

BUSINESS OPERATIONS AND INDUSTRY PERFORMANCE

AUSTRALIA

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■ For further information about these and related statistics, contact Fleur Butt on Canberra 02 6252 5288, or Client Services in any ABS office as shown on the back cover of this publication.

ABOUT THIS ISSUE

This is the eighth annual publication in this series. It has been preceded by the preliminary 1997-98 publication *Business Operations and Industry Performance* (Cat. no. 8142.0). Estimates from the 1997-98, 1996-97 and 1995-96 Economic Activity Surveys (EAS) are presented in this publication. The estimates for the previous periods contain revisions that have resulted from the analysis of 1997-98 data. They also contain any revisions that have been made as a result of data supplied by providers in the 1998-99 EAS. It is expected that preliminary results from the 1998-99 EAS will be released in May 2000.

This publication also contains, for the second time, experimental estimates for selected industries, primarily service industries, for 1995-96, 1996-97 and 1997-98 using a combination of data from the EAS and business income tax data provided to the Australian Taxation Office (ATO). These experimental estimates are shown in Tables 19 to 22. The decision to incorporate business income tax data has come about as the combined result of:

- changes in Australian Taxation Office forms, procedures and systems made as part of its 'modernisation' program over the past decade;
- the increasing significance of and interest in the services industries sector of the Australian economy; and
- increasing concerns about the government reporting burden placed on businesses.

More detail on the use of business income tax data can be found on page 28.

ABS publications draw extensively on information provided freely by individuals, businesses, governments and other organisations. Their continuing cooperation is very much appreciated; without it, the wide range of statistics published by the ABS would not be available for general use by governments and the community. Information received by the ABS is confidential, in accordance with the *Census and Statistics ACT 1905*.

In July 1998 the ABS released its Business Surveys Charter. The Charter sets out the relationship between the ABS and the businesses which provide it with information for statistical purposes. A copy of the Business Surveys Charter is available upon request.

Comments on the statistics and analyses presented and suggestions for future improvements are always welcome. These should be sent to : The Director, Economy Wide Statistics Section, PO Box 10, Belconnen ACT 2616. Fax 1800 246 303.

Dennis Trewin
Acting Australian Statistician

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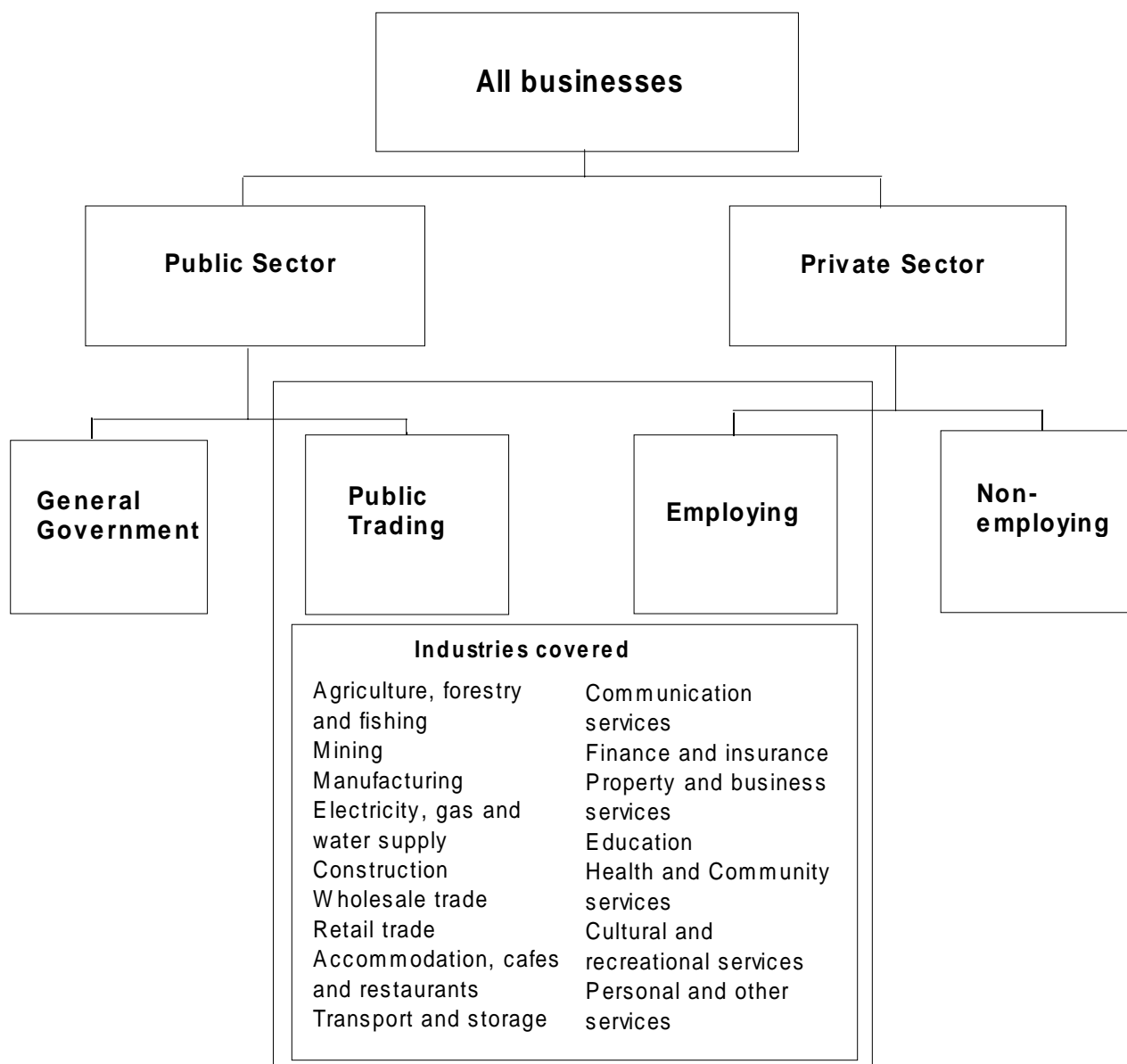
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ECONOMY WIDE STATISTICS

OVERVIEW

The statistics in this section are sourced from the Economic Activity Survey (EAS) and relate to businesses in the public trading and private employing sectors of the Australian economy.

The EAS results are from details of profit and loss statements and balance sheets collected from selected businesses, mainly by mail out questionnaires. Approximately 23,000 management units were selected for the EAS-based collection for the 1997-98 financial year.



ECONOMY WIDE STATISTICS *continued*

NUMBER OF OPERATING BUSINESSES AND EMPLOYMENT

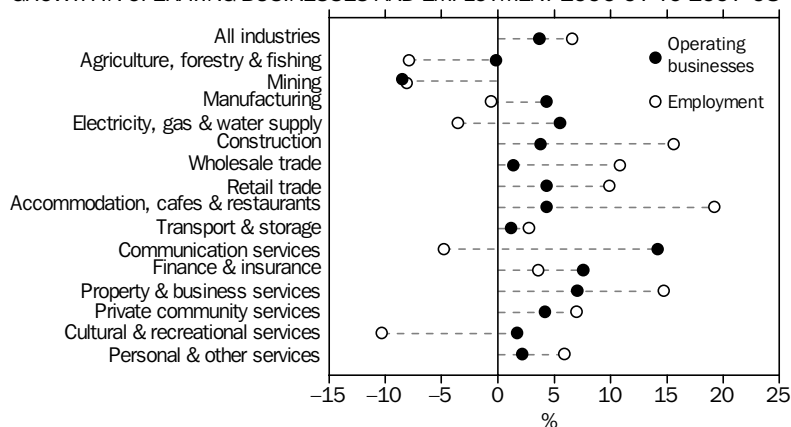
The total number of operating businesses in Australia increased to 802,350 in 1997-98, an increase of 3.7% from 1996-97 when there were 773,756 operating businesses. This compares to a 5.5% increase in 1996-97.

Employment for all industries in Australia increased by 6.6% or 421,000 people between 1996-97 and 1997-98. Of those people employed at 30 June 1998, 4,570,000 (66.9%) were employed by small and medium businesses and 2,256,000 (33.1%) by large businesses.

The change in employment was not even across all industries. It ranged from large increases in Accommodation, cafes and restaurants (19.2%) and Construction (15.6%) to falls in Cultural and recreational services (10.3%) and Mining (8.1%).

Large variations between the rate of change in the number of operating businesses and total employment exist in some industries. These differences were largest in Communication services where the number of operating businesses increased by 14.2% while employment fell by 4.8% and Accommodation, cafes and restaurants where the number of businesses rose by 4.3% and employment rose by 19.2%.

GROWTH IN OPERATING BUSINESSES AND EMPLOYMENT 1996-97 TO 1997-98

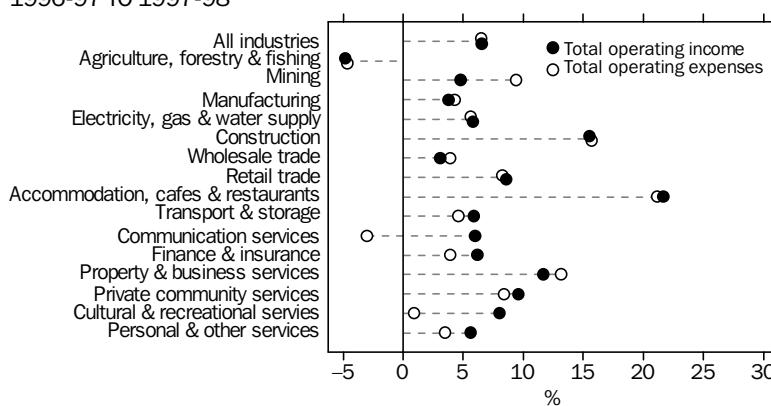


ECONOMY WIDE STATISTICS *continued*

OPERATING INCOME AND EXPENSES

Total operating income increased by \$74,063 million or 6.6% from 1996-97 to 1997-98, this compares with 4.9% increase in 1996-97. Total operating expenses increased by \$66,471 million or 6.5% in 1997-98. This compares with a 5.6% increase in 1996-97. While at the all industries level the change in total operating income and expenses is relatively similar, it varies markedly between and within industries. For example, in the Mining industry total operating income increased by 4.8%, while total operating expenses increased by 9.4%. The variation was most marked in Communication services where income increased by 6.0% and expenses fell by 3.0%, and Cultural and recreational services with 8.0% increase in income and 0.9% increase in expenses.

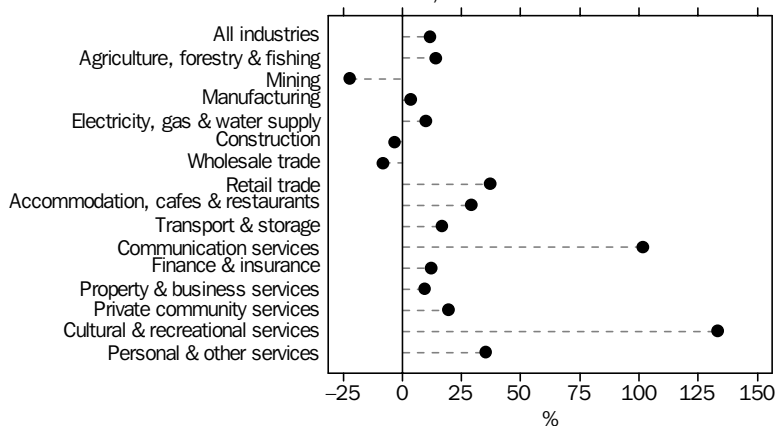
GROWTH IN TOTAL OPERATING INCOME AND TOTAL OPERATING EXPENSES
1996-97 TO 1997-98



OPERATING PROFIT BEFORE TAX

Operating profit before tax (OPBT) increased by 11.7% in 1997-98, after a fall of 1.8% in 1996-97 which was the first fall in the value of OPBT since 1991-92. Increases in OPBT were largest in Cultural and recreational services (133.5%) and Communication services (101.6%). OPBT decreased in Mining (22.2%) and Wholesale trade (8.1%). For 1996-97, OPBT has been revised for the Finance and insurance industry, with a change in the accounting treatment of policy liabilities.

GROWTH IN OPERATING PROFIT BEFORE TAX, 1996-97 TO 1997-98



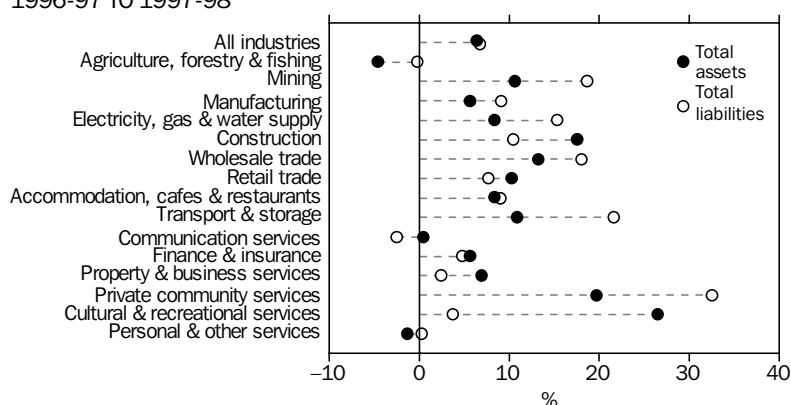
ECONOMY WIDE STATISTICS *continued*

TOTAL ASSETS AND LIABILITIES

In 1997-98 total assets at the all industries level increased by 6.4%. The degree of change between industries varied from increases in Cultural and recreational services of 26.5% and Private community services of 19.7% to falls in Agriculture, forestry and fishing (4.6%) and Personal and other services (1.3%).

