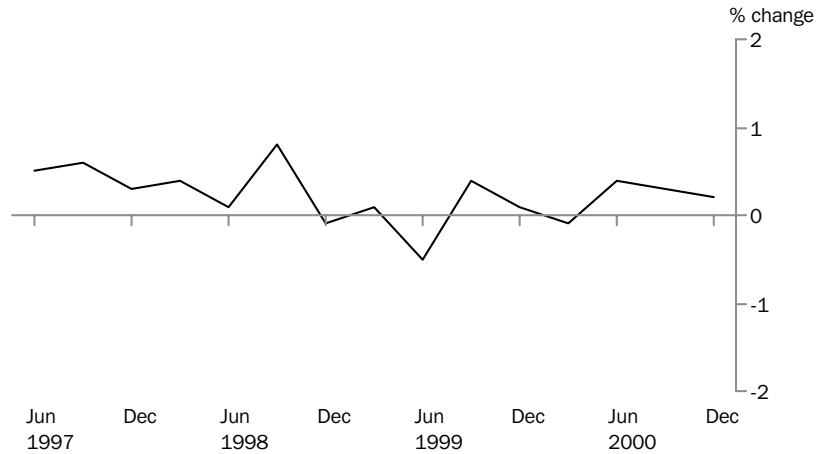


SUMMARY OF RESULTS: Medium-term Outlook *continued*

EMPLOYMENT

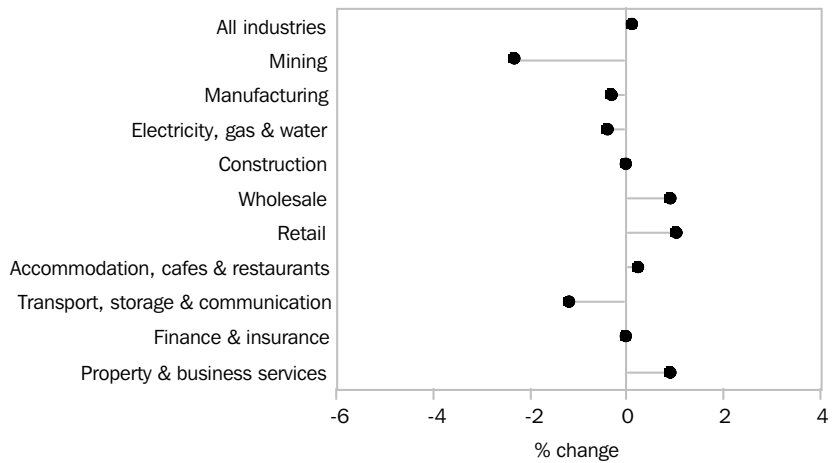
TIME SERIES

Full-time equivalent Employment is expected to rise by 0.2% in the medium-term. The increase is attributable solely to small businesses, who expect a rise in Employment of 0.6%. Medium and large businesses expect Employment to fall, by 0.3% and 0.1% respectively.



MAIN INDUSTRY COMPARISON

The Mining industry expects the largest decrease (2.3%) in Employment in the medium-term, a continuation of decreased Employment expectations in this industry since the June quarter 1997. Transport, storage & communication also expects a decrease of 1.2%. The largest increase in Employment is expected by the Retail industry (1.1%), with similar expectations in the Wholesale (1.0%) and Property & business services (1.0%) industries.



EXPECTED AGGREGATE CHANGE OVER THE PREVIOUS QTR

	<i>Mar Qtr</i> 1999	<i>Jun Qtr</i> 1999	<i>Sep Qtr</i> 1999	<i>Dec Qtr</i> 1999	<i>Mar Qtr</i> 2000
Business performance indicators	%	%	%	%	%
ORIGINAL					
Trading performance					
Operating income	-0.9	1.8	1.8	2.4	-0.7
Selling prices	0.0	-0.2	0.3	0.5	0.2
Profit	-8.0	12.4	6.7	7.7	-5.6
Investment					
Capital expenditure	1.3	3.0	1.1	1.6	0.2
Inventories	-0.3	-0.9	-0.4	-0.9	-1.1
Employment					
Full time equivalent	-0.7	0.3	0.1	0.4	-0.2
Operating expenses					
Wages	0.0	0.9	1.1	1.0	-0.3
Non-wage labour	0.2	0.4	0.7	0.7	0.0
Other	0.0	0.7	1.4	1.3	0.5
Total	0.0	0.7	1.4	1.3	0.3
TREND					
Trading performance					
Operating income	0.8	1.2	1.5	1.4	1.1
Selling prices	0.1	0.1	0.2	0.3	0.3
Profit	3.4	5.6	5.8	4.8	3.7
Investment					
Capital expenditure	2.9	2.3	1.6	0.9	0.4
Inventories	-0.5	-0.6	-0.7	-0.9	-1.0
Employment					
Full time equivalent	-0.1	0.1	0.1	0.1	0.1
Operating expenses					
Wages	0.7	0.9	0.8	0.6	0.3
Total	0.7	0.8	1.0	1.0	0.9

SHORT-TERM WEIGHTED NET BALANCE—March Qtr 2000

BUSINESSES EXPECTING.....

	<i>Decreases</i>	<i>No change</i>	<i>Increases</i>	<i>Net balance</i>
Business performance indicators	%	%	%	%
.....				
Trading performance				
Operating income	39.9	29.0	31.1	-8.8
Selling prices	15.9	53.1	31.0	15.1
Profit	52.3	18.1	28.8	-23.5
Investment				
Capital expenditure	19.7	59.9	20.4	0.7
Inventories	37.2	42.9	20.0	-17.2
Employment				
Full time equivalent	23.9	54.7	21.4	-2.5
Operating expenses				
Wages	33.6	31.7	34.8	1.2
Non-wage labour	21.2	44.9	33.9	12.7
Other	20.2	34.2	45.5	25.3
.....				

INDUSTRY EXPECTATIONS, Short-term Outlook Expected Aggregate Change

EXPECTED AGGREGATE CHANGE OVER THE PREVIOUS QTR.....

	Mar Qtr 1999	Jun Qtr 1999	Sep Qtr 1999	Dec Qtr 1999	Mar Qtr 2000
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Business performance indicators % % % % %

MINING

Trading performance					
Operating income	-0.8	1.5	-1.2	0.1	1.2
Selling prices	0.3	-2.9	-0.9	-0.3	-0.9
Profit	-3.1	12.3	3.3	-1.2	12.9
Investment					
Capital expenditure	3.2	-2.1	-5.0	-10.4	-3.5
Inventories	3.2	-2.4	-2.0	-4.7	1.8
Employment					
Full time equivalent	-0.7	-1.8	-2.4	-2.0	-1.1
Operating expenses					
Wages	-0.4	-1.8	-1.8	-2.2	-0.9
Non-wage labour	-1.1	-2.3	-4.1	-1.0	-1.9
Other	1.1	-0.5	0.2	0.2	-0.8
Total	0.8	-0.8	-0.2	-0.3	-0.8

