



BUSINESS OPERATIONS AND INDUSTRY PERFORMANCE

**AUSTRALIA
PRELIMINARY**

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- For further information about these and related statistics, contact the National Information and Referral Service on 1300 135 070 or Joe Whelan on Canberra 02 6252 5288.

NOTES

ABOUT THIS ISSUE

This publication contains preliminary estimates from the Economic Activity Survey (EAS). Final estimates for 2000–01 will be available in the next issue of *Business Operations and Industry Performance, Australia* (Cat. no. 8140.0) due for release in October 2002.

The data contained in this publication are early estimates based on a response rate of 85%.

Estimates from the 1995–96 to 2000–01 Economic Activity Surveys (EAS) are presented in this publication. The estimates contain revisions to previously published estimates that have resulted from further analysis of the data and additional data supplied by providers.

CHANGES IN THIS ISSUE

The Economic Activity Survey (EAS) for 2000–01 excluded data from the Agriculture, forestry and fishing industry.

FUTURE CHANGES

The reduction in coverage due to the exclusion of the Agriculture, forestry and fishing industry is temporary; it is planned to reintroduce this industry in 2002–03.

Other changes will be detailed in the next issue of *Business Operations and Industry Performance, Australia* (Cat. no. 8140.0).

In April 2000, the ABS released an information paper, *ABS Statistics and The New Tax System* (Cat. no. 1358.0), which foreshadowed changes in the statistical infrastructure supporting the compilation of ABS economic series. The changes will allow better use of data available from the taxation system to improve efficiency, coverage and sample design.

This publication presents the last release of estimates from the Economic Activity Survey compiled using the old infrastructure.

In the next release of this publication, estimates for the latest period will be compiled on the new basis. To facilitate comparisons over time, that release will include estimates of the impact on statistical series of the infrastructure changes.

An information paper, *Improvements in ABS Economic Statistics* [Arising from The New Tax System] (Cat. no. 1372.0), was released on the 6th May 2002. That paper describes the forthcoming changes in more detail and provides information about the treatment of statistical impacts of the changes across ABS economic series.

COMMENTS

The ABS welcomes feedback from readers regarding the usefulness, range and quality of the data presented and explanations provided. Please send any comments to: The Director, Economy Wide Statistics Section, Australian Bureau of Statistics, Locked Bag 10, Belconnen ACT 2616. Alternatively, email brian.mclinden@abs.gov.au.

Dennis Trewin
Australian Statistician

SUMMARY OF FINDINGS

NOTE	For the purpose of the summary of findings, ALL INDUSTRIES excludes businesses in the AGRICULTURE, FORESTRY AND FISHING industry.
OVERVIEW	<p>In 2000–01, the number of operating businesses in ALL INDUSTRIES increased by 2.4%, to 614,000. All major performance measures increased during the period, with Employment rising by 3.0%, Total operating income by 9.9%, Total operating expenses by 9.4%, Operating profit before tax (OPBT) increased by 16.4%, Capital expenditure increased by 9.6% and industry value added increased by 12.4%.</p> <p>Employment in the PRIVATE COMMUNITY SERVICES, TRANSPORT AND STORAGE and RETAIL TRADE industries were the major contributors to the positive growth in employment in 2000–01, registering positive movements of 8.0% (55,505), 4.7% (46,864) and 4.3% (44,786) respectively. The PERSONAL SERVICES industry registered the highest decrease in employment of 5.8% (11,904).</p> <p>With the exception of the CONSTRUCTION industry, which recorded a decrease of 12.6%, ALL INDUSTRIES registered an increase in Total operating income. In absolute terms, the largest increases were recorded in the PROPERTY AND BUSINESS SERVICES (\$22,593m), WHOLESALE TRADE (\$23,375m), RETAIL TRADE (\$22,336m) and FINANCE AND INSURANCE (\$16,632m) industries. The biggest increase in relative terms (31.0%) was recorded in the MINING industry.</p> <p>The CONSTRUCTION industry was the only industry to record a decrease (12.2%) in Total operating expenses. In absolute terms, the largest increases were recorded in the WHOLESALE TRADE (\$21,038m), RETAIL TRADE (\$23,298m) and TRANSPORT AND STORAGE industries (\$7,691m). The largest increase in percentage in terms of 30.1% (\$5,818m) was recorded in the CULTURAL AND RECREATIONAL SERVICES industry.</p> <p>Most industries registered an increase in OPBT. In relative terms, the largest increases were recorded in the MINING (49.4%), FINANCE AND INSURANCE (37.5%) and COMMUNICATION SERVICES (34.0%) industries, while the largest decreases were recorded in the CULTURAL AND RECREATIONAL SERVICES (38.2%), CONSTRUCTION (16.9%) and ACCOMMODATION, CAFES AND RESTAURANTS (14.6%) industries.</p> <p>Capital expenditure for ALL INDUSTRIES registered the fourth consecutive annual increase. The COMMUNICATION SERVICES (73.6%), MINING (48.0%) and ACCOMMODATION, CAFES AND RESTAURANTS (29.7%) industries recorded the largest increases in relative terms. The largest decrease in Capital expenditure, in relative terms, was recorded in the ELECTRICITY, GAS AND WATER SUPPLY industry (29.9%).</p> <p>Industry value added (IVA) for all industries increased by 12.4% to \$386,196m in 2000–01, the fourth consecutive annual increase since 1997–98. The largest percentage increases in IVA occurred in the MINING (43.6%) and COMMUNICATION SERVICES (39.2%) industries, while decreases were recorded in the PERSONAL AND OTHER SERVICES (9.4%) and CONSTRUCTION (3.9%) industries.</p> <p>It should be noted that the estimates for the 2000–01 reference period have been influenced by the 2000 Olympic Games and the introduction of The New Tax System (TNTS) on 1 July 2000.</p>
OPERATING BUSINESSES AND EMPLOYMENT	The total number of employing businesses operating in the PUBLIC TRADING and PRIVATE EMPLOYING sectors of the Australian economy increased by 2.4% in 2000–01, the second

