

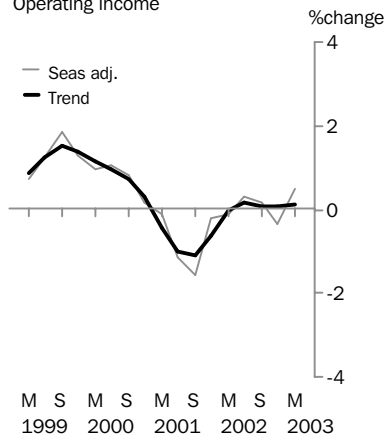
**AUSTRALIAN BUSINESS EXPECTATIONS  
MARCH QTR 2003 & DECEMBER QTR 2003**

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**KEY FIGURES**

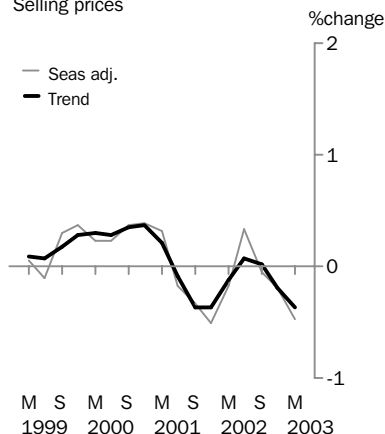
**Short-term**

Operating income



**Short-term**

Selling prices



**SHORT-TERM  
MAR QTR 2003**

	<i>Trend % change</i>	<i>Seasonally adjusted % change</i>	<i>Original % change</i>
Operating income	0.1	0.5	-2.4
Selling prices	-0.4	-0.5	-0.5
Profit	5.3	8.4	-15.8
Employment	-0.7	-0.9	-1.1

**MEDIUM-TERM  
DEC QTR 2003**

	<i>Trend % change</i>	<i>Seasonally adjusted % change</i>	<i>Original % change</i>
Operating income	2.1	n.p.	2.1
Selling prices	0.1	n.p.	0.2
Profit	15.3	n.p.	11.9
Employment	-0.3	n.p.	-0.1

**KEY POINTS**

**SHORT-TERM**

**TREND**

- In trend terms Operating income and Profit are expected to increase by 0.1% and 5.3% respectively. Selling prices and full time equivalent Employment are expected to decrease by 0.4% and 0.7% respectively.

**SEASONALLY ADJUSTED**

- In seasonally adjusted terms businesses are expecting Operating income and Profit to increase by 0.5% and 8.4% respectively. Selling prices and full time equivalent Employment are expected to decrease by 0.5% and 0.9% respectively. The expectation for full time equivalent Employment is the twelfth consecutive quarterly decrease.

**MEDIUM-TERM**

**TREND**

- In trend terms, businesses expect Operating income, Selling prices and Profit to increase by 2.1%, 0.1% and 15.3% respectively. Full time equivalent Employment is expected to decrease by 0.3%.

**ORIGINAL**

- In original terms, businesses expect increases in Operating income (2.1%), Selling prices (0.2%) and Profit (11.9%). For the third consecutive quarter businesses continue to expect full time equivalent Employment to decrease (0.1%).

- For further information about these and related statistics, contact Steve Norris on Canberra 02 6252 7587, or the National Information and Referral Service on 1300 135 070.

## NOTES

### FINAL ISSUE

This March 2003 issue will be the final release of this publication.

The ABS will cease the compilation and publication of statistics on Australian Business Expectations following the release of this issue of the publication. This decision was made after an assessment of ABS forward work program priorities for Economic Statistics. For more information please contact Ross Upson on (02) 6252 5775 or by email at [ross.upson@abs.gov.au](mailto:ross.upson@abs.gov.au).



### NOTE

The estimates in this publication are based on information collected during October and November 2002.



### CHANGES IN THIS ISSUE

There are no changes in this issue.



Dennis Trewin  
Australian Statistician

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# SUMMARY OF RESULTS: Short-term Outlook

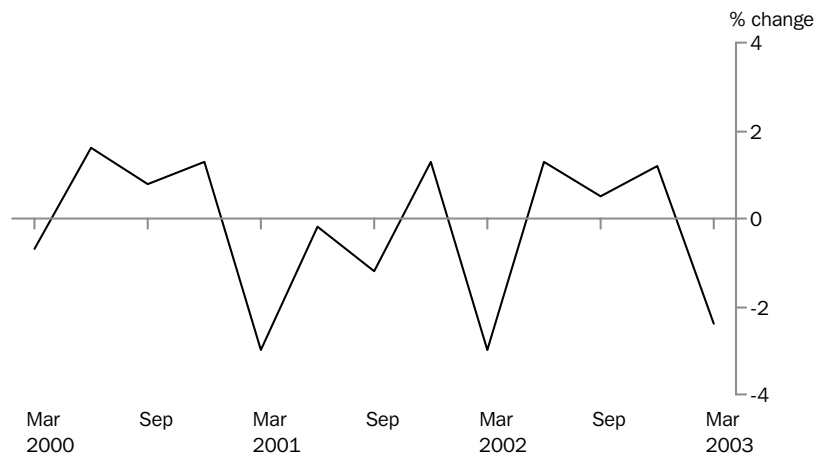
## OPERATING INCOME

### SEASONALLY ADJUSTED

In seasonally adjusted terms, businesses expect Operating income to increase by 0.5% in the March quarter 2003. The expectation for Operating income is the largest expected seasonally adjusted increase since the September quarter 2000 (0.8%).

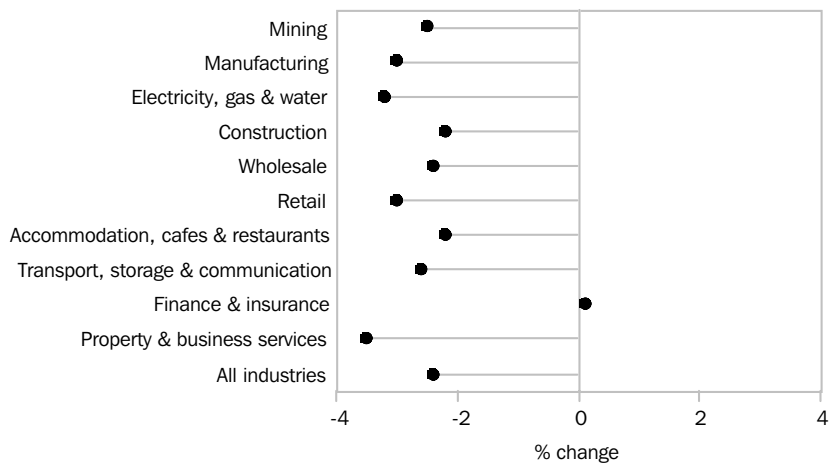
### ORIGINAL

In original terms, overall, businesses expect Operating income to decrease by 2.4%. Businesses of all sizes are expecting Operating income to decrease - small businesses by 2.2% and medium businesses by 1.3%. Large businesses are expecting their second largest decrease in Operating income (3.4%) since the commencement of the series in the December quarter 1993.



### MAIN INDUSTRY COMPARISON

Businesses in all industries are expecting Operating income to decrease with the exception of businesses in the Finance & insurance industry where an increase of 0.2% is expected. Businesses in the Property & business services industry expect the largest decrease (3.5%) in Operating income.



# SUMMARY OF RESULTS: Short-term Outlook *continued*

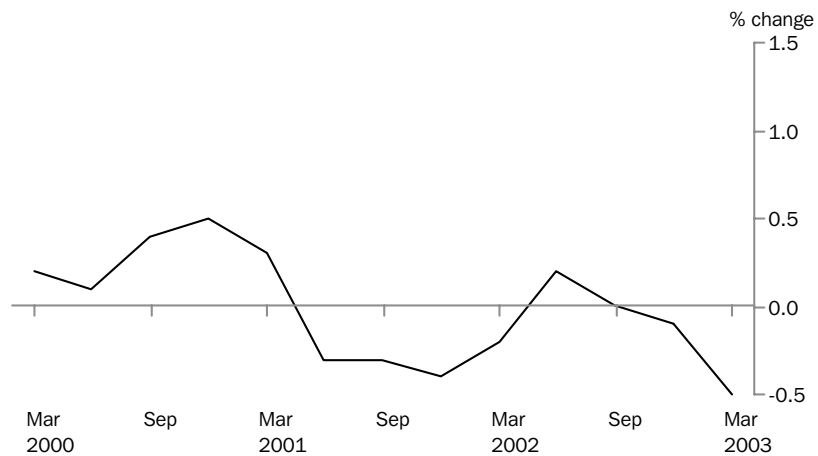
## SELLING PRICES

### SEASONALLY ADJUSTED

In seasonally adjusted terms, businesses expect Selling prices to decrease by 0.5%. This is the second consecutive quarter that businesses have expected Selling prices to decrease in seasonally adjusted terms.

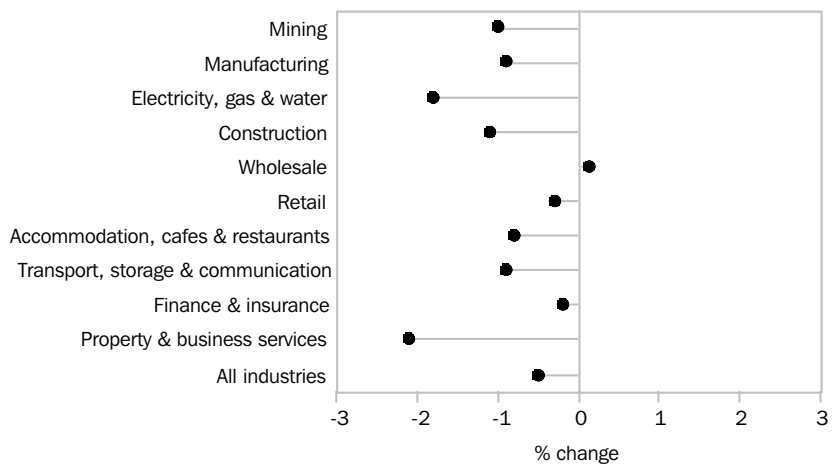
### ORIGINAL

In original terms, Selling prices are expected to decrease by 0.5% in the March quarter 2003. Small businesses expect a decrease of 0.6% while both medium and large businesses are both expecting Selling prices to decrease by 0.4%. The expected 0.5% decrease in Selling prices is the largest expected decrease recorded since the commencement of the series in the December quarter 1993.