MANUFACTURING

Trading performance					
Operating income	-2.1	3.0	4.1	2.3	-2.7
Selling prices	0.0	0.0	0.1	0.3	0.3
Profit	-18.6	28.2	22.9	11.1	-8.7
Investment					
Capital expenditure	5.7	3.4	1.7	4.4	0.9
Inventories	0.2	-0.9	-1.0	-0.5	-2.8
Employment					
Full time equivalent	-0.3	-0.5	-0.3	0.0	-0.2
Operating expenses					
Wages	0.3	0.4	0.8	0.5	0.5
Non-wage labour	0.3	0.4	0.8	0.8	0.4
Other	0.1	0.7	2.9	0.8	-1.3
Total	0.1	0.6	2.5	0.8	-1.0

ELECTRICITY, GAS & WATER

Trading performance					
Operating income	-5.2	2.6	3.7	0.5	0.1
Selling prices	0.1	-0.2	2.1	0.3	0.9
Profit	-25.1	0.6	21.3	-5.7	16.6
Investment					
Capital expenditure	-0.8	0.6	-1.7	-0.4	-2.0
Inventories	0.3	-0.9	-0.8	0.9	-3.3
Employment					
Full time equivalent	-0.3	-0.2	0.1	-0.5	-1.5
Operating expenses					
Wages	0.3	0.9	-1.2	0.5	-0.9
Non-wage labour	0.4	0.0	-0.1	1.2	-0.5
Other	-0.6	3.3	1.1	2.0	-2.7
Total	-0.5	3.0	0.9	1.8	-2.5

CONSTRUCTION

Trading performance					
Operating income	0.2	-0.7	0.8	1.0	-0.1
Selling prices	0.2	-0.2	0.9	0.7	0.6
Profit	-7.3	8.3	1.1	-0.7	-1.5
Investment					
Capital expenditure	1.1	11.8	4.6	4.2	1.7
Inventories	-0.4	0.0	-0.5	1.0	0.2
Employment					
Full time equivalent	1.6	-2.1	0.1	0.0	0.9
Operating expenses					
Wages	0.7	-2.3	0.4	0.5	-0.6
Non-wage labour	0.4	-2.2	0.4	0.9	-0.7
Other	0.9	-1.5	0.6	1.4	0.4
Total	0.9	-1.7	0.6	1.3	0.2

EXPECTED AGGREGATE CHANGE OVER THE PREVIOUS QTR.....

	Mar Qtr 1999	Jun Qtr 1999	Sep Qtr 1999	Dec Qtr 1999	Mar Qtr 2000
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Business performance indicators % % % % %

WHOLESALE

Trading performance					
Operating income	1.2	2.9	1.2	2.0	2.5
Selling prices	0.2	0.4	0.0	-0.1	0.2
Profit	10.2	24.8	1.3	9.1	9.7
Investment					
Capital expenditure	6.7	1.1	3.6	5.6	5.4
Inventories	-1.1	-0.3	-0.6	-3.2	-1.2
Employment					
Full time equivalent	-0.5	1.0	0.8	-0.8	-0.1
Operating expenses					
Wages	0.4	1.0	2.4	1.2	1.5
Non-wage labour	0.6	0.7	1.5	-0.3	0.8
Other	0.5	0.7	1.0	1.3	2.0
Total	0.5	0.8	1.1	1.3	2.0

RETAIL

Trading performance					
Operating income	-4.0	0.0	0.7	5.2	-2.8
Selling prices	-0.1	-0.5	0.9	0.0	0.5
Profit	-28.4	0.3	-3.1	14.4	-19.7
Investment					
Capital expenditure	-4.0	9.6	22.2	5.3	5.8
Inventories	-1.4	-1.5	1.3	1.3	-0.3
Employment					
Full time equivalent	-1.2	0.2	0.4	1.9	-0.3
Operating expenses					
Wages	-1.0	0.5	1.6	3.1	-0.7
Non-wage labour	-1.1	0.6	0.8	2.1	-0.7
Other	-1.3	-0.2	1.0	3.7	-0.2
Total	-1.3	-0.1	1.1	3.6	-0.3

ACCOMMODATION, CAFES & RESTAURANTS

Trading performance					
Operating income	-2.1	1.4	3.2	2.1	-0.3
Selling prices	-0.4	0.8	-0.6	1.6	0.7
Profit	-22.4	2.7	22.2	6.3	-7.1
Investment					
Capital expenditure	5.2	2.2	6.9	5.7	1.6
Inventories	-0.5	-0.3	0.5	0.9	0.0
Employment					
Full time equivalent	-0.3	0.8	0.3	0.4	-0.3
Operating expenses					
Wages	-0.3	1.6	1.1	1.4	0.3
Non-wage labour	-0.2	0.6	1.0	0.0	1.6
Other	0.6	1.0	0.8	1.4	1.1
Total	0.3	1.1	0.9	1.4	0.9

TRANSPORT, STORAGE & COMMUNICATION

Trading performance					
Operating income	2.2	1.7	1.5	3.2	-2.1
Selling prices	-0.1	-1.1	-0.2	0.5	0.1
Profit	28.4	3.0	15.3	19.7	-17.5
Investment					
Capital expenditure	-8.6	8.4	-10.9	11.0	0.8
Inventories	-1.2	-1.2	1.9	-1.1	-0.1
Employment					
Full time equivalent	-4.1	-0.8	-0.6	-2.1	-0.6
Operating expenses					
Wages	-0.2	1.0	-0.9	0.3	-0.4
Non-wage labour	0.9	2.5	-0.5	0.6	-0.3
Other	-3.3	1.9	-0.8	2.1	0.4
Total	-2.3	1.7	-0.8	1.7	0.2

EXPECTED AGGREGATE CHANGE OVER THE PREVIOUS QTR.....

	Mar Qtr 1999	Jun Qtr 1999	Sep Qtr 1999	Dec Qtr 1999	Mar Qtr 2000
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Business performance indicators	%	%	%	%	%
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FINANCE & INSURANCE

Trading performance					
Operating income	1.4	4.5	1.8	2.0	1.9
Selling prices	-0.2	0.0	0.5	1.8	-0.2
Profit	1.0	12.5	1.2	10.3	5.2
Investment					
Capital expenditure	2.8	0.3	-0.3	1.1	2.7
Inventories	0.0	2.2	2.3	0.5	-0.9
Employment					
Full time equivalent	-0.1	0.4	-0.6	0.3	0.3
Operating expenses					
Wages	0.3	1.3	0.4	1.4	-0.7
Non-wage labour	0.9	1.0	0.5	-0.1	1.9
Other	0.5	2.1	2.1	-0.1	1.0
Total	0.5	2.0	1.9	0.0	0.9

PROPERTY & BUSINESS SERVICES

Trading performance					
Operating income	-0.3	2.3	1.6	0.5	-1.2
Selling prices	-0.7	-0.2	0.4	0.2	0.1
Profit	-7.5	1.0	-0.5	-0.9	-8.9
Investment					
Capital expenditure	3.9	1.2	1.6	-1.5	-1.3
Inventories	0.1	0.1	0.1	-0.2	-0.4
Employment					
Full time equivalent	-0.9	3.0	1.0	0.2	-0.1
Operating expenses					
Wages	0.1	3.6	3.0	0.9	-1.1
Non-wage labour	-0.6	0.6	2.0	0.7	-0.6
Other	1.0	2.1	1.7	0.8	1.3
Total	0.7	2.5	2.1	0.8	0.3