Total liabilities showed a slightly different pattern. While increasing by 6.8% at the all industries level, total liabilities in Private community services increased by 32.5% and in Transport and storage by 21.6%. Falls were experienced in Agriculture, forestry and fishing (0.2%) and Communication services (2.5%).

GROWTH IN TOTAL ASSETS AND TOTAL LIABILITIES
1996-97 TO 1997-98



ECONOMY WIDE STATISTICS *continued*

ALL INDUSTRIES

Most business indicators showed small to moderate increases from 1996-97 to 1997-98. Average employment increased to 8.2 people, the same as in 1995-96, after falling to 8.0 in 1996-97.

Average income increased by 3.2% after a fall of 1.5% in 1996-97. Similarly, average expenses increased by 3.0%. The Electricity, gas and water supply industry recorded the highest level for both, with \$55.5 million and \$47.2 million respectively.

Average profit increased by 8.3% to \$130,000 the same level as in 1995-96, after a fall in 1996-97. The highest average profit of \$8.3 million was again earned in the Electricity, gas and water supply industry.

Average assets increased by 3.1% in 1997-98, with the highest level of \$220.7 million recorded in the Electricity, gas and water supply industry. The difference in averages between large and small and medium businesses was most marked in average assets with large businesses having average assets of \$611.7 million and small and medium businesses having assets of \$669,000. Average net worth increased by 2.2% to \$921,000 after a 12.6% fall in 1996-97. Average net worth was highest in the Electricity, gas and water supply industry at \$126.7 million.

1 SUMMARY OF INDUSTRY PERFORMANCE, ALL INDUSTRIES

		1995-96	1996-97	1997-98	.....
		Total	Total	Large	Other(a)	Total
Selected indicators						
Operating businesses	no.	733 541	773 756	2 981	799 369	802 350
Employment	'000	6 215	6 405	2 256	4 570	6 826
Total operating income	\$m	1 068 896	1 121 348	593 981	601 430	1 195 411
Total operating expenses	\$m	972 325	1 026 480	530 937	562 014	1 092 951
Operating profit before tax	\$m	98 220	96 486	65 154	42 642	107 797
Total assets	\$m	2 051 951	2 234 947	1 825 679	552 524	2 378 202
Total liabilities	\$m	1 274 671	1 511 738	1 334 280	280 262	1 614 541
Capital expenditure	\$m	66 158	63 879	46 035	31 529	77 564
Industry gross product(b)	\$m	279 716	291 690	..	..	..
Industry value added(b)	\$m	..	..	np	np	332 182
Business averages						
Employment	no.	8.2	8.0	756.0	5.5	8.2
Income	\$'000	1 418	1 397	199 015	728	1 442
Expenses	\$'000	1 290	1 279	177 892	680	1 318
Profit	\$'000	130	120	21 830	52	130
Assets	\$'000	2 722	2 784	611 700	669	2 869
Net worth	\$'000	1 031	901	164 645	330	921
Gross product	\$'000	..	..	..	..	..
Value added	\$'000	..	..	..	..	..
Industry ratios						
Profit margin	%	9.2	8.6	11.0	7.1	9.0
Return on assets	%	4.8	4.3	3.6	7.7	4.5
Return on net worth	%	12.6	13.3	13.3	15.7	14.1
Interest coverage	times	2.6	2.6	2.3	4.8	2.8
Investment rate(b)	%	23.7	21.9	np	np	23.3

.. not applicable

np not available for publication but included in totals where applicable, unless otherwise indicated

(a) Is comprised of small and medium businesses.

(b) Excludes finance and insurance industries.

ECONOMY WIDE STATISTICS *continued*

In 1997-98 the Finance and insurance industry recorded the highest profit margin of 27.3%. The lowest profit margin for the period of 3.8% is attributable to the Distribution industries. The converse is true for return on assets with the Distribution industries having the highest return of 8.0% whilst the Finance and insurance industry recorded the lowest return of 2.7%.

Other service industries account for nearly half (46%) of the total employment recorded for All industries and over a third (34.3%) of the capital expenditure. Businesses in the Finance and insurance industry have the highest average assets, which were valued at \$49.3 million in 1997-98. Businesses in Other service industries reported the lowest value for average assets of \$0.9 million. This disparity in average assets is consistent with the Total assets for the Finance and insurance industry and Other service industries, with the former holding 52.0% of Total assets for all industries, while the latter holds only 15.7%.

2 SUMMARY OF INDUSTRY PERFORMANCE, BY INDUSTRY GROUP

		Goods-producing industries(a)	Distribution industries(b)	Finance and insurance industry	Other service industries(c)	All industries
Selected indicators						
Operating businesses	no.	177 543	199 541	23 754	401 512	802 350
Employment	'000	1 476	1 916	315	3 119	6 826
Total operating income	\$m	332 643	446 048	122 013	294 707	1 195 411
Total operating expenses	\$m	305 812	432 171	88 596	266 372	1 092 951
Operating profit before tax	\$m	28 722	16 807	33 274	28 994	107 797
Total assets	\$m	557 130	210 122	1 236 508	374 443	2 378 202
Total liabilities	\$m	248 146	143 571	1 019 550	203 274	1 614 541
Capital expenditure	\$m	35 012	11 905	4 051	26 597	77 564
Industry value added	\$m	115 312	82 100	..	129 672	(d)332 182
Business averages						
Employment	no.	8.3	9.2	12.6	7.5	8.2
Income	\$'000	1 868	2 133	4 865	707	1 442
Expenses	\$'000	1 717	2 067	3 533	639	1 318
Profit	\$'000	161	80	1 327	70	130
Assets	\$'000	3 128	1 005	49 305	898	2 869
Net worth	\$'000	1 735	318	8 651	411	921
Value added	\$'000	647	393	..	311	(d)401
Industry ratios						
Profit margin	%	8.6	3.8	27.3	9.8	9.0
Return on assets	%	5.2	8.0	2.7	7.7	4.5
Return on net worth	%	9.3	25.3	15.3	16.9	14.1
Interest coverage	times	3.7	3.8	1.9	4.7	2.8
Investment rate	%	30.4	14.5	..	20.5	(d)23.3

.. not applicable

(a) Comprises Agriculture, forestry and fishing, Mining, Manufacturing and Electricity, gas and water supply industries.

(b) Comprises Wholesale trade, Retail trade and Transport and storage industries.

(c) Comprises all remaining industries.

(d) Excludes the Finance and Insurance industries.

ECONOMY WIDE STATISTICS *continued*

AGRICULTURE, FORESTRY AND FISHING

The number of operating businesses in this industry fell by 0.2% in 1997-98 to 117,166. Total employment declined by 7.9% in 1997-98 to 336,000 people.

Total operating income fell by 4.8% in 1997-98 while total operating expenses fell by 4.6%. However, OPBT increased by 14.2% which reflects the change in inventory levels. Most of the increase in OPBT was in the Agriculture subdivision of this industry (up 17.5% from 1996-97) while OPBT fell by 26.8% in Commercial fishing.

Capital expenditure increased by 5.3% in 1997-98 to \$5,171 million. This expenditure is just slightly above expenditure in 1995-96, after a drop in 1996-97, and is the highest level of expenditure in the last six years.

Business averages were down in this industry with the exception of average profit which was \$37,000 in 1997-98, an increase of 15.6% from 1996-97. All industry ratios, except for investment rate, showed increases in their value in 1997-98. Profit margin increased to 14.1% (from 11.7% in 1996-97). Return on net worth increased to 3.8% (from 3.1%) and interest coverage to 3.6 times (from 3.0 times). Investment rate declined marginally to 44.4% from 45.3%.

3 SUMMARY OF INDUSTRY PERFORMANCE, AGRICULTURE, FORESTRY AND FISHING

		1995-96	1996-97	1997-98
Selected indicators				
Operating businesses	no.	119 457	117 353	117 166
Employment	'000	358	365	336
Total operating income	\$m	30 719	32 084	30 539
Total operating expenses	\$m	25 708	27 708	26 420
Operating profit before tax	\$m	4 433	3 765	4 301
Total assets	\$m	137 411	144 155	137 557
Total liabilities	\$m	21 813	23 526	23 473
Capital expenditure	\$m	5 161	4 911	5 171
Industry gross product	\$m	10 940	10 841	..
Industry value added	\$m	..	..	11 641
Business averages				
Employment	no.	3.0	3.1	2.9
Income	\$'000	257	272	259
Expenses	\$'000	215	235	224
Profit	\$'000	37	32	37
Assets	\$'000	1 148	1 224	1 169
Net worth	\$'000	966	1 024	969
Gross product	\$'000	91	92	..
Value added	\$'000	..	..	99
Industry ratios				
Profit margin	%	14.4	11.7	14.1
Return on assets	%	3.2	2.6	3.1
Return on net worth	%	3.8	3.1	3.8
Interest coverage	times	3.5	3.0	3.6
Investment rate	%	47.2	45.3	44.4

.. not applicable

ECONOMY WIDE STATISTICS *continued*

MINING

In 1997-98 the number of businesses operating in the Mining industry decreased by 8.5% to 1,817. Total employment fell by 8.1% in this industry in 1997-98 after increasing by only 1.2% in 1996-97.

Total operating income grew by 4.8%, while total operating expenses had considerably higher growth of 9.4%. Consequently, OPBT fell by 22.2% to \$5,886 million, the lowest profit level since 1993-94. This fall in OPBT is being driven by a decline in OPBT in the Oil and gas extraction subdivision, which itself can be attributed to a decline in oil prices.

Capital expenditure grew by 41.9%, representing an increase of \$3,282 million in expenditure. This strong growth reflects the inclusion of mineral exploration expenditure from 1997-98, combined with higher expenditure by the two subdivisions, Metal ore mining and Oil and gas extraction.

All business averages, except for average profit, showed solid increases in their value in 1997-98. Average assets increased by 22.1% to \$51.3 million. Average income increased by 15.7% to \$24.1 million, while average expenses increased by 20.8% to \$21.0 million. All the industry ratios, with the exception of investment rate, showed some decline from 1996-97.

4 SUMMARY OF INDUSTRY PERFORMANCE, MINING

		1995-96	1996-97	1997-98
Selected indicators				
Operating businesses	no.	2 219	1 986	1 817
Employment	'000	85	86	79
Total operating income	\$m	39 093	42 307	44 318
Total operating expenses	\$m	32 510	35 308	38 611
Operating profit before tax	\$m	6 866	7 563	5 886
Total assets	\$m	75 857	85 292	94 328
Total liabilities	\$m	45 219	49 192	58 387
Capital expenditure	\$m	6 763	7 824	11 106
Industry gross product	\$m	19 896	20 842	..
Industry value added	\$m	..	..	21 642
Business averages				
Employment	no.	37.6	42.2	42.7
Income	\$'000	17 270	20 830	24 098
Expenses	\$'000	14 362	17 384	20 995
Profit	\$'000	3 033	3 724	3 200
Assets	\$'000	33 510	41 994	51 291
Net worth	\$'000	13 535	17 774	19 543
Gross product	\$'000	8 789	10 262	..
Value added	\$'000	..	..	11 768
Industry ratios				
Profit margin	%	17.6	17.9	13.3
Return on assets	%	9.1	8.9	6.2
Return on net worth	%	22.4	21.0	16.4
Interest coverage	times	5.3	5.2	4.0
Investment rate	%	34.0	37.5	51.3

.. not applicable

ECONOMY WIDE STATISTICS *continued*

MANUFACTURING

The number of operating businesses in the Manufacturing industry increased by 4.3% in 1997-98 to 57,970, while employment fell by 0.6% to just over 1 million people. This industry had the highest total operating income and the highest level of IVA of any industry in 1997-98.

Total operating income and total operating expenses both showed increases in 1997-98, by 3.8% and 4.3% respectively. The level of OPBT this year of \$13,633 million, is fairly similar to that of the previous two years.

At the subdivision level, six of the nine industry subdivisions that comprise this industry showed positive growth in OPBT. The subdivisions with the largest growth were Food, beverage and tobacco manufacturing (26.7%) and Printing, publishing and recorded media (24.7%). The largest decline in OPBT was in Machinery and equipment manufacturing (14.7%). Capital expenditure rose by 27.3% 1997-98, an increase of \$2,882 million. Only 1.4% of this rise is attributable to the new SNA93 calculation methodology.

Business averages in this industry showed only minor changes in their value in 1997-98. The largest change was in average employment which fell by 4.4% (to 17.4). Industry ratios showed little movement in 1997-98. Profit margin was steady at 6.1%, while investment rate increased to 19.9% (from 16.7%), and return on net worth increased to 16.2% (from 15.9%).

5 SUMMARY OF INDUSTRY PERFORMANCE, MANUFACTURING

		1995-96	1996-97	1997-98
Selected indicators				
Operating businesses	no.	52 644	55 597	57 970
Employment	'000	969	1 014	1 008
Total operating income	\$m	206 690	216 786	224 977
Total operating expenses	\$m	194 214	204 057	212 910
Operating profit before tax	\$m	13 720	13 140	13 633
Total assets	\$m	178 268	184 315	194 871
Total liabilities	\$m	91 987	101 464	110 740
Capital expenditure	\$m	12 869	10 548	13 430
Industry gross product	\$m	61 932	63 011	..
Industry value added	\$m	..	..	67 631
Business averages				
Employment	no.	18.4	18.2	17.4
Income	\$'000	3 926	3 899	3 881
Expenses	\$'000	3 689	3 670	3 673
Profit	\$'000	261	236	235
Assets	\$'000	3 386	3 315	3 362
Net worth	\$'000	1 639	1 490	1 451
Gross product	\$'000	1 176	1 133	..
Value added	\$'000	..	..	1 167
Industry ratios				
Profit margin	%	6.6	6.1	6.1
Return on assets	%	7.7	7.1	7.0
Return on net worth	%	15.9	15.9	16.2
Interest coverage	times	5.1	4.9	4.8
Investment rate	%	20.8	16.7	19.9

.. not applicable

ECONOMY WIDE STATISTICS *continued*

ELECTRICITY, GAS AND WATER SUPPLY

The number of operating businesses in this industry increased by 5.5% to 590, bringing this industry back to the level experienced in 1993-94 of 591. Employment in this industry has declined by 40.3% (36,000 people) since 1992-93. In 1997-98 employment fell by 3,000 people, nearly all of which were in the Electricity and gas supply subdivision. A large proportion of the decline in this subdivision was due to redundancies.

