

**BUSINESS OPERATIONS AND
INDUSTRY PERFORMANCE****AUSTRALIA
PRELIMINARY**

EMBARGO: 11.30AM (CANBERRA TIME) FRI 12 MAY 2000

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- For further information about these and related statistics, contact the National Information Service on 1300 135 070 or Fleur Butt on Canberra 02 6252 5427.

NOTES

ABOUT THIS ISSUE

This publication contains preliminary estimates from the Economic Activity Survey (EAS). Final estimates for 1998–99 will be available in the next issue of *Business Operations and Industry Performance, Australia* (Cat. no. 8140.0), due for release in December 2000.

The data contained in this publication are early estimates based on a response rate of 86%.

Estimates for 1997–98 and previous years contain revisions that have resulted from the analysis of 1998–99 data.

CHANGES IN THIS ISSUE

Estimates from 1997–98 onwards are compiled using the new international standards defined in the United Nations System of National Accounts 1993.

For some time now, the ABS has been using ATO information on GE registrations to add new businesses to the ABS business register. After detailed investigation, it has now been decided to use GE information to delete from the business register those businesses which have ceased trading or are no longer employing staff.

Revision of the Standard Economic Sector Classification of Australia in 1998, has meant the reclassification of state government central borrowing authorities from the general government sector to the financial corporations sector. Accordingly this data is now included in estimates for the Finance and insurance industry.

More information on these changes can be found in the Explanatory Notes.

COMMENTS

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

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ABBREVIATIONS

ABS	Australian Bureau of Statistics
ANZSIC	Australian and New Zealand Standard Industrial Classification
EAS	Economic Activity Survey
EBIT	Earnings before interest and tax
IGP	Industry gross product
IVA	Industry value added
OPBT	Operating profit before tax
RSE	Relative standard error
SE	Standard error
SNA93	United Nations System of National Accounts 1993

W. McLennan
Australian Statistician

SUMMARY OF FINDINGS

OVERVIEW

There were 705,000 operating businesses in 1998–99, a decrease of 0.2% from 1997–98. This follows a small but consistent rise in the previous four years. Employment also decreased, by 2.7%.

Most financial indicators recorded a rise in 1998–99. Total income increased by 4.1% to \$1,223 million. By comparison, total expenses increased by only 3.4% to \$1,110 million making an increase in operating profit before tax of nearly 10% to \$116 million.

Capital expenditure decreased 2.6% following its four year high in 1997–98 but industry value added recorded growth of 3.4% to \$327 million.

1 SUMMARY OF INDUSTRY PERFORMANCE: ALL INDUSTRIES

	1994– 95	1995– 96	1996– 97	1997– 98	1998– 99
Selected indicators					
Operating businesses ('000)	682	695	700	706	705
Employment ('000)	5 816	6 106	6 261	6 566	6 391
Total operating income (\$m)	968 649	1 060 356	1 121 155	1 174 570	1 222 617
Total operating expenses (\$m)	883 707	965 357	1 027 501	1 073 672	1 110 278
Operating profit before tax (\$m)	91 420	96 603	95 266	105 608	115 942
Total assets (\$m)	2 002 454	2 057 472	2 348 815	2 497 765	2 601 096
Total liabilities (\$m)	1 322 387	1 285 850	1 621 305	1 717 429	1 758 912
Capital expenditure (\$m)	57 247	64 159	63 479	75 998	74 015
Industry value added ^(a) (\$m)	254 166	277 068	287 768	326 843	339 448
Business averages					
Average employment (No)	8.4	8.6	8.7	9.1	8.9
Average income (\$'000)	1 403	1 497	1 558	1 627	1 697
Average expenses (\$'000)	1 280	1 363	1 428	1 487	1 541
Average profit (\$'000)	132	136	132	146	161
Average assets (\$'000)	2 901	2 904	3 265	3 460	3 611
Average net worth (\$'000)	985	1 089	1 011	1 081	1 169

(a) IVA replaces IGP from 1997–98 onwards, and excludes businesses in the Finance and insurance industry.

SUMMARY OF FINDINGS *continued*

INDUSTRY PERFORMANCE RATIOS

The profit margin for all industries was 9.5% in 1998–99. The highest profit margin was recorded in Finance and insurance at 25.3%. Other industries with high profit margins included Communication services at 20.0%, Electricity, gas and water supply at 21.4% and Mining at 16.6%.