### MAIN INDUSTRY COMPARISON

Businesses in all industries are expecting Selling prices to decrease in the short term with the exception of businesses in the Wholesale industry which expect Selling prices to increase by 0.2%. Businesses in the Property & business services and Electricity, gas & water industries are expecting the largest decreases in Selling prices (2.1% and 1.8% respectively).



# SUMMARY OF RESULTS: Short-term Outlook *continued*

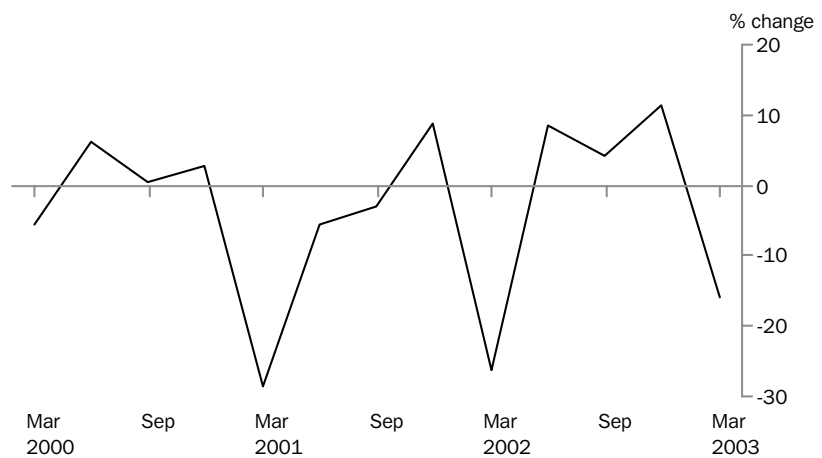
## PROFITS

### SEASONALLY ADJUSTED

In seasonally adjusted terms, businesses expect Profit to increase by 8.4% in the March quarter 2003. The expectation for Profit is the second consecutive seasonally adjusted quarterly increase and also the largest expected increase since the December quarter 1997.

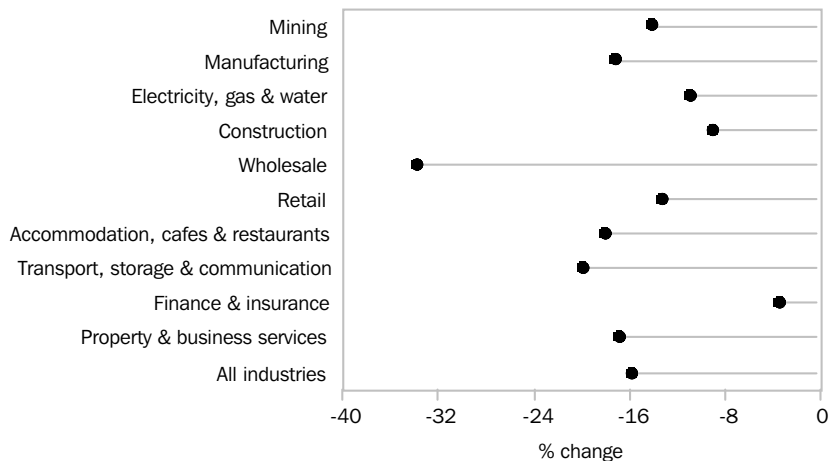
### ORIGINAL

In original terms, businesses expect Profit to decrease by 15.8% in the March quarter 2003. Businesses of all sizes and in all states are expecting decreases in Profit with small, medium and large businesses expecting decreases of 14.8%, 11.1% and 20.5% respectively.



### MAIN INDUSTRY COMPARISON

Businesses in all industries are expecting Profit to decrease in the March quarter 2003. The largest decrease is expected by businesses in the Wholesale industry (33.8%).



# SUMMARY OF RESULTS: Short-term Outlook *continued*

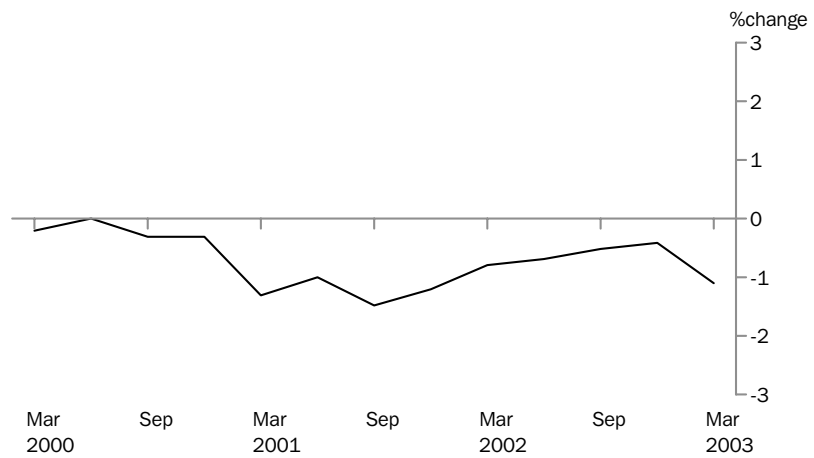
## EMPLOYMENT

### SEASONALLY ADJUSTED

In seasonally adjusted terms, businesses continue to expect a decrease in full time equivalent Employment (0.9%). The expectation for full time equivalent Employment is the fifth consecutive seasonally adjusted quarterly decrease.

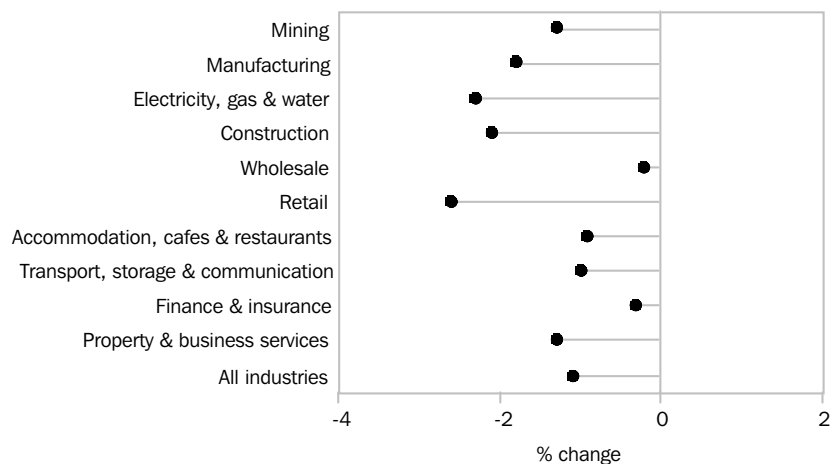
### ORIGINAL

In original terms, businesses expect full time equivalent Employment to decrease by 1.1%. Medium and large businesses expect decreases of 1.2% and 0.8% respectively in full time equivalent Employment. Small businesses continue to expect decreases in full time equivalent Employment and have recorded their eleventh successive quarterly decrease with an expected decrease of 1.3% in the March quarter 2003.



### MAIN INDUSTRY COMPARISON

Businesses in all industries are expecting that full time equivalent Employment will decrease in the March quarter 2003. The largest decreases are expected in the Retail (2.6%), Electricity, gas & water (2.3%) and the Construction industries (2.1%). The expected decrease in the Retail industry is the largest ever recorded decrease for a March quarter expectation since the commencement of the series in the December quarter 1993.

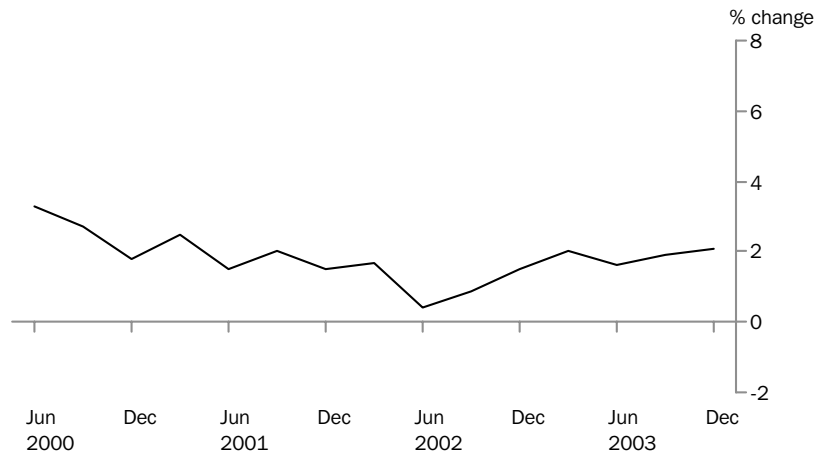


# SUMMARY OF RESULTS: Medium-term Outlook

## OPERATING INCOME

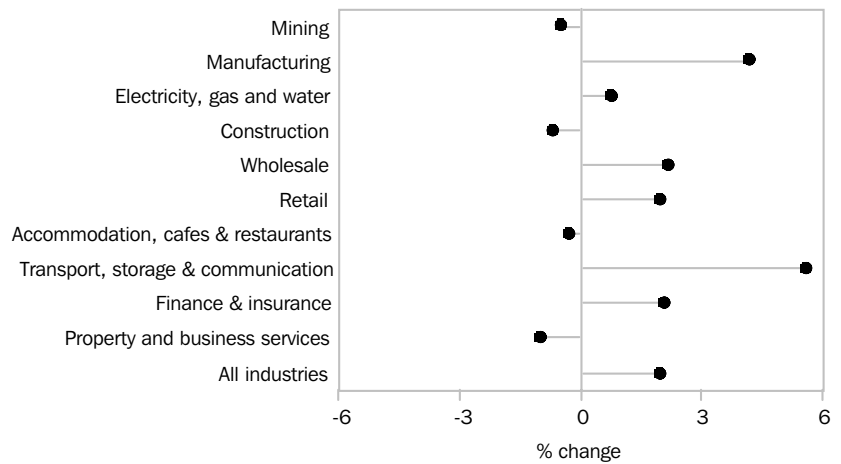
### ORIGINAL

In original terms, Operating income is expected to increase by 2.1% in the December quarter 2003. Businesses of all sizes are expecting Operating income to increase. Small businesses by 0.1%, medium businesses by 1.6% and large businesses by 5.7%.



