

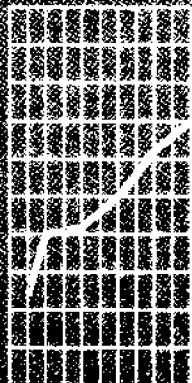


September Quarter 1997
and June Quarter 1998

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Australian Business Expectations

Statistics





**AUSTRALIAN BUSINESS EXPECTATIONS
SEPTEMBER QUARTER 1997 AND
JUNE QUARTER 1998**

**W. McLennan
Australian Statistician**

AUSTRALIAN BUREAU OF STATISTICS

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<ul style="list-style-type: none"> ■ <i>for further information about statistics in this publication and the availability of related unpublished statistics</i>, contact Glen Malam on Canberra (06) 252 6537 or any ABS State office. ■ <i>for information about other ABS statistics and services</i>, please refer to the back of this publication. 	

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Expected release dates

The expected release date for the December quarter 1997 - September quarter 1998 issue of *Australian Business Expectations* (5250.0) is Thursday, 25 September 1997.

The expected release date for the March quarter 1998 - December quarter 1998 issue of *Australian Business Expectations* (5250.0) is Monday, 5 January 1998.

ABOUT THIS SURVEY

This publication presents the results of the quarterly Australian Business Expectations survey, which is undertaken to provide comprehensive information about future trading conditions in Australia. The latest survey was conducted during June 1997.

The Business Expectations Survey (BES) is the most comprehensive survey of its type conducted in Australia and is the only survey which provides both a *qualitative* indicator of business confidence (a weighted net balance) and a *quantitative* measure of expected change (a weighted aggregate) for a range of business performance indicators.

The survey is conducted by mail each quarter. The results from this survey relate to business expectations in respect of the September quarter 1997, and the June quarter 1998 compared with the June quarter 1997. The survey has the following features:

- 3,000 representative Australian businesses sampled;
- employing businesses of all sizes are fully represented;
- all industries except Agriculture, Forestry and Fishing¹ and General Government are represented;
- all States and Territories are represented; and
- responses are weighted with respect to the size of the reporting business.

This means that the results can be used *indicatively* in terms of expected future levels of economic activity and for providing early signals about turning points in the economy.

The statistical measure used in the BES is the expected (percentage) aggregate change in comparison with the actual level of a previous equivalent period.

For an outline and details of methodology used in the survey, refer to the Explanatory Notes and Description of Terms on pages 19-24, or contact the officer whose details appear at the foot of page iii.

CHANGES IN THIS ISSUE

The Electricity, gas and water industry has been subject to extensive restructuring. As a result, the sample no longer reflects this industry appropriately, so data have become less reliable and have been suppressed from this publication although they are included in All Industry totals.

Some international trade estimates have also been suppressed, due to some instances of very low numbers of businesses within the affected industries which are involved in imports and exports, and the effect of this on the reliability of the statistics.

¹ See the explanatory note on page 19 regarding the agriculture sector.

SEASONAL INFLUENCES AND
PRICE VARIATIONS

The data presented in this publication cannot currently be adjusted for the impact of seasonal influences or for price variations which may occur between the current period and the expectations periods.

Caution should therefore be exercised in comparing the results across quarters as seasonal influences may outweigh the underlying changes in economic conditions.

It will be some time before this survey will have sufficient data to allow a reliable seasonally adjusted series to be estimated. However, with survey results now available for sixteen quarters the opportunity is available to analyse the results from the latest survey with those for the comparable reference period of the previous three years.

Users wanting to discern a trend in expectations are encouraged to study consecutive observations for the medium term outlook, where comparisons are made between the current quarter and the same calendar quarter of the next year.

SIZE OF BUSINESS

The size of a business has been classified by the employment of each business, and whether that business is in the Manufacturing industry or another industry. For details see page 19.

1 PROPORTION OF BUSINESSES SELECTED BY SIZE WITHIN AUSTRALIA,
SEPTEMBER QUARTER 1997

	<i>Small</i> %	<i>Medium</i> %	<i>Large</i> %	<i>All businesses</i> %
Manufacturing	66.6	20.0	13.4	100.0
Other industries	46.0	21.5	32.5	100.0
All industries	52.5	21.0	26.5	100.0

INTRODUCTION TO RESULTS

Surveys of business expectations have been a feature of the economic forecasting intelligence available to decision makers in Australia for many years. The main output from these surveys has been a qualitative indicator which provides the net proportion of business predicting a rise or fall in future business conditions.

The ABS recognises that the simple *net balance* indicator is a useful indicator of business sentiment about future business conditions. However, it considers that such indicators suffer from the limitation of being based on responses which are *unweighted* with respect to the size of the business. This means that each reporting business is given an equal weight in the overall result.

As an alternative to the simple net balance approach, the ABS produces both a weighted net balance indicator and a weighted measure of expected (percentage) aggregated change. The weighted net balance is calculated by assigning a weight to each selected business according to its relative economic contribution based on level of sales, expenditure, employment, etc. The expected aggregate change measure is calculated by deriving the weighted averages of the responses provided by businesses.

The impact on the net balance indicator and aggregate change as a result of this weighting is presented in the following table.

2 COMPARISON OF THREE MEASURES OF BUSINESS EXPECTATIONS, SEPTEMBER QUARTER 1997

	<i>Simple net balance</i>	<i>Weighted net balance</i>	<i>Weighted aggregate</i>
	%	%	%
Sales	26.7	34.0	0.7
Wage costs	43.7	40.8	0.9
Employment			
<i>Full time equivalent</i>	11.3	4.0	-0.1

That is, for the September quarter 1997 a simple net balance of 26.7% of businesses expect a rise in sales. The weighted net balance of 34.0% indicates that the businesses expecting a rise in sales tend to be larger than those expecting a fall. Tables 4 and 6 present data for the weighted net balance for the September quarter 1997 and the June quarter 1998. A rise of 0.7% is expected in sales from June quarter 1997 to September quarter 1997.

In contrast, employment expectations are negative for the weighted aggregate measure, but positive for the weighted net balance. This indicates that while more businesses expect an increase than a decrease, the size of the expected decreases is on the whole larger than the size of the expected increases.

Tables 3 and 5 present data for the expected aggregate change for five quarters of the survey and Tables 7 and 8 present data for the expected aggregate change by size of business.

The net balance is more in the nature of an indicator of business confidence while the expected aggregate change measure is a measure of likely change in the economic activity resulting from that state of confidence. The latter takes account of the sometimes significant proportion of businesses which expect no change, whereas the former does not.

KEY RESULTS

SHORT-TERM OUTLOOK

Expected change for the September quarter 1997 compared with the June quarter 1997

3

AUSTRALIAN BUSINESS EXPECTATIONS, SHORT-TERM OUTLOOK EXPECTED AGGREGATE CHANGE Not seasonally adjusted

<i>Business performance indicators</i>	<i>Expected aggregate change over the previous quarter</i>				
	<i>Sept qtr 1996</i>	<i>Dec qtr 1996</i>	<i>Mar qtr 1997</i>	<i>June qtr 1997</i>	<i>Sept qtr 1997</i>
	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>
Trading performance					
Sales	1.6	1.6	0.4	1.6	0.7
Selling prices	0.2	0.2	0.1	0.3	0.1
Profit	4.2	3.7	-2.9	7.8	-1.4
Investment					
Capital expenditure	2.0	2.6	5.8	3.4	3.2
Stocks	0.2	-0.6	0.1	-0.3	-0.1
Employment					
<i>Full time equivalent</i>	0.3	0.3	-0.4	0.0	-0.1
Operating expenses					
Wages	1.2	1.2	0.6	0.9	0.9
Non-wage labour	0.8	1.1	0.2	0.8	0.3
Other	1.3	1.4	0.9	1.0	0.9
Total	1.3	1.4	0.8	1.0	0.9
International trade					
Imports	2.7	1.4	0.5	5.9	1.9
Exports	2.6	2.6	0.6	1.6	1.3

4

AUSTRALIAN BUSINESS EXPECTATIONS, SHORT-TERM OUTLOOK, WEIGHTED NET BALANCE, SEPTEMBER QUARTER 1997 Not seasonally adjusted

<i>Business performance indicators</i>	<i>Proportion of businesses expecting</i>			<i>Net balance</i>
	<i>Decreases</i>	<i>No change</i>	<i>Increases</i>	
	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>
Trading performance				
Sales	15.3	35.4	49.3	34.0
Selling prices	12.3	60.1	27.5	15.2
Profit	31.1	20.0	48.9	17.8
Investment				
Capital expenditure	5.3	48.0	46.7	41.4
Stocks	28.0	49.9	22.1	-5.9
Employment				
<i>Full time equivalent</i>	16.5	63.0	20.5	4.0
Operating expenses				
Wages	8.8	41.6	49.6	40.8
Non-wage labour	7.9	49.9	42.2	34.3
Other	5.8	36.4	57.8	52.0
International trade				
Imports	6.8	51.8	41.4	34.6
Exports	13.8	61.8	24.4	10.6

SHORT-TERM OUTLOOK *continued*

Expected change for the September quarter 1997 compared with the June quarter 1997

Sales of goods and services
+ 0.7%

Sales are expected to rise during the September quarter 1997 by 0.7%. This figure reflects expected growth in the Manufacturing, Wholesale and Finance and insurance industries (up 1.4%, 1.5% and 2.6% respectively), partially offset by an expected fall in sales for the Construction industry of 3.2%.