SUMMARY OF FINDINGS *continued*

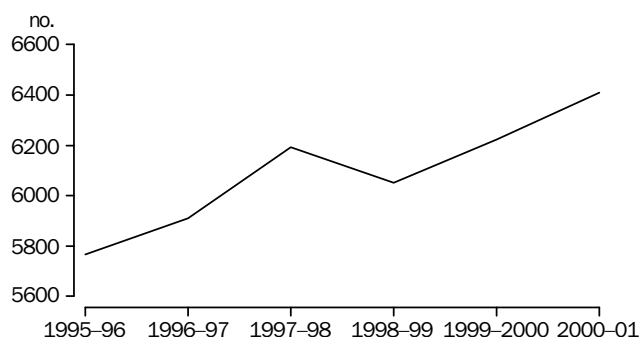
OPERATING BUSINESSES AND EMPLOYMENT *continued*

consecutive increase in this indicator following a fall of 0.3% in 1998-99. In 2000-01, there were approximately 614,000 operating businesses, 14,600 more than in 1999-2000. The number of operating businesses increased in all industries except the MINING industry, where the number of operating businesses fell by 10.0% in 2000-01.

Employment in ALL INDUSTRIES rose by 3.0% to 6,409,000 people in 2000-01. Most industries recorded an increase in Employment, with the largest relative increase occurring in the PRIVATE COMMUNITY SERVICES industry (8.0%) and the MINING industry (7.8%). The largest percentage decreases in Employment were recorded in the PERSONAL AND OTHER SERVICES (5.8%) and CULTURAL AND RECREATIONAL SERVICES (2.9%) industries.

The RETAIL TRADE industry continued to be the largest employer in 2000-01, employing 1,097,000 people or 17.1% of the total Employment for ALL INDUSTRIES.

EMPLOYMENT, All industries



OPERATING INCOME AND EXPENSES

Total operating income for ALL INDUSTRIES increased by 9.9% to \$1,402,113m in 2000-01. Most industries recorded an increase in Total operating income, with the highest percentage increase (31.0%) occurring in the MINING industry. The CONSTRUCTION industry was the only industry to register a negative movement of 12.6% in operating income.

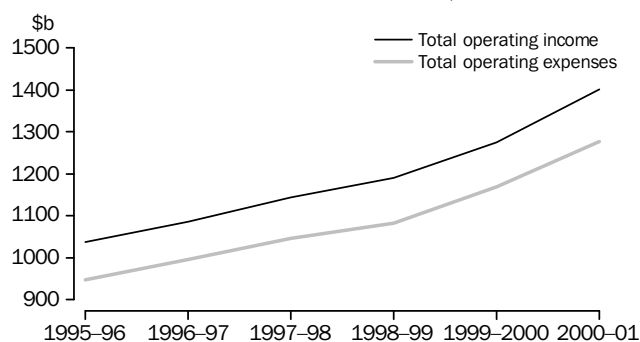
Total operating expenses for all industries increased by 9.4% (\$109,575m) between 1999-2000 and 2000-01. Most industries recorded an increase in operating expenses, with the highest percentage increase of 30.1% (\$5,818m) occurring in the CULTURAL AND RECREATIONAL SERVICES industry. A negative movement of 12.2% (\$10,203m) was registered in the CONSTRUCTION industry.

Both Total operating income and Total operating expenses have continued to increase over the past five years. The value of the Total operating income for all businesses in 2000-01 was 29.1% higher than the level recorded for 1996-97, while the value of Total operating expenses for all businesses increased by 28.2% over the same period.

SUMMARY OF FINDINGS *continued*

OPERATING INCOME AND EXPENSES *continued*

TOTAL OPERATING INCOME AND EXPENDITURE, All industries



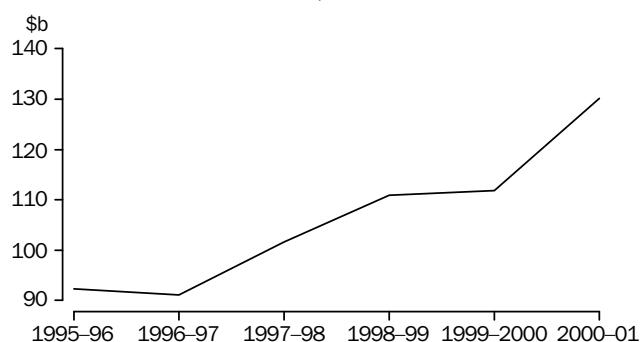
OPERATING PROFIT BEFORE TAX (OPBT)

Care should be exercised when interpreting the OPBT estimates for the past two years (these estimates are currently undergoing further study and analysis).