Total operating income increased by 5.8% in 1997-98. Sales of goods and services has dropped in some States due to the fall in the price of electricity. However, this is counteracted by increases in transmission income in other States as companies restructure and can then charge transmission costs between individual companies. Total operating expenses increased by 5.6% in 1997-98.

In 1997-98 OPBT rose by 10.0% (to \$4,903 million) with most of this increase in the Electricity and gas supply subdivision, which recorded an increase of 17.3%. Total assets increased by 8.4% in this industry in 1997-98, compared to a 1.7% increase in 1996-97. Total liabilities increased by 15.3%, compared to a 0.8% fall in 1996-97.

Business averages varied in this industry with average profit showing the largest increase of 4.3% (to \$8.3 million) from 1996-97, followed by average assets with 2.8% to \$220.7 million. Falls were recorded in average employment of 10.5% (down to 91) and 1.6% in average net worth (down to \$126.7 million).

6 SUMMARY OF INDUSTRY PERFORMANCE, ELECTRICITY, GAS AND WATER SUPPLY

		1995-96	1996-97	1997-98
Selected indicators				
Operating businesses	no.	528	559	590
Employment	'000	64	57	54
Total operating income	\$m	30 735	31 000	32 809
Total operating expenses	\$m	26 841	26 403	27 872
Operating profit before tax	\$m	3 785	4 457	4 903
Total assets	\$m	118 276	120 277	130 373
Total liabilities	\$m	48 565	48 193	55 545
Capital expenditure	\$m	5 604	3 641	5 304
Industry gross product	\$m	12 962	13 753	..
Industry value added	\$m	..	..	14 399
Business averages				
Employment	no.	121.0	102.2	91.5
Income	\$'000	58 098	55 347	55 548
Expenses	\$'000	50 738	47 139	47 188
Profit	\$'000	7 155	7 958	8 301
Assets	\$'000	223 575	214 741	220 728
Net worth	\$'000	131 773	128 698	126 688
Gross product	\$'000	24 502	24 554	..
Value added	\$'000	..	..	24 378
Industry ratios				
Profit margin	%	12.3	14.4	14.9
Return on assets	%	3.2	3.7	3.8
Return on net worth	%	5.4	6.2	6.6
Interest coverage	times	2.1	2.3	2.4
Investment rate	%	43.2	26.5	36.8

.. not applicable

ECONOMY WIDE STATISTICS *continued*

CONSTRUCTION

Total employment increased by 15.6% in this industry in 1997-98 to 438,000 people. This is the largest relative increase in this item since the beginning of the series. The practice, especially in General construction, of reclassifying employees as contractors is being reversed and this has contributed to the increase in employment.

In 1997-98 total operating income and total operating expenses increased by similar proportions of 15.5% and 15.7% respectively. These increases have been brought about by a combination of new developments, construction related to the 2000 Olympic Games and a decline in interest rates.

Operating profit before tax was the only selected indicator that fell in 1997-98, declining by 3.4%. This series also experienced a fall in 1995-96. The decline in OPBT in this industry in 1997-98 was driven by the fall in General construction which itself was caused by a fall in inventory levels rather than expenses outweighing income.

Total assets increased by 17.6% in this industry in 1997-98 while total liabilities increased by 10.5%. The industry ratios showed a range of movement in 1997-98. Profit margin fell to 4.6% from 5.5% and return on net worth fell to 28.8% from 40.0% due to the decline in OPBT. However, interest coverage increased to 5.9 times from 5.5 times and investment rate rose to 15.2% from 10.4%.

7 SUMMARY OF INDUSTRY PERFORMANCE, CONSTRUCTION

		1995-96	1996-97	1997-98
Selected indicators				
Operating businesses	no.	86 197	93 635	97 208
Employment	'000	343	379	438
Total operating income	\$m	56 908	62 601	72 294
Total operating expenses	\$m	54 260	59 361	68 657
Operating profit before tax	\$m	2 598	3 424	3 309
Total assets	\$m	24 941	29 041	34 139
Total liabilities	\$m	17 875	20 480	22 633
Capital expenditure	\$m	1 793	1 670	3 085
Industry gross product	\$m	14 610	16 068	..
Industry value added	\$m	..	..	20 331
Business averages				
Employment	no.	3.8	3.8	4.3
Income	\$'000	628	631	710
Expenses	\$'000	599	598	675
Profit	\$'000	29	35	33
Assets	\$'000	275	293	335
Net worth	\$'000	78	86	113
Gross product	\$'000	161	162	..
Value added	\$'000	..	..	200
Industry ratios				
Profit margin	%	4.6	5.5	4.6
Return on assets	%	10.4	11.8	9.7
Return on net worth	%	36.8	40.0	28.8
Interest coverage	times	4.7	5.5	5.9
Investment rate	%	12.3	10.4	15.2

.. not applicable

ECONOMY WIDE STATISTICS *continued*

WHOLESALE TRADE

The total number of operating businesses in the Wholesale trade industry increased by 635 or 1.4% in 1997-98. Employment increased by 10.8% to 441,000 people, which reverses the downward trend in this variable that began in 1994-95.

In 1997-98 total operating expenses increased at a greater rate (3.9%) than operating income (3.1%). This, combined with a change in the level of inventories, led to a fall in OPBT of 8.1%. This decrease was unevenly distributed throughout the subdivisions, with falls of 23.4% in Personal and household good wholesaling and 21.3% in Basic material wholesaling but an increase of 9.7% in Machinery and motor vehicle wholesaling.

Total assets increased by 13.2% in 1997-98 to \$86,268 million, this increase arrests a decline in this series that began in 1993-94. Total liabilities increased by 18.0% to \$60,520 million also turning around a decline in the series which begun in 1994-95.

Except for average profit, all business averages increased in 1997-98. Average profit fell by 8.9% to \$113,000, while increases in the other averages ranged from 2.4% in average income (to \$4 million) to 9.6% in average employment (to 9.1).

Most industry ratios declined during 1997-98. Profit margin fell to 2.8% (down from 3.2% in 1996-97), return on assets to 6.4% (down from 7.8%) and return on net worth to 21.3% (down from 23.9%). The investment rate increased to 11.6% (from 10.5%).

8 SUMMARY OF INDUSTRY PERFORMANCE, WHOLESALE TRADE

		1995-96	1996-97	1997-98
Selected indicators				
Operating businesses	no.	44 445	44 222	44 857
Employment	'000	417	398	441
Total operating income	\$m	189 833	187 856	193 643
Total operating expenses	\$m	183 602	182 382	189 490
Operating profit before tax	\$m	6 888	5 970	5 488
Total assets	\$m	77 617	76 231	86 268
Total liabilities	\$m	52 697	51 277	60 520
Capital expenditure	\$m	2 757	2 391	3 053
Industry gross product	\$m	24 101	22 831	..
Industry value added	\$m	..	..	26 397
Business averages				
Employment	no.	8.8	8.3	9.1
Income	\$'000	4 021	3 906	3 999
Expenses	\$'000	3 889	3 792	3 913
Profit	\$'000	146	124	113
Assets	\$'000	1 644	1 585	1 781
Net worth	\$'000	528	519	532
Gross product	\$'000	510	475	..
Value added	\$'000	..	..	545
Industry ratios				
Profit margin	%	3.6	3.2	2.8
Return on assets	%	8.9	7.8	6.4
Return on net worth	%	27.6	23.9	21.3
Interest coverage	times	4.5	4.3	4.4
Investment rate	%	11.4	10.5	11.6

.. not applicable

ECONOMY WIDE STATISTICS *continued*

RETAIL TRADE

There were 123,778 operating businesses in the Retail trade industry in 1997-98, up 4.3% from 118,699 in 1996-97. Correspondingly employment in this industry increased by 9.9% to 1.1 million people to make it again the largest employer of any industry. Over half of the increase in employment (55,000 people) was in the Food retailing subdivision where employment increased by 12.3% from 1996-97. Some of the growth can be attributed to the growing trend in part-time and casual work.

While OPBT increased by 37.2% at the industry division level in 1997-98, this increase was unequally distributed across the subdivisions with Personal and household good retailing increasing by 47.2%, Food retailing experiencing a rise of 35.4% and Motor vehicle retailing and services rising by 26.6%.

In 1997-98 assets and liabilities both grew in Retail trade, with assets increasing by 10.3% and liabilities by 7.7%. This contributed to a rise in return on net worth pushing it to 45.8% (from 39.3%).

All business averages increased in 1997-98. The largest movement was in average profit which was up by 33.3% from 1996-97. At the other end of the scale, average expenses increased by only 3.6%. There were only minor changes in the industry ratios in 1997-98. Profit margin increased to 3.4% (from 2.7% in 1996-97), return on assets increased to 12.4% (from 10.0%) and interest coverage rose to 3.8 times (from 3.7 times).

9 SUMMARY OF INDUSTRY PERFORMANCE, RETAIL TRADE

		1995-96	1996-97	1997-98
Selected indicators				
Operating businesses	no.	114 585	118 699	123 778
Employment	\$m	1 023	1 041	1 144
Total operating income	\$m	166 830	178 835	194 147
Total operating expenses	\$m	162 925	174 569	189 045
Operating profit before tax	\$m	4 372	4 826	6 619
Total assets	\$m	47 186	48 251	53 218
Total liabilities	\$m	33 477	35 979	38 749
Capital expenditure	\$m	3 590	3 479	3 454
Industry gross product	\$m	25 796	27 267	..
Industry value added	no.	..	..	32 850
Business averages				
Employment	no.	8.8	8.5	8.9
Income	\$'000	1 433	1 462	1 518
Expenses	\$'000	1 400	1 427	1 478
Profit	\$'000	38	39	52
Assets	\$'000	405	394	416
Net worth	\$'000	118	100	113
Gross product	%	222	223	..
Value added	%	..	..	257
Industry ratios				
Profit margin	%	2.6	2.7	3.4
Return on assets	%	9.3	10.0	12.4
Return on net worth	%	31.9	39.3	45.7
Interest coverage	times	3.2	3.7	3.8
Investment rate	%	13.9	12.8	10.5

.. not applicable

ECONOMY WIDE STATISTICS *continued*

ACCOMMODATION, CAFES AND RESTAURANTS

In this industry the number of operating businesses has continued its steady increase to be 36,119 in 1997-98. This is a rise of 4.3% since 1996-97 and an overall increase of 38.0% since this series began in 1990-91. Employment demonstrated strong growth in 1997-98 increasing 19.2% since 1996-97 to 515,000 people. This series has increased by 59.8% (193,000 people) since 1990-91.

Total operating income and total operating expenses also grew strongly, and in close proportion to one another, at 21.7% and 21.2% respectively in 1997-98. OPBT demonstrated continued growth with a strong 29.2% increase, after cyclical behaviour earlier in the decade.

Total assets showed steady growth of 8.4% in 1997-98, after a slight drop in their value in 1995-96. Total liabilities increased by 9.0%, surpassing the record level of \$16,910 million achieved in 1994-95.

All business averages in this industry increased in 1997-98 with the largest increases in average profit which was up 25.5% (to \$69,000) and average income up 18.8% (to \$937,000). Besides investment rate, all industry ratios showed steady growth in 1997-98. Profit margin increased to 7.4% (from 6.9% in 1996-97), return on assets increased to 7.2% (from 6.0%) and return on net worth to 14.9% (from 12.4%). The investment rate decreased from 28.3% to 22.7% in 1997-98.

10 SUMMARY OF INDUSTRY PERFORMANCE, ACCOMMODATION, CAFES AND RESTAURANTS

		1995-96	1996-97	1997-98
Selected indicators				
Operating businesses	no.	33 120	34 632	36 119
Employment	'000	403	432	515
Total operating income	\$m	26 989	28 052	34 151
Total operating expenses	\$m	25 377	26 135	31 676
Operating profit before tax	\$m	1 647	1 947	2 516
Total assets	\$m	27 754	32 321	35 032
Total liabilities	\$m	13 855	16 648	18 138
Capital expenditure	\$m	2 405	3 108	3 040
Industry gross product	\$m	10 108	11 000	..
Industry value added	\$m	..	..	13 381
Business averages				
Employment	no.	11.9	12.1	14.1
Income	\$'000	797	789	937
Expenses	\$'000	749	735	869
Profit	\$'000	49	55	69
Assets	\$'000	820	909	961
Net worth	\$'000	410	441	463
Gross product	\$'000	299	309	..
Value added	\$'000	..	..	367
Industry ratios				
Profit margin	%	6.1	6.9	7.4
Return on assets	%	5.9	6.0	7.2
Return on net worth	%	11.9	12.4	14.9
Interest coverage	times	2.9	3.4	3.6
Investment rate	%	23.8	28.3	22.7

.. not applicable

ECONOMY WIDE STATISTICS *continued*

TRANSPORT AND STORAGE

Operating businesses increased by 1.2% to 30,906 in Transport and storage in 1997-98. Employment in this industry increased by 2.8% in 1997-98.

In 1997-98 total operating income increased by 5.4% and total operating expenses by 4.6%. These increases were not evenly distributed, with changes in total operating income ranging from a 28.5% increase in Other transport to a decrease of 16.8% in Rail transport. Total operating expenses ranged from a 20.2% increase in Water transport to a fall of 20.5% in Rail transport.