ALL INDUSTRIES

Trading performance					
Operating income	-0.9	1.8	1.8	2.4	-0.7
Selling prices	0.0	-0.2	0.3	0.5	0.2
Profit	-8.0	12.4	6.7	7.7	-5.6
Investment					
Capital expenditure	1.3	3.0	1.1	1.6	0.2
Inventories	-0.3	-0.9	-0.4	-0.9	-1.1
Employment					
Full time equivalent	-0.7	0.3	0.1	0.4	-0.2
Operating expenses					
Wages	0.0	0.9	1.1	1.0	-0.3
Non-wage labour	0.2	0.4	0.7	0.7	0.0
Other	0.0	0.7	1.4	1.3	0.5
Total	0.0	0.7	1.4	1.3	0.3

STATE EXPECTATIONS, Short-term Outlook Expected Aggregate Change

EXPECTED AGGREGATE CHANGE OVER THE PREVIOUS QTR.....

	Mar Qtr 1999	Jun Qtr 1999	Sep Qtr 1999	Dec Qtr 1999	Mar Qtr 2000
Business performance indicators	%	%	%	%	%

NEW SOUTH WALES

Trading performance					
Operating income	-1.2	1.1	1.8	2.3	-1.1
Selling prices	0.1	0.0	0.3	0.8	0.1
Profit	-13.8	5.5	3.7	9.4	-8.7
Investment					
Capital expenditure	4.3	2.9	3.0	2.6	-0.3
Inventories	-1.0	-0.3	0.1	-0.4	-1.8
Employment					
Full time equivalent	-0.3	-0.1	0.1	0.6	-0.2

VICTORIA

Trading performance					
Operating income	-1.3	2.6	2.8	3.0	0.0
Selling prices	0.0	-0.2	0.5	0.5	0.3
Profit	-1.9	18.4	-0.8	9.9	-7.7
Investment					
Capital expenditure	1.1	1.6	3.4	2.1	2.3
Inventories	-1.1	-0.8	0.0	-0.3	-1.3
Employment					
Full time equivalent	-0.3	0.5	0.4	0.1	-0.2

QUEENSLAND

Trading performance					
Operating income	-1.6	2.1	0.2	1.7	-1.3
Selling prices	-0.5	-0.7	0.0	0.1	0.3
Profit	-7.9	8.9	-4.1	5.0	-5.9
Investment					
Capital expenditure	5.9	3.2	0.8	-0.7	-0.9
Inventories	-0.9	-2.2	-1.1	-1.7	-1.0
Employment					
Full time equivalent	-0.7	1.4	0.1	0.5	-0.1

SOUTH AUSTRALIA

Trading performance					
Operating income	0.3	5.0	3.4	2.7	0.2
Selling prices	0.3	0.1	0.3	0.3	0.2
Profit	6.1	38.0	37.9	14.0	-3.9
Investment					
Capital expenditure	-5.0	3.9	9.2	-0.8	1.3
Inventories	-1.2	-0.9	-0.2	-6.4	-0.2
Employment					
Full time equivalent	-0.9	0.5	0.0	-0.9	-0.2

EXPECTED AGGREGATE CHANGE OVER THE PREVIOUS QTR.....

	Mar Qtr 1999	Jun Qtr 1999	Sep Qtr 1999	Dec Qtr 1999	Mar Qtr 2000
Business performance indicators	%	%	%	%	%

WESTERN AUSTRALIA

Trading performance					
Operating income	1.4	0.4	1.3	2.1	-1.0
Selling prices	0.0	-0.9	0.7	0.2	0.1
Profit	19.4	1.9	9.1	4.0	-1.1
Investment					
Capital expenditure	0.4	-2.4	0.2	1.3	-0.9
Inventories	2.5	-0.2	-1.2	0.1	-0.4
Employment					
Full time equivalent	-0.3	-1.1	-0.1	0.8	0.7

TASMANIA

Trading performance					
Operating income	-1.4	0.0	-0.5	1.6	0.5
Selling prices	0.3	0.5	-0.9	0.3	0.5
Profit	-8.4	-1.9	-16.6	0.4	2.0
Investment					
Capital expenditure	0.9	-3.5	0.5	8.5	1.6
Inventories	-0.8	-2.6	-0.6	-0.3	-0.7
Employment					
Full time equivalent	0.3	0.0	-0.1	1.0	1.0

AUSTRALIA

Trading performance					
Operating income	-0.9	1.8	1.8	2.4	-0.7
Selling prices	0.0	-0.2	0.3	0.5	0.2
Profit	-8.0	12.4	6.7	7.7	-5.6
Investment					
Capital expenditure	1.3	3.0	1.1	1.6	0.2
Inventories	-0.3	-0.9	-0.4	-0.9	-1.1
Employment					
Full time equivalent	-0.7	0.3	0.1	0.4	-0.2

SIZE OF BUSINESS, Short-term Outlook Expected Aggregate Change

EXPECTED AGGREGATE CHANGE OVER THE PREVIOUS QTR.....

	Mar Qtr 1999	Jun Qtr 1999	Sep Qtr 1999	Dec Qtr 1999	Mar Qtr 2000
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Business performance indicators % % % % %

SMALL

Trading performance					
Operating income	-0.4	0.9	1.7	1.6	0.4
Selling prices	-0.1	-0.1	0.4	0.7	0.2
Profit	-10.5	5.3	-1.5	3.6	-3.0
Investment					
Capital expenditure	3.9	2.8	3.2	1.0	0.2
Inventories	0.2	-0.5	-0.3	-0.4	-0.1
Employment					
Full time equivalent	-0.1	0.7	0.5	0.2	0.3
Operating expenses					
Wages	0.3	1.4	1.5	0.5	0.4
Non-wage labour	0.7	0.1	1.1	0.4	0.2
Other	0.8	0.7	2.3	1.1	1.4
Total	0.7	0.8	2.2	1.0	1.3

MEDIUM

Trading performance					
Operating income	-0.3	1.2	1.4	1.6	-1.6
Selling prices	-0.2	-0.6	0.2	-0.1	0.3
Profit	-0.4	14.6	11.1	7.5	-19.0
Investment					
Capital expenditure	6.1	0.6	4.2	4.2	0.1
Inventories	-1.3	-0.7	-1.2	0.7	-1.1
Employment					
Full time equivalent	-0.7	-0.3	0.2	0.4	-0.1
Operating expenses					
Wages	0.2	0.2	1.5	1.6	0.7
Non-wage labour	0.0	0.2	1.1	1.4	0.1
Other	-0.2	0.3	0.3	0.8	1.1
Total	-0.1	0.3	0.6	0.9	1.0