In 2000-01, Operating profit before tax (OPBT) for all industries was \$130,177m, an increase of 16.4% on the level recorded in 1999-2000. This was the fourth consecutive year of growth in OPBT, following increases of 11.6%, 9.1% and 0.9% a in 1997-98, 1998-99 and 1999-2000 respectively.

In percentage terms, the largest increases in OPBT were recorded in the MINING (49.4%) and FINANCE AND INSURANCE (37.5%) industries, while the largest percentage decreases in OPBT were recorded in the CULTURAL AND RECREATIONAL SERVICES (38.2%) and CONSTRUCTION industries (16.4%)

OPERATING PROFIT BEFORE TAX, All industries



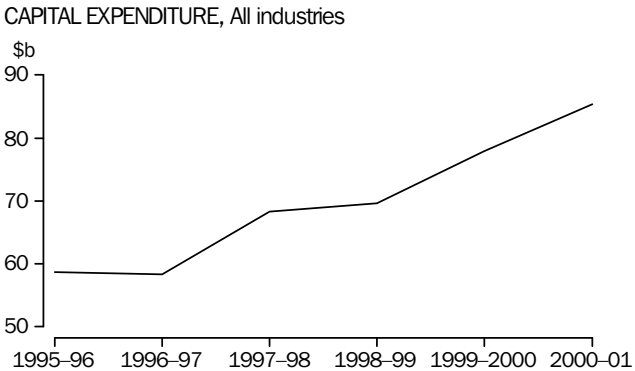
CAPITAL EXPENDITURE AND INDUSTRY VALUE ADDED

Care should be exercised when interpreting the CAPEX estimates for the past two years (the scope and data item definition of these estimates are currently undergoing further study and analysis).

In 2000-01, Capital expenditure at the ALL INDUSTRIES level increased by 9.6% to \$85,343m, a continuation of the increases in this indicator over the past four years. The largest percentage increases in Capital expenditure were recorded in the COMMUNICATION SERVICES (73.6%) and MINING (48.0%) industries, while the largest percentage decreases were recorded in the ELECTRICITY, GAS AND WATER SUPPLY (29.9%) and CULTURAL AND RECREATIONAL SERVICES (17.8%) industries. The decrease in Capital expenditure in the ELECTRICITY, GAS AND WATER SUPPLY industry followed an increase of 42.9% in 1999-2000.

SUMMARY OF FINDINGS *continued*

CAPITAL EXPENDITURE
AND INDUSTRY VALUE
ADDED *continued*



Industry value added (IVA) for all industries increased by 12.4% to \$386,196m in 2000-01. The largest percentage increases in IVA occurred in the MINING (43.6%) and COMMUNICATION SERVICES (39.2%) industries, while decreases were recorded in the PERSONAL AND OTHER SERVICES (9.4%) and CONSTRUCTION (3.9%) industries.

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SUMMARY OF INDUSTRY PERFORMANCE, All industries (excluding Agriculture, forestry and fishing)

		1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01
Selected indicators							
Operating businesses	'000	576	581	588	586	599	614
Employment	'000	5 765	5 910	6 194	6 052	6 222	6 409
Total operating income	\$m	1 037 565	1 085 736	1 143 984	1 191 276	1 275 508	1 402 113
Total operating expenses	\$m	947 480	996 892	1 047 311	1 082 794	1 168 503	1 278 078
Operating profit before tax	\$m	92 288	91 060	101 586	110 847	111 840	130 177
Total assets	\$m	2 036 432	2 220 246	2 392 655	2 515 110	2 793 479	2 997 681
Total liabilities	\$m	1 368 594	1 598 806	1 710 627	1 757 012	2 028 950	2 118 314
Capital expenditure	\$m	58 743	58 368	68 335	69 586	77 886	85 343
Industry value added(a)	\$m	na	na	314 642	326 878	343 671	386 196
Business averages							
Average employment	no.	9.8	9.9	10.3	10.1	10.1	10.1
Average income	\$'000	1 761	1 811	1 896	1 980	2 062	2 203
Average expenses	\$'000	1 609	1 662	1 735	1 800	1 889	2 009
Average profit	\$'000	157	152	168	184	181	205
Average assets	\$'000	3 457	3 702	3 965	4 181	4 516	4 711
Average net worth	\$'000	1 134	1 036	1 130	1 260	1 236	1 382

na not available

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

	<i>Profit margin</i>	<i>Return on assets</i>	<i>Return on net worth</i>	<i>Interest coverage</i>	<i>Investment rate</i>
	%	%	%	times	%
All Industries excluding Agriculture, forestry and fishing	9.3	4.3	14.8	2.5	(a)20.2
Mining	19.6	10.2	22.3	5.9	42.2
Manufacturing	6.3	6.8	17.2	4.6	14.7
Electricity, gas and water supply	13.8	3.9	7.9	2.5	34.8
Construction	4.6	8.3	23.6	6.3	8.9
Wholesale trade	4.2	9.5	27.8	6.3	10.4
Retail trade	2.9	10.9	30.5	2.2	9.8
Accommodation, cafes and restaurants	4.1	4.8	10.2	2.5	28.6
Transport and storage	5.1	4.4	12.8	2.6	19.8
Communication services	22.3	14.8	37.2	10.4	60.1
Finance and insurance	28.6	2.5	12.5	1.9	..
Property and business services	8.3	5.1	10.0	2.0	14.0
Private community services	9.0	10.0	18.1	8.1	11.2
Cultural and recreational services	7.0	5.6	10.0	5.5	25.0
Personal and other services	8.4	7.7	11.9	5.7	16.5

.. not applicable

(a) Investment rate for All industries excluding Agriculture, forestry and fishing, excludes Finance and insurance industries.