Total assets increased by 10.9% in 1997-98, while total liabilities increased by 21.6%. Although Large businesses make up a very minor proportion of total businesses in this industry, they owned most of the assets and incurred most of the liabilities.

Business averages showed strong to moderate growth in 1997-98 except for average net worth which decreased by 5.2% to \$804,000. Industry ratios showed a range of movements in 1997-98 with profit margin increasing to 8.1% (from 7.3%), return on assets increasing to 6.7% (from 6.3%) and interest coverage falling slightly to 3.4 times (from 3.5 times).

11 SUMMARY OF INDUSTRY PERFORMANCE, TRANSPORT AND STORAGE

		1995-96	1996-97	1997-98
Selected indicators				
Operating businesses	no.	29 649	30 551	30 906
Employment	'000	307	322	331
Total operating income	\$m	49 005	55 265	58 258
Total operating expenses	\$m	46 042	51 281	53 636
Operating profit before tax	\$m	2 965	4 026	4 700
Total assets	\$m	64 025	63 717	70 636
Total liabilities	\$m	34 327	36 422	44 302
Capital expenditure	\$m	5 132	5 036	5 398
Industry gross product	\$m	19 997	20 502	..
Industry value added	\$m	..	..	22 854
Business averages				
Employment	no.	10.1	10.0	10.1
Income	\$'000	1 605	1 717	1 780
Expenses	\$'000	1 508	1 594	1 638
Profit	\$'000	97	125	144
Assets	\$'000	2 096	1 980	2 158
Net worth	\$'000	972	848	804
Gross product	\$'000	655	637	..
Value added	\$'000	..	..	698
Industry ratios				
Profit margin	%	6.1	7.3	8.1
Return on assets	%	4.6	6.3	6.7
Return on net worth	%	10.0	14.8	17.8
Interest coverage	times	3.0	3.5	3.4
Investment rate	%	25.7	24.6	23.6

.. not applicable

ECONOMY WIDE STATISTICS *continued*

COMMUNICATION SERVICES

The number of operating businesses in Communication services increased by 14.2% to 4,249 in 1997-98, the largest percentage change in any industry. This increase can be attributed in part to the expanding number of Internet Service Providers as well as a rise in the number of phone carriers since deregulation of the provision of STD and ISD phone calls.

Although large businesses accounted for a very small number of total operating businesses in this industry, they contributed a high proportion of employment, total operating income and total operating expenses.

Total assets increased by 0.5% in 1997-98 and total liabilities fell by 2.5%. IVA increased by 24.5% in 1997-98, without the new SNA93 calculation methodology there would have been an increase in this variable of 20.7%.

The value of most business averages declined in 1997-98. The most dramatic of these were average employment falling by 16.7% to 26.9 people and average expenses falling by 15.1% to \$4.8 million. Average profit rose by 76.5% to \$907,000 as did average assets up by 12.0% to \$8.6 million. All industry ratios, other than investment rate, increased in 1997-98. Profit margin was 15.9% (up from 8.4% in 1996-97), return on assets was 10.6% (up from 5.3%) and return on net worth was 26.9% (up from 14.1%). However, investment rate fell from 35.8% to 28.7%.

12 SUMMARY OF INDUSTRY PERFORMANCE, COMMUNICATION SERVICES

		1995-96	1996-97	1997-98
Selected indicators				
Operating businesses	no.	2 662	3 721	4 249
Employment	'000	138	126	120
Total operating income	\$m	22 512	23 973	25 408
Total operating expenses	\$m	19 264	21 971	21 315
Operating profit before tax	\$m	3 239	2 006	4 045
Total assets	\$m	34 432	37 989	38 166
Total liabilities	\$m	17 756	23 718	23 118
Capital expenditure	\$m	6 261	5 369	5 362
Industry gross product	\$m	12 923	14 982	..
Industry value added	\$m	..	..	18 655
Business averages				
Employment	no.	48.9	32.3	26.9
Income	\$'000	7 978	6 141	5 698
Expenses	\$'000	6 827	5 628	4 780
Profit	\$'000	1 148	514	907
Assets	\$'000	12 203	9 732	8 560
Net worth	\$'000	5 910	3 656	3 375
Gross product	\$'000	4 580	3 838	..
Value added	\$'000	..	..	4 184
Industry ratios				
Profit margin	%	14.4	8.4	15.9
Return on assets	%	9.4	5.3	10.6
Return on net worth	%	19.4	14.1	26.9
Interest coverage	times	5.5	3.7	5.3
Investment rate	%	48.4	35.8	28.7

.. not applicable

ECONOMY WIDE STATISTICS *continued*

FINANCE AND INSURANCE

Total operating businesses increased by 7.6% in the Finance and insurance industry in 1997-98 to 23,754. Employment increased by 3.6% to 315,000 people.

Although large businesses comprise a small proportion of all businesses in this industry, they make a major impact, contributing a large proportion of OPBT, total operating income and total operating expenses.

In 1997-98, total operating income increased by 6.2% while total operating expenses increased by 3.9%. OPBT increased by 12.4% to \$33,274 million, the highest level of any industry. However, this movement in OPBT was not distributed evenly throughout the subdivisions with Finance experiencing a 32.1% increase while falls were experienced by Insurance (37.6%) and Services to finance and insurance (30.7%).

Total assets increased by 5.7% in 1997-98 to \$1,236,508 million while total liabilities increased by 4.8% to \$1,019,550 million.

Business averages in this industry showed only small movements with a fall experienced in average expenses (down 2.5%). The largest increases were in average profit (up by 5.5%) and average net worth (up by 3.2%). Finance and insurance again had the highest profit margin of any industry at 27.3%, compared to the All industries level of 9.0%. Return on assets was 2.7% (up from 2.5% in 1996-97) and return on net worth 15.3% (up from 15.0%).

13 SUMMARY OF INDUSTRY PERFORMANCE, FINANCE AND INSURANCE

		1995-96	1996-97	1997-98
Selected indicators				
Operating businesses	no.	20 500	22 069	23 754
Employment	'000	310	304	315
Total operating income	\$m	110 803	114 897	122 013
Total operating expenses	\$m	77 877	85 260	88 596
Operating profit before tax	\$m	32 694	29 606	33 274
Total assets	\$m	1 020 438	1 170 334	1 236 508
Total liabilities	\$m	765 752	973 051	1 019 550
Capital expenditure	\$m	4 067	3 104	4 051
Industry gross product	\$m	..	..	..
Industry value added	\$m	..	..	..
Business averages				
Employment	no.	14.4	12.9	12.6
Income	\$'000	5 151	4 880	4 865
Expenses	\$'000	3 621	3 622	3 533
Profit	\$'000	1 520	1 258	1 327
Assets	\$'000	47 441	49 712	49 304
Net worth	\$'000	11 841	8 380	8 651
Gross product	\$'000	..	..	..
Value added	\$'000	..	..	..
Industry ratios				
Profit margin	%	29.5	25.8	27.3
Return on assets	%	3.2	2.5	2.7
Return on net worth	%	12.8	15.0	15.3
Interest coverage	times	1.9	1.8	1.9
Investment rate	%	..	..	..

.. not applicable

ECONOMY WIDE STATISTICS *continued*

PROPERTY AND BUSINESS SERVICES

The number of operating businesses in Property and business services increased by 7.1% in 1997-98 to 144,772. The number of businesses in this industry has continued to show strong growth, increasing by 67.2% since 1990-91.

In 1997-98, total operating income increased by 11.7% while total operating expenses increased by 13.2%. OPBT increased by 9.3% after a slight drop in value in 1996-97. This increase was unevenly distributed between the two subdivisions in this industry with a rise in OPBT in Property services of 39.2% but only a 0.9% increase in Business services.

Total assets increased by 6.9% in 1997-98 after a decline in value in 1996-97. This series has shown some volatility in its movements since 1990-91. Total liabilities increased by 2.5%, also following a drop in 1996-97. The current level is still below that recorded in 1995-96, with this series also fairly volatile.

All business averages increased in 1997-98 with a range from 0.5% in average assets to 6.5% in average expenses. Industry ratios showed some variation in the direction of their movement in 1997-98. Return on assets increased to 6.1% (from 6.0% from 1996-97) and interest coverage rose to 3.9 times (from 3.2 times). However, declines were experienced in profit margin down to 12.0% (from 12.2%) and return on net worth to 13.5% (from 13.9%).

14 SUMMARY OF INDUSTRY PERFORMANCE, PROPERTY AND BUSINESS SERVICES

		1995-96	1996-97	1997-98
Selected indicators				
Operating businesses	no.	120 248	135 175	144 772
Employment	'000	783	844	968
Total operating income	\$m	81 284	82 907	92 638
Total operating expenses	\$m	70 820	72 876	82 484
Operating profit before tax	\$m	10 490	10 135	11 081
Total assets	\$m	177 834	170 287	181 973
Total liabilities	\$m	101 078	97 494	99 953
Capital expenditure	\$m	4 998	6 173	6 888
Industry gross product	\$m	33 394	38 033	..
Industry value added	\$m	..	..	44 050
Business averages				
Employment	no.	6.2	5.9	6.4
Income	\$'000	646	580	609
Expenses	\$'000	563	510	543
Profit	\$'000	83	71	73
Assets	\$'000	1 413	1 191	1 197
Net worth	\$'000	610	509	540
Gross product	\$'000	265	266	..
Value added	\$'000	..	..	290
Industry ratios				
Profit margin	%	12.9	12.2	12.0
Return on assets	%	5.9	6.0	6.1
Return on net worth	%	13.7	13.9	13.5
Interest coverage	times	2.9	3.2	3.9
Investment rate	%	15.0	16.2	15.6

.. not applicable

ECONOMY WIDE STATISTICS *continued*

PRIVATE COMMUNITY SERVICES

The number of operating businesses in Private community services in 1997-98 increased by 4.2% to 61,371, compared to an 11.5% increase in operating businesses in 1996-97. Employment increased by 7.0% to 723,000 people from 676,000. Employment rose by similar amounts in both Education (7.0%) and Health and community services (7.1%).

Total operating income increased by 9.6% to \$36,811 million, while total operating expenses increased by 8.4% to \$32,561 million. As total operating income grew more than total operating expenses, OPBT increased by 19.8%.

Total assets increased by 19.7% to \$35,551 million, while total liabilities increased at a higher rate of 32.5% to \$18,593 million. Capital expenditure increased by 3.6% in 1997-98 to \$2,781 million.

All business averages in this division showed moderate to strong growth in 1997-98, with average expenses and average net worth showing the lowest rate of growth at 4.6% to \$522,000 and \$272,000 respectively. The highest increases were in average assets up 15.6% (to \$570,000) and average profit up 15.3% (to \$68,000).

The industry ratios showed a range of movement in 1997-98. Investment rate dropped to 12.9% (from 14.2%). However, profit margin increased to 11.6% (from 10.6%) and return on net worth rose to 25.1% (from 22.7%). Return on assets was steady at 12.0%.

15 SUMMARY OF INDUSTRY PERFORMANCE, PRIVATE COMMUNITY SERVICES

		1995-96	1996-97	1997-98
Selected indicators				
Operating businesses	no.	52 830	58 906	61 371
Employment	'000	659	676	723
Total operating income	\$m	28 909	33 585	36 811
Total operating expenses	\$m	26 304	30 040	32 561
Operating profit before tax	\$m	2 512	3 559	4 263
Total assets	\$m	30 332	29 712	35 551
Total liabilities	\$m	13 537	14 032	18 593
Capital expenditure	\$m	1 787	2 684	2 781
Industry gross product	\$m	15 846	18 931	..
Industry value added	\$m	..	..	21 523
Business averages				
Employment	no.	12.2	11.2	11.6
Income	\$'000	536	558	590
Expenses	\$'000	488	499	522
Profit	\$'000	47	59	68
Assets	\$'000	562	493	570
Net worth	\$'000	311	260	272
Gross product	\$'000	294	314	..
Value added	\$'000	..	..	345
Industry ratios				
Profit margin	%	8.7	10.6	11.6
Return on assets	%	8.3	12.0	12.0
Return on net worth	%	15.0	22.7	25.1
Interest coverage	times	5.6	8.5	8.0
Investment rate	%	11.3	14.2	12.9

.. not applicable

ECONOMY WIDE STATISTICS *continued*

CULTURAL AND RECREATIONAL SERVICES

The number of operating businesses in Cultural and recreational services increased by 1.7% to 18,212 in 1997-98 while employment fell to 156,000 people.

Total operating income increased by 8.0% in 1997-98 while total operating expenses increased by only 0.9%. Total operating income has been increasing steadily since the beginning of this series, growing by 132.0%. Total operating expenses has also grown strongly by 133.2% over the same period.

OPBT more than doubled in this industry in 1997-98 to \$2,358 million. Most of this increase was in the Motion picture, radio and television services subdivision. Large movements in items between years such as this can be due to businesses being at different stages of film production and hence profitability. There is also growing profitability in the Pay Television industry in Australia.

While total assets in this industry increased by 26.5%, this was unevenly distributed. The largest increase was experienced in Libraries, museums and the arts (81.5%) and may be caused by a number of these businesses revaluing their collections during 1997-98.

Total liabilities increased by 3.7%. This change varied across subdivisions with increases in Libraries, museums and the arts (38.0%) and Motion picture, radio and television (12.4%). A decrease of 11.9% was recorded in Sport and recreation.