During 1998–99, the return on assets for all industries was 4.5% but was highest in Communication services at 14.1%. Construction (12.7%), Retail trade (10.8%), Private community services and Cultural and recreational services (both 9.7%) also showed relatively high rates of return for the period. The lowest return was recorded by Finance and insurance at 2.4%. Although low, this is based on an asset figure of \$1,452 billion being more than half of the total assets for Australia.

Return on net worth for all industries was 13.8% in 1998–99. The highest return was recorded by Construction with 41.3%, followed by Communication services at 34.5% and Retail trade at 30.8%. Agriculture, forestry and fishing and Personal and other services recorded the lowest returns at 3.9% and 6.5% times respectively.

Cultural and recreational services had the highest interest coverage ratio at 9.5 times in 1998–99. This was closely followed by Construction at 9.3 times and Private community services at 9.0 times. The lowest ratio was experienced by Finance and insurance at 1.8 times.

The highest investment rate was recorded by the Mining sector at 42.9%, followed by Agriculture, forestry and fishing at 39.5% and Communication services at 38.8%. Retail trade showed the lowest investment rate at 10.9%.

2 INDUSTRY PERFORMANCE RATIOS—1998–99

<i>Industry</i>	<i>Profit margin</i>	<i>Return on assets</i>	<i>Return on net worth</i>	<i>Interest coverage</i>	<i>Investment rate</i>
	%	%	%	times	%
Agriculture, forestry and fishing	14.9	3.2	3.9	3.9	39.5
Mining	16.6	7.6	20.1	4.4	42.9
Manufacturing	5.7	6.6	16.7	4.3	18.9
Electricity, gas and water supply	21.4	5.4	10.0	3.0	35.5
Construction	5.7	12.7	41.3	9.3	11.5
Wholesale trade	3.8	8.4	27.3	6.2	13.6
Retail trade	3.4	10.8	30.8	3.5	10.9
Accommodation, cafes and restaurants	6.0	5.7	12.7	3.4	16.5
Transport and storage	7.7	6.4	16.8	3.7	26.6
Communication services	20.0	14.1	34.5	8.1	38.8
Finance and insurance	25.3	2.4	11.8	1.8	..
Property and business services	11.8	6.4	14.1	3.8	13.7
Private community services	10.4	9.7	18.5	9.0	13.9
Cultural and recreational services	13.6	9.7	18.6	9.5	37.0
Personal and other services	6.8	4.6	6.5	5.8	19.1
All industries(a)	9.5	4.5	13.8	2.8	21.8

.. not applicable

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

SUMMARY OF FINDINGS *continued*

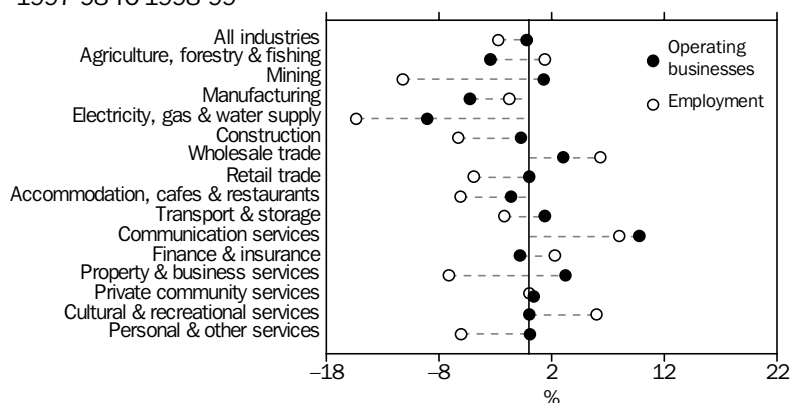
OPERATING BUSINESSES AND EMPLOYMENT

Operating businesses and employment for all industries in Australia declined by 0.2% and 2.7% respectively in 1998–99.

The largest fall in operating businesses (9.0%) was experienced by the Electricity, gas and water supply industry.