LARGE

Trading performance					
Operating income	-2.1	3.4	2.0	4.0	-2.2
Selling prices	0.2	-0.1	0.3	0.3	0.1
Profit	-8.1	20.4	13.9	18.1	-5.7
Investment					
Capital expenditure	-2.9	3.9	-1.8	3.5	0.3
Inventories	-0.4	-1.4	0.0	-2.7	-3.2
Employment					
Full time equivalent	-1.5	0.1	-0.3	0.8	-0.8
Operating expenses					
Wages	-0.4	0.7	0.5	1.3	-1.2
Non-wage labour	-0.3	0.9	0.0	1.0	-0.5
Other	-0.9	1.0	0.9	2.2	-1.7
Total	-0.8	0.9	0.8	2.0	-1.6

MEDIUM-TERM OUTLOOK, Expected Aggregate Change: **Original and Trend**EXPECTED AGGREGATE CHANGE OVER THE SAME QUARTER OF
THE PREVIOUS YEAR

	<i>Dec Qtr</i> 1999	<i>Mar Qtr</i> 2000	<i>Jun Qtr</i> 2000	<i>Sep Qtr</i> 2000	<i>Dec Qtr</i> 2000
Business performance indicators	%	%	%	%	%
ORIGINAL					
Trading performance					
Operating income	2.7	2.3	3.3	2.7	1.8
Selling prices	0.5	-0.1	0.9	1.4	0.9
Profit	13.0	16.4	19.0	8.9	1.4
Investment					
Capital expenditure	14.0	0.5	-0.5	-0.5	1.3
Inventories	-0.3	-0.2	0.1	-0.7	-0.3
Employment					
Full time equivalent	0.1	-0.1	0.4	0.3	0.2
Operating expenses					
Wages	1.3	1.0	1.9	1.5	0.4
Non-wage labour	1.0	0.6	1.2	0.6	0.5
Other	1.5	0.8	1.9	1.6	1.9
Total	1.4	0.9	1.9	1.6	1.7
TREND					
Trading performance					
Operating income	2.7	2.8	2.8	2.5	2.0
Selling prices	0.4	0.4	0.7	1.0	1.2
Profit	14.8	17.0	15.0	9.5	3.2
Investment					
Capital expenditure	2.2	1.1	-0.2	-0.5	0.2
Inventories	0.0	-0.1	-0.3	-0.4	-0.4
Employment					
Full time equivalent	0.1	0.2	0.2	0.2	0.2
Operating expenses					
Wages	1.4	1.5	1.5	1.2	0.8
Total	1.3	1.4	1.5	1.6	1.7

MEDIUM-TERM WEIGHTED NET BALANCE—December Qtr 2000

BUSINESSES EXPECTING.....

	<i>Decreases</i>	<i>No change</i>	<i>Increases</i>	<i>Net balance</i>
Business performance indicators	%	%	%	%
.....				
Trading performance				
Operating income	18.7	24.3	56.9	38.2
Selling prices	11.3	37.4	51.3	40.9
Profit	37.5	18.3	44.2	6.7
Investment				
Capital expenditure	11.8	58.8	29.4	17.6
Inventories	28.6	45.9	25.4	-3.2
Employment				
Full time equivalent	18.3	49.5	32.2	13.9
Operating expenses				
Wages	24.1	23.5	52.5	28.4
Non-wage labour	10.9	36.7	52.4	41.5
Other	11.0	30.6	58.4	47.4
.....				

EXPECTED AGGREGATE CHANGE OVER THE SAME QUARTER OF
THE PREVIOUS YEAR

	<i>Dec Qtr</i> 1999	<i>Mar Qtr</i> 2000	<i>Jun Qtr</i> 2000	<i>Sep Qtr</i> 2000	<i>Dec Qtr</i> 2000
Business performance indicators	%	%	%	%	%
.....					
MINING					
Trading performance					
Operating income	3.5	1.4	3.8	-0.3	1.1
Selling prices	-1.0	-2.1	-0.3	-0.8	0.1
Profit	6.1	14.4	35.8	3.3	18.2
Investment					
Capital expenditure	-2.9	-17.5	-22.3	-9.8	2.4
Inventories	-1.3	-1.5	-5.3	-2.2	-3.1
Employment					
Full time equivalent	-1.4	-3.1	-4.1	-3.2	-2.3
Operating expenses					
Wages	-0.4	-2.0	-4.6	-2.9	-1.7
Non-wage labour	-2.1	-3.1	-5.5	-2.4	-2.3
Other	3.2	-0.9	0.2	-0.6	-2.3
Total	2.5	-1.1	-0.7	-1.0	-2.2
.....					
MANUFACTURING					
Trading performance					
Operating income	2.5	3.2	2.5	2.9	1.4
Selling prices	0.5	0.7	0.8	1.2	1.4
Profit	15.8	26.5	23.9	10.2	-1.8
Investment					
Capital expenditure	6.9	11.7	1.6	0.2	3.3
Inventories	-0.9	-1.1	-0.9	-1.0	-1.9
Employment					
Full time equivalent	0.0	-0.2	-1.3	-0.2	-0.3
Operating expenses					
Wages	1.2	1.4	1.1	1.8	2.0
Non-wage labour	1.3	1.1	0.8	1.3	0.8
Other	0.7	1.0	0.6	1.7	2.2
Total	0.8	1.0	0.7	1.7	2.2
.....					
ELECTRICITY, GAS & WATER					
Trading performance					
Operating income	3.2	3.5	4.1	1.7	0.7
Selling prices	0.5	0.6	1.8	0.4	0.8
Profit	4.1	1.5	23.0	3.5	14.8
Investment					
Capital expenditure	-4.8	-8.9	-9.1	0.8	1.6
Inventories	-1.5	0.7	-1.8	0.6	0.9
Employment					
Full time equivalent	-0.8	-0.8	-0.3	-1.0	-0.4
Operating expenses					
Wages	1.1	1.3	0.2	2.4	0.3
Non-wage labour	1.1	1.0	1.2	1.3	0.7
Other	3.4	4.4	1.1	1.1	-2.0
Total	3.1	4.0	1.0	1.2	-1.8
.....					
CONSTRUCTION					
Trading performance					
Operating income	1.8	0.2	1.2	1.0	1.3
Selling prices	0.7	0.6	1.2	1.1	0.7
Profit	9.2	10.6	6.0	0.4	3.2
Investment					
Capital expenditure	1.0	3.7	5.0	-1.3	0.7
Inventories	-0.2	0.2	-1.4	-0.2	-0.2
Employment					
Full time equivalent	1.0	-1.4	1.3	-0.5	-0.1
Operating expenses					
Wages	2.0	-1.2	1.2	0.3	0.7
Non-wage labour	1.1	-1.6	0.8	0.6	0.5
Other	1.2	-0.7	0.9	1.2	1.1
Total	1.3	-0.8	0.9	1.0	1.0