### MAIN INDUSTRY COMPARISON

Businesses in the Transport, storage & communication industry and the Manufacturing industries are expecting the largest increases in Operating income of 5.7% and 4.3% respectively. The largest decrease in Operating income is expected by businesses in the Property & business services industry (1.0%).



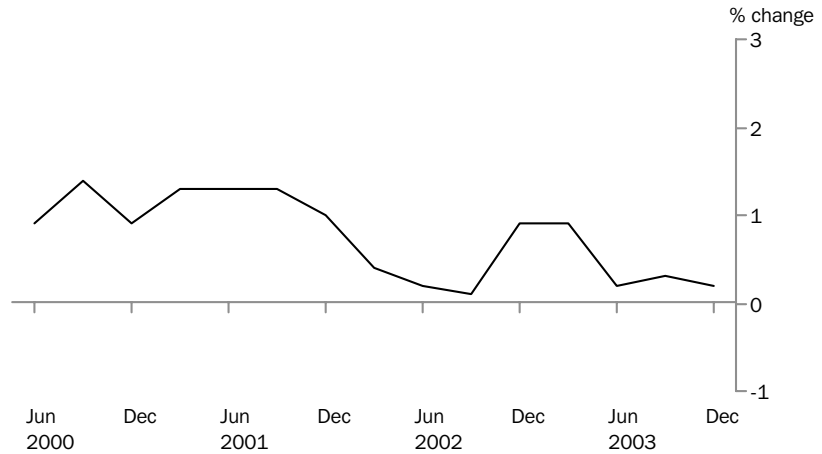


# SUMMARY OF RESULTS: Medium-term Outlook *continued*

## SELLING PRICES

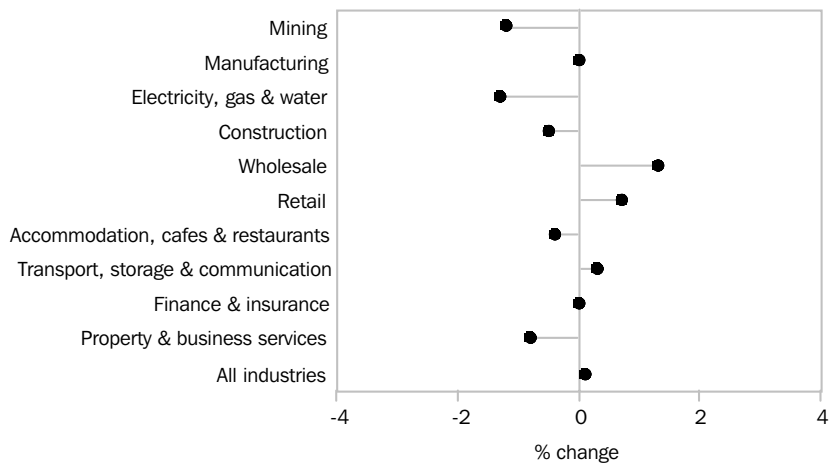
### ORIGINAL

In original terms, businesses are expecting Selling prices to increase by 0.2% in the December quarter 2003. Medium and large businesses are expecting Selling prices to increase (0.5% and 1.1% respectively) while small businesses are expecting Selling prices to decrease by 0.2%.



### MAIN INDUSTRY COMPARISON

Businesses in the Wholesale and Retail industries are expecting the largest increases in Selling prices of 1.4% and 0.8% respectively. The largest decreases in Selling prices are expected by those businesses in the Electricity, gas & water (1.3%) and the Mining industries (1.2%).

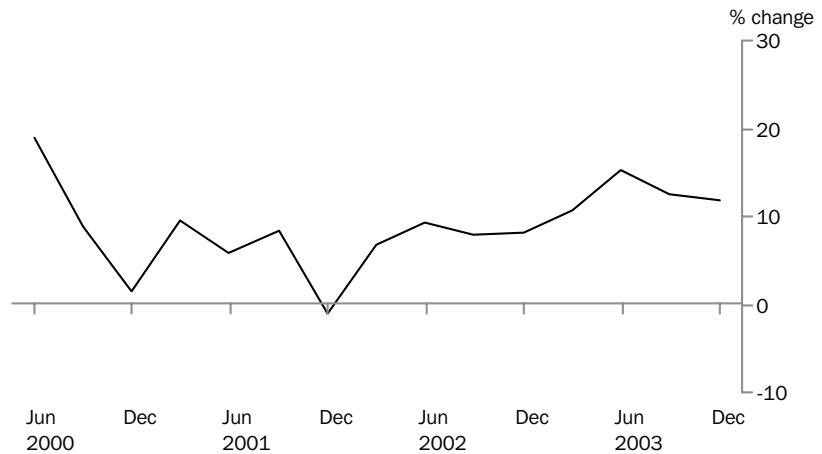


# SUMMARY OF RESULTS: Medium-term Outlook *continued*

## PROFITS

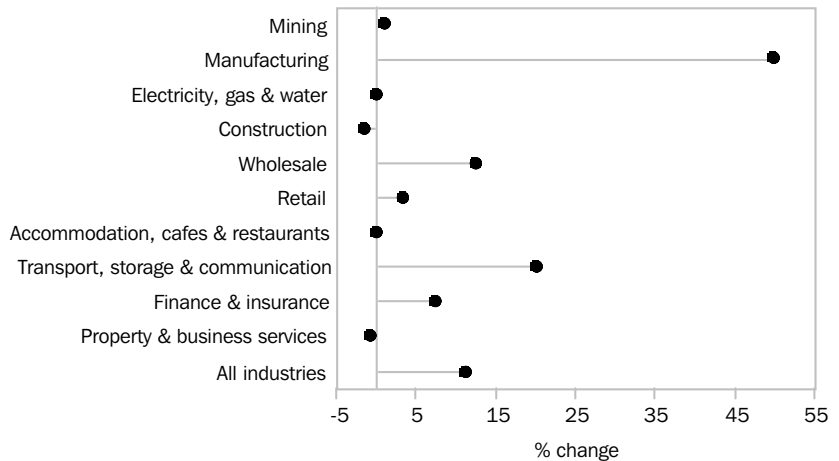
### ORIGINAL

In original terms, businesses are expecting Profit to increase by 11.9% in the December quarter 2003. Medium and large businesses expect Profit to increase (12.7% and 30.8% respectively) while small businesses are expecting that Profit will decrease by 0.4%.



### MAIN INDUSTRY COMPARISON

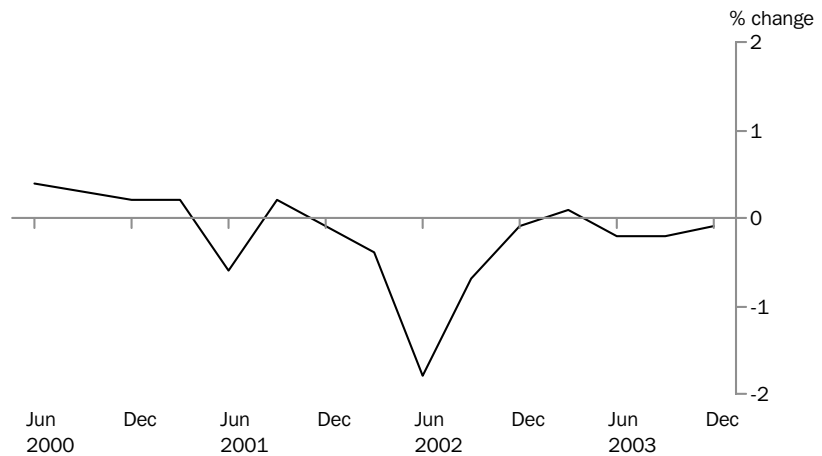
Businesses in the Manufacturing, Transport, storage & communication and Wholesale industries are expecting the largest increases in Profit (50.3%, 20.7% and 13.1% respectively). The expected increase in Profit for the Manufacturing industry is the largest ever expected increase recorded since the commencement of the series in the September quarter 1994. The largest decrease is expected by businesses in the Construction industry (1.4%).



**EMPLOYMENT**

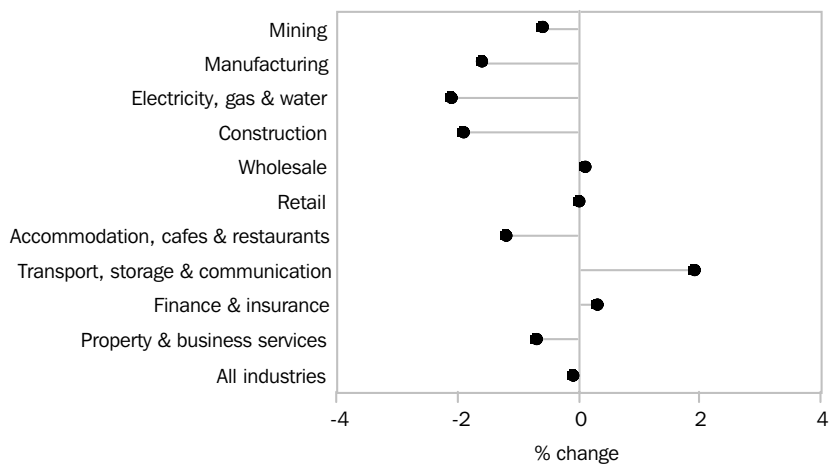
**ORIGINAL**

In original terms, businesses expect that full time equivalent Employment will decrease by 0.1% in the medium term. This is the third consecutive quarter that businesses are expecting full time equivalent Employment to decrease. Small and medium businesses are expecting decreases of 1.0% and 0.7% respectively while large businesses expect full time equivalent Employment to increase by 1.3%.