	1995–96	1996–97	1997–98	1998–99	1999–2000	2000–01
	no.	no.	no.	no.	no.	no.
ALL INDUSTRIES	694 419	698 266	703 312	698 500	687 038	na
All industries excluding Agriculture, forestry and fishing	575 935	580 765	588 088	586 115	598 963	613 577
Agriculture, forestry and fishing	118 483	117 501	115 224	112 386	112 068	na
Mining	2 228	1 994	1 832	1 711	1 555	1 399
Manufacturing	52 103	54 016	51 786	47 918	47 297	48 435
Electricity, gas and water supply	224	232	245	259	265	274
Construction	79 501	79 036	78 315	76 703	79 862	82 307
Wholesale trade	41 947	39 725	40 439	42 054	43 714	44 796
Retail trade	108 737	105 879	106 299	104 188	103 838	104 091
Accommodation, cafes and restaurants	31 055	31 010	31 422	30 781	31 918	32 953
Transport and storage	27 280	26 541	26 843	27 597	28 908	29 865
Communication services	2 363	3 049	3 540	3 899	4 186	4 410
Finance and insurance	18 945	18 493	18 800	18 653	20 352	21 683
Property and business services	111 300	117 104	123 790	128 212	132 330	136 862
Private community services	50 012	53 883	54 579	54 614	54 736	55 997
Cultural and recreational services	15 847	15 574	15 700	15 574	16 300	16 774
Personal and other services	34 393	34 229	34 497	33 953	33 702	33 730

na not available

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EMPLOYMENT

	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01
	'000	'000	'000	'000	'000	'000
ALL INDUSTRIES	6 106	6 259	6 540	6 398	6 574	na
All industries excluding Agriculture, forestry and fishing	5 765	5 910	6 194	6 052	6 222	6 409
Agriculture, forestry and fishing	341	349	346	347	352	na
Mining	86	86	78	72	67	72
Manufacturing	1 000	1 006	998	977	957	983
Electricity, gas and water supply	60	55	50	50	49	49
Construction	326	356	393	354	365	358
Wholesale trade	410	389	431	456	463	474
Retail trade	998	1 023	1 083	1 035	1 053	1 097
Accommodation, cafes and restaurants	394	426	474	456	428	446
Transport and storage	302	320	319	310	326	331
Communication services	137	125	118	119	120	119
Finance and insurance	309	299	301	303	305	305
Property and business services	762	822	908	909	1 008	1 054
Private community services	642	656	701	668	697	752
Cultural and recreational services	165	169	155	166	181	176
Personal and other services	175	179	184	176	204	192

na not available

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TOTAL OPERATING INCOME

	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01
	\$m	\$m	\$m	\$m	\$m	\$m
ALL INDUSTRIES	1 068 107	1 117 675	1 176 270	1 223 193	1 310 261	na
All industries excluding Agriculture, forestry and fishing	1 037 565	1 085 736	1 143 984	1 191 276	1 275 508	1 402 113
Agriculture, forestry and fishing	30 541	31 939	32 286	31 918	34 753	na
Mining	39 229	42 307	44 329	44 628	43 786	57 354
Manufacturing	210 343	216 080	223 696	233 004	243 882	258 088
Electricity, gas and water supply	29 720	30 250	31 879	35 770	37 610	38 557
Construction	55 331	61 597	70 454	74 463	87 390	76 408
Wholesale trade	184 707	183 544	190 477	205 064	214 109	237 484
Retail trade	164 417	176 756	185 416	180 419	189 313	211 649
Accommodation, cafes and restaurants	26 431	27 643	31 938	31 969	31 254	32 217
Transport and storage	48 110	54 128	55 890	54 404	61 415	69 227
Communication services	22 434	23 940	24 855	29 839	33 847	36 820
Finance and insurance	120 354	124 757	130 038	136 655	145 409	162 041
Property and business services	80 779	81 647	87 955	96 263	112 248	134 841
Private community services	28 160	32 553	34 942	34 874	38 875	45 332
Cultural and recreational services	16 311	18 693	19 726	21 577	22 388	27 004
Personal and other services	11 240	11 842	12 389	12 347	13 982	15 090

na not available

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TOTAL OPERATING EXPENSES

	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01
	\$m	\$m	\$m	\$m	\$m	\$m
ALL INDUSTRIES	973 046	1 024 469	1 075 246	1 111 167	1 199 365	na
All industries excluding Agriculture, forestry and fishing	947 480	996 892	1 047 311	1 082 794	1 168 503	1 278 078
Agriculture, forestry and fishing	25 566	27 577	27 935	28 373	30 863	na
Mining	32 712	35 308	37 732	37 019	36 505	45 819
Manufacturing	197 888	203 419	211 637	220 405	229 460	244 751
Electricity, gas and water supply	26 165	25 894	27 069	30 778	32 455	33 222
Construction	53 060	58 552	66 887	70 023	83 550	73 347
Wholesale trade	178 434	178 131	185 948	197 819	207 744	228 782
Retail trade	160 718	172 812	181 212	174 791	183 444	206 742
Accommodation, cafes and restaurants	24 884	25 796	29 820	30 438	29 751	30 919
Transport and storage	45 198	50 585	52 337	50 624	58 072	65 763
Communication services	19 191	21 952	20 486	23 711	27 944	28 794
Finance and insurance	87 449	94 508	95 854	98 738	111 769	115 763
Property and business services	70 466	72 214	78 472	86 986	100 301	123 938
Private community services	25 626	29 082	31 027	31 087	35 535	41 269
Cultural and recreational services	15 362	17 776	17 894	18 940	19 315	25 133
Personal and other services	10 327	10 863	10 935	11 434	12 656	13 836