EXPECTED AGGREGATE CHANGE OVER THE SAME QUARTER OF
THE PREVIOUS YEAR

	Dec Qtr 1999	Mar Qtr 2000	Jun Qtr 2000	Sep Qtr 2000	Dec Qtr 2000
Business performance indicators	%	%	%	%	%
.....					
WHOLESALE					
Trading performance					
Operating income	4.3	2.3	3.3	3.3	3.4
Selling prices	1.0	0.1	0.9	0.8	1.2
Profit	24.3	17.5	19.9	15.2	-2.3
Investment					
Capital expenditure	3.3	9.1	2.9	1.3	6.4
Inventories	0.4	-1.1	-0.1	-1.0	0.9
Employment					
Full time equivalent	0.3	0.5	1.5	0.5	1.0
Operating expenses					
Wages	1.8	2.1	3.3	1.6	2.4
Non-wage labour	1.4	1.6	2.1	0.6	1.2
Other	2.5	0.7	2.0	1.9	4.2
Total	2.4	0.8	2.1	1.9	4.1
.....					
RETAIL					
Trading performance					
Operating income	0.9	2.3	4.6	2.5	1.9
Selling prices	0.6	0.3	1.4	0.7	1.0
Profit	2.3	14.0	15.3	3.2	0.0
Investment					
Capital expenditure	2.6	9.3	17.8	1.2	2.3
Inventories	-0.4	2.5	3.6	-0.5	0.7
Employment					
Full time equivalent	-0.2	0.5	0.8	1.0	1.1
Operating expenses					
Wages	1.4	1.7	2.9	2.2	2.1
Non-wage labour	0.8	2.7	1.9	1.5	1.7
Other	0.7	1.3	3.7	2.3	2.1
Total	0.8	1.3	3.6	2.3	2.1
.....					
ACCOMMODATION, CAFES & RESTAURANTS					
Trading performance					
Operating income	2.6	2.4	3.2	3.7	3.3
Selling prices	2.5	1.8	1.9	2.9	3.0
Profit	4.1	8.8	8.3	11.9	6.6
Investment					
Capital expenditure	1.9	12.5	4.9	5.0	-0.2
Inventories	0.7	0.3	0.9	0.9	0.4
Employment					
Full time equivalent	0.5	2.1	0.7	0.7	0.3
Operating expenses					
Wages	2.1	2.3	3.0	2.1	2.0
Non-wage labour	1.9	1.5	1.9	1.6	1.9
Other	2.3	1.3	2.3	2.1	2.7
Total	2.3	1.6	2.5	2.1	2.5
.....					
TRANSPORT, STORAGE & COMMUNICATION					
Trading performance					
Operating income	4.9	4.3	3.2	3.3	1.7
Selling prices	0.4	0.1	-0.1	0.4	0.5
Profit	28.8	14.9	20.0	22.4	3.2
Investment					
Capital expenditure	30.7	-8.8	-10.7	-2.1	-2.6
Inventories	-0.8	2.0	2.0	-4.0	-0.3
Employment					
Full time equivalent	-0.7	-1.4	-0.4	-2.8	-1.2
Operating expenses					
Wages	0.4	0.7	0.3	-0.3	0.6
Non-wage labour	0.6	0.3	-0.3	-0.7	-0.2
Other	1.0	3.4	0.1	1.7	1.5
Total	0.9	2.5	0.2	1.2	1.3

EXPECTED AGGREGATE CHANGE OVER THE SAME QUARTER OF
THE PREVIOUS YEAR

	Dec Qtr 1999	Mar Qtr 2000	Jun Qtr 2000	Sep Qtr 2000	Dec Qtr 2000
Business performance indicators	%	%	%	%	%

FINANCE & INSURANCE

Trading performance					
Operating income	5.1	6.9	3.9	6.4	2.3
Selling prices	-0.6	-0.7	0.6	3.7	-0.8
Profit	17.6	23.0	9.9	28.5	7.9
Investment					
Capital expenditure	-0.4	-1.5	-0.4	2.8	1.2
Inventories	0.0	-0.4	0.0	-0.2	-0.8
Employment					
Full time equivalent	-1.2	0.8	-0.1	1.1	0.0
Operating expenses					
Wages	1.5	2.7	1.5	2.9	1.3
Non-wage labour	1.3	1.6	0.2	0.1	0.7
Other	1.3	1.3	2.0	1.1	0.3
Total	1.3	1.5	1.9	1.2	0.4

PROPERTY & BUSINESS SERVICES

Trading performance					
Operating income	2.4	1.2	6.4	1.9	0.1
Selling prices	0.2	-2.1	1.2	1.0	2.1
Profit	10.3	18.0	30.9	2.5	1.3
Investment					
Capital expenditure	23.4	1.2	4.8	-1.1	0.9
Inventories	0.3	-0.8	2.1	-0.2	-0.3
Employment					
Full time equivalent	0.5	-0.9	3.1	1.3	1.0
Operating expenses					
Wages	1.2	0.4	4.5	2.3	-1.8
Non-wage labour	0.8	-0.2	3.3	1.3	0.6
Other	1.4	-0.2	3.3	1.5	1.6
Total	1.4	0.0	3.7	1.7	0.3

ALL INDUSTRIES

Trading performance					
Operating income	2.7	2.3	3.3	2.7	1.8
Selling prices	0.5	-0.1	0.9	1.4	0.9
Profit	13.0	16.4	19.0	8.9	1.4
Investment					
Capital expenditure	14.0	0.5	-0.5	-0.5	1.3
Inventories	-0.3	-0.2	0.1	-0.7	-0.3
Employment					
Full time equivalent	0.1	-0.1	0.4	0.3	0.2
Operating expenses					
Wages	1.3	1.0	1.9	1.5	0.4
Non-wage labour	1.0	0.6	1.2	0.6	0.5
Other	1.5	0.8	1.9	1.6	1.9
Total	1.4	0.9	1.9	1.6	1.7

STATE EXPECTATIONS, Medium-term Outlook Expected Aggregate Change

EXPECTED AGGREGATE CHANGE OVER THE SAME QUARTER OF THE PREVIOUS YEAR

	<i>Dec Qtr 1999</i>	<i>Mar Qtr 2000</i>	<i>Jun Qtr 2000</i>	<i>Sep Qtr 2000</i>	<i>Dec Qtr 2000</i>
Business performance indicators	%	%	%	%	%

NEW SOUTH WALES

Trading performance					
Operating income	2.8	1.4	3.0	2.6	2.1
Selling prices	0.5	-0.2	1.0	2.1	0.9
Profit	5.1	9.4	16.3	10.3	5.0
Investment					
Capital expenditure	6.9	6.6	5.6	-0.9	0.1
Inventories	-0.2	0.9	-0.3	-1.0	-0.6
Employment					
Full time equivalent	0.0	-0.7	0.1	0.4	0.2

VICTORIA

Trading performance					
Operating income	3.0	3.3	4.1	3.5	1.9
Selling prices	0.8	0.4	0.9	1.5	0.8
Profit	11.5	23.4	33.7	11.8	-5.0
Investment					
Capital expenditure	34.1	1.0	3.4	1.9	2.4
Inventories	-0.1	0.2	0.3	-0.6	-0.2
Employment					
Full time equivalent	0.2	0.8	0.4	0.1	0.3