16 SUMMARY OF INDUSTRY PERFORMANCE, CULTURAL AND RECREATIONAL SERVICES

		1995-96	1996-97	1997-98
Selected indicators				
Operating businesses	no.	17 404	17 906	18 212
Employment	'000	170	174	156
Total operating income	\$m	16 634	18 824	20 331
Total operating expenses	\$m	15 625	17 817	17 977
Operating profit before tax	\$m	1 004	1 010	2 358
Total assets	\$m	21 118	25 648	32 435
Total liabilities	\$m	11 759	15 382	15 944
Capital expenditure	\$m	2 013	3 184	4 392
Industry gross product	\$m	4 929	5 285	..
Industry value added	\$m	..	..	7 010
Business averages				
Employment	no.	9.3	9.2	8.2
Income	\$'000	914	994	1 068
Expenses	\$'000	858	941	944
Profit	\$'000	55	53	124
Assets	\$'000	1 160	1 355	1 704
Net worth	\$'000	514	542	866
Gross product	\$'000	271	279	..
Value added	\$'000	..	..	368
Industry ratios				
Profit margin	%	6.0	5.4	11.6
Return on assets	%	4.8	3.9	7.3
Return on net worth	%	10.7	9.8	14.3
Interest coverage	times	3.4	3.0	5.6
Investment rate	%	40.8	60.2	62.7

.. not applicable

ECONOMY WIDE STATISTICS *continued*

PERSONAL AND OTHER SERVICES

The number of operating businesses increased by 2.2% in Personal and other services in 1997-98. Employment increased by 5.9%, however this increase was unevenly distributed between the two subdivisions with employment in Personal services increasing by 11.0% while falling by 1.0% in Other services.

Total operating income increased by 5.6% while total operating expenses increased by 3.5%. As total income in this industry increased at a greater rate than total expenses, and closing stocks increased, OPBT increased by 35.3%. This was disproportionately distributed within the subdivisions as OPBT doubled in Other services whilst it declined by 10.9% in Personal services.

Apart from average profit (up by 34.6% from 1996-97), movements in the business averages ranged from small decreases in average assets (down 3.2%) and average net worth (down 3.8%) to small increases in average income (up 3.5%) and average expenses (up by 1.4%).

Industry ratios all showed moderate growth in 1997-98 after some falls in 1996-97. Profit margin increased to 10.9% (up from 8.5%), return on assets to 8.3% (up from 6.0%) and investment rate to 22.2% (up from 17.8).

17 SUMMARY OF INDUSTRY PERFORMANCE, PERSONAL AND OTHER SERVICES

		1995-96	1996-97	1997-98
Selected indicators				
Operating businesses	no.	37 053	38 744	39 581
Employment	'000	186	188	199
Total operating income	\$m	11 954	12 378	13 074
Total operating expenses	\$m	10 957	11 311	11 703
Operating profit before tax	\$m	1 006	1 051	1 422
Total assets	\$m	16 463	17 378	17 147
Total liabilities	\$m	4 974	4 881	4 896
Capital expenditure	\$m	959	759	1 048
Industry gross product	\$m	4 153	4 252	..
Industry value added	\$m	..	..	4 722
Business averages				
Employment	no.	4.9	4.7	4.9
Income	\$'000	316	311	322
Expenses	\$'000	290	284	288
Profit	\$'000	27	26	35
Assets	\$'000	435	436	422
Net worth	\$'000	304	314	302
Gross product	\$'000	110	107	..
Value added	\$'000	..	..	116
Industry ratios				
Profit margin	%	8.4	8.5	10.9
Return on assets	%	6.1	6.0	8.3
Return on net worth	%	8.8	8.4	11.6
Interest coverage	times	6.0	5.7	7.0
Investment rate	%	23.1	17.8	22.2

.. not applicable

SELECTED ITEMS BY SUBDIVISION

The Retail industry was the greatest employer of any industry again in 1997-98 with 1,144,000 people which was 16.8% of total employment for all industries. Manufacturing was the second biggest employer, with 1,008,000 people, contributing 14.8% of total employment. Of the industry subdivisions, Business services had the highest employment of 856,000 people or 12.5% of total employment, followed by Food retailing with 500,000 people or 7.3% of the total.

The Manufacturing industry recorded the highest total operating income in 1997-98 with \$224,977 million or 18.8% of total income. This was followed by Retail trade with \$194,147 million (16.2% of total income). The highest income earners at the subdivision level were Finance with \$84,450 million or 7.1% of total income and Business services \$76,904 million (6.4% of total).

Nearly one third of OPBT recorded for 1997-98 was contributed by the Finance and insurance industry with \$33,274 million (30.9% of total profit). The second highest profit earning industry was Manufacturing with OPBT of \$13,633 million (12.7% of total OPBT). There were large variations in the levels of OPBT recorded by the subdivisions. Services to mining recorded a negative level of OPBT (\$619 million) while Finance had the highest level at \$27,580 million (25.6% of total OPBT).

Total assets were highest in the Finance and insurance industry at \$1,236,508 million or 52.0% of total assets. Of the other industries, Manufacturing had the second highest level of assets with \$194,871 million or 8.2% of total assets. Finance had the highest assets of any subdivision at \$940,432 million with 39.5% of total assets followed by Insurance with \$225,312 million 9.5% of total assets.

IVA was highest in the Manufacturing industry at \$67,631 million or 20.4% of total IVA. This was followed by Property and business services with IVA of \$44,050 million or 13.3% of total IVA. Business services was the subdivision with the highest level of IVA at \$36,611 million which was 11.0% of total IVA. This is followed by Personal and household good retailing with IVA of \$13,348 million or 4.0% of total IVA.

ECONOMY WIDE STATISTICS *continued*

18 SELECTED ITEMS BY SUBDIVISION 1997-98

	Employment	Total income	OPBT	Total assets	IVA
	'000	\$m	\$m	\$m	\$m
<i>Agriculture, forestry and fishing</i>	336	30 539	4 301	137 557	11 641
Agriculture	288	25 944	3 837	130 486	9 858
Services to agriculture, hunting and trapping	24	2 134	113	1 862	644
Forestry and logging	9	1 017	152	2 680	519
Commercial fishing	15	1 445	198	2 529	619
<i>Mining</i>	79	44 318	5 886	94 328	21 642
Coal mining	23	11 822	870	17 856	5 530
Oil and gas extraction	6	9 994	3 716	29 835	7 701
Metal ore mining	26	16 232	1 581	37 634	6 328
Other mining	8	2 459	337	3 205	987
Services to mining	16	3 812	- 619	5 799	1 096
<i>Manufacturing</i>	1 008	224 977	13 633	194 871	67 631
Food, beverage and tobacco manufacturing	188	50 155	3 146	50 619	13 136
Textile, clothing, footwear and leather manufacturing	74	10 794	390	7 204	3 309
Wood and paper product manufacturing	69	13 183	855	12 853	4 763
Printing, publishing and recorded media	109	15 619	1 468	20 506	6 513
Petroleum, coal, chemical and associated product manufacturing	104	39 119	2 085	28 244	9 526
Non-metallic mineral product manufacturing	44	10 814	834	11 670	3 710
Metal product manufacturing	149	34 339	2 383	31 988	11 619
Machinery and equipment manufacturing	210	44 088	2 116	28 724	12 734
Other manufacturing	59	6 865	355	3 064	2 320
<i>Electricity, gas and water supply</i>	54	32 809	4 903	130 373	14 399
Electricity and gas supply	38	25 727	3 011	80 857	10 506
Water supply, sewerage and drainage services	16	7 082	1 892	49 516	3 893
<i>Construction</i>	438	72 294	3 309	34 139	20 331
General construction	158	42 323	1 376	22 980	8 997
Construction trade services	281	29 971	1 934	11 160	11 335
<i>Wholesale trade</i>	441	193 643	5 488	86 268	26 397
Basic material wholesaling	101	69 924	1 503	26 738	6 290
Machinery and motor vehicle wholesaling	197	66 981	2 897	34 304	12 780
Personal and household good wholesaling	143	56 738	1 089	25 227	7 326
<i>Retail trade</i>	1 144	194 147	6 619	53 218	32 850
Food retailing	500	60 471	2 223	13 563	11 232
Personal and household good retailing	426	62 840	2 607	24 981	13 348
Motor vehicle retailing and services	217	70 837	1 789	14 674	8 269
<i>Accommodation, cafes and restaurants</i>	515	34 151	2 516	35 032	13 381

ECONOMY WIDE STATISTICS *continued*

18 SELECTED ITEMS BY SUBDIVISION 1997-98 *Continued*

	Employment	Total income	OPBT	Total assets	IVA
	'000	\$m	\$m	\$m	\$m
<i>Transport and storage</i>	331	58 258	4 700	70 636	22 854
Road transport	141	16 222	1 009	10 875	6 844
Rail transport	38	6 968	428	18 977	2 991
Water transport	10	2 934	89	2 473	597
Air and space transport	50	14 340	1 613	14 997	5 412
Other transport	2	765	165	2 972	532
Services to transport	78	15 274	1 144	18 164	5 604
Storage	11	1 755	252	2 178	874
<i>Communication services</i>	120	25 408	4 045	38 166	18 655
<i>Finance and insurance</i>	315	122 013	33 274	1 236 508	..
Finance	169	84 450	27 580	940 432	..
Insurance	54	21 026	3 166	225 312	..
Services to finance and insurance	93	16 537	2 527	70 763	5 098
<i>Property and business services</i>	968	92 638	11 081	181 973	44 050
Property services	112	15 734	3 110	51 417	7 439
Business services	856	76 904	7 970	130 556	36 611
<i>Private community services</i>	723	36 811	4 263	35 551	21 523
<i>Cultural and recreational services</i>	156	20 331	2 358	32 435	7 010
Motion picture, radio and television services	33	7 112	1 257	15 226	3 136
Libraries, museums and the arts	23	1 671	127	2 495	675
Sport and recreation	101	11 548	974	14 713	3 200
<i>Personal and other services</i>	199	13 074	1 422	17 147	4 722
Personal services	121	6 332	546	3 505	3 121
Other services	78	6 742	875	13 642	1 602
All industries	6 826	1 195 411	107 797	2 378 202	(a) 332 182

.. not applicable

(a) Excludes the Finance and Insurance industries.

ESTIMATES INCORPORATING INCOME TAX DATA

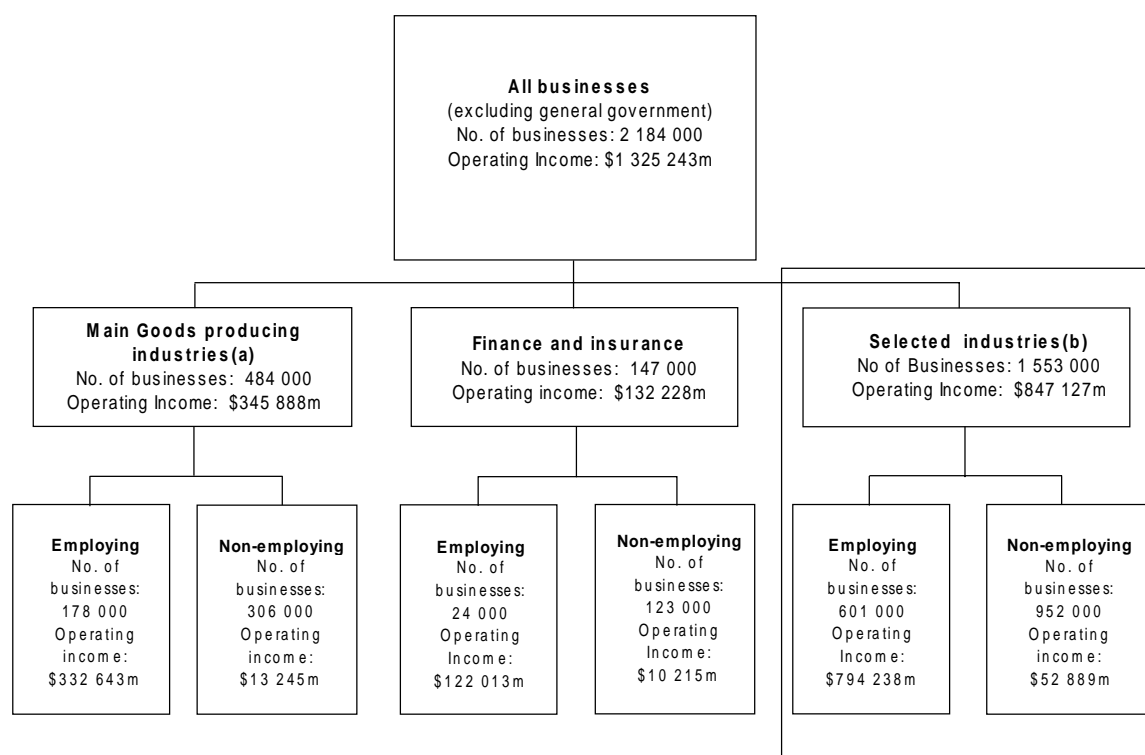
EXPANDED USE OF BUSINESS INCOME TAX DATA

The statistics in this section are experimental estimates for selected industries, primarily service industries. They have been sourced from a combination of the Economic Activity Survey and business income tax data provided to the ATO and include both employing and non-employed businesses.

This section deals with the supplementation of the relatively small scale survey the ABS conducts in respect of selected industries with business income tax data provided by the ATO. 'Selected industries' includes: Construction, Wholesale trade, Retail trade, Accommodation, cafes and restaurants, Transport and Storage, Communication services, Property and business services, Cultural and recreational services, and Personal and other services.

The following diagram summarises the basic structure of the Australian business sector.

STRUCTURE OF AUSTRALIAN BUSINESSES 1997-98



(a) Comprised of the Agriculture, forestry and fishing, Mining, Manufacturing and Electricity, gas and water supply industries.

(b) Comprised of the Construction, Wholesale trade, Retail trade, Accommodation, cafes and restaurants, Transport and storage, Communication services, Property and business services, Education, health and community services, Cultural and recreational services and Personal and other services industries.