**MAIN INDUSTRY COMPARISON**

Businesses in most industries predict that full time equivalent Employment will decrease in the December quarter 2003. The industries expecting the largest decreases are the Electricity, gas & water (2.1%), Construction (1.9%) and Manufacturing industries (1.6%) whilst the industry expecting the largest increase in full time equivalent Employment is the Transport, storage & communication industry (2.0%).



## SHORT-TERM OUTLOOK, Expected Aggregate Change

## EXPECTED AGGREGATE CHANGE OVER THE PREVIOUS QTR

	<i>Mar Qtr</i> 2002	<i>Jun Qtr</i> 2002	<i>Sep Qtr</i> 2002	<i>Dec Qtr</i> 2002	<i>Mar Qtr</i> 2003
Business performance indicators	%	%	%	%	%
ORIGINAL					
Trading performance					
Operating income	-3.0	1.3	0.5	1.2	-2.4
Selling prices	-0.2	0.2	0.0	-0.1	-0.5
Profit	-26.3	8.4	4.3	11.5	-15.8
Investment					
Capital expenditure	1.0	2.8	1.4	3.0	1.1
Inventories	-1.5	-1.2	-1.3	-0.9	-1.5
Employment					
Full time equivalent	-0.8	-0.7	-0.5	-0.4	-1.1
Operating expenses					
Wages	-0.3	0.2	0.0	0.3	-0.7
Non-wage labour	-0.1	0.4	0.1	0.0	-1.0
Other	-1.0	0.9	0.4	0.3	-0.2
Total	-0.9	0.8	0.4	0.3	-0.3
SEASONALLY ADJUSTED					
Trading performance					
Operating income	-0.1	0.3	0.1	-0.3	0.5
Selling prices	-0.2	0.3	0.0	-0.2	-0.5
Profit	-2.0	-0.7	0.0	0.6	8.4
Investment					
Capital expenditure	1.9	1.9	1.8	2.7	2.0
Inventories	-1.3	-1.3	-1.0	-1.2	-1.3
Employment					
Full time equivalent	-0.6	-0.8	-0.4	-0.6	-0.9
Operating expenses					
Wages	0.2	0.2	0.0	-0.2	-0.2
Total	-0.1	0.6	0.3	-0.1	0.5
TREND					
Trading performance					
Operating income	0.0	0.2	0.1	0.1	0.1
Selling prices	-0.1	0.1	0.0	-0.2	-0.4
Profit	-1.2	-1.0	0.1	2.7	5.3
Investment					
Capital expenditure	1.2	1.9	2.2	2.2	2.2
Inventories	-1.3	-1.2	-1.2	-1.2	-1.3
Employment					
Full time equivalent	-0.9	-0.6	-0.6	-0.6	-0.7
Operating expenses					
Wages	0.0	0.1	0.0	-0.1	-0.2
Total	0.1	0.3	0.3	0.2	0.2

## BUSINESSES EXPECTING.....

	<i>Decreases</i>	<i>No change</i>	<i>Increases</i>	<i>Net balance</i>
Business performance indicators	%	%	%	%
.....				
Trading performance				
Operating income	35.2	36.5	28.3	-6.9
Selling prices	10.8	61.8	27.4	16.6
Profit	49.5	25.4	25.1	-24.4
Investment				
Capital expenditure	12.4	72.8	14.8	2.4
Inventories	28.5	54.3	17.2	-11.3
Employment				
Full time equivalent	21.5	62.2	16.3	-5.2
Operating expenses				
Wages	19.2	46.8	34.0	14.8
Non-wage labour	15.6	60.1	24.3	8.7
Other	15.7	47.7	36.6	20.9
.....				

## INDUSTRY EXPECTATIONS, Short-term Outlook Expected Aggregate Change

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

	Mar Qtr 2002	Jun Qtr 2002	Sep Qtr 2002	Dec Qtr 2002	Mar Qtr 2003
--	-----------------	-----------------	-----------------	-----------------	-----------------

Business performance indicators % % % % %

## MINING

Trading performance					
Operating income	-2.5	-0.8	-0.5	0.9	-2.5
Selling prices	-2.5	0.7	-0.5	-1.4	-1.0
Profit	-15.0	-5.9	-0.9	5.6	-14.0
Investment					
Capital expenditure	-1.2	8.4	1.6	8.4	-0.6
Inventories	0.8	1.0	2.6	2.3	-3.7
Employment					
Full time equivalent	-0.2	-0.9	-0.9	-1.8	-1.3
Operating expenses					
Wages	1.0	-0.4	-0.2	-1.3	2.1
Non-wage labour	0.0	-0.4	-0.7	-4.1	2.0
Other	-0.6	0.6	-0.2	-1.2	-1.4
Total	-0.4	0.5	-0.2	-1.2	-0.9

## MANUFACTURING

Trading performance					
Operating income	-3.7	5.5	3.0	2.1	-3.0
Selling prices	0.0	0.2	-0.4	0.0	-0.9
Profit	-57.2	51.5	25.7	29.3	-17.1
Investment					
Capital expenditure	40.7	18.4	13.6	13.6	20.2
Inventories	-2.0	-0.9	-1.8	-1.5	-1.6
Employment					
Full time equivalent	-1.1	-0.7	-1.6	-0.9	-1.8
Operating expenses					
Wages	0.1	0.3	0.1	0.2	-1.4
Non-wage labour	0.5	0.5	-0.1	-0.1	-1.5
Other	-0.1	2.5	1.5	-0.6	-1.6
Total	0.0	2.1	1.3	-0.4	-1.5

## ELECTRICITY, GAS &amp; WATER

Trading performance					
Operating income	-0.3	1.3	0.8	-1.0	-3.2
Selling prices	0.3	1.7	1.5	-1.3	-1.8
Profit	1.3	6.9	-1.6	-10.4	-10.9
Investment					
Capital expenditure	4.6	1.9	2.3	18.0	13.8
Inventories	-2.2	0.5	-1.1	-0.7	-5.5
Employment					
Full time equivalent	-0.6	0.1	-0.7	0.2	-2.3
Operating expenses					
Wages	3.1	1.1	0.9	0.5	-4.2
Non-wage labour	-2.3	-0.4	0.7	1.1	-15.0
Other	-1.3	0.0	1.2	1.3	-2.2
Total	-0.8	0.1	1.2	1.3	-2.4

## CONSTRUCTION

Trading performance					
Operating income	-2.9	-0.7	-0.3	-0.8	-2.2
Selling prices	-1.4	-1.1	0.2	-1.3	-1.1
Profit	-18.9	-3.1	15.2	0.1	-8.9
Investment					
Capital expenditure	2.0	1.2	3.9	0.9	3.9
Inventories	-1.5	-1.0	0.0	-1.1	-1.4
Employment					
Full time equivalent	-0.7	-2.1	-0.4	-2.0	-2.1
Operating expenses					
Wages	-0.3	-0.4	-0.3	-1.4	-1.1
Non-wage labour	-0.7	-0.8	0.3	-1.6	-1.8
Other	-1.2	-0.2	-1.5	-0.6	-1.1
Total	-1.1	-0.2	-1.3	-0.7	-1.1

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

	Mar Qtr 2002	Jun Qtr 2002	Sep Qtr 2002	Dec Qtr 2002	Mar Qtr 2003
--	-----------------	-----------------	-----------------	-----------------	-----------------

Business performance indicators % % % % %

## WHOLESALE

Trading performance					
Operating income	-1.5	0.6	0.6	1.9	-2.4
Selling prices	0.0	0.0	-0.7	0.6	0.2
Profit	-23.3	18.8	23.8	29.8	-33.8
Investment					
Capital expenditure	-1.9	0.3	3.9	-0.1	4.4
Inventories	-1.6	-2.1	-2.2	-1.1	-2.2
Employment					
Full time equivalent	-0.6	-1.2	-1.3	-0.7	-0.2
Operating expenses					
Wages	-0.4	0.0	-0.8	-0.6	0.2
Non-wage labour	-0.3	-0.3	-0.1	-0.3	0.0
Other	-0.2	-0.1	-1.0	0.1	0.3
Total	-0.2	-0.1	-1.0	0.0	0.3

## RETAIL

Trading performance					
Operating income	-5.3	0.1	-0.3	3.4	-3.0
Selling prices	1.1	0.7	0.1	0.1	-0.3
Profit	-64.4	-8.2	-18.9	34.9	-13.2
Investment					
Capital expenditure	13.6	3.5	8.7	21.8	4.1
Inventories	-0.1	-0.5	-0.6	-1.7	-0.9
Employment					
Full time equivalent	-1.2	-0.8	0.2	0.5	-2.6
Operating expenses					
Wages	-2.8	-0.3	-0.5	1.4	-3.2
Non-wage labour	-0.7	0.2	0.1	2.4	-2.0
Other	0.1	0.8	1.1	1.4	-1.3
Total	-0.2	0.7	0.9	1.4	-1.5

## ACCOMMODATION, CAFES &amp; RESTAURANTS

Trading performance					
Operating income	-2.1	-0.3	0.2	0.6	-2.2
Selling prices	0.9	0.3	0.3	0.2	-0.8
Profit	-26.6	-16.4	-18.5	-0.7	-17.9
Investment					
Capital expenditure	8.4	0.4	7.6	3.8	15.6
Inventories	-1.5	-1.6	-1.1	-0.1	-1.5
Employment					
Full time equivalent	-0.1	-0.8	0.2	0.4	-0.9
Operating expenses					
Wages	0.6	0.3	1.8	1.5	-0.4
Non-wage labour	0.6	0.0	0.8	0.5	-0.5
Other	1.1	1.1	1.3	0.5	-0.7
Total	1.0	0.9	1.4	0.7	-0.7