QUEENSLAND

Trading performance					
Operating income	2.1	0.8	2.0	2.4	1.1
Selling prices	0.0	-0.3	0.8	0.6	1.0
Profit	7.6	6.2	15.7	8.2	1.2
Investment					
Capital expenditure	1.9	0.8	-3.9	-2.4	1.9
Inventories	-1.2	-3.3	-1.7	-0.6	-0.2
Employment					
Full time equivalent	0.0	-0.1	0.9	0.4	0.2

SOUTH AUSTRALIA

Trading performance					
Operating income	2.7	3.8	5.7	3.3	2.7
Selling prices	0.8	0.3	0.7	1.1	0.9
Profit	9.6	27.7	46.1	9.2	3.6
Investment					
Capital expenditure	22.2	0.6	-7.0	-3.1	1.9
Inventories	-0.3	0.2	-0.4	0.0	0.3
Employment					
Full time equivalent	0.4	0.4	0.1	0.2	-0.8

EXPECTED AGGREGATE CHANGE OVER THE SAME QUARTER OF
THE PREVIOUS YEAR

	Dec Qtr 1999	Mar Qtr 2000	Jun Qtr 2000	Sep Qtr 2000	Dec Qtr 2000
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Business performance indicators	%	%	%	%	%
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WESTERN AUSTRALIA

Trading performance					
Operating income	2.5	2.5	5.0	1.8	1.4
Selling prices	0.6	-0.3	1.0	0.6	1.2
Profit	6.3	10.9	5.7	4.1	6.6
Investment					
Capital expenditure	-4.1	-0.8	0.2	-0.5	2.5
Inventories	0.2	0.2	4.0	-1.3	-0.1
Employment					
Full time equivalent	0.1	-0.7	0.7	0.7	0.4

TASMANIA

Trading performance					
Operating income	1.0	1.9	3.0	1.8	1.4
Selling prices	0.7	0.5	0.6	1.0	0.9
Profit	-0.8	12.0	22.6	3.9	-3.5
Investment					
Capital expenditure	5.7	-1.8	-0.8	2.0	-1.6
Inventories	-1.5	-1.0	-1.0	-0.5	-0.7
Employment					
Full time equivalent	0.4	0.0	-0.3	0.3	0.2

AUSTRALIA

Trading performance					
Operating income	2.7	2.3	3.3	2.7	1.8
Selling prices	0.5	-0.1	0.9	1.4	0.9
Profit	13.0	16.4	19.0	8.9	1.4
Investment					
Capital expenditure	14.0	0.5	-0.5	-0.5	1.3
Inventories	-0.3	-0.2	0.1	-0.7	-0.3
Employment					
Full time equivalent	0.1	-0.1	0.4	0.3	0.2

EXPECTED AGGREGATE CHANGE OVER THE SAME QUARTER OF THE PREVIOUS YEAR

	<i>Dec Qtr 1999</i>	<i>Mar Qtr 2000</i>	<i>Jun Qtr 2000</i>	<i>Sep Qtr 2000</i>	<i>Dec Qtr 2000</i>
Business performance indicators	%	%	%	%	%
.....					
SMALL					
Trading performance					
Operating income	2.8	1.7	3.4	2.5	1.9
Selling prices	0.5	-0.4	0.8	1.9	0.9
Profit	9.1	13.0	17.3	7.5	-0.9
Investment					
Capital expenditure	17.3	5.7	4.7	-0.3	1.4
Inventories	0.0	0.3	1.5	-0.3	0.3
Employment					
Full time equivalent	0.5	0.4	0.9	0.3	0.6
Operating expenses					
Wages	1.6	0.9	2.5	1.3	1.3
Non-wage labour	1.3	0.6	1.6	0.6	0.6
Other	2.1	0.5	2.3	1.4	2.2
Total	2.0	0.5	2.3	1.4	2.1
.....					
MEDIUM					
Trading performance					
Operating income	2.2	1.3	2.5	1.7	2.6
Selling prices	0.6	-0.4	1.3	0.5	1.0
Profit	19.2	17.8	20.2	3.9	7.9
Investment					
Capital expenditure	4.6	5.0	6.8	0.2	0.8
Inventories	-0.5	-0.8	-0.4	-0.5	-1.1
Employment					
Full time equivalent	0.2	-1.5	0.8	0.5	-0.3
Operating expenses					
Wages	1.6	0.1	2.3	2.5	1.8
Non-wage labour	0.9	0.0	1.5	1.7	0.6
Other	1.0	0.7	1.1	1.3	1.8
Total	1.1	0.5	1.4	1.5	1.8
.....					
LARGE					
Trading performance					
Operating income	3.0	3.8	3.7	3.4	1.2
Selling prices	0.4	0.5	0.9	0.8	1.1
Profit	14.4	20.0	20.4	14.6	4.5
Investment					
Capital expenditure	12.2	-6.7	-7.4	-1.3	1.4
Inventories	-0.6	-0.5	-1.0	-1.7	-0.8
Employment					
Full time equivalent	-0.6	0.2	-0.4	0.4	-0.1
Operating expenses					
Wages	0.7	1.7	1.1	1.4	-0.9
Non-wage labour	0.6	0.9	0.4	0.2	0.4
Other	0.8	1.4	1.8	2.1	1.3
Total	0.8	1.5	1.6	2.0	0.8

EXPLANATORY NOTES

INTRODUCTION

- 1** This publication contains estimates of future economic activity based on the business expectations of senior executives, managers and proprietors of businesses operating in Australia. The estimates have been compiled from data collected by the Australian Bureau of Statistics (ABS) in its quarterly survey of business expectations.
- 2** This survey commenced with short term expectations for the December quarter 1993 and medium term expectations for the September quarter 1994. This quarter's publication contains estimates of the expected change between the December quarter 1999 and the March quarter 2000 and the December quarter 2000.
- 3** The seasonal adjustments of these series has been reviewed, and a Technical Note containing further information has been included in this issue on pages 33 and 34. For this issue, the original and trend series will continue to be the published indicators, with the trend providing an indication of the underlying direction of the series. Trend estimates are provided on pages 12 and 20, with an explanation in paragraph 28 of the Explanatory Notes.
- 4** The survey is conducted by mail each quarter. This quarter's survey was collected during November and December 1999.
- 5** It is based on a stratified random sample of approximately 4,500 businesses selected from the ABS annual Economic Activity Survey (EAS). EAS in turn derives its survey population from the ABS central register of business units.
- 6** The sample is stratified by industry, sector (private and government business) and size of business (measured by number of employees). Within each stratum businesses are sampled randomly, with each business in a stratum having the same probability of selection.
- 7** 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

- 8** The statistics in this publication relate to employing businesses in all industries and sectors of the Australian economy except:
 - agriculture, forestry and fishing;
 - general government.
- 9** Data related to intended sheep matings are collected annually by the ABS and published in catalogue 7111.0 and 7113.0 publications from the Agricultural Commodity Survey.
- 10** 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

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

EXPLANATORY NOTES

BUSINESS SIZE

- 12** Data presented in this publication is classified by three business sizes :
- small (less than 20 employees, except for manufacturers where it is less than 100);
 - medium (20 to 99 employees, except for manufacturers where it is 100 to 599 employees); and
 - large (100 or more employees, except for manufacturers where it is 600 or more employees).