OVERVIEW

Since 1968-69, the ABS has conducted a program of integrated economic censuses and surveys aimed at covering most of the statistically significant sectors of the Australian economy on a regular basis. During the 1970s and 1980s, this mainly involved annual censuses for Agriculture, Mining, Manufacturing, and Electricity, gas and water, with censuses/surveys covering other significant industries (e.g. Construction, Wholesale trade, Retail trade, Transport) being conducted on a periodic basis. 'Significance' was mainly determined by the contribution of the industries to key Australian National Accounts (ANA) statistics.

The growing interest in and significance of these service industries resulted in a number of changes to the ABS economic statistics strategy. This included the development of the Economic Activity Survey (EAS) to cover all industries in broad terms, on an annual basis, beginning with 1990-91. The annual and periodic program for conducting more detailed, industry specific surveys has been greatly expanded for service industries, but traditional industry censuses have become less frequent.

Statistics for the service industries have been improved by the use of ATO data to:

- extend the coverage to include the non-employing business sector;
- improve the quality of data available regarding small and medium employing businesses; and
- improve the quality of data available regarding the inputs of all sizes of business.

The methodology used to achieve these improvements was outlined in the ABS *Information Paper : The Expanded Use of Business Income Tax Data in ABS Economic Statistics* (Cat. no. 5672.0).

As the methodology used to compile these estimates is still subject to evaluation and possible further change, these estimates are considered to be experimental at this stage. They nevertheless give a good indication of the improvements likely to be forthcoming in annual economic statistics by extending the use of data available from the ATO.

Based on a combination of ABS and ATO sources, it is estimated that around 2,184,000 private and public trading businesses operated in Australia for at least some time during 1997-98.

This figure is significantly higher than estimates previously published by the ABS and in the first Section of this publication because of the broader definition of business which is possible through the use of income tax records. Use of ATO data in combination with ABS data enables production of a much finer dissection of business input costs by data item and industry than has been feasible in the past.

SELECTED ITEMS BY BUSINESS EMPLOYING STATUS

This table presents a time series of selected items by business employing status. While non-employing businesses are quite numerous, their overall contribution to the economic activity of selected industries in 1997-98, in terms of operating income, is only around 6%.

Operating Income for employing and non-employing businesses increased by 8.6% and 5.8% respectively between 1996-97 and 1997-98, while the increase in operating expenses were 8.8% and 6.4%. This resulted in OPBT increasing by 6.8% for employing businesses and only 4.2% for non-employing businesses.

19 SELECTED ITEMS BY BUSINESS EMPLOYING STATUS

		1995-96	1996-97	1997-98
Operating income^(a)				
Employing businesses	\$m	688 862	731 060	794 238
Non-employing businesses	\$m	46 116	49 972	52 889
Total selected businesses	\$m	734 979	781 033	847 127
Operating expenses^(a)				
Employing businesses	\$m	653 713	689 852	750 243
Non-employing businesses	\$m	35 720	37 868	40 281
Total selected businesses	\$m	689 433	727 720	790 523
OPBT^(a)				
Employing businesses	\$m	35 149	41 208	43 996
Non-employing businesses	\$m	10 396	12 105	12 608
Total selected businesses	\$m	45 545	53 312	56 604

(a) Excludes businesses in the Goods producing and Finance and insurance industries.

ESTIMATES INCORPORATING INCOME TAX DATA *continued*

SELECTED INCOME AND EXPENSE ITEMS, SELECTED INDUSTRIES

Table 20 shows that overall, in 1997-98, businesses in the selected industries spent around 51% of their total operating expenditure on the purchase of goods, materials and fuels. Not surprisingly, industries earning a significant proportion of their income from the sale of goods had a higher proportion of their expenses devoted to these purchases. These included Wholesale trade, which indicated around 78% of their expenses was spent on total purchases and Retail trade with 75%.

The OPBT for the selected service industries was \$56,604 million which as a percentage of total income produces a profit margin of 6.7%. However, profit margins for specific industries vary significantly from this. Communication services has the highest profit margin of 17.5% followed by Property and business services with 14.0% and Private community services with 10.5%. The three divisions with the lowest profit margins were Accommodation, cafes and restaurants with 5.2% and Wholesale trade and Retail trade both with 3.0%.

20 SELECTED INCOME AND EXPENSE ITEMS, SELECTED INDUSTRIES 1997-98

		Construction	Wholesale trade	Retail trade	Accommodation, cafes and restaurants	Transport and storage	Communication services	Property and business services
Income items								
Sales of goods	\$m	38 054	214 282	188 272	13 618	5 674	1 370	14 822
Income from services	\$m	51 176	9 330	9 090	22 574	55 771	22 519	77 880
Rent, leasing and hiring income	\$m	487	1 486	401	406	2 793	2 473	8 607
Interest income	\$m	301	642	532	289	473	144	3 883
Other selected income	\$m	1 068	1 144	1 418	1 667	4 066	297	11 695
Total operating income	\$m	91 086	226 883	199 712	38 554	68 776	26 803	116 887
Expense items								
Labour costs	\$m	13 166	17 416	20 991	9 473	14 351	6 241	30 380
Total purchases	\$m	37 283	171 393	144 896	12 940	8 225	1 969	17 954
Rent, leasing and hiring expenses	\$m	2 191	3 567	7 541	2 468	5 397	698	5 631
Financial expenses	\$m	1 732	3 162	3 622	2 044	3 016	1 473	7 720
Other selected expenses	\$m	28 169	24 497	16 768	9 624	33 574	11 742	38 890
Total operating expenses	\$m	82 542	220 035	193 818	36 548	64 563	22 123	100 575
Operating profit before tax	\$m	8 544	6 848	5 894	2 006	4 213	4 680	16 312

		Private community services	Cultural and recreational services	Personal and other services	All Selected industries
Income items					
Sales of goods	\$m	1 902	2 020	3 337	483 350
Income from services	\$m	25 735	18 659	8 758	301 492
Rent, leasing and hiring income	\$m	695	531	902	18 780
Interest income	\$m	306	146	146	6 862
Other selected income	\$m	10 854	2 247	2 189	36 644
Total operating income	\$m	39 491	23 603	15 333	847 127
Expense items					
Labour costs	\$m	17 691	3 830	3 927	137 467
Total purchases	\$m	3 170	2 853	2 119	402 802
Rent, leasing and hiring expenses	\$m	2 612	1 774	1 367	33 246
Financial expenses	\$m	1 241	924	607	25 542
Other selected expenses	\$m	10 635	11 942	5 625	191 466
Total operating expenses	\$m	35 350	21 323	13 646	790 523
Operating profit before tax	\$m	4 140	2 280	1 686	56 604

OPERATING INCOME BY EMPLOYING STATUS OF SELECTED INDUSTRIES

Total operating income for all the selected industries was \$847,127 million, of which 93.8% was contributed by employing businesses. However, non-employing businesses are more significant in some industries, notably Other transport where they contribute 42.9% of operating income and Libraries, museums and the arts where the contribution is 25.2%.

Rail transport had the highest contribution to total operating income by employing businesses with 100.0% closely followed by Air and space transport with 99.3%.

21 OPERATING INCOME BY EMPLOYING STATUS OF SELECTED INDUSTRIES 1997-98

	Employing businesses	Employing businesses	Non-employing businesses	Non-employing businesses	Total
	\$m	%	\$m	%	\$m
<i>Construction</i>	77 987	85.6	13 099	14.4	91 086
General construction	44 184	92.2	3 736	7.8	47 919
Construction trade services	33 804	78.3	9 363	21.7	43 167
<i>Wholesale trade</i>	223 405	98.5	3 478	1.5	226 883
Basic material wholesaling	75 888	99.0	803	1.0	76 691
Machinery and motor vehicle wholesaling	78 476	98.9	886	1.1	79 362
Personal and household good wholesaling	69 040	97.5	1 789	2.5	70 830
<i>Retail trade</i>	189 877	95.1	9 834	4.9	199 712
Food retailing	58 316	95.5	2 727	4.5	61 043
Personal and household good retailing	64 490	92.7	5 109	7.3	69 598
Motor vehicle retailing and services	67 071	97.1	1 999	2.9	69 070
<i>Accommodation, cafes and restaurants</i>	37 384	97.0	1 170	3.0	38 554
<i>Transport and storage</i>	64 633	94.0	4 143	6.0	68 776
Road transport	18 674	86.6	2 892	13.4	21 566
Rail transport	6 173	100.0	1	—	6 174
Water transport	3 531	98.0	72	2.0	3 603
Air and space transport	13 694	99.3	95	0.7	13 789
Other transport	603	57.1	453	42.9	1 056
Services to transport	19 866	97.2	575	2.8	20 441
Storage	2 092	97.5	54	2.5	2 146
<i>Communication services</i>	26 163	97.6	640	2.4	26 803
<i>Property and business services</i>	103 569	88.6	13 318	11.4	116 887
Property services	21 169	79.6	5 434	20.4	26 603
Business services	82 400	91.3	7 885	8.7	90 284
<i>Private community services</i>	35 821	90.7	3 670	9.3	39 491
<i>Cultural and recreational services</i>	22 356	94.7	1 247	5.3	23 603
Motion picture, radio and television services	8 396	97.8	188	2.2	8 584
Libraries, museums and the arts	1 486	74.8	500	25.2	1 986
Sport and recreation	12 474	95.7	560	4.3	13 033
<i>Personal and other services</i>	13 044	85.1	2 288	14.9	15 333
Personal services	7 281	84.6	1 323	15.4	8 603
Other services	5 763	85.6	966	14.4	6 729
All selected industries	794 238	93.8	52 889	6.2	847 127

— nil or rounded to zero (including null cells)

ESTIMATES INCORPORATING INCOME TAX DATA *continued*

OPERATING EXPENSES BY EMPLOYING STATUS OF SELECTED INDUSTRIES

Total operating expenses for all selected industries was \$790,523 million, of which 94.9% was contributed by employing businesses. However, non-employing businesses are more significant in Other transport where they contribute 40.0% of operating expenses.

Wholesale trade recorded the highest total operating expenses with \$220,035 million, 98.5% of which was contributed by employing businesses. This is followed by Retail trade with \$193,818 million, 95.4% of which was contributed by employing businesses.

22 OPERATING EXPENSES BY EMPLOYING STATUS OF SELECTED INDUSTRIES 1997-98

	Employing businesses	Employing businesses	Non-employing businesses	Non-employing businesses	Total
	\$m	%	\$m	%	\$m
<i>Construction</i>	73 944	89.6	8 598	10.4	82 542
General construction	42 341	93.3	3 063	6.7	45 404
Construction trade services	31 603	85.1	5 535	14.9	37 138
<i>Wholesale trade</i>	216 812	98.5	3 222	1.5	220 035
Basic material wholesaling	74 143	99.0	735	1.0	74 877
Machinery and motor vehicle wholesaling	75 372	98.9	804	1.1	76 176
Personal and household good wholesaling	67 297	97.6	1 684	2.4	68 981
<i>Retail trade</i>	184 854	95.4	8 964	4.6	193 818
Food retailing	56 538	95.7	2 531	4.3	59 069
Personal and household good retailing	62 596	92.9	4 748	7.1	67 345
Motor vehicle retailing and services	65 720	97.5	1 685	2.5	67 405
<i>Accommodation, cafes and restaurants</i>	35 486	97.1	1 061	2.9	36 548
<i>Transport and storage</i>	61 489	95.2	3 074	4.8	64 563
Road transport	17 801	89.7	2 034	10.3	19 835
Rail transport	5 860	100.0	1	—	5 861
Water transport	3 487	97.8	80	2.2	3 567
Air and space transport	13 067	99.2	102	0.8	13 169
Other transport	480	60.0	319	40.0	799
Services to transport	18 945	97.5	493	2.5	19 438
Storage	1 849	97.6	45	2.4	1 895
<i>Communication services</i>	21 748	98.3	375	1.7	22 123
<i>Property and business services</i>	90 873	90.4	9 702	9.6	100 575
Property services	17 813	80.7	4 247	19.3	22 059
Business services	73 060	93.1	5 455	6.9	78 516
<i>Private community services</i>	32 831	92.9	2 520	7.1	35 350
<i>Cultural and recreational services</i>	20 242	94.9	1 081	5.1	21 323
Motion picture, radio and television services	7 190	97.5	182	2.5	7 372
Libraries, museums and the arts	1 407	78.5	385	21.5	1 791
Sport and recreation	11 646	95.8	514	4.2	12 160
<i>Personal and other services</i>	11 964	87.7	1 682	12.3	13 646
Personal services	6 673	87.5	951	12.5	7 624
Other services	5 291	87.9	732	12.1	6 023
All selected industries	750 243	94.9	40 281	5.1	790 523

— nil or rounded to zero (including null cells)

FUTURE PLANS

FUTURE PLANS

The potential also exists to satisfy several other areas of unmet demand by extending the use of ATO data at even more detailed levels than described in the previous section and in the *ABS Information Paper : The Expanded Use of Business Income Tax Data in ABS Economic Statistics* (Cat. no. 5672.0). The ABS continually strives to find ways of expanding the range and improving the quality of its statistics without placing an undue reporting burden on businesses. The most important source of data about businesses, other than survey collections undertaken by the ABS, is the business financial data reported on income tax forms.

Use of ATO data in the compilation of economic statistics, will assist with the following developments:

- a further reduction in provider load;
- finer industry analyses, e.g. down to ANZSIC Class level;
- geographic analyses, e.g. by State and Territory supported by planned collection of State dissections for employment, wages and salaries and sales;
- analyses by size of business, e.g. based on turnover or asset value ranges;
- analyses of growth and performance, e.g. performance ratios, quantile analysis, longitudinal studies; or combinations of the above;
- extend the use of ATO data for all sectors of the business economy.