As in 1997–98, Property and business services recorded the largest number of operating businesses in 1998–99, accounting for 18.4% of the total number of businesses. The biggest decrease in number of operating businesses was recorded in the Agriculture, forestry and fishing industry with a drop of 3,864 businesses or 3.4%. Despite this, there was an increase of 5,000 in the number of people employed in this industry. This increase occurred mainly in the Services to Agriculture sector where Australia experienced a record season for cotton. This led to an increase in casual staff.

GROWTH IN OPERATING BUSINESSES AND EMPLOYMENT,
1997-98 TO 1998-99



3 OPERATING BUSINESSES AND EMPLOYMENT

	OPERATING BUSINESSES		EMPLOYMENT	
	1997– 98	1998– 99	1997– 98	1998– 99
<i>Industry</i>	'000	'000	'000	'000
Agriculture, forestry and fishing	115	111	345	350
Mining	2	2	79	70
Manufacturing	52	49	998	981
Electricity, gas and water supply	—	—	54	46
Construction	78	78	391	367
Wholesale trade	40	42	436	464
Retail trade	106	106	1 074	1 022
Accommodation, cafes and restaurants	31	31	485	455
Transport and storage	27	27	321	314
Communication services	4	4	117	118
Finance and insurance	19	19	300	307
Property and business services	126	130	914	849
Private community services	55	55	709	708
Cultural and recreational services	16	16	157	166
Personal and other services	35	35	185	174
All industries	706	705	6 566	6 391

— nil or rounded to zero (including null cells)

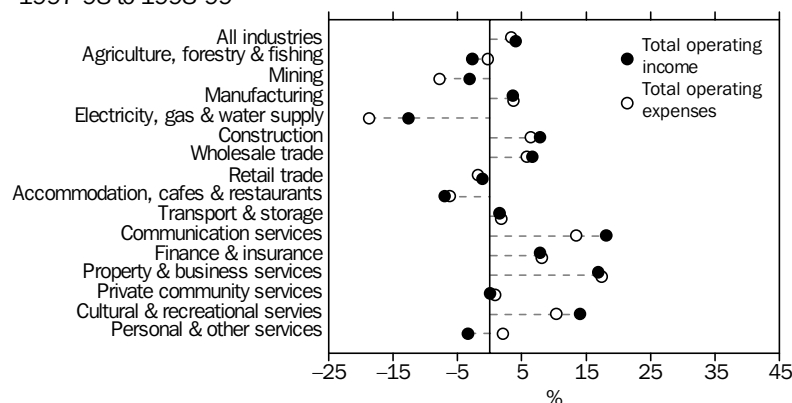
SUMMARY OF FINDINGS *continued*

OPERATING INCOME AND EXPENSES

Total operating income for all industries increased by \$48,048 million (4.1%) in 1998–99, whilst total operating expenses rose by \$36,606 million (3.4%). This is lower than the increases recorded in 1997–98 of \$53,415 million (4.8%) in income and \$46,171 million (4.5%) in expenses.

The industry recording the largest growth in operating income was Communication services, where more businesses are increasing their market share through Internet and mobile networks. Total income for this industry increased by \$4,536 million (18.2%), while total expenses increased by \$2,800 million or 13.5%. Property and business services also experienced growth with increases in total income of \$14,516 million (16.8%) and total expenses of \$13,318 million (17.4%).

GROWTH IN TOTAL OPERATING INCOME AND TOTAL OPERATING EXPENSES, 1997-98 to 1998-99



4 TOTAL OPERATING INCOME AND TOTAL OPERATING EXPENSES

Industry	TOTAL OPERATING INCOME		TOTAL OPERATING EXPENSES . . .	
	1997–98	1998–99	1997–98	1998–99
	\$m	\$m	\$m	\$m
Agriculture, forestry and fishing	32 112	31 272	27 787	27 717
Mining	44 318	42 934	38 611	35 616
Manufacturing	223 682	231 816	211 620	219 377
Electricity, gas and water supply	32 809	28 675	27 872	22 651
Construction	70 300	75 813	66 844	71 124
Wholesale trade	188 643	201 365	183 661	194 337
Retail trade	184 950	182 852	180 442	177 131
Accommodation, cafes and restaurants	32 569	30 274	30 398	28 542
Transport and storage	57 456	58 358	52 952	53 939
Communication services	24 971	29 508	20 819	23 619
Finance and insurance	128 783	138 861	95 931	103 815
Property and business services	86 256	100 772	76 595	89 913
Private community services	35 455	35 480	31 495	31 775
Cultural and recreational services	19 897	22 677	17 722	19 563
Personal and other services	12 367	11 961	10 924	11 159
All industries	1 174 570	1 222 617	1 073 672	1 110 278