## TRANSPORT, STORAGE &amp; COMMUNICATION

Trading performance					
Operating income	-1.9	0.9	-0.2	0.9	-2.6
Selling prices	-1.3	-0.3	-0.3	-0.9	-0.9
Profit	-7.9	12.6	-7.3	6.9	-19.8
Investment					
Capital expenditure	14.4	10.8	16.5	16.6	3.8
Inventories	-2.2	-0.7	-0.4	1.0	0.4
Employment					
Full time equivalent	-1.7	-1.3	0.0	-1.0	-1.0
Operating expenses					
Wages	-0.7	0.1	0.6	0.3	-0.5
Non-wage labour	-0.2	-0.1	-0.6	0.0	0.0
Other	-1.0	0.7	0.2	0.2	0.1
Total	-1.0	0.7	0.3	0.2	0.0

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

	Mar Qtr 2002	Jun Qtr 2002	Sep Qtr 2002	Dec Qtr 2002	Mar Qtr 2003
Business performance indicators	%	%	%	%	%

## FINANCE &amp; INSURANCE

Trading performance					
Operating income	-4.2	1.6	1.0	0.2	0.2
Selling prices	0.5	0.7	1.1	0.2	-0.2
Profit	-9.6	6.9	7.3	-3.1	-3.4
Investment					
Capital expenditure	-5.5	-0.1	-1.8	0.3	-0.2
Inventories	-0.4	1.3	-0.2	1.4	-0.4
Employment					
Full time equivalent	-1.0	-0.1	-1.2	0.3	-0.3
Operating expenses					
Wages	-0.2	0.7	0.6	1.1	0.0
Non-wage labour	-0.8	0.4	-1.4	0.5	-0.5
Other	-2.5	1.0	0.7	0.5	0.9
Total	-2.5	1.0	0.7	0.5	0.9

## PROPERTY &amp; BUSINESS SERVICES

Trading performance					
Operating income	-3.7	0.9	-0.3	-0.6	-3.5
Selling prices	-2.6	-0.2	-1.6	-0.8	-2.1
Profit	-25.4	-0.1	1.3	-3.7	-16.7
Investment					
Capital expenditure	-2.6	1.4	-1.4	-0.1	-2.2
Inventories	-2.3	-1.3	-1.4	0.0	-1.2
Employment					
Full time equivalent	-0.8	-0.6	-0.3	-0.6	-1.3
Operating expenses					
Wages	-0.3	0.2	-0.3	-0.4	-0.8
Non-wage labour	-1.2	1.0	0.4	0.1	-1.1
Other	-0.4	1.6	-0.3	-0.3	-1.9
Total	-0.4	1.4	-0.3	-0.3	-1.8

## ALL INDUSTRIES

Trading performance					
Operating income	-3.0	1.3	0.5	1.2	-2.4
Selling prices	-0.2	0.2	0.0	-0.1	-0.5
Profit	-26.3	8.4	4.3	11.5	-15.8
Investment					
Capital expenditure	1.0	2.8	1.4	3.0	1.1
Inventories	-1.5	-1.2	-1.3	-0.9	-1.5
Employment					
Full time equivalent	-0.8	-0.7	-0.5	-0.4	-1.1
Operating expenses					
Wages	-0.3	0.2	0.0	0.3	-0.7
Non-wage labour	-0.1	0.4	0.1	0.0	-1.0
Other	-1.0	0.9	0.4	0.3	-0.2
Total	-0.9	0.8	0.4	0.3	-0.3



## STATE EXPECTATIONS, Short-term Outlook Expected Aggregate Change

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

	Mar Qtr 2002	Jun Qtr 2002	Sep Qtr 2002	Dec Qtr 2002	Mar Qtr 2003
Business performance indicators	%	%	%	%	%

## NEW SOUTH WALES

Trading performance					
Operating income	-3.0	1.3	-0.2	0.4	-2.5
Selling prices	-0.4	-0.1	-0.5	-0.9	-0.8
Profit	-22.5	11.7	-1.8	13.8	-18.3
Investment					
Capital expenditure	1.1	3.0	-0.4	2.8	0.6
Inventories	-1.8	-0.9	-1.2	-1.4	-1.7
Employment					
Full time equivalent	-0.6	-0.7	-0.4	-1.0	-1.2

## VICTORIA

Trading performance					
Operating income	-3.5	0.9	0.3	2.0	-2.5
Selling prices	0.5	0.8	-0.5	0.0	-0.6
Profit	-31.9	6.2	8.5	15.0	-17.0
Investment					
Capital expenditure	1.6	5.3	1.5	4.8	2.3
Inventories	-0.9	-0.7	-1.6	-1.1	-2.6
Employment					
Full time equivalent	-1.0	-0.6	-0.4	-0.3	-1.1

## QUEENSLAND

Trading performance					
Operating income	-3.8	2.6	2.8	1.5	-2.5
Selling prices	-0.3	0.4	1.7	0.9	0.2
Profit	-38.9	20.5	9.7	8.0	-18.3
Investment					
Capital expenditure	-4.1	-1.4	6.5	1.5	2.2
Inventories	-1.9	-1.4	-0.6	-0.2	-0.9
Employment					
Full time equivalent	-0.8	-0.8	-0.3	0.2	-1.0

## SOUTH AUSTRALIA

Trading performance					
Operating income	-2.9	1.3	0.9	2.1	-1.3
Selling prices	-1.1	0.4	1.1	0.5	0.7
Profit	-28.6	4.7	11.1	13.6	-13.0
Investment					
Capital expenditure	1.1	2.0	1.2	-1.3	-3.7
Inventories	-2.7	-3.0	-1.0	-0.8	-0.1
Employment					
Full time equivalent	-1.7	-0.6	-0.8	0.3	-0.5

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

	Mar Qtr 2002	Jun Qtr 2002	Sep Qtr 2002	Dec Qtr 2002	Mar Qtr 2003
Business performance indicators	%	%	%	%	%

## WESTERN AUSTRALIA

Trading performance					
Operating income	-1.3	0.2	-0.3	1.9	-2.8
Selling prices	-0.9	-0.1	-0.7	0.5	-1.3
Profit	-16.8	0.4	0.0	6.2	-15.2
Investment					
Capital expenditure	5.1	6.2	-0.1	4.4	2.1
Inventories	-1.0	-0.7	-2.4	-0.3	-1.6
Employment					
Full time equivalent	-0.9	-0.4	-1.5	0.1	-1.6

## TASMANIA

Trading performance					
Operating income	0.1	2.0	0.8	-2.9	-1.5
Selling prices	1.0	0.4	0.2	-2.3	-0.2
Profit	-2.1	11.0	7.5	6.7	-10.7
Investment					
Capital expenditure	2.9	3.6	6.2	8.8	8.1
Inventories	-1.3	-1.5	-0.6	0.2	3.2
Employment					
Full time equivalent	0.2	-1.9	0.5	-3.2	0.6

## AUSTRALIA

Trading performance					
Operating income	-3.0	1.3	0.5	1.2	-2.4
Selling prices	-0.2	0.2	0.0	-0.1	-0.5
Profit	-26.3	8.4	4.3	11.5	-15.8
Investment					
Capital expenditure	1.0	2.8	1.4	3.0	1.1
Inventories	-1.5	-1.2	-1.3	-0.9	-1.5
Employment					
Full time equivalent	-0.8	-0.7	-0.5	-0.4	-1.1

## SIZE OF BUSINESS, Short-term Outlook Expected Aggregate Change

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

	Mar Qtr 2002	Jun Qtr 2002	Sep Qtr 2002	Dec Qtr 2002	Mar Qtr 2003
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Business performance indicators % % % % %

## SMALL

Trading performance					
Operating income	-2.7	-0.4	-0.9	-0.4	-2.2
Selling prices	-0.3	0.1	-0.2	-0.5	-0.6
Profit	-22.7	-8.8	-5.1	0.6	-14.8
Investment					
Capital expenditure	-0.4	2.1	-0.4	1.4	0.0
Inventories	-2.1	-1.3	-2.0	-0.5	-1.4
Employment					
Full time equivalent	-1.2	-1.3	-1.1	-0.7	-1.3
Operating expenses					
Wages	-0.8	-0.3	-1.1	0.0	-0.9
Non-wage labour	-0.4	0.0	-0.9	-0.9	-1.1
Other	-1.1	1.0	0.2	0.1	0.0
Total	-1.1	0.9	0.1	0.1	0.0

## MEDIUM

Trading performance					
Operating income	-2.9	0.5	0.5	0.6	-1.3
Selling prices	0.3	0.0	0.3	0.3	-0.4
Profit	-40.0	6.5	7.8	6.3	-11.1
Investment					
Capital expenditure	4.1	2.0	8.0	1.9	10.8
Inventories	-0.8	-1.8	-0.9	-1.8	-2.1
Employment					
Full time equivalent	-1.0	-0.8	0.1	-1.1	-1.2
Operating expenses					
Wages	0.3	0.0	1.4	-0.5	-0.3
Non-wage labour	0.0	0.1	1.4	-0.2	-1.1
Other	0.2	0.1	0.0	0.0	0.0
Total	0.2	0.1	0.2	0.0	-0.1

## LARGE

Trading performance					
Operating income	-3.6	4.6	2.9	4.3	-3.4
Selling prices	-0.3	0.6	0.5	0.5	-0.4
Profit	-25.5	42.2	17.8	30.8	-20.5
Investment					
Capital expenditure	6.2	6.1	6.6	9.7	1.9
Inventories	-1.0	-0.5	-0.5	-0.8	-1.3
Employment					
Full time equivalent	-0.4	0.0	-0.1	0.2	-0.8
Operating expenses					
Wages	0.0	0.9	0.6	1.0	-0.6
Non-wage labour	0.1	0.9	0.7	1.0	-0.8
Other	-1.6	1.4	1.3	0.9	-1.1
Total	-1.3	1.3	1.2	0.9	-1.0