Selling prices
+ 0.1%

An increase of 0.1% is expected in *selling prices* in the September quarter 1997. This is the smallest rise in the September quarter since the survey commenced in the December quarter 1993. Small businesses expect no change in selling prices, while medium businesses expect to increase selling prices by 0.2% and large businesses by 0.3%.

Profit
- 1.4%

Profit is expected to fall by 1.4% in the September quarter 1997. This expected fall is concentrated in small businesses, which expect a fall of 5.6%. Large businesses expect a rise in profits of 3.4%.

Capital expenditure
+ 3.2%

Capital expenditure is expected to rise by 3.2% in the September quarter 1997. This rise is spread relatively evenly across each of the business sizes, with the Retail and Manufacturing industries expecting the largest increases of 14.0% and 9.5% respectively.

Chart 1. SALES OF GOODS AND SERVICES
Short-term outlook compared with the previous quarter

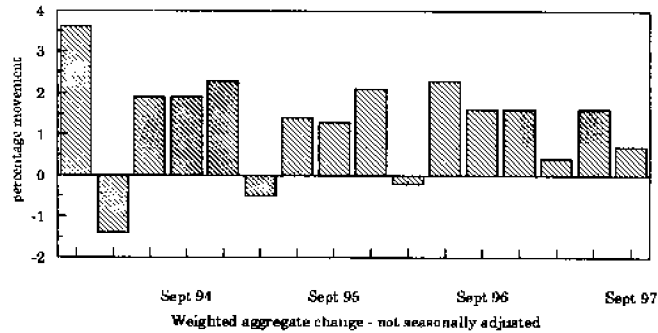


Chart 2. SELLING PRICES
Short-term outlook compared with the previous quarter

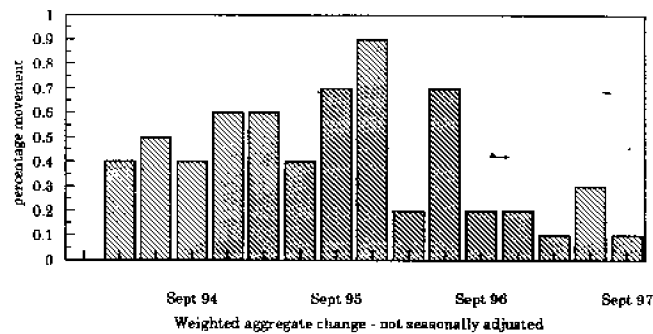


Chart 3. PROFIT
Short-term outlook compared with the previous quarter

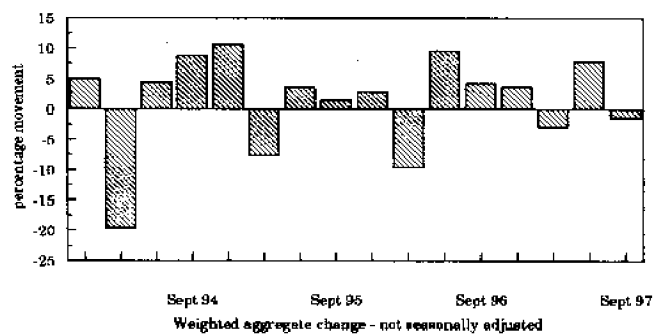
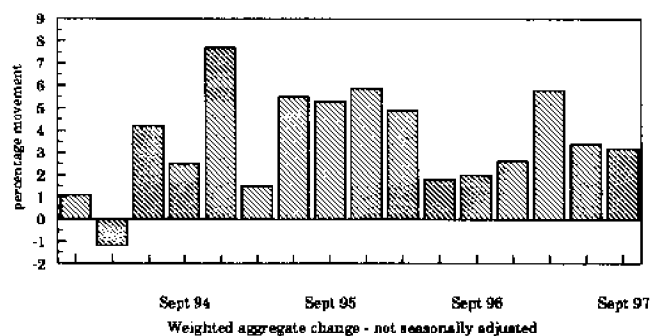


Chart 4. CAPITAL EXPENDITURE
Short-term outlook compared with the previous quarter

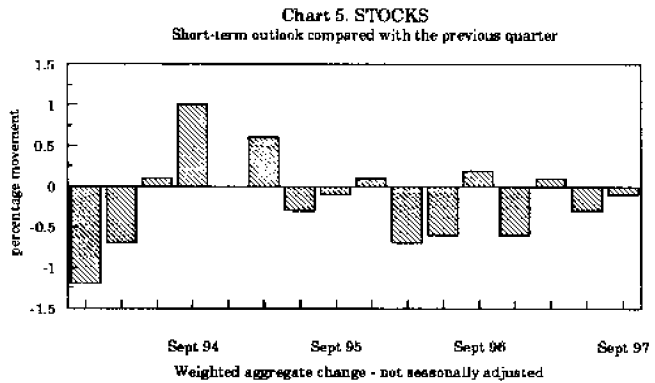


SHORT-TERM OUTLOOK *continued*

Expected change for the September quarter 1997 compared with the June quarter 1997

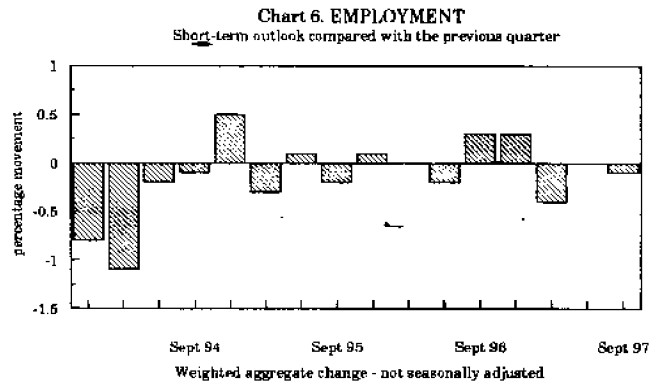
Stocks
- 0.1%

Stock levels are expected to decrease by 0.1%. Both medium and large businesses expect a fall of 0.5%, while small businesses expect an increase of 0.3%.



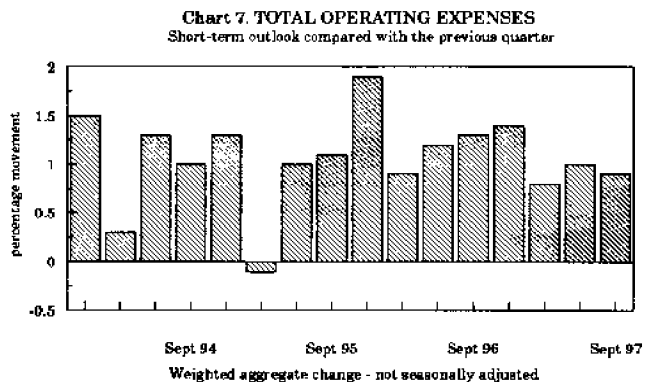
Employment
- 0.1%

A drop of 0.1% is expected in *full time equivalent employment* in the September quarter 1997. Both medium and large businesses expect a fall of 0.2%, while small businesses expect no change.



Total Operating Expenses
+ 0.9%

Total operating expenses are expected to rise 0.9% in the September quarter 1997. Contributing to this rise are wage costs +0.9%, other labour costs +0.3% and non labour costs +0.9%.