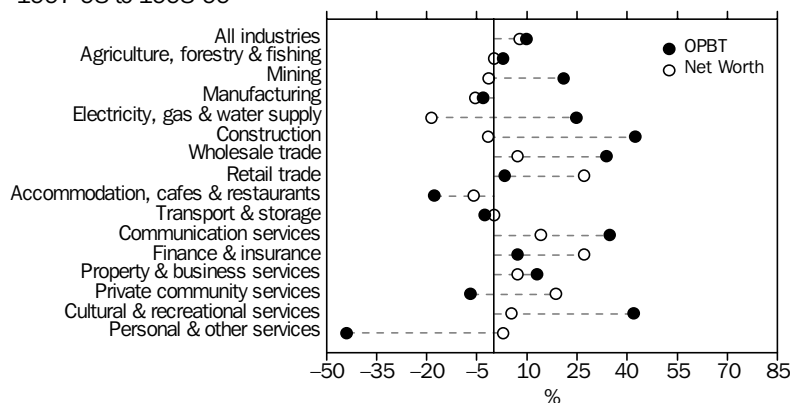
SUMMARY OF FINDINGS *continued*

OPERATING PROFIT BEFORE TAX AND NET WORTH

Operating profit before tax increased by \$10,334 million (9.8%) at the all industries level. The Finance and insurance industry reported the highest level of profit at \$35,071 million, up 7.2% from 1997–98. The largest increase in profit was in Construction with an increase of 42.5% or \$1,289 million brought about in part by a boom in housing construction and renovations. This rise is also attributable to continued Olympic construction. The largest decrease in profit was experienced by Personal and other services (43.9%).

Net worth for all industries increased by 7.9% to \$842,183 million with the highest growth (27.1%) being recorded by both Retail trade and Finance and insurance. Decreases were reported by businesses in the Mining, Manufacturing, Construction, Accommodation, cafes and restaurants industries with the biggest decrease in Electricity, gas and water supply of 18.6% or \$13,890 million.

GROWTH IN OPERATING PROFIT BEFORE TAX AND NET WORTH,
1997–98 to 1998–99



5 OPERATING PROFIT BEFORE TAX AND NET WORTH

Industry	OPERATING PROFIT BEFORE TAX		NET WORTH .	
	1997– 98	1998– 99	1997– 98	1998– 99
	\$m	\$m	\$m	\$m
Agriculture, forestry and fishing	4 538	4 665	120 433	120 602
Mining	5 886	7 129	35 941	35 486
Manufacturing	13 613	13 188	83 426	78 827
Electricity, gas and water supply	4 903	6 123	74 828	60 939
Construction	3 036	4 325	10 659	10 473
Wholesale trade	5 670	7 589	25 919	27 819
Retail trade	5 937	6 133	15 668	19 915
Accommodation, cafes and restaurants	2 209	1 818	15 172	14 280
Transport and storage	4 623	4 505	26 727	26 748
Communication services	4 388	5 911	14 998	17 130
Finance and insurance	32 705	35 071	233 537	296 806
Property and business services	10 497	11 875	78 212	83 955
Private community services	3 974	3 703	16 885	20 059
Cultural and recreational services	2 176	3 092	15 727	16 593
Personal and other services	1 455	817	12 204	12 552
All industries	105 608	115 942	780 335	842 183