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

	<i>Dec Qtr</i> 2002	<i>Mar Qtr</i> 2003	<i>Jun Qtr</i> 2003	<i>Sep Qtr</i> 2003	<i>Dec Qtr</i> 2003
Business performance indicators	%	%	%	%	%
ORIGINAL					
Trading performance					
Operating income	1.5	2.0	1.6	1.9	2.1
Selling prices	0.9	0.9	0.2	0.3	0.2
Profit	8.1	10.8	15.2	12.6	11.9
Investment					
Capital expenditure	5.3	5.1	2.8	2.2	1.8
Inventories	-1.3	-0.9	-1.3	-1.3	-1.0
Employment					
Full time equivalent	-0.1	0.1	-0.2	-0.2	-0.1
Operating expenses					
Wages	1.3	1.7	0.9	1.0	1.5
Non-wage labour	1.1	1.0	0.4	0.3	0.7
Other	-0.2	1.4	0.7	1.0	0.9
Total	-0.1	1.4	0.7	1.0	0.9
TREND					
Trading performance					
Operating income	1.4	1.7	1.8	1.9	2.1
Selling prices	0.6	0.7	0.5	0.2	0.1
Profit	10.2	11.1	11.8	13.2	15.3
Investment					
Capital expenditure	3.8	4.3	3.6	2.6	2.1
Inventories	-1.3	-1.2	-1.2	-1.1	-1.1
Employment					
Full time equivalent	-0.4	0.0	0.0	-0.1	-0.3
Operating expenses					
Wages	1.1	1.4	1.3	1.2	1.2
Total	0.1	0.7	1.0	1.0	0.9

## BUSINESSES EXPECTING.....

	<i>Decreases</i>	<i>No change</i>	<i>Increases</i>	<i>Net balance</i>
Business performance indicators	%	%	%	%
.....				
Trading performance				
Operating income	14.2	33.3	52.5	38.3
Selling prices	8.2	48.2	43.6	35.4
Profit	36.0	19.4	44.6	8.6
Investment				
Capital expenditure	13.5	70.5	16.0	2.5
Inventories	20.4	58.1	21.5	1.1
Employment				
Full time equivalent	13.1	59.5	27.4	14.3
Operating expenses				
Wages	11.8	32.3	55.9	44.1
Non-wage labour	9.7	43.9	46.4	36.7
Other	10.3	36.5	53.2	42.9
.....				

EXPECTED AGGREGATE CHANGE OVER THE SAME QUARTER OF  
THE PREVIOUS YEAR .....

	<i>Dec Qtr</i>	<i>Mar Qtr</i>	<i>Jun Qtr</i>	<i>Sep Qtr</i>	<i>Dec Qtr</i>
	2002	2003	2003	2003	2003

Business performance indicators	%	%	%	%	%
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MINING

Trading performance					
Operating income	4.6	5.5	-0.4	1.8	-0.5
Selling prices	-0.4	-2.7	-1.6	-1.5	-1.2
Profit	13.8	25.4	-0.5	1.2	1.5
Investment					
Capital expenditure	-3.4	3.1	3.1	-2.1	-2.4
Inventories	4.2	1.8	0.2	-1.9	-3.8
Employment					
Full time equivalent	0.1	-0.4	-2.3	-3.0	-0.6
Operating expenses					
Wages	3.0	1.2	-0.6	-1.3	2.6
Non-wage labour	1.5	0.4	-1.3	-3.9	1.4
Other	3.2	1.8	-0.4	3.6	-1.4
Total	3.2	1.7	-0.4	3.0	-0.9

MANUFACTURING

Trading performance					
Operating income	2.2	2.5	1.9	3.7	4.3
Selling prices	1.2	1.0	0.3	0.6	0.0
Profit	20.0	19.3	25.7	30.9	50.3
Investment					
Capital expenditure	17.1	9.2	20.5	14.1	27.1
Inventories	-2.0	-0.8	-2.7	-1.6	-2.5
Employment					
Full time equivalent	-0.9	-1.0	-1.4	-0.7	-1.6
Operating expenses					
Wages	1.6	1.4	0.6	0.7	0.3
Non-wage labour	1.2	0.7	0.1	0.5	0.3
Other	0.8	1.4	0.0	1.1	0.3
Total	0.9	1.4	0.1	1.1	0.3

ELECTRICITY, GAS & WATER

Trading performance					
Operating income	0.0	2.0	1.7	2.6	0.9
Selling prices	1.4	1.6	1.8	1.6	-1.3
Profit	2.5	3.8	0.0	4.9	0.2
Investment					
Capital expenditure	-0.2	1.6	45.0	41.8	43.5
Inventories	-8.5	-1.7	-1.3	-1.4	-8.2
Employment					
Full time equivalent	-2.6	0.0	-1.0	-0.8	-2.1
Operating expenses					
Wages	7.3	2.9	3.2	3.0	-0.6
Non-wage labour	-6.7	1.0	0.6	-0.4	-12.8
Other	-1.6	1.7	2.0	2.2	-0.4
Total	-0.7	1.8	2.2	2.3	-0.5

CONSTRUCTION

Trading performance					
Operating income	-0.8	0.9	1.0	-0.6	-0.7
Selling prices	-0.7	-0.3	0.1	-0.4	-0.5
Profit	-5.0	7.8	15.1	3.4	-1.4
Investment					
Capital expenditure	0.8	1.0	20.5	1.0	5.8
Inventories	-1.3	-0.7	-0.1	-0.8	-1.2
Employment					
Full time equivalent	1.2	-1.4	-0.2	-1.9	-1.9
Operating expenses					
Wages	2.2	-0.2	0.7	-0.7	-0.5
Non-wage labour	1.9	-0.1	0.6	-1.2	-1.0
Other	-0.7	-0.1	-0.3	-0.8	-0.5
Total	-0.3	-0.1	-0.1	-0.8	-0.5

EXPECTED AGGREGATE CHANGE OVER THE SAME QUARTER OF  
THE PREVIOUS YEAR .....

	Dec Qtr 2002	Mar Qtr 2003	Jun Qtr 2003	Sep Qtr 2003	Dec Qtr 2003
Business performance indicators	%	%	%	%	%
.....					
WHOLESALE					
Trading performance					
Operating income	2.9	1.3	1.9	1.5	2.3
Selling prices	1.1	1.5	0.0	0.4	1.4
Profit	31.3	9.5	40.7	27.7	13.1
Investment					
Capital expenditure	1.9	5.6	-0.1	4.2	2.3
Inventories	-0.7	-1.0	-0.8	-2.3	0.4
Employment					
Full time equivalent	0.0	-1.2	-1.3	-1.1	0.2
Operating expenses					
Wages	1.1	0.3	-0.1	-0.4	1.3
Non-wage labour	0.4	-0.2	0.1	-0.7	1.1
Other	1.4	1.4	-0.6	-0.2	1.3
Total	1.4	1.3	-0.6	-0.3	1.3
.....					
RETAIL					
Trading performance					
Operating income	1.4	2.0	1.4	2.2	2.1
Selling prices	1.7	1.2	0.5	0.8	0.8
Profit	-8.2	7.2	14.9	3.4	4.0
Investment					
Capital expenditure	6.8	4.4	5.1	6.0	2.2
Inventories	-0.2	1.1	-0.1	-0.8	0.1
Employment					
Full time equivalent	0.7	0.6	0.5	0.3	0.0
Operating expenses					
Wages	0.6	1.3	-0.3	1.5	0.9
Non-wage labour	1.9	1.6	0.5	2.1	1.1
Other	2.4	1.7	1.4	1.7	1.6
Total	2.2	1.7	1.2	1.7	1.5
.....					
ACCOMMODATION, CAFES & RESTAURANTS					
Trading performance					
Operating income	0.1	1.4	0.7	1.1	-0.3
Selling prices	1.3	1.3	1.1	1.1	-0.4
Profit	-14.8	-7.1	-10.5	2.5	-0.2
Investment					
Capital expenditure	6.5	1.4	16.5	18.4	8.7
Inventories	0.4	-0.2	-0.3	-0.1	-1.1
Employment					
Full time equivalent	0.5	0.4	0.0	0.6	-1.2
Operating expenses					
Wages	1.7	2.0	1.9	1.6	-0.1
Non-wage labour	1.8	1.1	0.9	0.7	-0.4
Other	2.1	2.1	1.4	0.8	-0.4
Total	2.0	2.1	1.5	1.0	-0.3
.....					
TRANSPORT, STORAGE & COMMUNICATION					
Trading performance					
Operating income	0.3	1.8	1.6	1.4	5.7
Selling prices	-1.9	-0.4	-0.4	-1.2	0.4
Profit	8.8	19.1	8.8	10.8	20.7
Investment					
Capital expenditure	30.4	14.9	-2.2	-0.2	-0.3
Inventories	-1.0	-0.6	0.4	0.5	-0.2
Employment					
Full time equivalent	-0.7	-0.8	0.0	-0.7	2.0
Operating expenses					
Wages	0.7	0.5	1.5	0.8	5.9
Non-wage labour	0.5	0.7	-0.3	0.3	4.5
Other	-0.8	0.9	0.5	-0.3	2.1
Total	-0.6	0.8	0.6	-0.1	2.7

## EXPECTED AGGREGATE CHANGE OVER THE SAME QUARTER OF THE PREVIOUS YEAR .....

	Dec Qtr 2002	Mar Qtr 2003	Jun Qtr 2003	Sep Qtr 2003	Dec Qtr 2003
Business performance indicators	%	%	%	%	%

## FINANCE &amp; INSURANCE

Trading performance					
Operating income	-0.1	2.9	3.5	2.4	2.2
Selling prices	2.3	1.4	0.3	0.8	0.0
Profit	9.4	14.4	22.4	3.5	8.0
Investment					
Capital expenditure	-2.0	0.5	1.0	0.6	0.3
Inventories	-0.2	0.0	1.1	1.4	-3.3
Employment					
Full time equivalent	-2.2	0.3	-0.5	1.0	0.4
Operating expenses					
Wages	0.0	2.5	1.8	2.9	2.5
Non-wage labour	-0.1	1.1	0.3	2.1	1.3
Other	-2.8	1.6	1.3	2.0	1.3
Total	-2.7	1.6	1.3	2.0	1.3

