

**COMPANY PROFITS, AUSTRALIA
MARCH QUARTER 1990**

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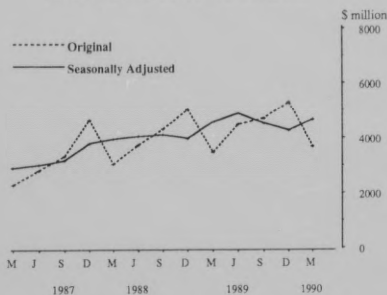
MAIN FEATURES

March quarter 1990 company profits (before income tax) for companies with more than 30 employees are estimated to be \$3,668m, a decrease of 30% on the revised figure for the December quarter 1989. In seasonally adjusted terms, this represents an increase of 9% compared with the December quarter 1989 and an increase of 2% compared with the March quarter 1989.

Industry details are shown graphically on page 2.

In seasonally adjusted terms, March quarter 1990 company profits (before income tax) are as follows:

COMPANY PROFITS BEFORE INCOME TAX



The growth in company profits in the March quarter and over the past year is being strongly influenced by the increase in company profits in the Mining industry, and is in contrast to the decline in the Other Selected Industries.

	Value (\$m)	% Change on	
		Dec. qtr 1989	Mar. qtr 1989
Mining	1,517	+25	+89
Manufacturing	2,088	0	-8
Wholesale & Retail	840	+16	-6
Other	188	-15	-67
TOTAL	4,633	+9	+2

In original terms, changes in company profits (before income tax) for the 9 months ended 31 March are as follows:

	Value (\$m)	% Change on	
		9 months ended 31 Mar. 1990	9 months ended 31 Mar. 1989
Mining	3,914	+64	+33
Manufacturing	6,448	-1	+32
Wholesale	1,342	-1	-1
Retail	1,069	+1	+71
Other	852	-39	-26
TOTAL	13,624	+7	+24

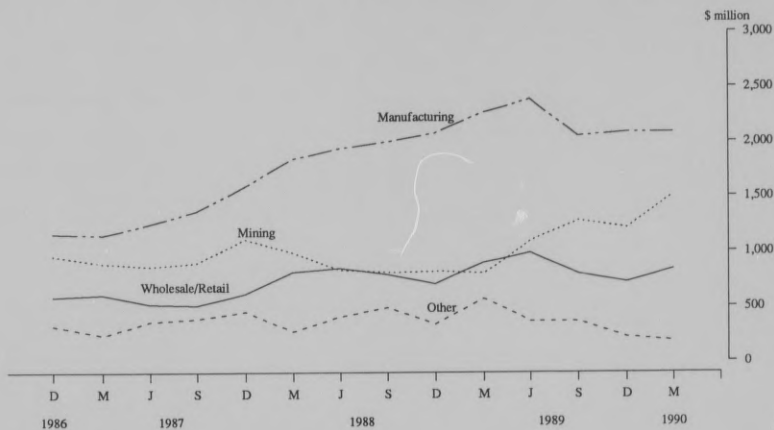
NOTES

This publication contains preliminary estimates of company profits in selected industries in Australia. The estimates were compiled from data collected from private sector companies in the quarterly ABS Survey of Company Profits. They are based on actual responses from 78% of the sample of businesses selected in the survey and estimated responses for the remaining 22%. The actual responses account for 95% of the published estimate of company profits (before income tax).

More information on the survey is presented in the Explanatory Notes at the back of this publication. Please note particularly that estimates are subject to sampling and non-sampling error and should be interpreted with caution. See paragraphs 21 to 23 for details.

W. McLENNAN
Acting Australian Statistician

COMPANY PROFITS BEFORE INCOME TAX
SEASONALLY ADJUSTED, BY INDUSTRY



COMPANY PROFITS BEFORE INCOME TAX BY INDUSTRY
FOR THE NINE MONTHS ENDED 31 MARCH

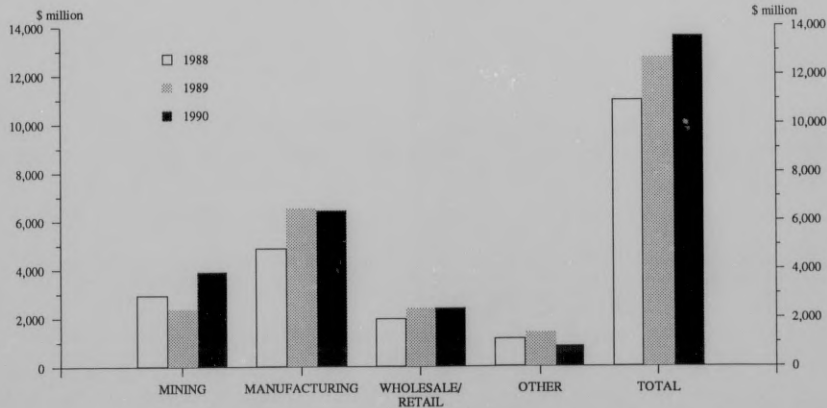


TABLE I. COMPANY PROFITS BEFORE INCOME TAX
(\$ million)