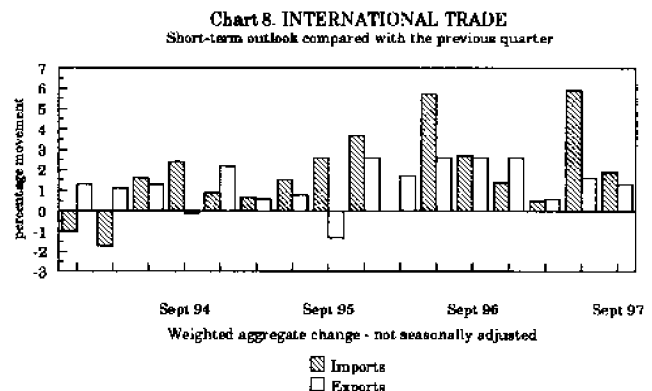


International trade

Imports + 1.9%

Exports + 1.3%

Imports are expected to rise 1.9%. Small businesses are expecting the largest increase of 5.1%, while medium sized businesses are expecting a decrease of 1.4%. *Exports* are expected to increase 1.3%, with small businesses expecting the largest increase of 2.8%.



Expected change for the June quarter 1998 compared with the June quarter 1997

5 AUSTRALIAN BUSINESS EXPECTATIONS, MEDIUM-TERM OUTLOOK
EXPECTED AGGREGATE CHANGE
Not seasonally adjusted

<i>Business performance indicators</i>	<i>Expected aggregate change over the same quarter of the previous year</i>				
	<i>June qtr 1997</i>	<i>Sept qtr 1997</i>	<i>Dec qtr 1997</i>	<i>Mar qtr 1998</i>	<i>June qtr 1998</i>
	%	%	%	%	%
Trading performance					
Sales	3.6	3.1	3.1	2.9	2.4
Selling prices	1.5	1.2	0.9	0.9	0.7
Profit	13.5	10.1	9.6	12.2	12.3
Investment					
Capital expenditure	1.1	6.8	1.2	3.2	3.7
Stocks	0.4	0.0	0.0	0.3	0.2
Employment					
<i>Full time equivalent</i>	0.5	0.6	0.3	0.5	0.1
Operating expenses					
Wages	3.1	2.5	2.4	2.4	1.6
Non-wage labour	1.8	2.0	1.8	1.3	0.5
Other	2.1	2.4	2.2	1.7	1.3
Total	2.2	2.4	2.2	1.8	1.3
International trade					
Imports	2.8	3.6	2.1	3.0	2.6
Exports	5.2	4.7	3.4	3.8	-4.5

6 AUSTRALIAN BUSINESS EXPECTATIONS, MEDIUM-TERM OUTLOOK,
WEIGHTED NET BALANCE, JUNE QUARTER 1998
Not seasonally adjusted

<i>Business performance indicators</i>	<i>Proportion of businesses expecting</i>			<i>Net balance</i>
	<i>Decreases</i>	<i>No change</i>	<i>Increases</i>	
	%	%	%	%
Trading performance				
Sales	6.5	25.4	68.1	61.6
Selling prices	4.9	37.9	57.2	52.3
Profit	15.6	20.7	63.7	48.1
Investment				
Capital expenditure	9.5	36.3	54.2	44.7
Stocks	21.8	51.2	27.0	5.2
Employment				
<i>Full time equivalent</i>	16.0	61.0	23.0	7.0
Operating expenses				
Wages	7.6	29.7	62.7	55.1
Non-wage labour	9.1	40.9	50.0	40.9
Other	5.6	29.8	64.6	59.0
International trade				
Imports	3.1	28.3	68.5	65.4
Exports	8.4	23.9	67.7	59.3

MEDIUM-TERM OUTLOOK
(continued)

Expected change for the June quarter 1998 compared with the June quarter 1997

Sales of goods and services
+ 2.4%

Sales in the June quarter 1998 are expected to be 2.4% higher than the June quarter 1997. Medium and large businesses expect increases of 3.2% and 3.4% respectively, while small businesses expect an increase of 1.7%.

Selling prices
+ 0.7%

Selling prices are expected to rise 0.7% in the June quarter 1998. This is the smallest expected rise a year ahead since the quarter in which the survey commenced (December 1993).

Profit
+ 12.3%

An increase of 12.3% is expected in *profit* in the June quarter 1998 compared with the present. The largest expected increases are for the Mining and Wholesale industries (up 29.7% and 29.4% respectively).

Capital expenditure
+ 3.7%

Capital expenditure is expected to rise 3.7% in the June quarter 1998, with Mining being the only industry expecting a decrease (- 4.2%).

Chart 9. SALES OF GOODS AND SERVICES
Medium-term outlook compared with the previous equivalent quarter

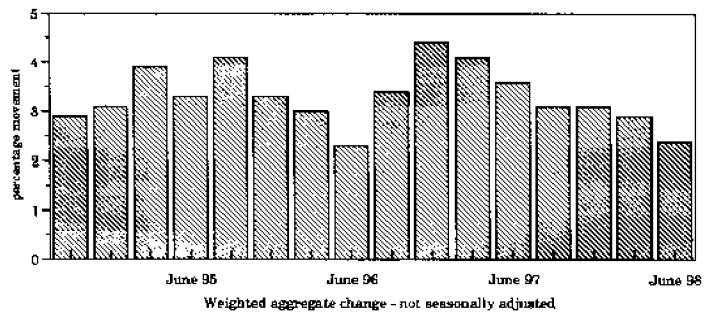


Chart 10. SELLING PRICES
Medium-term outlook compared with the previous equivalent quarter

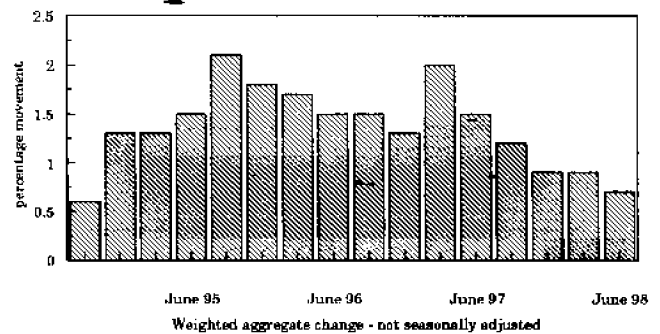


Chart 11. PROFIT
Medium-term outlook compared with the previous equivalent quarter

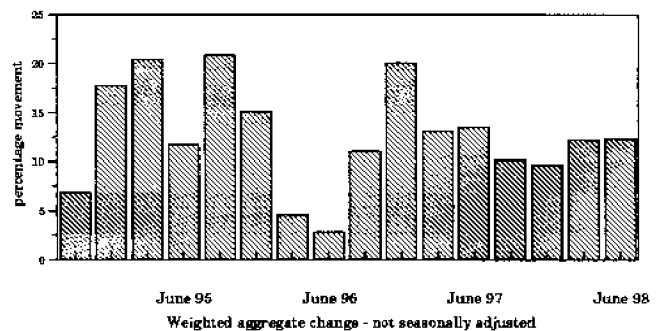
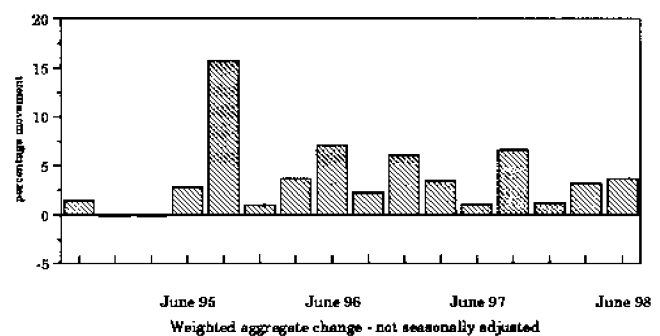


Chart 12. CAPITAL EXPENDITURE
Medium-term outlook compared with the previous equivalent quarter



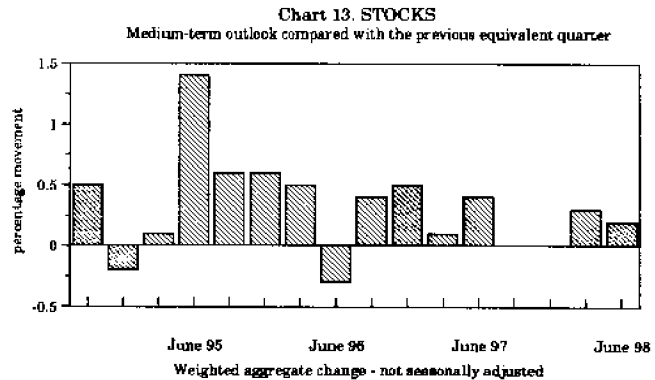
MEDIUM-TERM OUTLOOK

(continued)

Expected change for the June quarter 1998 compared with the June quarter 1997

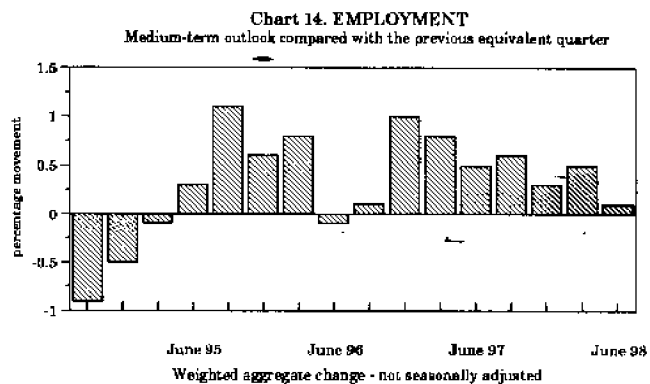
Stocks
+ 0.2%

Stocks are expected to rise by 0.2% between the June quarter 1998 and the June quarter 1997. A detailed breakdown by size of business can be found on page 11.