PROPORTION OF BUSINESSES SELECTED BY SIZE WITHIN AUSTRALIA

	<i>Small</i>	<i>Medium</i>	<i>Large</i>	<i>All businesses</i>
	%	%	%	%
Manufacturing	53.5	19.5	27.0	100.0
Other industries	63.1	14.2	22.8	100.0
All industries	61.3	15.2	23.6	100.0

STATISTICAL UNIT

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

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

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

BUSINESS PERFORMANCE INDICATORS

16 The survey uses a set of well recognised economic trading indicators in measuring future trading activity. These indicators are: Operating income, selling prices, operating expenses, employment, etc. See Glossary for details.

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

SIMPLE AND WEIGHTED NET BALANCE

18 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'.

19 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.

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

21 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.

EXPLANATORY NOTES

EXPECTED AGGREGATE CHANGE **22** The expected aggregate change measures the forecasted percentage change in the level of a particular indicator. It is estimated by weighting the expected percentage change reported by respondents to the survey by their proportion of aggregate sales, expenditure, employment, etc. in the economy as measured from the benchmark estimate in the EAS.

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

COMPARISON OF RESULTS **24** 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.

25 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.

26 A comparison of the various expectations measures is provided in the following table:

COMPARISON OF THREE MEASURES OF BUSINESS EXPECTATIONS

	Simple net balance	Weighted net balance	Weighted aggregate
	%	%	%
Operating income	1.2	-8.8	-0.7
Wage costs	16.9	1.2	-0.3
Employment			
Full time equivalent	-0.1	-2.5	-0.2

27 For the March quarter 2000 a simple net balance of 0.1% of businesses expect a fall in employment. The fall in the employment weighted net balance of 2.5% indicates that the businesses expecting a fall in employment tend to be larger than those expecting a rise.

TREND ESTIMATES **28** The trend estimates are derived by applying a 7-term Henderson moving average to the (unpublished) seasonally adjusted series (The seasonally adjusted series will be available for publication in upcoming releases). The 7-term Henderson average (like all Henderson averages) is symmetric, but as the end of a time series is approached, asymmetric forms of the average are applied. Unlike the weights of the standard 7-term Henderson moving average, the weights employed here have been tailored to suit the particular characteristics of individual series. While the asymmetric weights enable trend estimates for recent quarters to be produced, it does result in revisions to the estimates for the most recent three quarters as additional observations become available. There may also be revisions because of changes in the original data and as a result of the re-estimation of the seasonal factors. For further Information, see *A Guide to Interpreting Time Series—Monitoring Trends: an Overview* (Cat. no. 1348.0) or contact the Assistant Director, Time Series Analysis on (02) 6252 6345.

EXPLANATORY NOTES

RELIABILITY OF ESTIMATES

29 All of the estimates in this publication are subject to:

- sampling error;
- non-sampling error; and
- benchmark bias

SAMPLING ERROR

30 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.

STANDARD ERRORS

31 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 *Operating Income* for Australia is -0.7% with a standard error of 0.6, there would be two chances in three that the true value would be within the range -1.3% and -0.1%.

STANDARD ERRORS OF KEY ESTIMATES, SHORT-TERM EXPECTATION, AUSTRALIA

<i>Business performance indicator</i>	<i>Survey estimate</i>	<i>Standard error</i>
Operating income	-0.7	0.6
Selling prices	0.2	0.1
Profit	-5.6	3.0
Capital expenditure	0.2	0.6
Stocks	-1.1	0.5
Employment	-0.2	0.1
Wage costs	-0.3	0.5

NON-SAMPLING ERROR

32 All other inaccuracies are referred to collectively as non-sampling error. The major areas of concern are: non-response; mis-reporting of data by respondents; and deficiency in the central register of economic units.

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

34 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.

35 In addition, actual movements would be partly comprised of activity of relatively recently formed businesses, and businesses which are formed during the expectations reference period which are not immediately represented in BES because they would not have been included on the ABS central register of economic units. Allowance is made in other ABS series for coverage deficiencies relating to newly formed businesses but no allowance for this is made in BES. This is important for some variables, where the contribution of new businesses to growth in that variable is relatively substantial (e.g. employment, capital expenditure or stocks).

EXPLANATORY NOTES

BENCHMARKS

36 Benchmark (or base level) information is obtained from the ABS annual Economic Activity Survey (EAS). It is used to weight individual business responses by their relative contribution to each business performance indicator. This enables percentage responses from different businesses to be aggregated.

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

38 Results from the EAS are published in *Business Operations and Industry Performance* (Cat. no. 8140.0).

TECHNICAL NOTE SEASONAL ADJUSTMENT OF BUSINESS EXPECTATIONS

INTRODUCTION

Seasonally adjusted business expectations are currently not published. In order to successfully compile reliable seasonally adjusted indicators for publication purposes, an adequate span of time series data is required. Generally at least seven years of quarterly time series data is required before the averages used in the seasonal adjustment process yield reliable results.

IDENTIFYING SEASONALITY

There are two main factors related to the concept of identifiable seasonality which determine the public release of seasonally adjusted indicators.

- Does significant seasonality exist in the span of data being published? This relates to any significant seasonal peaks and/or troughs that are evident in the data on a regular basis. This is a qualitative approach to seasonality;
- Is the inherent volatility in the data too great to extract reliable estimates of any seasonal patterns? This deals with measuring the magnitude of any seasonal peaks and/or troughs in the data in a consistent way. This is a quantitative approach to seasonality.

MEASURING SEASONALITY

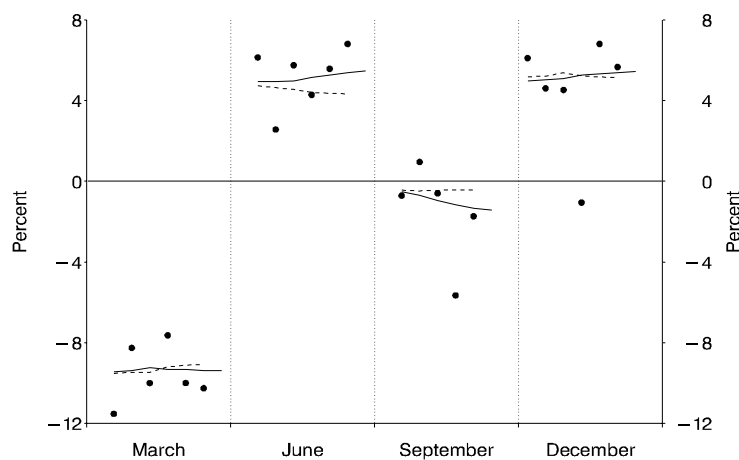
One analytical tool used by the ABS to assess individual time series is to plot the original data (with the trend estimate removed) against its estimated seasonal pattern. These charts plot each quarter in separate panels and display both the qualitative and quantitative properties of seasonality in a time series. Examples of these charts for short-term business expectations appear in Charts 1 and 2 below.