The following table is indicative of the broad level of data that will be available. It shows, for 1997-98, the total income and expense generated by employing and non employing businesses. Estimates for Goods-producing industries, including business income tax data are preliminary and are yet to be fully analysed. The value for total income shown in this table (\$1,324,970 million) is 10.9% greater than the total income shown in Table 1 of this publication. The difference is accounted for by the incorporation of business income tax data sourced from the ATO for both employing and non-employing businesses in all industry sectors of the economy.

23 TOTAL INCOME AND EXPENSES BY BROAD INDUSTRY

	<i>Total income</i>	<i>Total expenses</i>
	\$m	\$m
Goods-producing industries(a)		
Employers	332 643	305 813
Non-employers	12 972	11 976
Total	345 615	317 789
Service industries(b)		
Employers	916 251	838 838
Non-employers	63 104	45 307
Total	979 355	884 145
All industries		
Employers	1 248 894	1 144 651
Non-employers	76 076	57 283
Total	1 324 970	1 201 934

(a) Comprises of Agriculture, forestry and fishing, Mining, Manufacturing and Electricity, gas and water supply.

(b) Comprises all remaining industries.

EXPLANATORY NOTES

INTRODUCTION

1 The estimates in this publication have been derived using a combination of data from the Australian Bureau of Statistics (ABS) annual Economic Activity Survey (EAS) and business income tax data provided to the Australian Taxation Office (ATO) for the financial year 1997-98.

2 For the second time EAS data has been supplemented with business income tax data from the ATO for selected industries.

3 'Selected industries' includes Construction; Wholesale trade; Retail trade; Accommodation, cafes and restaurants; Transport and storage; Communication services; Property and business services; Cultural and recreational services; and Personal and other services.

4 For further information on the methodology used to collect ATO data see *ABS Information Paper: The Expanded Use of Business Income Tax Data in ABS Economic Statistics-Experimental Estimates for Selected Industries 1994-95 and 1995-96* (Cat. no. 5672.0).

REFERENCE PERIOD

5 The statistical results presented in this publication are based on the financial year ending June 1998. The EAS results are from details of profit and loss statements and balance sheets collected from selected businesses, mainly by mail out questionnaires. For 1997-98, businesses were asked to provide data in respect of the financial year ending June 1998. In a minority of cases, where businesses did not account on a June-year basis, details were reported in respect of the accounting year which ended between October 1997 and September 1998. The ATO results incorporated in section 2, are based on ATO returns lodged for the financial year ended June 1998.

COVERAGE

6 The population frame for the EAS statistics consisted of all business units in the Australian economy except for:

- * Agricultural businesses with an estimated value of agricultural operations less than \$22,500;
- * non-employing businesses in all other industries i.e. businesses which have not registered as group employers with the ATO; and
- * businesses classified to the General Government sector (note: government-owned Public Trading Enterprises were included).

7 The population frame for the ATO statistics consisted of all businesses and units in the Australian economy, including non-employers, except for:

- * Finance and insurance institutions;
- * Businesses involved in main goods producing industries including: Agriculture; Mining; Manufacturing; and Electricity, gas and water supply; and
- * Businesses classified to the General Government sector (note: government-owned Public Trading Enterprises were included).

STATISTICAL UNIT

8 The business unit about which information is collected and published for the EAS is termed the *management unit*. The management unit is the highest level unit within a business, having regard to the required level of industry dissection, for which a set of management accounts are maintained. In most cases it coincides with the legal entity owning the business (i.e. company, partnership, trust, sole operator, etc). However, in the case of large diversified businesses there are often a number of management units, 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.

EXPLANATORY NOTES *continued*

9 For the ATO, business income tax returns are submitted for *legal entities*. Management units are generally made up of one or more legal entities, but it is possible for legal entities to be made up of one more management units.

10 The ABS Business Register provided the population frame from which management units were selected for inclusion in the EAS and for the additional employing businesses from the ATO. For more information about the Business Register, refer to *Profiles of Australian Business, 1992* (Cat. no. 1322.0).

11 For non-employing businesses, which are not included on the ABS Business Register, ATO business income tax records are used as the population frame.

12 Approximately 21,000 management units were selected for the EAS-based collection using stratified random sampling techniques. All management units with employment of 200 or more persons were automatically selected in the sample.

13 The counts of operating businesses included in this publication should be used with some caution. Over and above the sampling error associated with these estimates, they are more affected than are other estimates presented by such things as internal restructuring of businesses (e.g. changes in divisional structure), mergers, takeovers and changes in the quality of ABS' Business Register. Because of these influences, estimates of the number of businesses have been smoothed, using a three-year moving average. This technique reduces the effect the above influences have on movements in the number of operating businesses across the years. Having applied this technique, the estimates are then considered suitable for use in analysing changes in the relative composition of industries and the generation of business averages. (N.B. a two-year average is applied to the most recent year's estimate, incorporating the current year's estimate with that of the previous year. To date, this series has always increased, and the method of calculating the current year smoothed count will cause a small downward bias).

14 These management unit counts exclude management units which were part year operators i.e. operating at the beginning of the reference period but not at the end. For most ANZSIC divisions the impact of the revision is generally small, particularly in percentage terms. The two major exceptions are the Wholesale trade and Finance and insurance industry divisions. The impact of the revision, does however, vary across divisions and at the subdivision level the variation is greater. The three subdivisions most affected by this revision are Personal and household good wholesaling; Finance; and Motion picture, radio and television services.

15 The revision to the operating management unit count should not affect data item averages that appear in this publication as these have been calculated including part year operators. As in previous years, data item averages in this publication are produced where both the numerator and the denominator include businesses who ceased before the end of the reference period.

16 Data in this publication have been adjusted to allow for lags in processing new businesses to the ABS business register, and the omission of some businesses from the register. For more information on these adjustments, please refer to *ABS Information Paper: Improvements to ABS Economic Statistics, 1997* (Cat. no. 1357.0).

EXPLANATORY NOTES *continued*

CLASSIFICATION BY INDUSTRY

17 This publication presents statistics classified according to the *Australian and New Zealand Standard Industrial Classification, 1993* (Cat. no. 1292.0). Each business unit is classified to a single industry. The industry allocated is based on an estimate of the primary activity of the management unit irrespective of whether a range of activities or a single activity is undertaken by the unit. For example, a management unit which derives most of its income from construction activities would have all operations included in the aggregates and ratios for the Construction industry division, even if significant secondary activities (e.g. quarrying) were undertaken. This is different from the approach that might be taken to the collection of statistics on an activity basis.

CLASSIFICATION BY SIZE

18 This publication presents statistics broken into two categories, defined as follows:

- * large businesses include all management units which employ over 200 persons or have assets worth more than \$200 million; and
- * other businesses are those management units which employ less than 200 persons and do not have assets worth more than \$200 million.

19 Other size dissections can be made available on request.

CHANGES DUE TO INTERNATIONAL STANDARDS

20 Commencing with estimates for 1997-98, the definition of income from services has changed in line with new international standards for measuring economic variables. The composition of income from services under the new standard is as follows: Income from services (as previously defined) plus Income from intellectual property royalties equals Income from services (new standard)

21 Also commencing with estimates for 1997-98, under new international standards, contribution to gross domestic product (GDP) by industries will be measured by the variable "industry value added" (IVA). Estimates for IVA measure the value added by an industry to the intermediate inputs used by that industry. Previously the corresponding contribution to GDP was measured by the variable "industry gross product" (IGP).

22 The new variable, IVA, has been introduced because of changes to the definitions of gross output and intermediate inputs from 1997-98 as a result of revised international standards for compiling economic variables.

23 The definition of capital expenditure has also changed. Mineral exploration expenditure and expenditure on computer software not capitalised by businesses have been included from 1997-98 onwards.

24 A bridging table showing the effects of definitional changes on data can be found in *Business Operations and industry Performance, Australia, Preliminary, 1997-98* (Cat. no. 8142.0)

25 Further information on the changes to international standards can be found in *Information Paper: Implementation of Revised International Standards in the Australian National Accounts* (Cat. no. 5251.0).

EXPLANATORY NOTES *continued*

OTHER ECONOMIC COLLECTIONS

26 Some of the industry-specific collections used to compile the statistics in this publication can provide fine level breakdowns of the data (e.g. by State). For example, the annual Mining Census was used to derive estimates for part of the Mining division and the annual Agricultural Finance Survey was used to derive estimates for part of the Agriculture division. Estimates for Manufacturing have been derived entirely from the annual Manufacturing collection. For more information on these surveys refer to the following ABS publications:

Agriculture, Australia, 1997-98 (Cat. no. 7113.0)

Electricity, Gas, Water and Sewerage Industries, Australia, 1997-98 (Cat. no. 8208.0)

Manufacturing Industry, Australia, 1997-98 (Cat. no. 8221.0)

Mining Operations, Australia, 1997-98 (Cat. no. 8415.0)

27 The ABS also has a program of rotating collections in the service industries. These collections provide information on specific Australian and New Zealand Standard Industrial Classification (ANZSIC) classes. Examples of publications released for the industries covered in the 1997-98 reference year include: gambling; clubs, pubs, taverns and bars; chiropractic and osteopathic services; dental services; physiotherapy services; optometry and optical dispensing services; and audiology and audiometry. For further information on these Service Industries Surveys (SIS), contact Annette Scott in Melbourne on (03) 9615 7977.

28 *Accommodation Industry, Australia, 1997-98* (Cat. no 8695.0) was released in August 1999. For further information on this SIS publication contact Paull Hoffmann on Brisbane (07) 3222 6201.

ROUNDING

29 Where figures have been rounded, discrepancies may occur between the sums of the component items and totals. Published percentages are calculated prior to rounding of figures and therefore some discrepancy may occur between those percentages and those that could be calculated from rounded figures.

ABBREVIATIONS

ABS	Australian Bureau of Statistics
ANA	Australian National Accounts
ANZSIC	Australian and New Zealand Standard Industrial Classification
ATO	Australian Taxation Office
EAS	Economic Activity Survey
EBIT	Earnings before interest and taxation
IVA	Industry value added
OPBT	Operating profit before tax
RSE	Relative standard error
SE	Standard error

APPENDIX RELATIVE STANDARD ERRORS OF SELECTED ESTIMATES

A1.1 RELATIVE STANDARD ERRORS OF SELECTED ESTIMATES 1997-98

	TOTAL INCOME		TOTAL EXPENSES		OPBT	
	EAS	EAS/TAX	EAS	EAS/TAX	EAS	EAS/TAX
	%	%	%	%	%	%
<i>Agriculture, forestry and fishing</i>	2	..	2	..	1	..
Agriculture	2	..	2	..	—	..
Services to agriculture, hunting and trapping	7	..	7	..	37	..
Forestry and logging	8	..	8	..	10	..
Commercial fishing	8	..	8	..	21	..
<i>Mining</i>	na	..	na	..	na	..
Coal mining	..	..	..	..	..	..
Oil and gas extraction	..	..	..	..	..	..
Metal ore mining	..	..	..	..	..	..
Other mining	na	..	na	..	na	..
Services to mining	na	..	na	..	na	..
<i>Manufacturing(a)</i>	na	..	na	..	na	..
Electricity, gas and water supply	na	..	na	..	na	..
Electricity and gas supply	na	..	na	..	na	..
Water supply, sewerage and drainage services	na	..	na	..	na	..
<i>Construction</i>	5	2	5	2	18	2
General construction	6	3	6	3	38	6
Construction trade services	8	3	8	3	14	2
<i>Wholesale trade</i>	3	2	3	2	9	4
Basic material wholesaling	5	2	5	2	8	5
Machinery and motor vehicle wholesaling	5	3	5	3	10	7
Personal and household good wholesaling	7	3	7	3	33	6
<i>Retail trade</i>	4	2	4	2	12	8
Food retailing	7	2	7	2	16	5
Personal and household good retailing	8	4	8	3	24	20
Motor vehicle retailing and services	8	5	8	5	17	8
<i>Accommodation, cafes and restaurants</i>	6	5	6	5	17	9
<i>Transport and storage</i>	3	2	3	2	10	2
Road transport	8	2	8	3	11	3
Rail transport	—	—	—	—	1	—
Water transport	6	8	5	9	72	68
Air and space transport	4	2	2	2	24	5
Other transport	13	2	12	2	17	—
Services to transport	8	4	8	4	17	6
Storage	10	5	10	5	13	8
<i>Communication services</i>	1	1	2	1	4	—
<i>Finance and insurance</i>	2	..	2	..	3	..
Finance	2	..	2	..	3	..
Insurance	3	..	2	..	12	..
Services to finance and insurance	9	..	8	..	19	..
<i>Property and business services</i>	6	3	6	4	13	6
Property services	6	3	7	3	8	5
Business services	7	4	7	4	18	8
<i>Private community services</i>	5	na	4	na	13	na
Cultural and recreational services	4	2	4	2	8	6
Motion picture, radio and television services	6	4	6	4	9	11
Libraries, museums and the arts	9	4	9	4	33	8
Sport and recreation	5	3	5	3	14	8
<i>Personal and other services</i>	5	3	5	3	13	6
Personal services	8	4	8	4	32	7
Other services	5	5	5	5	8	10
All industries	1	1	1	1	2	2

.. not applicable

— nil or rounded to zero (including null cells)

na not available

(a) Relative standard errors for the Manufacturing industry are available on request.

RELATIVE STANDARD ERROR

1 Since the estimates in this publication are based on information obtained from a sample drawn from units in the surveyed population, the estimates are subject to sampling variability. That is, they may differ from the figures that would have been produced if all units had been included in the survey. One measure of the likely difference is given by the standard error (SE), which indicates the extent to which an estimate might have varied by chance because only a sample of units was included. The relative standard error (RSE) is a useful measure in that it provides an immediate indication of the percentage errors likely to have occurred due to sampling, and thus avoids the need to refer also to the size of the estimate. The 2relative standard errors table on the previous page provides RSEs for a selection of estimates presented in this publication. It should be noted that estimates for large businesses are generally not subject to sampling error as every effort is made to completely enumerate these businesses.