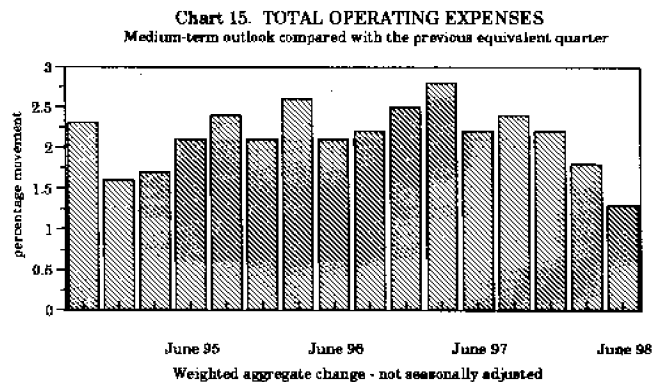
Employment
+ 0.1%

Businesses expect full time equivalent employment to increase 0.1% in the medium term. Small businesses expect the largest increase of 0.2%, with large businesses expecting an increase of 0.1%, but medium businesses expecting a fall of 0.2%.



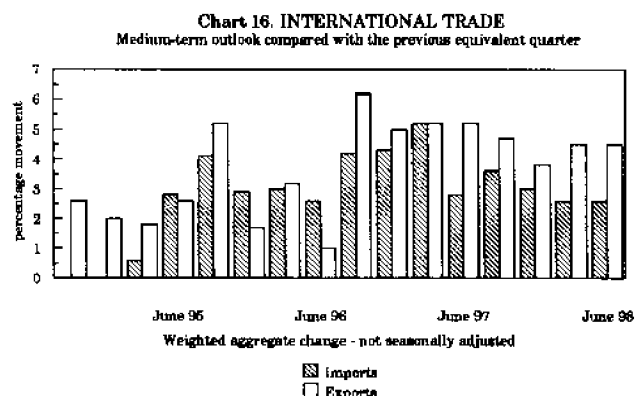
Total operating expenses
+ 1.3%

An increase of 1.3% is expected in the June quarter 1998 for total operating expenses. Contributing to this rise are wages +1.6%, other labour costs +0.5% and non labour costs +1.3%.



International trade
Imports + 2.6%
Exports + 4.5%

Imports are expected to increase by 2.6%. Small sized businesses are expecting the largest increase of 3.5%. Exports are expected to increase by 4.5%, with large businesses making the largest contribution of 6.1%.



DETAILED RESULTS — SIZE OF BUSINESS

SHORT-TERM OUTLOOK

Expected change for the September quarter 1997 compared with the June quarter 1997.

Trading performance

Sales

Businesses of all sizes are expecting *sales* to increase in the September quarter 1997. Medium sized businesses are expecting the largest increase of 1.2%.

Selling prices

Medium and large businesses are expecting an increase in *selling prices* in the September quarter 1997, with small businesses expecting no change.

Profit

Small and medium sized businesses expect a decrease in *profit* in the short term (down by 5.6% and 2.4% respectively), while large businesses expect a 3.4% increase.

Investment

Capital investment

Capital investment is expected to rise by 3.2% in the September quarter 1997 with businesses of all sizes expecting growth.

Stocks

Stocks are expected to fall by 0.5% in both medium and large sized businesses with small businesses expecting a rise of 0.3%.

Employment

Both medium and large businesses expect a decrease of 0.2% in *full time equivalent employment* in September quarter 1997, while small businesses expect no change.

Operating Expenses

Operating expenses are expected to rise in all size businesses in the September quarter 1997.

International Trade

An overall increase is expected in *imports* although medium sized business expects a drop of 1.4%. *Exports* are expected to increase in businesses of all sizes, with small businesses expecting an increase of 2.8%.

AUSTRALIAN BUSINESS EXPECTATIONS, SEPTEMBER QUARTER 1997 COMPARED WITH JUNE QUARTER 1997, EXPECTED AGGREGATE CHANGE, BY SIZE OF BUSINESS

7

Not seasonally adjusted

<i>Business performance indicators</i>	<i>Small %</i>	<i>Medium %</i>	<i>Large %</i>	<i>All businesses %</i>
Trading performance				
Sales	0.4	1.2	1.1	0.7
Selling prices	0.0	0.2	0.3	0.1
Profit	- 5.6	- 2.4	3.4	- 1.4
Investment				
Capital expenditure	3.2	3.4	3.0	3.2
Stocks	0.3	- 0.5	- 0.5	- 0.1
Employment				
<i>Full time equivalent</i>	0.0	- 0.2	- 0.2	- 0.1
Operating expenses				
Wages	0.6	1.5	1.0	0.9
Non-wage labour	0.4	0.9	0.0	0.3
Other	1.0	1.5	0.5	0.9
Total	0.9	1.5	0.6	0.9
International trade				
Imports	5.1	- 1.4	1.4	1.9
Exports	2.8	0.6	1.2	1.3

MEDIUM-TERM OUTLOOK

Expected change for the June quarter 1998 compared with the June quarter 1997

Trading Performance

Sales

Sales of goods and services are expected to increase for businesses of all sizes with large businesses expecting the largest increase (3.4%).

Selling prices

Businesses of all sizes expect *selling prices* to increase in the June quarter 1998.

Profit

The largest rise in *profit* in the June quarter 1998 is expected to be in medium sized business (15.6%), while small and large businesses expect rises of 10.9% and 13.0% respectively.

Investment

Capital investment

Businesses of all sizes are expecting to increase *capital expenditure* with large businesses expecting the largest increase of 4.5%.

Stocks

Stocks are expected to increase for businesses of all sizes in the June quarter 1998.

Employment

Full time equivalent employment is expected to increase in small and large sized businesses (0.2% and 0.1% respectively), while medium size businesses are expecting a decrease of 0.2% in the June quarter 1998.

Operating Expenses

Rises in *operating expenses* are expected in businesses of all-sizes with medium sized businesses expecting the largest increase of 2.1%.

International Trade

Increases in both *imports* and *exports* are expected in the June quarter 1998. Small businesses expect the largest increase in imports of 3.5% and large businesses are expecting the greatest increase in exports of 6.1%.

AUSTRALIAN BUSINESS EXPECTATIONS, JUNE QUARTER 1998
COMPARED WITH JUNE QUARTER 1997, EXPECTED AGGREGATE
CHANGE, BY SIZE OF BUSINESS

8

Not seasonally adjusted

<i>Business performance indicators</i>	<i>Small %</i>	<i>Medium %</i>	<i>Large %</i>	<i>All businesses %</i>
Trading performance				
Sales	1.7	3.2	3.4	2.4
Selling prices	0.6	1.1	0.9	0.7
Profit	10.9	15.6	13.0	12.3
Investment				
Capital expenditure	3.4	2.8	4.5	3.7
Stocks	0.3	0.2	0.2	0.2
Employment				
<i>Full time equivalent</i>	0.2	-0.2	0.1	0.1
Operating expenses				
Wages	1.4	1.8	1.8	1.6
Non-wage labour	0.4	1.3	0.3	0.5
Other	0.9	2.1	1.8	1.3
Total	0.9	2.1	1.8	1.3
International trade				
Imports	3.5	0.6	3.1	2.6
Exports	4.1	2.1	6.1	4.5

DETAILED RESULTS — INDUSTRY

SHORT-TERM OUTLOOK

Sales of goods and services
+ 0.7%

Sales of goods and services are expected to increase in all industries with the exception of Construction (- 3.2%) and Retail (- 0.1%).