The original data points (with the trend estimate removed) are represented by the scatter plot in each panel. Averages are then applied to this data to produce estimates of seasonal factors. The most recently estimated seasonal factors are represented by the solid lines and the previous (one year earlier) estimates of seasonal factors are represented by the dashed lines. The zero line represents the trend estimate and indicates seasonal neutrality. Values above (or below) zero are seasonally high (or low) and represent seasonal peaks (or troughs) in the time series. When at least one panel displays significant and consistent evidence of seasonality a time series is deemed to be seasonal.

VOLATILITY AND SEASONALITY

CHART 1. SHORT-TERM PROFIT EXPECTATIONS

Revision to seasonal factors after 1999 reanalysis



In Chart 1, the span of data used is from September 1993 to June 1999. That is, March quarter data from 1994 to 1999 appears in the first panel, June quarter data from 1994 to 1999 appears in the second panel and so on until all available data has been plotted.

TECHNICAL NOTE SEASONAL ADJUSTMENT OF BUSINESS EXPECTATIONS

VOLATILITY AND SEASONALITY *continued*

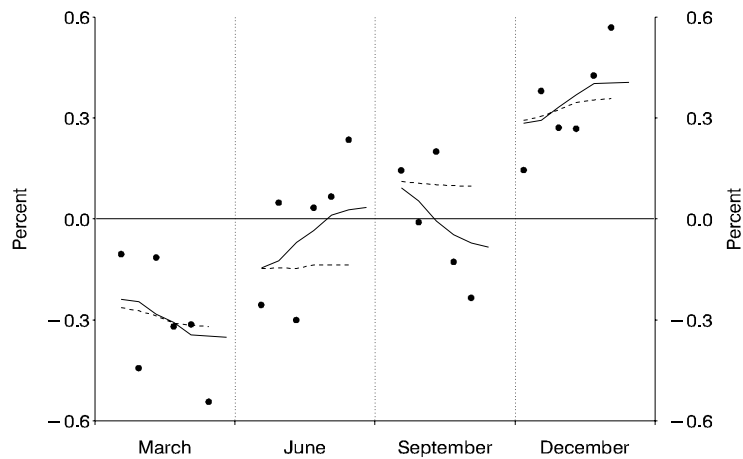
The chart shows clear evidence of significant seasonality during the March (seasonally low), June and December quarters (seasonally high) but inconclusive evidence of seasonal effects in the September quarter. This illustrates the qualitative approach to seasonality.

The quantitative approach is illustrated by examining the scatter plot in each of the four panels. Using the March quarter data as an example, it can be seen that the "average" seasonality observed in the original data for this time series is reasonably well estimated by both the previous and current seasonal factors (dashed and solid lines respectively). That is, the degree of scatter in the original data is not so great as to undermine confidence in the reliability of the estimated seasonal factors.

Chart 1, Short-term Profit Expectations illustrates how a relatively well behaved time series appears in this style of presentation. An example of a poorly behaved time series, Short-term Employment Expectations, can be seen in Chart 2.

CHART 2. SHORT-TERM EMPLOYMENT EXPECTATIONS

Revision to seasonal factors after 1999 reanalysis



In this example, although the time series is clearly seasonal (in a qualitative sense), the relatively high degree of volatility of the scatter plot results in a poor degree of reliability in the estimated seasonal factors. This is also evident from the relatively large revision between the current (solid lines) and previous year's seasonal factor estimates (dashed lines) for both the June and September quarters.

RESULTS

Analysis of this type has been undertaken for the time series in this publication and as a result it is now possible to publish some seasonally adjusted series in future issues. The lack of a clear-cut seasonal pattern in any of the medium-term indicators combined with their typically greater level of volatility suggests that these time series are unlikely to be published in seasonally adjusted form.

FURTHER INFORMATION

Further information on the seasonal adjustment of the business expectations indicators is available on request. Please refer to paragraph 28 in the explanatory notes for contact details.

GLOSSARY

Capital expenditure	The expected change in the value of capital expenditure in new tangible assets.
Inventories	The expected change in the book value of inventories between the end of the collection quarter and the end of the reference periods.
Non-wage labour expenses	<p>The expected change in the total amount of employment related expenses not paid directly to employees.</p> <p>Some of these expenses are payroll tax, worker's compensation and superannuation.</p>
Operating income	<p>The expected change in operating income derived from 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>
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>
Paid persons working	The expected change in the number of paid persons working. Where part time or casual employees are involved employers are requested to convert to a full-time equivalent. It should be noted that most other ABS series which provide data on paid persons working do not use a full-time equivalent measure.
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/income ratio) are used to determine the expected change for profit for the reference periods.</p> <p>Because of reporting difficulties experienced with the cost/income ratios, caution should be exercised in interpreting profit expectations.</p>
Reference periods	<p>There are two reference periods surveyed each quarter:</p> <ul style="list-style-type: none">▪ Short-term (if the current quarter is December 1999, then the quarter being surveyed is March 2000); and▪ Medium-term (if the current quarter is December 1999, then the quarter being surveyed is December 2000).
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>

GLOSSARY

State information	<p>State information has been derived for businesses in the survey which operate in more than one State.</p> <p>This has been achieved by</p> <ul style="list-style-type: none">▪ applying a weight (the proportion of a business's economic activity undertaken in each State) to the benchmarks for that business to arrive at potentially eight different benchmarks for each business performance indicator; and▪ applying the overall percentage change in the business performance indicators obtained from the survey to each of the State benchmarks for each business performance indicator.
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>
Total wage expenses	<p>The expected change in the total amount of direct wage and salaries paid to employees.</p>

UNPUBLISHED DATA

AVAILABLE DATA	<p>The amount of data collected from the Survey of Business Expectations is much greater than the data contained in this publication.</p> <p>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.</p>
SIZE OF BUSINESS	<p>The size of business is based on employment. Additional data can be estimated for the following size ranges:</p> <ul style="list-style-type: none">▪ less than 20 employees;▪ 20 to 99 employees;▪ 100 to 599 employees;▪ 600 or more employees;▪ small (less than 20 employees except for manufacturers, where it is less than 100 employees);▪ medium (20 to 99 employees except for manufacturers, where it is 100 to 599 employees); and▪ large (100 or more employees except for manufacturers, where it is 600 or more employees).
INDUSTRY	<p>Industry is classified according to ANZSIC and is available at the 1 and 2 digit level. Additional data is available for:</p> <ul style="list-style-type: none">▪ 15 industries categorised at the one digit ANZSIC level;▪ 47 industries categorised at the two digit ANZSIC level; and▪ user defined industry groups such as 'service industries'.
STATE INFORMATION	<p>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.</p>
NET BALANCE	<p>A weighted net balance for industries and size of business can be produced as a special data service.</p>
MORE INFORMATION	<p>For more information please contact the officer named at the front of this publication or write to:</p> <p>Business Expectations Survey Australian Bureau of Statistics PO Box 10 Belconnen ACT 2616.</p>

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	Melbourne	03 9615 7755	03 9615 7798
	Brisbane	07 3222 6351	07 3222 6283
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	Adelaide	08 8237 7400	08 8237 7566
	Hobart	03 6222 5800	03 6222 5995
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