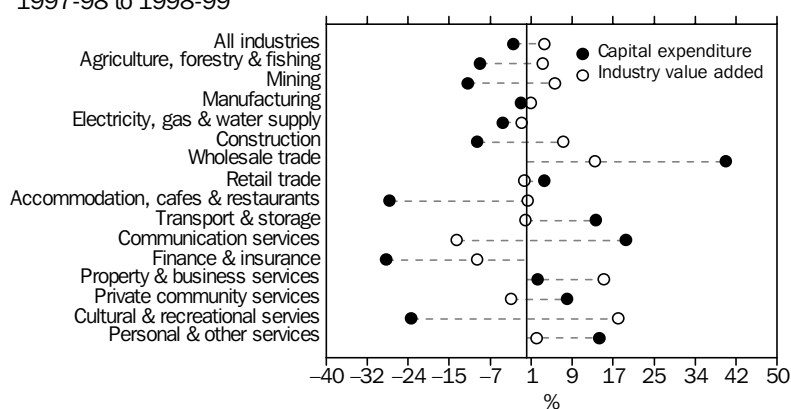
SUMMARY OF FINDINGS *continued*

CAPITAL EXPENDITURE AND INDUSTRY VALUE ADDED

Capital expenditure for all industries in 1998–99 decreased marginally (2.6%) to \$74,015 million. The largest decreases were recorded in the Finance and insurance industry (28.0%) and Accommodation, cafes and restaurants (27.3%). Conversely, Wholesale trade, Communication services and Personal and other services showed increases of 39.7%, 19.8% and 14.5% respectively.

The period 1998–99 saw an increase in industry value added of \$10,877 million (3.4%). The largest recorded increase was in the Cultural and recreational services industry showing \$8,010 million or an 18.3% increase. The largest decrease was in Communication services with a drop of 13.9% or \$2,666 million.

GROWTH IN CAPITAL EXPENDITURE AND INDUSTRY VALUE ADDED,
1997–98 to 1998–99



6 CAPITAL EXPENDITURE AND INDUSTRY VALUE ADDED

Industry	CAPITAL EXPENDITURE		INDUSTRY VALUE ADDED	
	1997–98	1998–99	1997–98	1998–99
	\$m	\$m	\$m	\$m
Agriculture, forestry and fishing	5 530	5 018	12 304	12 697
Mining	11 106	9 804	21 642	22 850
Manufacturing	13 007	12 858	67 495	68 006
Electricity, gas and water supply	5 304	5 055	14 399	14 254
Construction	2 658	2 398	19 363	20 789
Wholesale trade	2 918	4 077	26 374	29 988
Retail trade	3 290	3 405	31 348	31 241
Accommodation, cafes and restaurants	2 878	2 091	12 649	12 689
Transport and storage	5 262	5 988	22 588	22 551
Communication services	5 362	6 421	19 203	16 537
Finance and insurance	4 891	3 523
Property and business services	6 543	6 688	42 371	48 925
Private community services	2 612	2 825	20 911	20 268
Cultural and recreational services	3 852	2 966	6 773	8 010
Personal and other services	785	898	4 621	4 714
All industries(a)	75 998	74 015	326 843	339 448

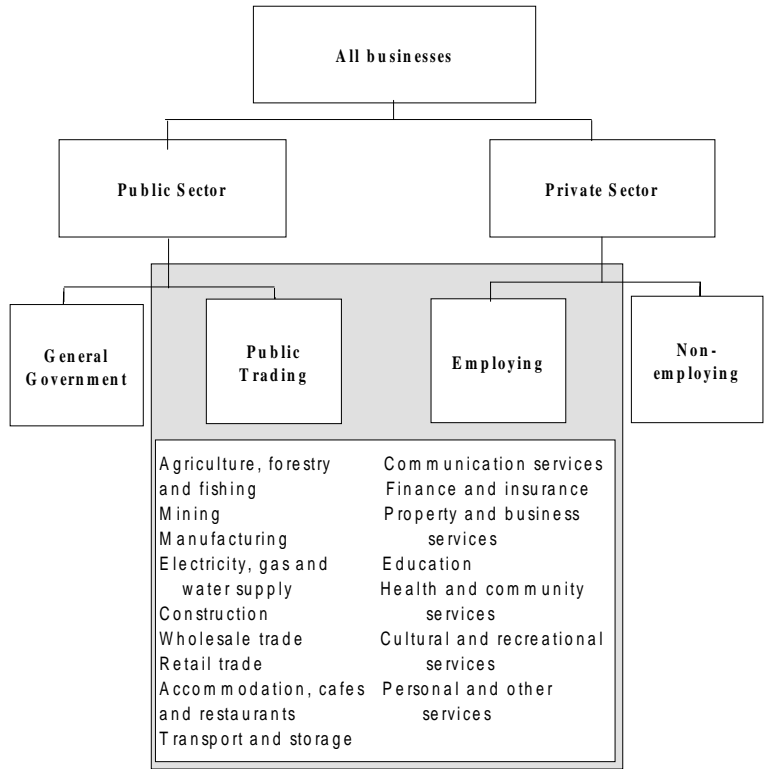
.. not applicable

a) Industry value added for All industries excludes Finance and insurance businesses.