Profit
- 1.4%

Profit is expected to fall in most industries in the September quarter 1997 with the largest decrease of 16.6% in the Construction industry. The largest increase of 7.5% is expected for the Finance and insurance industry.

Capital expenditure
+ 3.2%

Transport, storage and communication (- 2.6%) is the only industry expecting a decrease in *capital expenditure* in the September quarter 1997. Retail expects the greatest increase of 14.0%.

Expected change for the September quarter 1997 compared with the June quarter 1997

See comments on page 1 referring to Electricity, Gas and Water industry and some international trade estimates.

CHART 17. SALES OF GOODS AND SERVICES
Main industry comparison
Short-term outlook - September quarter 1997

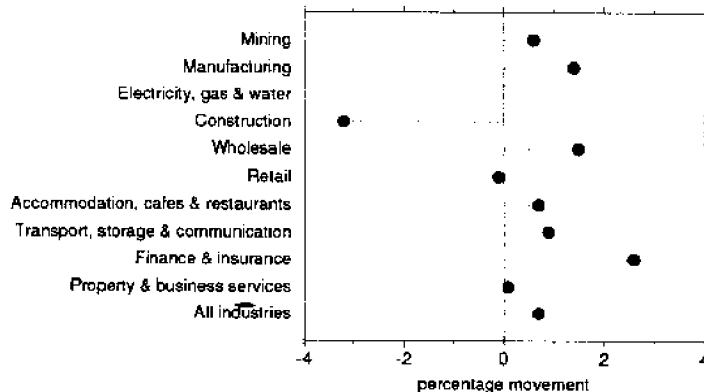


CHART 18. PROFIT
Main industry comparison
Short-term outlook - September quarter 1997

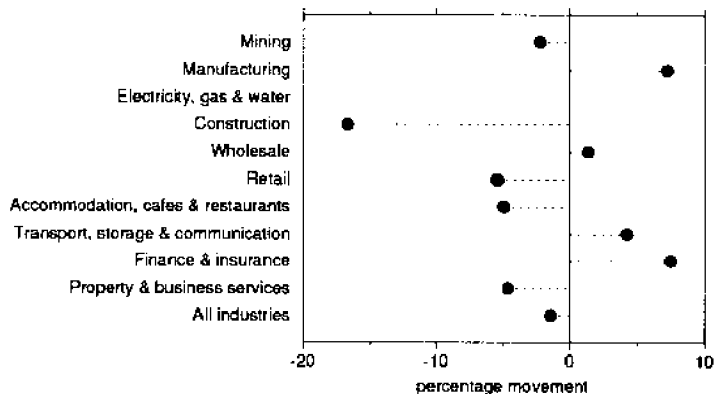
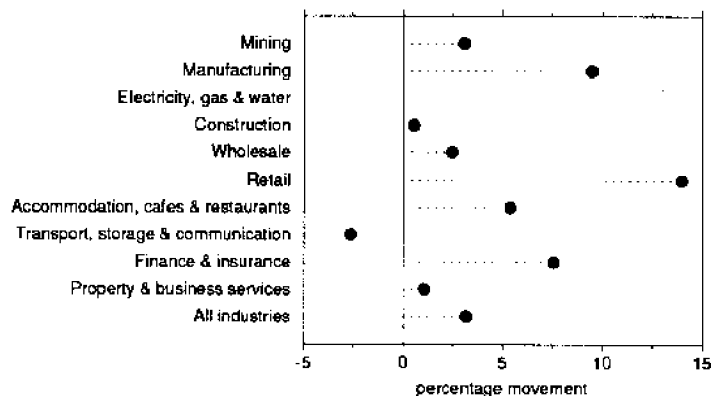


CHART 19. CAPITAL EXPENDITURE
Main industry comparison
Short-term outlook - September quarter 1997



SHORT-TERM OUTLOOK *continued*

Expected change for the September quarter 1997 compared with the June quarter 1997

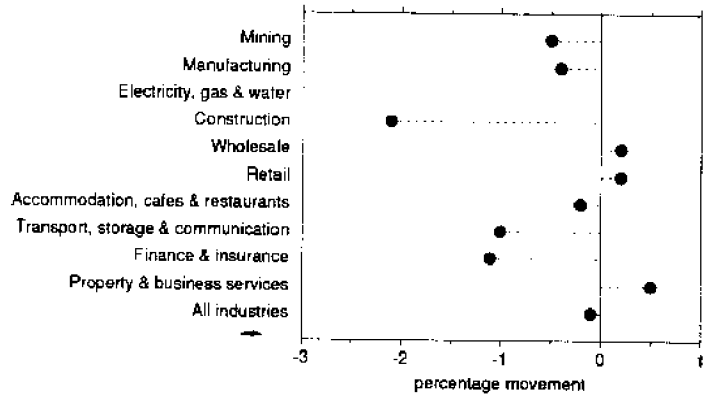
See comments on page 1 referring to Electricity, Gas and Water industry and some international trade estimates

Employment

- 0.1%

Property and business services (0.5%) and Wholesale and Retail (both 0.2%), are the only industries expecting increases in *full time equivalent employment*. The Construction industry expects the largest fall in employment (2.1%).

CHART 20. EMPLOYMENT
Main industry comparison
Short-term outlook - September quarter 1997

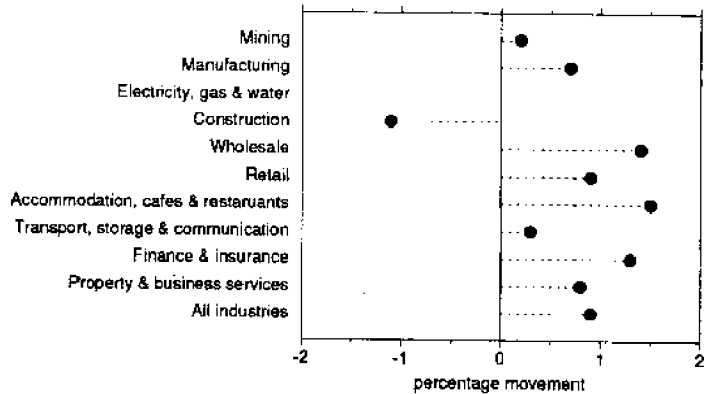


Total operating expenses

+ 0.9%

Total operating expenses are expected to rise in the September quarter 1997 in all industries except Construction, which expects a fall of 1.1%.

CHART 21. TOTAL OPERATING EXPENSES
Main industry comparison
Short-term outlook - September quarter 1997



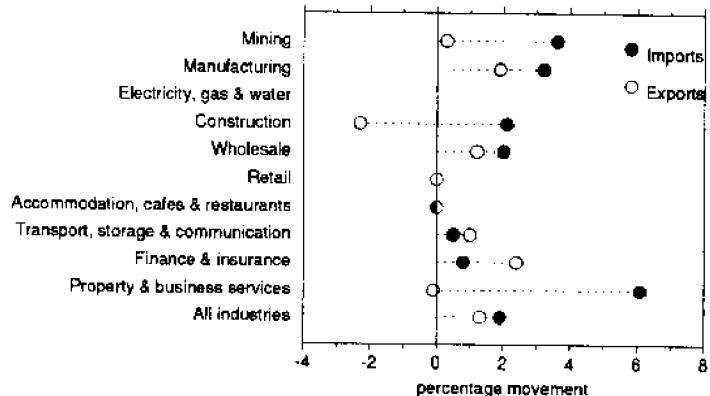
International trade

Imports + 1.9%

Exports + 1.3%

Imports are expected to rise in all industries shown. The largest increase is for the Property and business services industry (6.1%). The largest expected increase in *exports* is for the Finance and insurance industry which expects an increase of 2.4%.