na not available

7

OPERATING PROFIT BEFORE TAX

	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01
	\$m	\$m	\$m	\$m	\$m	\$m
ALL INDUSTRIES	96 685	94 814	106 147	115 086	117 568	na
All industries excluding Agriculture, forestry and fishing	92 288	91 060	101 586	110 847	111 840	130 177
Agriculture, forestry and fishing	4 397	3 754	4 561	4 239	5 728	na
Mining	6 803	7 563	6 784	7 380	7 523	11 243
Manufacturing	13 693	13 072	13 601	13 146	15 779	16 265
Electricity, gas and water supply	3 465	4 212	4 800	5 058	5 208	5 329
Construction	2 316	3 152	3 144	4 174	4 246	3 529
Wholesale trade	6 826	5 889	5 513	7 609	8 200	9 958
Retail trade	4 133	4 535	5 753	6 275	6 299	6 076
Accommodation, cafes and restaurants	1 582	1 880	2 158	1 612	1 549	1 322
Transport and storage	2 905	3 564	3 671	3 855	3 329	3 539
Communication services	3 234	1 989	4 603	6 153	6 121	8 200
Finance and insurance	32 681	30 222	34 036	37 941	33 649	46 267
Property and business services	10 352	9 607	10 292	10 324	12 181	11 193
Private community services	2 440	3 486	3 924	3 787	3 355	4 096
Cultural and recreational services	948	927	1 843	2 609	3 066	1 894
Personal and other services	911	963	1 465	925	1 334	1 266

na not available

NET WORTH

	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01
	\$m	\$m	\$m	\$m	\$m	\$m
ALL INDUSTRIES	784 445	743 080	803 713	878 069	893 012	na
All industries excluding Agriculture, forestry and fishing	667 839	621 440	682 029	758 099	764 529	879 367
Agriculture, forestry and fishing	116 607	121 640	121 684	119 970	128 483	na
Mining	30 569	36 100	35 218	35 507	38 911	50 518
Manufacturing	85 756	82 710	83 423	79 195	83 919	94 413
Electricity, gas and water supply	64 359	67 921	67 855	76 753	69 678	67 230
Construction	7 043	8 412	10 024	10 548	14 334	14 971
Wholesale trade	24 529	24 603	25 628	28 827	33 270	35 807
Retail trade	13 649	12 547	15 857	18 116	20 978	19 923
Accommodation, cafes and restaurants	13 720	15 445	14 797	14 345	13 286	12 939
Transport and storage	29 391	27 382	26 527	25 520	25 152	27 741
Communication services	16 643	14 251	15 162	18 079	19 854	22 041
Finance and insurance	254 366	214 842	250 664	313 488	300 663	369 111
Property and business services	91 090	79 992	93 220	91 155	99 396	112 483
Private community services	16 640	15 358	16 716	19 967	20 382	22 674
Cultural and recreational services	9 130	9 906	14 723	14 407	15 838	18 912
Personal and other services	10 953	11 971	12 214	12 190	8 868	10 604

na not available

CAPITAL EXPENDITURE

	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01
	\$m	\$m	\$m	\$m	\$m	\$m
ALL INDUSTRIES	63 881	63 205	73 841	74 741	83 220	na
All industries excluding Agriculture, forestry and fishing	58 743	58 368	68 335	69 586	77 886	85 343
Agriculture, forestry and fishing	5 138	4 837	5 506	5 154	5 333	na
Mining	6 787	7 824	11 134	11 702	9 666	14 307
Manufacturing	11 664	10 513	13 007	12 404	11 240	10 929
Electricity, gas and water supply	5 313	3 568	4 952	5 132	7 332	5 143
Construction	1 749	1 828	2 624	2 304	2 244	1 893
Wholesale trade	2 701	2 362	2 791	3 943	3 864	3 524
Retail trade	3 463	3 297	3 364	3 312	3 471	3 516
Accommodation, cafes and restaurants	2 391	3 060	2 851	2 152	3 014	3 909
Transport and storage	5 062	5 004	5 246	5 691	5 681	4 841
Communication services	6 217	5 365	5 304	6 173	8 003	13 892
Finance and insurance	4 079	3 046	5 156	3 698	9 000	8 484
Property and business services	4 647	5 901	5 440	6 307	7 029	8 329
Private community services	1 760	2 694	2 597	2 621	2 979	2 813
Cultural and recreational services	2 002	3 179	3 082	3 230	3 494	2 872
Personal and other services	908	727	786	917	870	890

na not available

INDUSTRY VALUE ADDED (a)