## PROPERTY &amp; BUSINESS SERVICES

Trading performance					
Operating income	1.6	2.3	0.7	1.7	-1.0
Selling prices	-1.5	-0.1	-0.4	-0.5	-0.8
Profit	8.0	3.7	3.9	12.1	-0.8
Investment					
Capital expenditure	4.7	1.2	-0.8	1.0	-2.2
Inventories	-2.4	-2.3	-2.2	-0.6	-1.5
Employment					
Full time equivalent	-0.5	1.6	0.1	0.4	-0.7
Operating expenses					
Wages	0.8	3.2	1.0	1.0	0.3
Non-wage labour	0.3	2.2	0.8	0.5	0.1
Other	1.0	1.3	0.3	0.0	-0.8
Total	0.9	1.6	0.4	0.1	-0.6

## ALL INDUSTRIES

Trading performance					
Operating income	1.5	2.0	1.6	1.9	2.1
Selling prices	0.9	0.9	0.2	0.3	0.2
Profit	8.1	10.8	15.2	12.6	11.9
Investment					
Capital expenditure	5.3	5.1	2.8	2.2	1.8
Inventories	-1.3	-0.9	-1.3	-1.3	-1.0
Employment					
Full time equivalent	-0.1	0.1	-0.2	-0.2	-0.1
Operating expenses					
Wages	1.3	1.7	0.9	1.0	1.5
Non-wage labour	1.1	1.0	0.4	0.3	0.7
Other	-0.2	1.4	0.7	1.0	0.9
Total	-0.1	1.4	0.7	1.0	0.9



## STATE EXPECTATIONS, Medium-term Outlook Expected Aggregate Change

## EXPECTED AGGREGATE CHANGE OVER THE SAME QUARTER OF THE PREVIOUS YEAR .....

	<i>Dec Qtr 2002</i>	<i>Mar Qtr 2003</i>	<i>Jun Qtr 2003</i>	<i>Sep Qtr 2003</i>	<i>Dec Qtr 2003</i>
Business performance indicators	%	%	%	%	%

## NEW SOUTH WALES

Trading performance					
Operating income	2.2	2.0	1.7	1.5	2.8
Selling prices	0.4	0.3	0.1	-0.2	0.2
Profit	22.9	13.5	16.3	14.3	17.7
Investment					
Capital expenditure	14.4	9.5	1.5	2.1	1.2
Inventories	-1.5	-0.6	-0.9	-1.3	-0.6
Employment					
Full time equivalent	0.5	-0.1	0.0	-0.2	0.5

## VICTORIA

Trading performance					
Operating income	1.3	2.3	1.3	2.0	2.3
Selling prices	1.8	1.8	-0.6	0.2	0.0
Profit	6.8	14.0	17.7	19.2	11.5
Investment					
Capital expenditure	3.1	3.1	2.8	3.4	2.5
Inventories	-1.4	-0.5	-2.0	-1.9	-1.7
Employment					
Full time equivalent	-1.0	0.2	0.0	-0.9	0.1

## QUEENSLAND

Trading performance					
Operating income	0.6	1.6	2.3	2.6	1.9
Selling prices	0.6	1.3	1.9	1.5	1.1
Profit	-4.5	7.9	11.6	13.5	10.5
Investment					
Capital expenditure	-2.5	2.2	3.6	2.4	1.1
Inventories	-1.6	-0.1	-0.2	-0.4	-0.9
Employment					
Full time equivalent	0.0	0.9	0.0	0.2	-0.3

## SOUTH AUSTRALIA

Trading performance					
Operating income	0.3	1.8	1.3	2.6	3.3
Selling prices	-0.2	1.1	-0.3	0.8	1.5
Profit	-9.9	4.0	15.0	9.5	16.3
Investment					
Capital expenditure	1.4	3.7	4.3	3.0	4.5
Inventories	-3.6	-4.3	-2.7	-2.2	-0.4
Employment					
Full time equivalent	-0.8	0.0	-0.9	0.6	0.5

EXPECTED AGGREGATE CHANGE OVER THE SAME QUARTER OF  
THE PREVIOUS YEAR .....

	Dec Qtr 2002	Mar Qtr 2003	Jun Qtr 2003	Sep Qtr 2003	Dec Qtr 2003
--	-----------------	-----------------	-----------------	-----------------	-----------------

Business performance indicators	%	%	%	%	%
---------------------------------	---	---	---	---	---

## WESTERN AUSTRALIA

Trading performance					
Operating income	2.6	2.6	1.0	1.6	-0.4
Selling prices	1.9	0.3	0.0	0.6	-0.8
Profit	4.4	10.0	13.7	1.0	1.7
Investment					
Capital expenditure	-0.8	4.4	3.9	-0.1	1.3
Inventories	1.7	0.2	-1.6	-0.3	-0.4
Employment					
Full time equivalent	0.1	0.0	-1.5	0.5	-1.3

## TASMANIA

Trading performance					
Operating income	1.6	1.9	1.5	-0.8	-1.2
Selling prices	0.7	0.8	0.3	-1.6	-1.6
Profit	9.8	7.2	10.2	12.0	10.4
Investment					
Capital expenditure	0.7	1.1	10.1	8.3	14.4
Inventories	-0.4	-1.0	-1.7	-2.7	-4.7
Employment					
Full time equivalent	0.4	1.8	0.2	-3.4	-5.8

## AUSTRALIA

Trading performance					
Operating income	1.5	2.0	1.6	1.9	2.1
Selling prices	0.9	0.9	0.2	0.3	0.2
Profit	8.1	10.8	15.2	12.6	11.9
Investment					
Capital expenditure	5.3	5.1	2.8	2.2	1.8
Inventories	-1.3	-0.9	-1.3	-1.3	-1.0
Employment					
Full time equivalent	-0.1	0.1	-0.2	-0.2	-0.1

## EXPECTED AGGREGATE CHANGE OVER THE SAME QUARTER OF THE PREVIOUS YEAR .....

	<i>Dec Qtr 2002</i>	<i>Mar Qtr 2003</i>	<i>Jun Qtr 2003</i>	<i>Sep Qtr 2003</i>	<i>Dec Qtr 2003</i>
Business performance indicators	%	%	%	%	%
.....					
SMALL					
Trading performance					
Operating income	0.9	1.3	0.4	1.0	0.1
Selling prices	0.9	1.0	-0.2	0.0	-0.2
Profit	2.4	0.8	8.7	5.6	-0.4
Investment					
Capital expenditure	4.1	1.7	1.2	2.5	1.1
Inventories	-1.5	-1.6	-1.8	-0.9	-0.9
Employment					
Full time equivalent	-0.4	0.1	-1.1	-0.6	-1.0
Operating expenses					
Wages	0.7	1.7	-0.4	0.4	-0.2
Non-wage labour	0.5	0.5	-0.8	-0.5	-0.7
Other	-0.6	1.4	0.6	1.0	0.5
Total	-0.5	1.4	0.5	1.0	0.5
.....					
MEDIUM					
Trading performance					
Operating income	1.0	1.3	1.5	1.5	1.6
Selling prices	1.2	0.7	0.3	0.4	0.5
Profit	-3.2	7.7	18.5	12.7	12.7
Investment					
Capital expenditure	4.4	5.2	12.0	2.5	7.3
Inventories	-0.7	-0.7	-2.1	-2.8	-1.4
Employment					
Full time equivalent	0.0	-0.4	0.1	-0.8	-0.7
Operating expenses					
Wages	1.9	1.2	1.5	0.0	0.5
Non-wage labour	1.5	0.8	1.0	0.1	-0.2
Other	1.0	0.9	0.1	0.5	0.5
Total	1.1	1.0	0.2	0.4	0.5
.....					
LARGE					
Trading performance					
Operating income	2.9	3.9	3.6	3.5	5.7
Selling prices	0.6	0.7	1.1	1.0	1.1
Profit	27.3	31.8	24.0	23.3	30.8
Investment					
Capital expenditure	10.7	20.0	6.0	0.9	2.8
Inventories	-1.3	0.3	-0.1	-1.0	-1.0
Employment					
Full time equivalent	0.2	0.4	0.7	0.4	1.3
Operating expenses					
Wages	1.7	1.8	2.0	1.9	3.5
Non-wage labour	1.7	1.7	1.6	1.4	2.9
Other	-0.1	1.6	1.4	1.2	2.1
Total	0.2	1.7	1.5	1.3	2.3

# EXPLANATORY NOTES

## INTRODUCTION

- 1** This publication contains estimates of future economic activity based on the business expectations of senior executives, managers and proprietors of businesses operating in Australia. The estimates have been compiled from data collected by the Australian Bureau of Statistics (ABS) in its quarterly survey of business expectations.
- 2** This survey commenced with short term expectations for the December quarter 1993 and medium term expectations for the September quarter 1994. This quarter's publication contains estimates of the expected change between the December quarter 2002 and the March quarter 2003 and the December quarter 2002 and the December quarter 2003.
- 3** The original, seasonally adjusted and trend series are the published indicators for short-term business expectations, with the trend providing an indication of the underlying direction of the series. The volatility of the medium-term seasonally adjusted series is such that the original and trend series will continue to be the published indicators, with the trend providing an indication of the underlying direction of the series. Seasonally adjusted estimates are provided on page 12, with an explanation in paragraphs 28 to 32 of the Explanatory Notes. Trend estimates are provided on pages 12 and 20, with an explanation in paragraph 33 of the Explanatory Notes.
- 4** The survey is conducted by mail each quarter. This quarter's survey was collected during October and November 2002.
- 5** It is based on a stratified random sample of approximately 4,500 businesses selected from the ABS annual Economic Activity Survey (EAS). EAS in turn derives its survey population from the ABS central register of business units.
- 6** The sample is stratified by industry, sector (private and government business) and size of business (measured by number of employees). Within each stratum businesses are sampled randomly, with each business in a stratum having the same probability of selection.
- 7** The sample is supplemented by a further sample of businesses which have been added to the ABS business register since the original EAS sample was selected. This ensures that the expectations of relatively new businesses are taken into account in the overall estimates.