CHART 22. INTERNATIONAL TRADE
Main industry comparisons
Short-term outlook - September quarter 1997



MEDIUM-TERM OUTLOOK

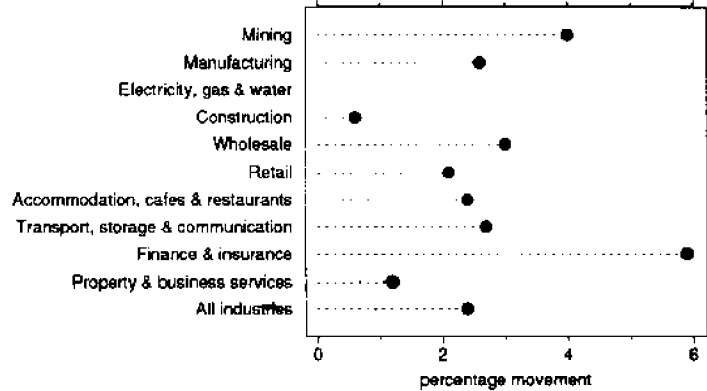
Expected change for the June quarter 1998 compared with the June quarter 1997

See comments on page 1 referring to Electricity, Gas and Water industry and some international trade estimates

Sales of goods and services
+ 2.4%

All industries expect an increase in *sales of goods and services* in the June quarter 1998 compared with June quarter 1997, with Finance and insurance expecting the greatest increase of 5.9%.

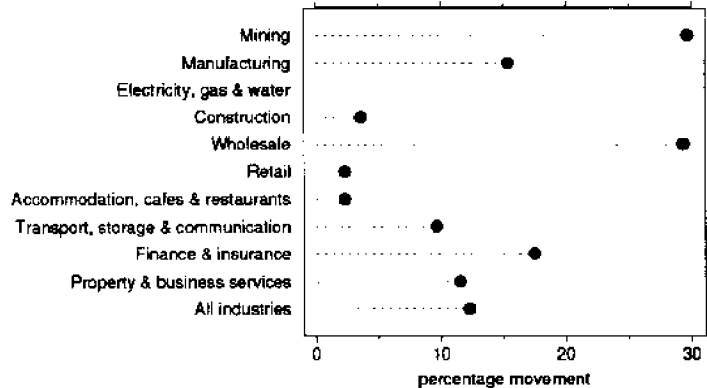
CHART 23. SALES OF GOODS AND SERVICES
Main industry comparison
Medium-term outlook - June quarter 1998



Profit
+ 12.3%

Profit in the June quarter 1998 compared with 1997 is expected to rise by 12.3%. Mining (29.7%), Wholesale (29.4%) and Finance and insurance (17.5%) expect the largest increase in profits.

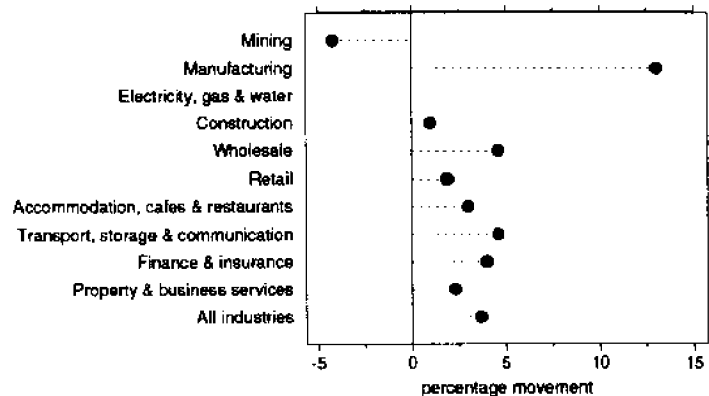
CHART 24 - PROFIT
Main industry comparison
Medium-term outlook - June quarter 1998



Capital expenditure
+ 3.7%

The Manufacturing industry expects the largest rise in *capital expenditure* for the June quarter 1998 (13.0%). This reflects expectations of large capital expenditure by a few large organisations. Compared with June quarter 1997, Mining is the only industry to expect a decrease (- 4.2%).

CHART 25. CAPITAL EXPENDITURE
Main industry comparison
Medium-term outlook - June quarter 1998



MEDIUM-TERM OUTLOOK *continued*

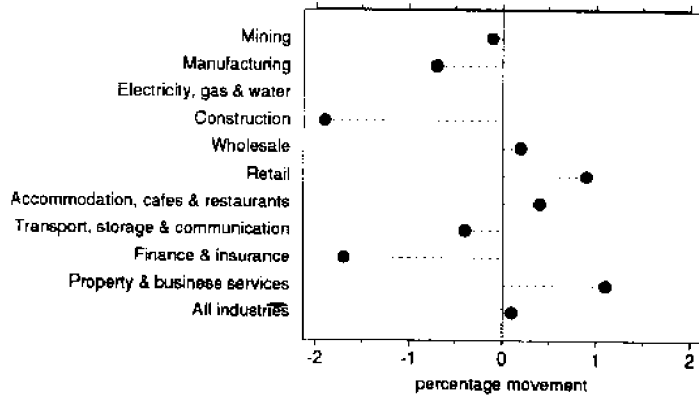
Expected change for the June quarter 1998 compared with the June quarter 1997

See comments on page 1 referring to Electricity, Gas and Water industry and some international trade estimates

Employment
+ 0.1%

Full time equivalent employment is expected to fall in most industries with Construction expecting the largest decrease of 1.9%. Property and business services expects the largest rise of 1.1%.

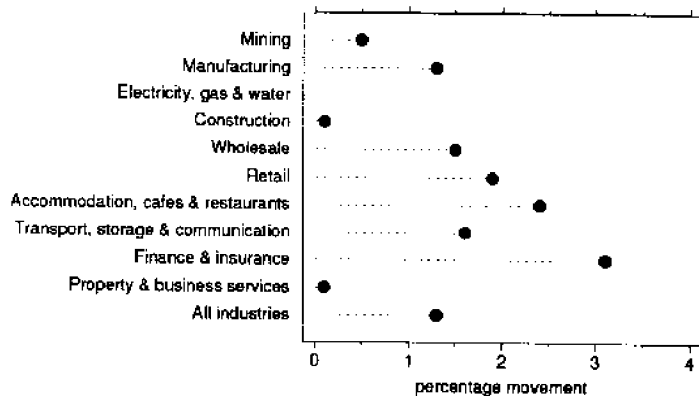
CHART 26. EMPLOYMENT
Main industry comparison
Medium-term outlook - JUNE QUARTER 1998



Total operating expenses
+ 1.3%

Operating expenses are expected to rise in all industries with the largest increase in Finance and insurance of 3.1%, followed by Accommodation, cafes and restaurants with 2.4%.

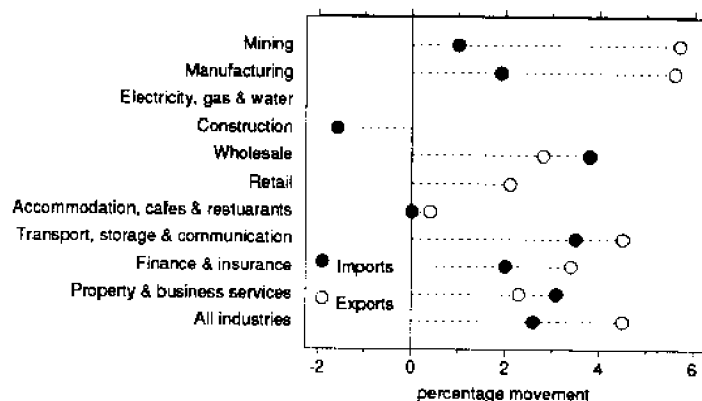
CHART 27. TOTAL OPERATING EXPENSES
Main industry comparison
Medium-term outlook - June quarter 1998



International trade
Imports + 2.6%
Exports + 4.5%

Most industries are expecting a rise in *imports* in the June quarter 1998 compared to June quarter 1997, with Wholesale expecting the largest (3.8%). *Exports* are expected to rise in all industries with Mining expecting the largest increase of 5.7%.

CHART 28. INTERNATIONAL TRADE
Main industry comparisons
Medium-term outlook - June quarter 1998



DETAILED RESULTS — STATE

Short and medium term expected change in business performance indicators by State are both difficult to compile and subject to a greater degree of estimation than the Australian estimates. This is because of the difficulties which multi-State businesses face in providing separate expectation responses for each State segment of the business, and sampling errors, especially for the smaller States.

The following table shows the distribution by State and Territory of businesses selected in the survey sample.

9 PROPORTION OF BUSINESSES SELECTED BY STATE AND TERRITORY, AUSTRALIA, SEPTEMBER QUARTER 1997

	<i>All businesses</i>
	%
Australia	100
New South Wales	38.5
Victoria	25.5
Queensland	15.3
South Australia	6.5
Western Australia	10.3
Tasmania	2.2
Northern Territory	0.6
Australian Capital Territory	1.1

To derive results for each State and Territory, the ABS has apportioned the national expectation of business activity to each State in which the businesses operate. This means that the overall performance in percentage terms, of the *business activity* for a reporting business, is used for each State within which the reporting business operates.