	1997-98	1998-99	1999-2000	2000-01
	\$m	\$m	\$m	\$m
ALL INDUSTRIES(b)	327 045	339 372	357 543	na
All industries excluding Agriculture, forestry and fishing(b)	314 642	326 878	343 671	386 196
Agriculture, forestry and fishing	12 403	12 494	13 872	na
Mining	23 773	23 336	23 620	33 926
Manufacturing	67 655	68 694	71 310	74 336
Electricity, gas and water supply	14 130	14 150	14 443	14 793
Construction	19 225	19 877	22 135	21 267
Wholesale trade	26 226	29 787	30 716	34 026
Retail trade	31 385	31 041	30 567	35 732
Accommodation, cafes and restaurants	12 888	13 053	13 547	13 680
Transport and storage	21 549	22 169	23 639	24 468
Communication services	16 205	17 278	16 599	23 099
Finance and insurance
Property and business services	42 192	46 958	52 085	59 669
Private community services	20 949	19 893	22 194	25 034
Cultural and recreational services	8 904	9 671	9 871	11 499
Personal and other services	4 638	4 953	5 967	5 409

na not available

.. not applicable

(a) IVA replaces IGP from 1997-98 onwards. IGP is available for previous years on request.

(b) Excludes the Finance and insurance industries.

	<i>Total operating income</i>	<i>Total operating expense</i>	<i>Total assets</i>	<i>Total liabilities</i>
	%	%	%	%
All industries excluding Agriculture, forestry and fishing				
Mining	1	1	—	1
Manufacturing	—	1	1	1
Electricity, gas and water supply	1	—	2	2
Construction	4	4	5	6
Wholesale trade	4	4	4	5
Retail trade	3	3	4	4
Accommodation, cafes and restaurants	7	7	10	12
Transport and storage	4	4	3	3
Communication services	1	1	—	1
Finance and insurance	2	2	2	2
Property and business services	4	4	3	3
Private community services	5	5	5	6
Cultural and recreational services	6	7	3	4
Personal and other services	4	4	9	7

— nil or rounded to zero (including null cells)

EXPLANATORY NOTES

INTRODUCTION

1 The statistical results presented in this publication have been derived from the annual Economic Activity Survey (EAS) for the financial year ending June 2001.

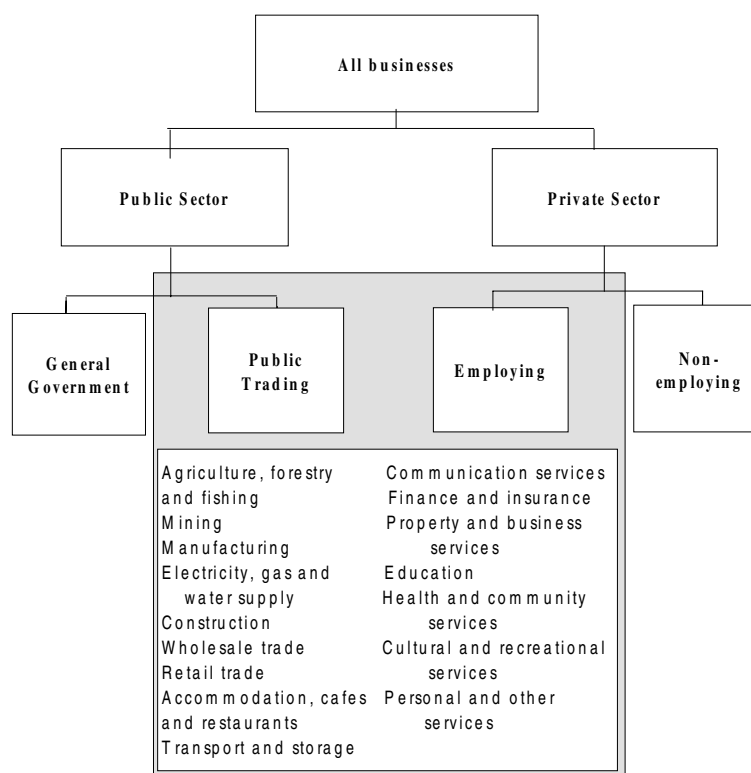
REFERENCE PERIOD

2 The EAS results are from details of profit and loss statements and balance sheets collected from selected businesses, mainly by mail-out questionnaires. For 2000–01, businesses were asked to provide data in respect of the financial year ending June 2001. 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 2000 and September 2001.

3 The estimates relate to businesses in the public trading and private employing sectors of the economy only.

SCOPE AND COVERAGE

4 The diagram below illustrates the dissection of business in the Australian economy.



Note : Agriculture, forestry and fishing not included in 2000-01 coverage.

5 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).

STATISTICAL UNIT

6 The business unit about which information is collected and published for the EAS is termed the management unit. This is the highest level unit within a business, for which a set of management accounts are maintained. In most cases

EXPLANATORY NOTES *continued*

STATISTICAL UNIT *continued*

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.

7 The ABS Business Register provided the population frame from which management units were selected for inclusion in the EAS.

8 Approximately 20,000 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.

9 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.

10 Since the beginning of the survey, 'surprise outliering' has been used as the methodology to identify and reduce the impact on the estimates of businesses whose response to the survey was significantly different to those of its peers. Where the extreme values have been confirmed as correct, the sample weight that had originally been applied to the business is reduced to 1. That is, the business represents itself and not others. In the vast majority of cases surprise outliering has the effect of reducing the estimates by more than they should. To minimise the effect of this, 'winsorised outliering' was introduced for most industries, the exceptions being the MINING, MANUFACTURING, and ELECTRICITY, GAS AND WATER SUPPLY industries. However, future plans include the extension of winsorising to cover all industries.