EXPLANATORY NOTES

REFERENCE

- 1** The statistical results presented in this publication have been derived from the annual Economic Activity Survey (EAS) for the financial year ending June 1999.
- 2** The estimates relate to businesses in the public trading and private employing sectors of the economy only. The diagram below illustrates the dissection of business in the Australian economy.



SCOPE AND COVERAGE

- 3** 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).

4 More detailed Explanatory Notes can be found in the publication *Business Operations and Industry Performance, Australia, 1997–98* (Cat. no. 8140.0).

STATISTICAL UNIT

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

6 The Australian Bureau of Statistics (ABS) Business Register provided the population frame from which management units were selected for inclusion in

EXPLANATORY NOTES *continued*

STATISTICAL UNIT *continued*

the EAS. For more information about the Business Register, refer to *Profiles of Australian Business, 1992* (Cat. no. 1322.0).

7 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.

8 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)

IMPROVEMENTS TO COVERAGE

9 For some time now, the ABS has been using ATO information on GE registrations to add new businesses to the ABS business register. After detailed investigation, it has now been decided to use GE information to delete from the business register those businesses which have ceased trading or are no longer employing staff.

10 The process of using GE information to delete businesses from the ABS business register has been introduced for the 1998–99 EAS. The result is that a large number of businesses were removed from the business register and, therefore, from the population for the 1998–99 survey cycle. This process will now be ongoing, but the number of businesses removed in future years will be relatively small.

11 Estimates for the previous three economic activity surveys (covering 1995–96 to 1997–98 inclusive) have been adjusted in such a way as to phase in the impact over this time. The impact on survey results has been to reduce estimates slightly. For example, total employment (excluding Agriculture, Manufacturing and Mining industries) for 1997–98 was reduced by 3.3% and operating profit before tax by 2.9%. For periods before 1995–96, the impact is estimated to have been negligible. The impacts of the ongoing process are also expected to be negligible.

12 Revision to the Standard Economic Sector Classification of Australia in 1998, has meant the reclassification of state government borrowing authorities from the general government sector to the financial corporations sector. Note that some local government entities (i.e. those that provide the water and sewerage undertakings) classified as public trading enterprises, should have been classified to the general government sector. In analysing the impact of the change in treatment, it was discovered that for the four year period from 1994–95 to 1997–98 data for some general government entities were also included in the estimates. Therefore the data for these periods is potentially overstated. The extent of the overstatement is being analysed. The results will be incorporated in the final publication of these estimates.

13 Central borrowing authorities are institutions established by each State and Territory Government primarily to provide finance for public corporations and quasi-corporations and other units owned or controlled by those governments, and to arrange investment of the units' surplus funds. To decrease the impact these businesses would have on estimates in the Finance and insurance sector, they have been phased in over several years commencing with 1994–95.

CLASSIFICATION BY INDUSTRY

14 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

EXPLANATORY NOTES *continued*

CLASSIFICATION BY INDUSTRY *continued*

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

15 Size dissections can be made available on request.

CHANGES DUE TO INTERNATIONAL STANDARDS

16 Commencing with estimates for 1997–98, the definition of income from services was 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)

17 Also commencing with estimates for 1997–98, under new international standards, contribution to gross domestic product (GDP) by industries was 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).

18 The new variable, IVA, was 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.

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

20 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).

RELIABILITY OF ESTIMATES

21 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 the 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 table below provides relative standard errors for a selection of estimates presented in this publication.