Business activity, as defined for BES, is the State of production for manufacturers, State of sales for retailers where they maintain a retail presence, and Finance and Service businesses report on their business activity for each State in which they are based.

For all businesses which only operate in a single State the responses are directly attributed to that State. For those businesses which do not indicate State business activity, the responses are attributed to the State within which the business resides.

ADDITIONAL DATA

The following results relate to the *Sales of goods and services*. Other performance indicators for individual States and Territories may be made available as unpublished data or as a special data service.

Because of the greater degree of estimation and the associated larger variances, the State estimates should be interpreted with care.

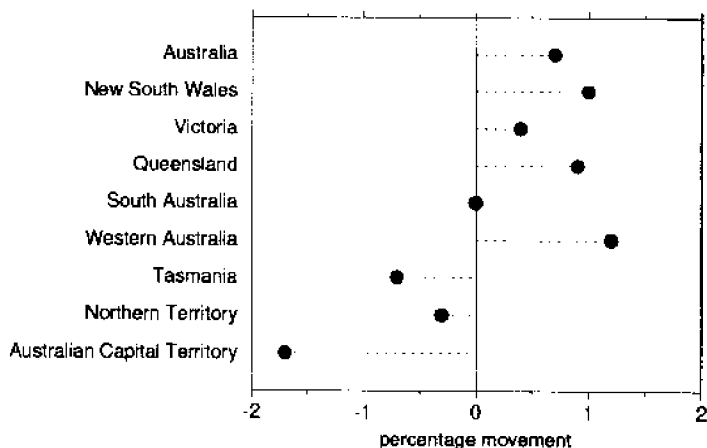
Expected change for the September quarter 1997 compared with the June quarter 1997

10 AUSTRALIAN BUSINESS EXPECTATIONS, STATES AND TERRITORIES, SALES OF GOODS AND SERVICES, SHORT-TERM OUTLOOK (Not seasonally adjusted)

States and Territories	Expected aggregate change over the previous quarter				
	Sept qtr 1996	Dec qtr 1996	Mar qtr 1997	June qtr 1997	Sept qtr 1997
Australia	1.6	1.6	0.4	1.6	0.7
New South Wales	1.8	1.5	1.0	1.4	1.0
Victoria	1.7	2.0	0.1	1.9	0.4
Queensland	1.4	1.2	-0.4	1.4	0.9
South Australia	0.3	2.1	-0.1	2.8	0.0
Western Australia	1.5	2.0	0.9	2.0	1.2
Tasmania	0.9	1.3	-1.1	0.8	-0.7
Northern Territory	3.8	2.0	1.6	2.6	-0.3
Australian Capital Territory	0.4	-0.3	-1.1	1.3	-1.7

- New South Wales, Victoria, Queensland and Western Australia all expect increases in sales of goods and services in the short term.
- South Australia expects no change in sales, while Tasmania, the Northern Territory and the Australian Capital Territory are expecting decreases.

CHART 29. SALES OF GOODS AND SERVICES
State estimates
Short-term outlook - September quarter 1997



Expected change for the June quarter 1998 compared with the June quarter 1997

11

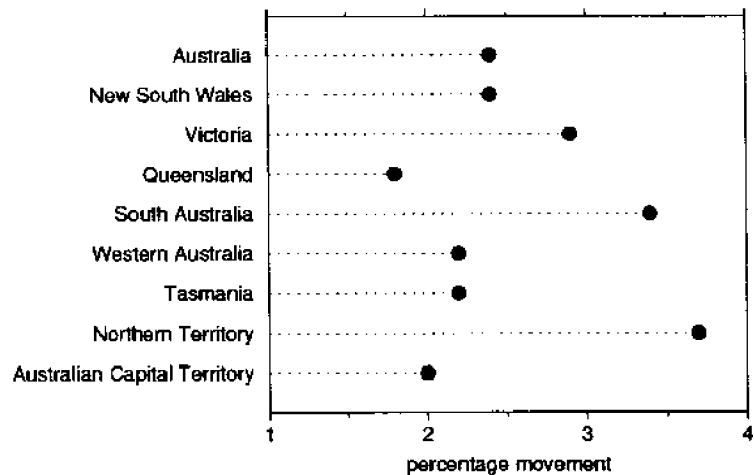
AUSTRALIAN BUSINESS EXPECTATIONS, STATES AND TERRITORIES, SALES OF GOODS AND SERVICES, MEDIUM TERM OUTLOOK (Not seasonally adjusted)

Expected aggregate change over the same quarter of the previous year

States and Territories	June qtr 1997	Sept qtr 1997	Dec qtr 1997	Mar qtr 1998	June qtr 1998
	%	%	%	%	%
Australia	3.6	3.1	3.1	2.9	2.4
New South Wales	3.7	3.1	2.4	2.7	2.4
Victoria	3.7	3.4	3.8	2.8	2.9
Queensland	3.6	2.5	3.3	2.8	1.8
South Australia	2.3	3.3	4.3	4.0	3.4
Western Australia	4.4	3.3	3.0	3.4	2.2
Tasmania	2.8	3.3	2.5	1.5	2.2
Northern Territory	4.0	4.9	5.3	4.5	3.7
Australian Capital Territory	1.4	1.5	2.2	1.7	2.0

- An overall increase of 2.4% is expected in sales of goods and services in the medium term. This growth is based on rises in each State ranging from 1.8% in Queensland to 3.7% in the Northern Territory.

CHART 30. SALES OF GOODS AND SERVICES
State estimates
Medium-term outlook - June quarter 1998



EXPLANATORY NOTES

INTRODUCTION

1 This publication contains estimates of future economic activity based on the business expectations of senior executives, managers and proprietors of businesses operating in Australia. The estimates have been compiled from data collected by the Australian Bureau of Statistics (ABS) in its quarterly survey of business expectations.

2 This survey commenced with short term expectations for the December quarter 1993 and medium term expectations for the September quarter 1994. This quarter's publication contains estimates of the expected change between the June quarter 1997 and the September quarter 1997 and the June quarter 1998.

3 The survey is conducted by mail each quarter. This quarter's survey was collected immediately following the Federal budget in May 1997.

4 It is based on a stratified random sample of approximately 3,000 businesses selected from the ABS annual Economic Activity Survey (EAS). EAS in turn derives its survey population from the ABS central register of business units.

5 The sample is stratified by industry, sector (private and government business) and size of business (measured by number of employees).

6 The sample is supplemented by a further sample of businesses which have been added to the ABS business register since the original EAS sample was selected. This ensures that the expectations of relatively new businesses are taken into account in the overall estimates.

SCOPE OF THE SURVEY

7 The statistics in this publication relate to employing businesses in all industries and sectors of the Australian economy except:

- agriculture, forestry and fishing;
- general government.

8 Data related to intended crop plantings and sheep matings are collected by the ABS and published in catalogue 7111.0 and 7113.0 publications from the Agriculture Census.

9 The Australian Bureau of Agriculture and Resource Economics (ABARE) publishes its forecasts for specific commodities and for the Agriculture industry generally, as part of the annual Outlook conference in February each year. ABARE updates these forecasts in its quarterly publication Australian Commodities — Forecasts and Issues.

CLASSIFICATION

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

BUSINESS SIZE

11 Data presented in this publication is classified by three business sizes :

- small (less than 20 employees, except for manufacturers where it is less than 100);
- medium (20 to less than 100 employees, except for manufacturers where it is 100 to 599 employees); and
- large (100 and greater employees, except for manufacturers where it is 600 or more employees).

STATISTICAL UNIT

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

BUSINESS PERFORMANCE INDICATORS

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

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

15 The survey uses a set of well recognised economic trading indicators in measuring future trading activity. These indicators are: Sales of goods and services, selling prices, expenses, employment, etc. See Description of terms below for details.

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

SIMPLE AND WEIGHTED NET BALANCE

17 The simple net balance for a selected indicator is estimated by subtracting the percentage of respondents predicting a 'fall' from the percentage of respondents expecting a 'rise'.

18 The net balance is a *qualitative* statistic best suited to indicating the sentiment of businesses about future business conditions, and measures the net proportion of businesses predicting a rise or fall in future business conditions.

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

20 Weighting the responses enables larger businesses to have an influence upon the net balance proportional to the level of their expenditure, employment size, etc. Movements in the weighted net balance indicate the net proportion of business activity predicting a rise or fall in future business conditions.