11 Winsorising reduces the harsh impact of surprise outliering by moderating the impact of businesses who perform differently to their peers. The improved methodology, which does not rely on a subjective judgement, will provide for more stable time series estimates.

12 An analysis of the 1998–99 estimate was undertaken to identify the impact on the estimates of the change in methodology. At the all industries level the impact of the change is minimal. However for some data items in some industries there is an impact on the estimates. The industries most affected by the implementation of winsorising were RETAIL TRADE AND PERSONAL AND OTHER SERVICES with balance sheet data items demonstrating the greatest impact.

CLASSIFICATION BY SIZE

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

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

14 Other size dissections can be made available on request.

CLASSIFICATION BY INDUSTRY

15 This publication presents statistics classified according to the *Australian and New Zealand Standard Industrial Classification (ANZSIC), 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

EXPLANATORY NOTES *continued*

CLASSIFICATION BY INDUSTRY *continued*

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.

ROUNDING

16 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.

DATA CONFRONTATION

17 Care should be exercised when comparing results from different ABS surveys due to likely differences in scope, methodology, data item definition and reference period.

LIMITATIONS OF FINANCIAL DATA ANALYSIS

18 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.

19 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 include 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.

20 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.

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

22 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 the 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. (NB 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). 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.

23 It is important to note that if an industry is dominated by a number of large businesses, it is possible for one or more of the significant businesses to affect the aggregates, business averages and industry ratios without having a similar effect

EXPLANATORY NOTES *continued*

LIMITATIONS OF FINANCIAL DATA ANALYSIS *continued*

on the business comparisons and business profitability measures. It is also possible for a business to be ranked highly in the business comparisons, while having little effect on the industry ratios and aggregates. For example, if a unit reported an operating profit of \$50,000 and total assets of \$10,000 it would have a return on assets of 500% and rank well above the 75th percentile for return on assets, while its contribution to the aggregates and industry ratios would be minimal.

ACKNOWLEDGMENT

24 ABS publications draw extensively on information provided freely by individuals, businesses, governments and other organisations. Their continued cooperation is very much appreciated: without it, the wide range of statistics published by the ABS would not be available. Information received by the ABS is treated in strict confidence as required by the Census and Statistics Act 1905.

RELATED PUBLICATIONS

25 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, 1999–2000* (Cat. no. 7113.0)
- *Electricity, Gas, Water and Sewerage Industries, Australia, 1999–2000* (Cat. no. 8208.0)
- *Manufacturing Industry, Australia, 1999–2000* (Cat. no. 8221.0)
- *Mining Operations, Australia, 1999–2000* (Cat. no. 8415.0)

STATISTICS AVAILABLE ON REQUEST

26 Finer industry dissections than those presented in this publication can be found in the ABS product *Summary of Industry Performance* (Cat. no. 8140.0.55.002). This product provides a one page summary of each industry's structure, income statement, balance sheet, economic values, business averages and performance ratios to the ANZSIC subdivision (2 digit) level. For most ANZSIC subdivisions, separate Summaries of Industry Performance are available for small and medium (combined) and for large sizes of businesses.

27 Another source of more detailed data is the ABS product *Industry Concentration Statistics* (Cat. no. 8140.0.55.001). This product shows the proportions of sales, persons employed and industry gross product that are concentrated among the 20 largest enterprise groups operating in each industry. The 'largest 20' are further subdivided by groups of four, viz. first four groups, second four groups, and so on.

28 Both the Summaries of Industry Performance and Industry Concentration Statistics can either be purchased separately as a product, or accessed through the ABS web based information service, AusStats. AusStats is a subscription service, providing access to a comprehensive range of ABS material. It is available on-line, via the World Wide Web, and is a part of the ABS web site where both free and charged data are integrated.

29 Additionally, a considerable amount of data from the EAS collection is available on request. In general, data requests entail a finer industry dissection and can be presented by size classifications tailored to a client's specific need. For example, size classifications based on specified ranges in the value of sales, profits or assets can be generated. Additionally, many other performance measures or ratios apart from those included in the publication can be generated. Some examples are liquidity, debt coverage, stocks turnover and assets turnover ratios. A charge is made for providing non standard data requests and information is only made available if it passes confidentiality testing.

EXPLANATORY NOTES *continued*

ABBREVIATIONS

ABS	Australian Bureau of Statistics
ANA	Australian National Accounts
ANZSIC	Australian and New Zealand Standard Industrial Classification
b	Billions
EAS	Economic Activity Survey
EBIT	Earnings Before Interest and Taxation
FISIM	Financial Intermediation Services Indirectly Measured
GVA	Gross Value Added
IGP	Industry Gross Product
IVA	Industry Value Added
m	Millions
no.	number
OPBT	Operating Profit Before Tax
RSE	Relative standard error
SE	Standard error
SNA93	United Nations System of National Accounts 1993
TNTS	The New Tax System

TECHNICAL NOTE 1 SAMPLING VARIABILITY

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.

2 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) provides an immediate indication of the percentage errors likely to have occurred due to sampling, and thus avoids the need to refer to the size of the estimate. The relative standard errors table on page 14, 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.