2 There are about two chances in three that the difference between the estimate shown and the true value will be within one SE, and about 19 chances in 20 that the difference will be within two SEs. Thus, for example, if the estimated value of a variable is \$12,000 million and its RSE is 5%, its reliability in terms of sampling error can be interpreted as follows. There are about two chances in three that the true value of the variable lies within the range \$11,400 million to \$12,600 million, and 19 chances in 20 that it lies within the range \$10,800 million and \$13,200 million.

NON-SAMPLING ERROR

3 The imprecision due to sampling variability, which is measured by the SE, is not to be confused with inaccuracies that may occur because of inadequacies in available sources from which the population frame was compiled, imperfections in reporting by providers, errors made in collection such as in recording and coding data, and errors made in processing data. Inaccuracies of this kind are referred to collectively as non-sampling error and they may occur in any enumeration, whether it be a full count or a sample.

4 While it is not possible to quantify non-sampling error, every effort is made to reduce it to a minimum. Collection forms are designed to be easy to complete and assist businesses to report accurately. Efficient and effective operating procedures and systems are used to compile the statistics. In addition, over the past five years the ABS has undertaken a program of upgrading the Business Register. This on-going upgrade has resulted in improvements in the quality of the statistical series whose population frames are drawn from the Register.

ASSETS AND LIABILITIES

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

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

LIMITATIONS OF FINANCIAL DATA ANALYSIS

7 This publication present a wide range of data that can be used to analyse business and industry performance. It is important that any analysis be based upon a range of data presented rather than focusing on one variable.

8 Differences in accounting policy and practices across businesses and industries also lead to some inconsistencies in the data input to the statistics. While much of the accounting process is subject to standards, there is still a great deal of flexibility left to managers and accountants in the accounting policy and practices they adopt. For example, acceptable methods of asset valuation including historical cost, replacement cost and current market value. The timing of asset revaluations also varies considerably across businesses. The way profit is measured is affected by management policy on such things as depreciation rates, bad debt provisions and write off and goodwill write off. The varying degree to which businesses consolidate their accounts may also affect the ratios calculated.

9 Those ratios compiled from a combination of flow and level items need to be treated with additional caution. The information contained in balance sheets indicates the level of assets and liabilities at a point in time. Information contained in profit and loss statements summarises the flows (or transactions) which have taken place during the past financial year. Ratios which include both level and flow items in their derivation may be volatile due to the timing differences involved.

10 The above limitations are not meant to imply that analysis based on this data should be avoided. It is important, however, that they be borne in mind when interpreting the data presented in this publication.

RELATIONSHIP WITH NATIONAL ACCOUNTS ESTIMATES

1 Both the Economic Activity Survey (EAS) and the national accounts attempt to measure overall economic activity, although the EAS is substantially narrower in scope and coverage. Differences also occur in the industry dissection of the two sets of statistics because they rely on different units frameworks.

2 The prime purpose of the EAS is to derive a set of economic measures based on information available from the standard financial accounts of trading and employing businesses. The commentary included in this publication illustrates how this information can be used to derive a range of business and industry performance measures similar to those used by financial analysts. EAS data are used in the compilation of national accounts aggregates, especially those relating to measures of production.

3 The main summary measure of industry production in the national accounts is gross value added (GVA) which is the value of output at basic prices minus the value of intermediate consumption at purchasers' prices. It has not been possible to exactly duplicate this concept in the output of the annual economic collections, but the major summary item, industry value added (IVA), is a close approximation in concept, although there are a number of reasons including coverage (outlined below) that contribute to differences in these estimates.

4 In previous issues of this publication the main summary measure was referred to as industry gross product (IGP). The differences between IGP and IVA are explained in paragraphs 20 to 25 of the Explanatory notes.

5 Despite the close conceptual affinity between the definitions of IVA and GVA, there are substantial coverage, conceptual and methodological differences which make precise comparisons between the two series somewhat difficult. The more important of these are summarised below.

DIFFERENCES IN COVERAGE

6 This category contains by far the biggest reasons for differences between the estimates of IVA and GVA. The EAS does not cover business units classified to the general government sector, non-farm businesses without employees and households contributing to GVA through their ownership of dwellings, including an imputation for the services provided to owner occupiers. EAS/TAX covers non-farm businesses without employees but not others.

DIFFERENCES IN CONCEPT

7 The application of the standard formula for IVA is known to result in an understatement of the value added for businesses which do not charge directly or do not charge full commercial value for the services they provide to their clients. These include financial intermediaries, insurance and superannuation businesses and not for profit organisations.

8 Banks and some other financial intermediaries provide some services for which they do not charge explicitly. They do this by paying a lower rate of interest on deposits and charging a higher rate to borrowers. In the national accounts, an estimate is made for financial intermediation services indirectly measured (FISIM), to measure the value of these services. This is added to output of financial intermediaries. An estimate is also made for the consumption of FISIM by other industries. This is added to the intermediate consumption of those industries in the national accounts.

9 Similarly, for general insurance businesses in the national accounts, estimates of output include an imputed insurance service charge derived as premiums earned less claims due plus interest and other income earned on technical reserves. The national accounts also makes an adjustment to GVA for other industries to account for the consumption of the insurance service charge.

DIFFERENCES IN
METHODOLOGY

10 In the Australian National Accounts, the GVA of not for profit organisations is measured in the same way as for the general government sector, ie wages, salaries and supplements plus depreciation. In EAS not for profit organisations are only statistically significant in the Retail trade, Private community services, and Cultural and recreational services industries.

11 Due to difficulties in collecting data to measure the output of financial intermediaries and insurance enterprises they have been excluded from IVA in EAS.

12 For Agriculture, the national accounts estimates use the value of agricultural commodities produced (obtained from the annual Census of Agricultural Commodities) to measure gross output. This measure of output is valued on an accruals basis as far as possible. In particular, sheep and cattle are included in output and GVA as the animal grows rather than when sold. National accounts also include an estimate of the value of back yard production by households.

13 The IVA estimate for Agriculture is based on the results of the annual Agricultural Finance Survey, which most large businesses report on an accruals basis while small and medium businesses report on a cash basis. However, the units from which data are obtained for this survey are more consistent with those in other industries covered by the EAS than those used in the annual Census of Agricultural Commodities.

14 There are a number of other specific adjustments made to the national accounts that are not included in IVA. These are:

- * the inventories valuation adjustment to exclude holding gains/losses;
- * the value added by owner builders in the construction of dwellings and alterations and additions to dwellings is included in construction industry output and GVA;
- * an allowance for understatement of business income and expenses reported by respondents is included in output and GVA for all industries; and
- * the value of fringe benefits are included as employee compensation, raising the level of GVA compared with IVA.

INPUT-OUTPUT STRATEGY

15 The annual national accounts estimates of industry GVA and components are compiled using supply-use tables. These are a particular type of input-output table. Importantly, they enable data for the supply of products to be compared with data for the use of (demand for) commodities and for GVA to be compared with incomes. Because they are a balanced system, they enforce the conceptual equivalence between supply and demand for products and value added and incomes.

16 The ABS program of industry surveys, including EAS are key sources of data for much of the supply-use tables. However, some major components of the demand side of the equation - household final consumption expenditure in particular - have to be taken from other sources. When these data are included, inconsistencies in supply and demand of varying order become apparent.

17 Balance between the data are achieved by an iterative process of adjustment. In the process it is likely that EAS data will accept some of the adjustment in order to achieve balance in the whole system. This is a further reason for differences between national accounts and EAS estimates.

GLOSSARY

Business averages	These are derived by dividing the estimate of the financial variable in question by the number of operating businesses (including part year operators) for that year.
Capital expenditure	Acquisition of fixed tangible assets (e.g. plant and machinery, property) and intangible assets (e.g. computer software, patents and licences) including those assets acquired under a finance lease. Also includes work done by own employees or proprietors of the business for its own use or for rental or lease purposes.
Distribution industries	Comprised of the ANZSIC industry divisions of Wholesale trade, Retail trade and Transport and storage.
Economic Activity Survey	An annual business survey that is the main source of the statistics presented in this publication.
EBIT	Earnings before interest and taxation.
Employment	Includes working proprietors, working partners, permanent, part-time, temporary and casual employees, and managerial and executive employees working for a business during the last pay period in June each year. Employees absent on paid or pre-paid leave are included.
Financial expenses	Includes bad debts, interest expenses, bank charges other than interest and insurance premiums.
GDP	Gross domestic product.
Goods-producing industries	Comprised of the ANZSIC industry divisions of Agriculture, forestry and fishing, Mining, Manufacturing and Electricity, gas and water.
Gross output	Sales of goods and services plus government subsidies plus capital work done for own use plus closing stocks minus opening stocks.
Income from services	Includes all repair and service income and fees, income from rent, leasing and hiring, contract, subcontract and commission revenue and management fees.
Industry gross product (IGP)	A measure of the unduplicated gross product of a business defined as gross output minus intermediate inputs. For periods prior to 1997-98, IGP was the official measure of the contribution by industries to gross domestic product. However, commencing with estimates for 1997-98, following the introduction of new international standards for measuring economic variables, IGP has been replaced by the variable industry value added.
Industry value added (IVA)	Represents the value added by an industry to the intermediate inputs used by that industry. It is derived as: <div style="margin-left: 40px;"> Trading profit <i>plus</i> operational funding from Government <i>plus</i> own account capital work <i>equals</i> capitalised wages and salaries <i>plus</i> capitalised purchases <i>less</i> capitalised purchases <i>equals</i> IGP <i>plus</i> computer software expenditure not capitalised by businesses <i>plus</i> selected indirect taxes (fringe benefits tax, payroll tax, land rates and taxes) <i>plus</i> exploration expenditure written off <i>less</i> intellectual property royalty expense <i>equals</i> IVA </div>
Interest coverage	The number of times over that businesses can meet their interest expenses from their earnings before interest, i.e. $\frac{\text{EBIT}}{\text{interest expenses}}$

GLOSSARY *continued*

Interest expenses	Includes interest paid on loans from banks, finance companies, insurance companies and related companies.
Interest income	Includes interest received from bank accounts, loans and finance leases and earnings on discounted bills.
Intermediate inputs	Purchases plus selected expenses.
Investment rate	The proportion of industry gross product used to acquire capital, i.e. $\frac{\text{capital expenditure} \times 100}{\text{IVA}}$
Large businesses	See under Classification by size in Explanatory Notes.
Labour costs	Wages and salaries plus superannuation contributed by the employer plus workers' compensation.
Medium businesses	See under Classification by size in Explanatory Notes.
Net worth	Total assets minus total liabilities and is equal to the interests of shareholders or other owners in the assets of the business.
Management unit	See under Statistical unit in Explanatory Notes.
OPBT	Operating profit before tax; a measure of profit before extraordinary items are brought into account and prior to the deduction of income tax and appropriations to owners (e.g. dividends paid).
Non-employing businesses	Businesses that, according to income tax files, have no employees.
Operating business	See under Statistical unit in Explanatory Notes.
Operating expenses	The total expenses of a business, excluding extraordinary items.
Operating income	The total income of a business, excluding extraordinary items.
Other operating expenses	All operating expenses except for purchases, selected expenses (included in cost of sales), labour costs, depreciation and interest expenses. Includes insurance premiums, royalty expenses and bad debts written off.
Other operating income	Includes government subsidies, royalty income, dividends received, net profit (or loss) on the sale of fixed tangible assets and net profit (or loss) on foreign exchange transactions. It excludes extraordinary profits or losses.
Other selected expenses	Includes depreciation, motor vehicle running, postal and telecommunication services, advertising, freight and cartage, repair and maintenance, other management and administrative, travelling and accommodation, sales commission, paper, printing and stationery, audit and other accounting, cleaning, royalties, legal, data processing and other expenses as well as commission expenses on own materials and land tax and land rates.
Other selected income	Includes royalty income, insurance recoveries, subsidies, employee contributions for fringe benefits tax, government assistance from all sources, distribution from partnerships and trusts and gross dividends.
Profit margin	The percentage of operating income available as operating profit, i.e. $\frac{\text{OPBT} \times 100}{\text{operating income}}$
Purchases	Includes purchases of materials, components, containers, packaging, fuels, electricity and water, and purchases of goods for resale.
Rent, leasing and hiring expenses	Costs for the rent, leasing (excluding finance leases) of vehicles, land, buildings, machinery, equipment and any other property to other businesses or individuals.

GLOSSARY *continued*

Rent, leasing and hiring income	Includes income received from the renting, leasing or hiring of assets such as land, buildings, vehicles, machinery or equipment to other businesses or individuals.
Return on assets	Operating profit before tax as a percentage of the total book value of assets, i.e. $\frac{\text{OPBT} \times 100}{\text{total assets}}$
Return on net worth	Operating profit before tax as a percentage of shareholders' funds, i.e. $\frac{\text{OPBT} \times 100}{\text{net worth}}$
Sales of goods	Includes sales of goods whether or not manufactured by the business and sales or transfers to related businesses.
Selected industries	Comprised of the ANZSIC industry divisions of Construction, Wholesale trade, Retail trade, Accommodation, cafes and restaurants, Transport and Storage, Communication services, Property and Business services, Education, Health and Community services, Cultural and recreational services and Personal and other services.
Selected expenses	Includes payments made for services provided by other businesses (including self-employed persons) such as rent, leasing and hiring of plant, motor vehicles, land and buildings; freight and cartage expenses; office supplies and services; telephone and postage; advertising, accounting and legal services; repairs and maintenance; work performed on a contract, subcontract or commission basis; and charges by governments such as rates, motor vehicle registration, payroll tax and fringe benefits tax.
Small businesses	See under Classification by size in Explanatory Notes.

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