<i>Period</i>	<i>Company Profits Before Income Tax, Net Interest Paid and Depreciation</i>	<i>Depreciation</i>	<i>Company Profits Before Income Tax and Net Interest Paid</i>	<i>Net Interest Paid</i>	<i>Company Profits Before Income Tax</i>
1986-87	22,256	5,652	16,604	4,991	11,613
1987-88	26,614	6,530	20,084	5,417	14,667
1988-89	32,296	7,804	24,493	7,318	17,175
<i>1986-87-</i>					
March	5,014	1,428	3,586	1,308	2,278
June	5,515	1,485	4,030	1,227	2,803
<i>1987-88-</i>					
September	6,103	1,526	4,577	1,269	3,308
December	7,520	1,609	5,911	1,287	4,624
March	6,117	1,648	4,469	1,440	3,028
June	6,875	1,747	5,128	1,421	3,706
<i>1988-89-</i>					
September	7,809	1,850	5,959	1,677	4,281
December	8,635	1,922	6,713	1,724	4,989
March	7,324	1,981	5,343	1,890	3,453
June	8,530	2,051	6,478	2,027	4,452
<i>1989-90-</i>					
September r	9,191	2,179	7,013	2,333	4,680
December r	9,920	2,277	7,643	2,367	5,276
March p	8,283	2,375	5,907	2,239	3,668
APPROXIMATE STANDARD ERRORS					
Quarterly Total	51	9	48	19	49
Quarterly Movement	40	5	38	11	39

TABLE 2. COMPANY PROFITS BEFORE INCOME TAX, NET INTEREST PAID AND DEPRECIATION BY BROAD INDUSTRY
SEASONALLY ADJUSTED SERIES AND PERCENTAGE CHANGE

Period	Company Profits Before Income Tax, Net Interest Paid and Depreciation	Company Profits Before Income Tax and Net Interest Paid	Company Profits Before Income Tax					Total	Company Profits Before Income Tax, Net Interest Paid and Depreciation	Company Profits Before Income Tax and Net Interest Paid	Company Profits Before Income Tax					Total
			Mining	Manu- facturing	Wholesale and Retail Trade	Other Selected Industries					Mining	Manu- facturing	Wholesale and Retail Trade	Other Selected Industries		
\$ MILLION							PERCENTAGE CHANGE									
<i>1986-87-</i>																
March	5,665	4,217	892	1,149	610	240	2,891	1	-1	-7	-1	4	-27	-5		
June	5,718	4,230	864	1,250	521	365	3,000	1	0	-3	9	-15	52	4		
<i>1987-88-</i>																
September	5,928	4,416	898	1,367	512	391	3,168	4	4	4	9	-2	7	6		
December	6,717	5,108	1,108	1,590	616	453	3,766	13	16	23	16	20	16	19		
March	6,928	5,270	989	1,846	813	275	3,923	3	3	-11	16	32	-39	4		
June	7,161	5,422	829	1,942	847	407	4,025	3	3	-16	5	4	48	3		
<i>1988-89-</i>																
September	7,586	5,746	807	2,003	790	491	4,091	6	6	-3	3	-7	21	2		
December	7,636	5,722	820	2,081	705	341	3,947	1	0	2	4	-11	-30	-4		
March	8,363	6,376	801	2,272	898	572	4,542	10	11	-2	9	27	68	15		
June	8,886	6,853	1,097	2,394	988	366	4,846	6	7	37	5	10	-36	7		
<i>1989-90-</i>																
September	8,953	6,789	1,279	2,054	797	370	4,501	1	-1	17	-14	-19	1	-7		
December	8,849	6,592	1,211	2,087	724	222	4,243	-1	-3	-5	2	-9	-40	-6		
March	9,344	6,930	1,517	2,088	840	188	4,633	6	5	25	0	16	-15	9		

TABLE 3. COMPANY PROFITS BEFORE INCOME TAX, BY INDUSTRY
(\$ million)