3 There are about 2 chances in 3 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 \$12,000m and its RSE is 5%, its reliability in terms of sampling error can be interpreted as follows. There are about 2 chances in 3 that the true value of the variable lies within the range \$11,400m to \$12,600m, and 19 chances in 20 that it lies within the range \$10,800m and \$13,200m.

4 The size of the RSE may be a misleading indicator of the reliability of some of the estimates for operating profit before tax and industry value added. This situation may occur where an estimate may legitimately include positive and negative values reflecting the financial positions of different businesses. In these cases the aggregate estimate can be small relative to the contribution of individual businesses resulting in an SE which is large relative to the estimate.

NON-SAMPLING ERROR

5 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 collectively referred to as non-sampling error and they may occur in any enumeration, whether it be a full count or a sample.

6 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.

TECHNICAL NOTE 2 NATIONAL ACCOUNTS

RELATIONSHIPS 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. EAS data are also 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 conceptually a close approximation.

4 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

5 These are the most significant differences between the IVA and GVA estimates: 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, or an imputation for the services provided to owner occupiers, which are all included on the derivation of GVA in the National Accounts.

DIFFERENCES IN CONCEPT

6 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.

7 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 the output of financial intermediaries. An estimate is also made for the consumption of FISIM by other industries, which is added to the intermediate consumption of those industries in the National Accounts.

8 Similarly, for general insurance business 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 their consumption of the insurance service charge.

9 Due to difficulties in collecting data to measure the output of financial intermediaries and insurance enterprises IVA has not been estimated for the Finance and Insurance industry.

DIFFERENCES IN METHODOLOGY

10 For Agriculture, the National Accounts estimates use the value of agricultural commodities produced 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 as sold.

DIFFERENCES IN METHODOLOGY *continued*

National Accounts also include an estimate of the value of backyard production by households.

11 Gross product for Agriculture is obtained by deducting an estimate of intermediate inputs used within Agriculture from this estimate of gross output.

12 The IVA estimate for Agriculture is based on the results of the annual Agricultural Finance Survey for which most large businesses report on an accruals basis while small and medium businesses report on a cash basis.

13 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 industry of dwellings and alterations and additions to dwellings is included in construction industry output 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

14 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.

15 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.

16 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.

GLOSSARY

Business averages	These are derived by dividing the estimate of the financial variable in question by the number of operating businesses for that year.
Business comparisons	<p>Compares the profit margin, return on assets and return on net worth for each industry across quartiles. The quartiles divide the units at the 75, 50 and 25 percentile point. For example, table 8, shows that in the CONSTRUCTION industry, those businesses in the highest quartile (75% mark or higher) had a profit margin of 20.5% or more in 1999–2000. While those in the lowest quartile (25% mark or lower) had a profit margin of less than 0.9%. The median value was a profit margin of 7.5%.</p> <p>For conceptual reasons, the calculation of the quartiles do not include units which reported zero profit, zero assets or zero net worth. For example where net worth equals zero, it was not possible to calculate Return on net worth.</p>
Business profitability	The proportion of businesses that made a profit, loss or broke even. Broke even is defined as those businesses incurring a profit or loss of less than \$500.
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.
Gross Fixed Capital Formation	Gross fixed capital formation is measured by the total value of a producers acquisitions, less disposals, of fixed assets during the accounting period plus certain additions to the value of non-produced assets realised by the productive activity of institutional units. Fixed assets are tangible or intangible assets produced as outputs from processes of production that are themselves used repeatedly or continuously in other processes of production for more than one year.
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 are also 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 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> <i>equals</i> Capitalised wages and salaries</p> <p> <i>plus</i> Capitalised purchases</p> <p><i>less</i> Capitalised purchases</p> <p><i>equals</i> IGP</p>

GLOSSARY *continued*

Industry Value Added (IVA) <i>continued</i>	<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>
Interest coverage	<p>The number of times over that businesses can meet their interest expenses from their earnings before interest and taxation, i.e.</p> $\frac{\text{EBIT}}{\text{interest expenses}}$
Investment rate	<p>The proportion of industry value added used to acquire capital, i.e.</p> $\frac{\text{capital expenditure} \times 100}{\text{IVA}}$
Large businesses	See under 'Classification by size' in paragraph 13 of the Explanatory notes.
Other businesses	See under 'Classification by size' in paragraph 13 of the Explanatory notes.
Net worth	Total assets minus total liabilities. This is equal to the interests of shareholders or other owners in the assets of the business.
Management unit	See under 'Statistical unit' in paragraph 6 of the Explanatory Notes.
Operating business	A management unit which is still in existence at the end of the financial reporting period. See 'Management unit' above.
Profit margin	<p>The percentage of operating income available as operating profit i.e.</p> $\frac{\text{OPBT} \times 100}{\text{operating income}}$
Return on assets	<p>Operating profit before tax as a percentage of the total book value of assets, i.e.</p> $\frac{\text{OPBT} \times 100}{\text{total assets}}$
Return on net worth	<p>Operating profit before tax as a percentage of shareholders' funds, i.e.</p> $\frac{\text{OPBT} \times 100}{\text{net worth}}$
Sales of goods	Includes sales of goods whether or not manufactured by the business and sales or transfers to related businesses.
Total operating expenses	The total expenses of a business, excluding extraordinary items.
Total operating income	The total income of a business, excluding extraordinary items.

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