EXPLANATORY NOTES *continued*

RELIABILITY OF ESTIMATES

continued

RSE OF SELECTED ESTIMATES—1998–99

	<i>EAS Total income</i>	<i>EAS Total expenses</i>	<i>EAS OPBT</i>
<i>Industry</i>	%	%	%
Agriculture, forestry and fishing	2	2	6
Mining	na	na	na
Manufacturing	na	na	na
Electricity, gas and water supply	na	na	na
Construction	5	5	9
Wholesale trade	4	4	7
Retail trade	4	4	9
Accommodation, cafes and restaurants	7	7	26
Transport and storage	4	4	12
Communication services	4	4	3
Finance and insurance	3	2	10
Property and business services	5	6	11
Private community services	4	4	17
Cultural and recreational services	5	5	14
Personal and other services	5	5	14
All industries	1	1	3

na not available

22 The imprecision due to sampling variability, which is measured by the SE, is not to be confused with other inaccuracies that may occur. These may include 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.

23 The estimates are also affected by such things as internal restructuring of businesses (e.g. changes in divisional structure), mergers, takeovers and changes in industry of operation.

24 This publication presents 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.

25 The counts of operating businesses included in this publication should be used with some caution. Estimates of the number of businesses have been smoothed, using a three-year moving average. For further explanation of this technique see *Business Operations and Industry Performance, Australia, 1997–98* (Cat. no. 8140.0).

ROUNDING

26 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.

OTHER ECONOMIC COLLECTIONS

27 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 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)

EXPLANATORY NOTES *continued*

OTHER ECONOMIC
COLLECTIONS *continued*

28 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.

GLOSSARY

Business averages	Variables expressed as a simple average per operating business.
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 capital work done by employees or proprietors of the business for its own use or for rental or lease purposes.
Economic Activity Survey (EAS)	An annual business survey which is the main source of the statistics presented in this publication.
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 prepaid leave are included.
Income from services	Includes repair, maintenance and service income and fees, income from work done or sales made on a commission basis, delivery or installation charges which are invoiced separately to customers, advertising income and management fees/charges from related or unrelated businesses. As a result of revised international standards, income from royalties from intellectual property will also be a component of estimates of income from services commencing with estimates for 1997–98. Excluded are rent, leasing and hiring income, government bounties and subsidies, income from natural resource royalties, interest income and dividends.
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 (GDP). 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 values added (IVA).
Industry Value Added (IVA)	<p>Represents the value added by an industry to the intermediate inputs used by that industry. From 1997–98, IVA has replaced IGP as the official measure of the contribution by industries to GDP. While IVA and IGP both represent gross output less intermediate inputs (or alternatively, the value added to intermediate inputs), introduction of new international standards for measuring economic variables has meant changes to the way in which gross output and intermediate inputs are defined, as follows.</p> <p>Trading profit</p> <p><i>plus</i> Operational funding from Government</p> <p><i>plus</i> Own account capital work</p> <p style="padding-left: 20px;"><i>equals</i> Capitalised wages and salaries</p> <p style="padding-left: 20px;"><i>plus</i> Capitalised purchases</p> <p><i>less</i> Capitalised purchases</p> <p><i>equals</i> IGP</p> <p><i>plus</i> Computer software (non capitalised) expense</p> <p><i>plus</i> Indirect taxes (fringe benefits tax, payroll tax, land rates and taxes)</p> <p><i>plus</i> Exploration expenditure written off</p> <p><i>less</i> Intellectual property royalty expense</p> <p><i>equals</i> IVA</p>

GLOSSARY *continued*

Interest coverage	The number of times over that businesses can meet their interest expenses from their earnings before interest, i.e. $\frac{\text{EBIT}}{\text{interest expenses}}$
Investment rate	The proportion of industry gross product used to acquire capital, i.e. $\frac{\text{capital expenditure} \times 100}{\text{IVA}}$
Net worth	Total assets minus total liabilities and is equal to the interests of shareholders or other owners in the assets of the business.
Operating expenses	The total expenses of a business, excluding extraordinary items.
Operating income	The total income of a business, excluding extraordinary items.
Operating profit before tax (OPBT)	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).
Other income	Includes government funding, income on foreign exchange transactions, contribution, dividend, investment and intellectual property royalties income.
Profit margin	The percentage of operating income available as operating profit i.e. $\frac{\text{OPBT} \times 100}{\text{operating income}}$
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 net worth, i.e. $\frac{\text{OPBT} \times 100}{\text{net worth}}$
Sales of goods and services	Equal to sales of goods, plus income from services plus rent, leasing and hiring income.

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