EXPECTED AGGREGATE CHANGE

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

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

COMPARISON OF RESULTS

23 The weighted net balance and expected aggregate change are complementary measures which, in combination, give a broad indication of future business conditions. It is possible to obtain estimates in opposite directions for the net balance and weighted aggregate change estimates.

24 The weighted net balance provide a *qualitative* measure of the proportion of businesses predicting the direction of change in future business conditions. The expected aggregate change, however, provides a *quantitative* measure predicting the magnitude of change in a selected variable.

RELIABILITY OF ESTIMATES

25 The expected aggregate change estimates are designed to measure the change to each business performance indicator, according to businesses' confidence. The predictive power of the weighted aggregate estimates depends on the predictive ability of individual businesses.

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

- sampling error;

- non-sampling error; and
- benchmark bias.

SAMPLING ERROR

27 Sampling error is due to the use of a sample rather than a complete enumeration; that is, the estimates differ from the values that would have been obtained if all units were surveyed. A measure of the likely difference is given by the *standard error*, which indicates the extent to which an estimate might have varied by chance because only a sample of units was included. There are about two chances in three that the difference will be within one standard error, and about nineteen chances in twenty that the difference will be within two standard errors.

RELIABILITY OF ESTIMATES

28 The table below provides standard errors for some of the main estimates of this publication. As an example of how the standard errors can be interpreted, given that the short term expectation for *sales* for Australia is 1.6% with a standard error of 0.2, there would be two chances in three that the true value would be within the range 1.4% and 1.8%.

STANDARD ERRORS OF KEY ESTIMATES, SEPTEMBER QUARTER 1997,
SHORT-TERM EXPECTATION, AUSTRALIA

<i>Business performance indicator</i>	<i>Survey estimate</i>	<i>Standard error</i>
Sales	0.7	0.1
Selling prices	0.1	0.0
Profit	-1.4	0.0
Capital expenditure	3.2	0.5
Stocks	-0.1	0.1
Employment	-0.1	0.1
Wage costs	0.9	0.1
Imports	1.9	0.5
Exports	1.3	0.1

NON-SAMPLING ERROR

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

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

31 The expected aggregate change is designed to reflect business expectations for each business performance indicator, as accurately as possible. However, while the estimates should be appropriate measures of business climate, the expectations may not predict actual movements accurately. Businesses may be too optimistic or pessimistic in their predictions at different times.

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

BENCHMARKS

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

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

Results from the EAS are published in *Business Operations and Industry Performance 1994-95* (8140.0).

Changes to the structure of the Electricity, Gas and Water industry, and the lack of benchmark data related to the new structures, have meant that for this quarter the estimates for that industry are not considered sufficiently reliable for publication.

SYMBOLS AND OTHER USAGES

0 nil or rounded to zero
n.a. not available for publication.

DESCRIPTION OF TERMS

SALES OF GOODS AND SERVICES	<p>The expected change in the sale of goods or the provision of services by a business in terms of value.</p> <p>Financial institutions report on the expected change in gross interest income plus fees and commissions.</p> <p>Non-profit or charitable organisations report on the expected change in fees received for services, donations from the public and government grants and subsidies.</p>
SELLING PRICES	<p>The expected change in the unit price of goods sold or services provided by the business. Where a business sells a range of products or services a representative product or service is used.</p> <p>Financial institutions report on interest rates, services and commissions charged.</p> <p>The benchmark for weighting the selling prices response is derived from associating selling prices with total expenses.</p>
TOTAL WAGE EXPENSES	<p>The expected change in the total amount of direct wage and salaries paid to employees.</p>
NON-WAGE LABOUR EXPENSES	<p>The expected change in the total amount of employment related expenses not paid directly to employees.</p> <p>Some of these expenses are payroll tax, worker's compensation and superannuation.</p>
ALL OTHER OPERATING EXPENSES	<p>The expected change in the total amount of all expenses which are not classified as labour expenses.</p> <p>Some of these expenses are overheads, advertising, raw materials and packaging and handling.</p>
TOTAL OPERATING EXPENSES	<p>This is a derived estimate from the weighted response for the total of wage, non-wage labour and all other expenses.</p>
CLOSING STOCKS	<p>The expected change in the book value of closing stocks between the end of the collection quarter and the end of the reference periods.</p>
PAID PERSONS WORKING	<p>The expected change in the number of paid persons working. Where part time or casual employees are involved employers are requested to convert to a full-time equivalent. It should be noted that other ABS series which provide data on paid persons working do not use a full-time equivalent measure.</p>
IMPORTS	<p>The expected change in the value of all goods and services directly imported by a business.</p> <p>The benchmark for weighting the import response is derived from associating the current percentage of imports to <i>All other expenses</i>, and using that proportion of the <i>All other expenses</i> benchmark as the imports benchmark.</p>
EXPORTS	<p>The expected change in the value of all goods and services directly exported by a business.</p> <p>The benchmark for weighting the export response is derived from associating the current percentage of exports to the <i>Sales of goods and services</i>, and using that proportion of the <i>Sales of goods and services</i> benchmark as the exports benchmark.</p> <p>It should be noted that BES has been designed to provide high quality estimates of business expectations covering a wide range of business performance indicators. Businesses selected in the survey can generally provide expectations on the majority of the business performance indicators, however, this is not the case for imports and exports where only a subset of selected businesses are involved in importing or exporting. Accordingly, caution should be exercised when interpreting imports and exports expectations.</p>

CAPITAL EXPENDITURE

The expected change in the value of capital expenditure in new tangible assets.

Capital expenditure is generally classed in two categories, *Plant machinery and equipment* and *Buildings*.

The proportion of total capital expenditure on *Plant, machinery and equipment* is collected and the amount to be expended on *Buildings* is derived.

PROFIT

Profit is a derived item based on the present trading performance of a business and the expected changes to the level of sales of goods and services and the sum of all expense items.

The difference between the new benchmarks for the *sales of goods and services* and the sum of all expenses items (the sum of *total wage expense, non-wage labour expense and all other operating expenses*) as determined by the responses received, the Economic Activity Survey benchmarks for those items and an indicator of present trading performance (cost/sales ratio) are used to determine the expected change for profit for the reference periods.

Because of reporting difficulties experienced with the cost/sales ratios, caution should be exercised in interpreting profit expectations.

STATE INFORMATION

State information has been derived for businesses in the survey which operate in more than one State.

This has been achieved by

- applying a weight (the proportion of a business's economic activity undertaken in each State) to the benchmarks for that business to arrive at potentially eight different benchmarks for each business performance indicator; and
- applying the overall percentage change in the business performance indicators obtained from the survey to each of the State benchmarks for each business performance indicator.

REFERENCE PERIODS

There are two reference periods surveyed each quarter:

- Short-term (if the current quarter is June 1997, then the quarter being surveyed is September 1997); and
- Medium-term (if the current quarter is June 1997, then the quarter being surveyed is June 1998).

UNPUBLISHED DATA

AVAILABLE DATA

The amount of data collected from the Survey of Business Expectations is much greater than the data contained in this publication.

Subject to the ABS provisions for maintaining the confidentiality of respondents and their information, more detailed information by industry and size of business may be made available on request.

SIZE OF BUSINESS

The size of business is based on employment. Additional data can be estimated for the following size ranges:

- less than 20 employees.
- 20 and less than 100 employees.
- 100 and less than 600 employees.
- 600 and greater employees.
- small (less than 20 employees except for manufacturing, which is less than 100).
- medium (20 to less than 100 employees except for manufacturing, which is 100 to less than 600).
- large (100 and greater employees except for manufacturing, which is 600 and greater).

INDUSTRY

Industry is classified according to ANZSIC and is detailed at the 1 and 2 digit level.

- 15 industries categorised at the one digit ANZSIC level;
- 47 industries categorised at the two digit ANZSIC level; and
- user defined industry groups such as "service industries".

STATE INFORMATION

State information has been derived from the business activity conducted by business in each State. Where sufficient information is available to provide satisfactory estimates, data may be made available at the same level of detail as that for Australia. State information is subject to a greater degree of variance than the Australia data.

NET BALANCE

A weighted net balance for industries and size of business can be produced as a special data service.

MORE INFORMATION

For more information please contact the officer named at the front of this publication or write to:

The Assistant Director
Business Expectations Survey
Australian Bureau of Statistics
PO Box 10
Belconnen ACT 2616.









For more information . . .

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