Period	Manufacturing										Wholesale Trade	Retail Trade	Other Selected Industries	Total
	Mining	Food, Beverages and Tobacco	Textiles, Clothing and Footwear	Paper and Printing	Chemicals, Petroleum and Coal Products	Basic Metal Products	Transport Equipment	Fabricated Metal Products	Other Manufacturing	Total Manufacturing				
1986-87	3,480	965	232	378	765	372	-54	721	1,270	4,650	1,639	612	1,232	11,613
1987-88	3,816	1,108	266	551	1,246	858	5	965	1,622	6,621	1,830	886	1,514	14,667
1988-89	3,540	1,172	327	372	1,206	1,905	413	1,250	2,020	8,664	1,925	1,346	1,698	17,175
<i>1986-87-</i>														
March	812	205	48	46	155	22	-16	181	252	892	413	10	150	2,278
June	914	180	49	97	238	64	15	136	335	1,114	313	141	321	2,803
<i>1987-88-</i>														
September	908	210	79	142	272	162	48	239	393	1,544	345	77	434	3,308
December	1,136	433	72	199	282	225	-26	273	453	1,911	544	444	589	4,624
March	899	235	54	91	329	203	-28	213	335	1,432	466	105	127	3,028
June	873	230	62	119	363	268	11	239	441	1,733	475	261	364	3,706
<i>1988-89-</i>														
September	812	298	97	130	313	487	102	316	518	2,262	416	236	555	4,281
December	850	405	101	207	364	401	62	364	600	2,503	495	633	509	4,989
March	724	241	57	15	242	432	90	289	395	1,762	450	185	333	3,453
June	1,154	228	72	20	287	585	158	281	507	2,138	564	293	302	4,452
<i>1989-90-</i>														
September r	1,284	341	148	77	310	382	198	336	526	2,319	413	245	419	4,680
December r	1,261	526	97	150	306	362	172	320	576	2,510	562	595	348	5,276
March p	1,369	297	20	115	211	307	63	232	373	1,619	367	229	85	3,668
APPROXIMATE STANDARD ERRORS														
Quarterly Total	6	8	7	8	6	1	4	11	12	26	17	13	31	49
Quarterly Movement	4	7	5	6	4	1	3	10	10	19	17	10	24	39

TABLE 4. COMPANY PROFITS BEFORE INCOME TAX, NET INTEREST PAID AND DEPRECIATION, BY INDUSTRY
(\$ million)

Period	Manufacturing													Total
	Mining	Food, Beverages and Tobacco	Textiles, Clothing and Footwear	Paper and Printing	Chemicals, Petroleum and Coal Products	Basic Metal Products	Transport Equipment	Fabricated Metal Products	Other Manufacturing	Total Manufacturing	Wholesale Trade	Retail Trade	Other Selected Industries	
1986-87	5,521	1,943	414	1,025	1,301	1,444	364	1,415	1,913	9,819	2,708	1,380	2,827	22,256
1987-88	5,969	2,260	497	1,249	1,820	2,004	523	1,633	2,431	12,417	2,923	1,751	3,555	26,614
1988-89	6,004	2,527	562	1,751	1,912	3,364	973	2,046	2,972	16,107	3,418	2,378	4,390	32,296
<i>1986-87-</i>														
March	1,338	468	94	204	282	294	80	340	408	2,170	693	200	614	5,014
June	1,395	433	99	288	369	334	124	313	501	2,460	584	330	745	5,515
<i>1987-88-</i>														
September	1,454	451	131	289	401	445	158	403	581	2,859	614	265	911	6,103
December	1,685	726	129	353	435	498	106	436	645	3,327	796	662	1,049	7,520
March	1,452	545	110	285	472	457	107	381	541	2,897	733	320	714	6,117
June	1,378	538	126	322	513	604	152	413	664	3,333	779	504	880	6,875
<i>1988-89-</i>														
September	1,389	605	151	420	480	820	237	496	757	3,965	757	479	1,218	7,809
December	1,418	753	158	530	530	733	185	546	837	4,272	877	896	1,171	8,635
March	1,358	593	111	361	415	803	229	477	608	3,597	822	439	1,108	7,324
June	1,839	576	142	441	486	1,008	323	527	770	4,272	962	564	892	8,530
<i>1989-90-</i>														
September r	2,072	682	248	426	495	808	319	567	790	4,335	792	531	1,462	9,191
December r	2,068	899	226	484	508	772	278	545	856	4,566	985	927	1,374	9,920
March p	2,241	663	139	470	405	724	194	448	666	3,710	805	528	998	8,283
APPROXIMATE STANDARD ERRORS														
Quarterly Total	7	8	7	9	7	2	4	12	17	30	21	16	31	51
Quarterly Movement	5	7	4	6	4	1	4	10	11	18	17	10	27	40

EXPLANATORY NOTES

Introduction

This publication contains preliminary estimates of company profits in selected industries in Australia. The series have been compiled from data collected by the Australian Bureau of Statistics (ABS) in its quarterly Survey of Company Profits.