## SCOPE OF THE SURVEY

- 8** The statistics in this publication relate to employing businesses in all industries and sectors of the Australian economy except:
  - agriculture, forestry and fishing;
  - general government.
- 9** Data related to intended sheep matings are collected annually by the ABS and published in catalogue 7111.0 and 7113.0 publications from the Agricultural Commodity Survey.
- 10** The Australian Bureau of Agricultural and Resource Economics (ABARE) publishes its forecasts for specific commodities and for the Agriculture industry generally, as part of the annual Outlook conference in March each year. ABARE updates these forecasts in its quarterly publication *Australian Commodities—Forecasts and Issues*.

## CLASSIFICATION

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

# EXPLANATORY NOTES

## BUSINESS SIZE

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

## PROPORTION OF BUSINESSES SELECTED BY SIZE WITHIN AUSTRALIA

	<i>Small</i>	<i>Medium</i>	<i>Large</i>	<i>All businesses</i>
	%	%	%	%
Manufacturing	61.6	14.4	24.0	100.0
Other industries	51.0	22.2	26.7	100.0
All industries	53.3	20.6	26.2	100.0

## STATISTICAL UNIT

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

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

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

## BUSINESS PERFORMANCE INDICATORS

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

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

## SIMPLE AND WEIGHTED NET BALANCE

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

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

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

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

## EXPLANATORY NOTES

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

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

**COMPARISON OF RESULTS**      **24** The weighted net balance and expected aggregate change are complementary measures which, in combination, give a broad indication of future business conditions. It is possible to obtain estimates in opposite directions for the net balance and weighted aggregate change estimates.

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

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

### COMPARISON OF THREE MEASURES OF BUSINESS EXPECTATIONS

	<i>Simple net balance</i>	<i>Weighted net balance</i>	<i>Weighted aggregate</i>
	%	%	%
Operating income	-0.9	-6.9	-2.4
Wage costs	9.8	14.8	-0.7
Employment			
Full time equivalent	-2.7	-5.2	-1.1

**27** For the March quarter 2003 a simple net balance of 2.7% of businesses expect a decrease in employment. The decrease in the employment weighted net balance of 5.2% indicates that the businesses expecting a decrease in employment tend to be larger than those expecting an increase.

**SEASONAL ADJUSTMENT**      **28** The quarterly business expectations series in this publication are affected to some extent by seasonal influences and it is useful to recognise and take account of this element of variation.

**29** Seasonal adjustment may be carried out by various methods and the results may vary slightly depending on the procedure adopted. Accordingly, seasonally adjusted statistics are in fact only indicative and should not be regarded as in any way definitive. In interpreting seasonally adjusted data it is important to therefore bear in mind the methods by which they have been derived and the limitations to which the methods used are subject.

## EXPLANATORY NOTES

### SEASONAL ADJUSTMENT

*continued*

**30** At least once each year the seasonally adjusted series are revised to take account of the latest available data. The most recent reanalysis takes into account short-term expectations collected up to and including the December quarter 2002, and medium-term expectations collected up to and including the September quarter 2003. Data for subsequent periods are seasonally adjusted on the basis of extrapolation of historical patterns. The nature of the seasonal adjustment process is such that the magnitude of some revisions resulting from reanalysis may be quite significant, especially for data for more recent quarters. Care should be exercised when interpreting quarter to quarter movements in the seasonally adjusted series in the publication, particularly for recent quarters.

**31** It should be noted that the seasonally adjusted figures necessarily reflect the sampling and other errors to which the original figures are subject.

**32** Details of the seasonal adjustment methods used, together with selected measures of volatility for these series, are available upon request.

### TREND ESTIMATES

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

### RELIABILITY OF ESTIMATES

**34** All of the estimates in this publication are subject to:

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

### SAMPLING ERROR

**35** 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 (SE)*, which indicates the extent to which an estimate might have varied by chance because only a sample of units was included. There are about two chances in three that the difference will be within one standard error, and about nineteen chances in twenty that the difference will be within two standard errors.

### STANDARD ERRORS

**36** The table on page 32 provides standard errors for some of the main estimates of this publication. As an example of how the standard errors can be interpreted, given that the short term expectation for *Operating Income* for Australia is  $-2.4\%$  with a standard error of 0.4, there would be two chances in three that the true value would be within the range  $-2.0\%$  and  $-2.8\%$ .

**37** The size of the SE may be a misleading indicator of the reliability of some of the estimates for profit. 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.

## EXPLANATORY NOTES

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

<i>Business performance indicator</i>	<i>Survey estimate</i>	<i>Standard error</i>
Operating income	-2.4	0.4
Selling prices	-0.5	0.3
Profit	-15.8	2.9
Capital expenditure	1.1	1.0
Inventories	-1.5	0.4
Employment	-1.1	0.2
Wage costs	-0.7	0.3

#### NON-SAMPLING ERROR

**38** 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.

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

**40** 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.

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

#### BENCHMARKS

**42** 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.

**43** In June each year a new sample is usually selected from units surveyed by EAS in the previous financial 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.

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

#### SYMBOLS AND OTHER USAGES

n.p. not available for publication but included in totals where applicable, unless otherwise indicated.



## G L O S S A R Y

<b>Capital expenditure</b>	The expected change in the value of capital expenditure in new tangible assets.
<b>Goods and Services Tax</b>	The Goods and Services Tax (GST) is excluded from all data items. However, the cost of complying with tax reform, e.g. the purchase of computer equipment or software, is included in the relevant data items.
<b>Inventories</b>	The expected change in the book value of inventories between the end of the collection quarter and the end of the reference periods.
<b>Non-wage labour expenses</b>	<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>
<b>Operating income</b>	<p>The expected change in operating income derived from the sale of goods or the provision of services by a business in terms of value.</p> <p>Financial institutions report on the expected change in gross interest income plus fees and commissions.</p> <p>Non-profit or charitable organisations report on the expected change in fees received for services, donations from the public and government grants and subsidies.</p>
<b>Other operating expenses</b>	<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>
<b>Paid persons working</b>	The expected change in the number of paid persons working. Where part time or casual employees are involved employers are requested to convert to a full-time equivalent. It should be noted that most other ABS series which provide data on paid persons working do not use a full-time equivalent measure.
<b>Profit</b>	<p>Profit is a derived item based on the present trading performance of a business and the expected changes to the level of sales of goods and services and the sum of all expense items.</p> <p>The difference between the new benchmarks for the <i>sales of goods and services</i> and the sum of all expenses items (the sum of <i>total wage expense, non-wage labour expense and all other operating expenses</i>) as determined by the responses received, the Economic Activity Survey benchmarks for those items and an indicator of present trading performance (cost/income ratio) are used to determine the expected change for profit for the reference periods.</p> <p>Because of reporting difficulties experienced with the cost/income ratios, caution should be exercised in interpreting profit expectations.</p>
<b>Reference periods</b>	<p>There are two reference periods surveyed each quarter:</p> <ul style="list-style-type: none"><li>▪ Short-term (if the current quarter is December 2002, then the quarter being surveyed is March 2003); and</li><li>▪ Medium-term (if the current quarter is December 2002, then the quarter being surveyed is December 2003).</li></ul>

## GLOSSARY

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<b>Selling prices</b>	<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>
<b>State information</b>	<p>State information has been derived for businesses in the survey which operate in more than one State.</p> <p>This has been achieved by</p> <ul style="list-style-type: none"><li>▪ applying a weight (the proportion of a business' 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</li><li>▪ 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.</li></ul>
<b>Total operating expenses</b>	<p>This is a derived estimate from the weighted response for the total of wage, non-wage labour and all other expenses.</p>
<b>Total wage expenses</b>	<p>The expected change in the total amount of direct wage and salaries paid to employees.</p>

## OTHER ABS DATA

AVAILABLE DATA	<p>The amount of data collected from the Survey of Business Expectations is much greater than the data contained in this publication.</p> <p>Subject to the ABS provisions for maintaining the confidentiality of respondents and their information, more detailed information by industry and size of business may be made available on request.</p>
SIZE OF BUSINESS	<p>The size of business is based on employment. Additional data can be estimated for the following size ranges:</p> <ul style="list-style-type: none"><li>▪ less than 20 employees;</li><li>▪ 20 to 99 employees;</li><li>▪ 100 to 599 employees;</li><li>▪ 600 or more employees;</li><li>▪ small (less than 20 employees except for manufacturers, where it is less than 100 employees);</li><li>▪ medium (20 to 99 employees except for manufacturers, where it is 100 to 599 employees); and</li><li>▪ large (100 or more employees except for manufacturers, where it is 600 or more employees).</li></ul>
INDUSTRY	<p>Industry is classified according to ANZSIC and is available at the 1 and 2 digit level. Additional data is available for:</p> <ul style="list-style-type: none"><li>▪ 15 industries categorised at the one digit ANZSIC level;</li><li>▪ 47 industries categorised at the two digit ANZSIC level; and</li><li>▪ user defined industry groups such as 'service industries'.</li></ul>
STATE INFORMATION	<p>State information has been derived from the business activity conducted by business in each State. Where sufficient information is available to provide satisfactory estimates, data may be made available at the same level of detail as that for Australia. State information is subject to a greater degree of variance than the Australia data.</p>
NET BALANCE	<p>A weighted net balance for industries and size of business can be produced as a special data service.</p>
MORE INFORMATION	<p>For more information please contact the officer named at the front of this publication or write to:</p> <p>Business Expectations Survey Australian Bureau of Statistics PO Box 10 Belconnen ACT 2616.</p>

## FOR MORE INFORMATION...

- INTERNET* **www.abs.gov.au** the ABS web site is the best place to start for access to summary data from our latest publications, information about the ABS, advice about upcoming releases, our catalogue, and Australia Now—a statistical profile.
- LIBRARY* A range of ABS publications is available from public and tertiary libraries Australia-wide. Contact your nearest library to determine whether it has the ABS statistics you require, or visit our web site for a list of libraries.
- CPI INFOLINE* For current and historical Consumer Price Index data, call 1902 981 074 (call cost 77c per minute).
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