Survey Methodology

2. The survey is conducted by mail on a quarterly basis. Forms are sent to a sample of approximately 3000 business units employing more than 30 people. The sample is selected from the ABS central register of businesses and is stratified by industry and number of employees. All business units with over 140 employees and/or known large profit/loss are included in the sample.

3. Respondents are asked to provide data on the same basis as their own management accounts. Where a particular business unit does not respond in a given survey, an estimate is substituted. Aggregates are calculated from reported data using the *number raised* estimation technique. Data are edited both at individual business unit level and at aggregate level.

Scope and Coverage

4. The survey is designed to measure profits, depreciation and net interest paid of companies (i.e. incorporated business enterprises) in the private sector in Australia. Companies excluded are those primarily engaged in agriculture, forestry, fishing, hunting, banking, non-bank finance, unit trusts, land trusts, mutual funds, insurance and community service activities.

5. The data in this publication relate to companies employing more than 30 people. It is estimated (from a 1987-88 annual survey) that smaller companies account for only about 10% of profit in the selected industries, with coverage of company profits for the major industry groups as follows:

- Mining — 99%
- Manufacturing — 93%
- Wholesale/retail — 74%
- Other industries — 66%

Statistical unit

6. From the beginning of 1989, the ABS has introduced a new statistical unit known as the *management unit*. This unit is defined as 'the largest unit within an enterprise group, which controls its productive activities and for which accounts are kept'. The management unit is being implemented on the ABS central register of businesses and included in the Survey of Company Profits as reporting arrangements with the larger groups of companies are finalised.

7. Where the management unit has not been implemented, the statistical unit is still the company as presently recorded on the ABS central register of businesses with the following exceptions:

- (a) where a company has significant activities in more than one industry, a statistical unit has been created for each significant activity
- (b) where data are only available for a group of companies, where possible, a statistical unit has been created for each operating division of the enterprise group.

8. These exceptions will cease once the management unit is fully phased in.

Classification to Industry

9. In order to classify profits by industry in these series, each statistical unit (as defined above) is classified to the Australian Standard Industrial Classification (ASIC) industry in which it *mainly* operates.

10. The industries shown in this publication are detailed below. The numbers in brackets relate to the ASIC categories as defined in the 1983 edition of the ASIC.

Mining (11-16)

Manufacturing (21-34)

- Food, Beverages and Tobacco (21)
- Textiles, Clothing and Footwear (23,24)
- Paper and Printing (26)
- Chemical, Petroleum and Coal Products (27)
- Basic Metal Products (29)
- Fabricated Metal Products including other machinery and equipment (31,33)
- Transport Equipment (32)
- Other Manufacturing i.e. wood, wood products and furniture, glass, clay and other non-metallic mineral products, and miscellaneous manufacturing (25,28,34)

Wholesale trade (47)

Retail trade (48)

Other Selected Industries i.e. electricity, gas and water (36,37), construction (41,42), transport and storage (51-55, 57-58), communication (59), holding companies n.e.c. and holder investors n.e.c. (6162 and 6163), services to finance and investment (617), services to insurance (624), property and business services (63), entertainment and recreational services (91), restaurants, hotels and clubs (92) and personal services (93).

Total Industries i.e. all industries excluding agriculture, forestry, fishing and hunting (01-04), banking (614), non-bank finance (615), insurance (623), unit trusts, land trusts and mutual funds (6161), public administration (71) and community services (81-84).

Changes to the survey since the June quarter 1989

11. The conceptual basis of the survey has changed from that used in the June quarter. Since the September quarter 1989, the survey collects information from respondents' *management accounts*. Previously, data was sought on a *modified tax basis*.

12. There will be an ongoing effect on the aggregate data due to the change of statistical unit (see paragraphs 6 to 8 above). No attempt has been made to adjust back series for this change but the effects are likely to be insignificant.

Description of terms

13. A *company* is an incorporated private sector business enterprise. For the purpose of the survey, branches of overseas companies operating in Australia are included but overseas branches of Australian companies are excluded.

14. *Company profits (before income tax)* is defined as *Net operating profit or loss before income tax and*

extraordinary items and is net of capital profits or losses and dividends received.

15. *Net interest paid* is interest expense less any interest revenue. Interest received from or paid to overseas is included. The interest component of finance lease payments is also included.

16. *Depreciation of fixed assets* is as per management accounts and includes depreciation on equipment acquired under a finance lease.

Seasonal adjustment

17. Seasonal adjustment is a means of removing the estimated effects of normal seasonal variation from the series so that the effects of other influences can be more clearly recognised.

18. Seasonal adjustment may be carried out by various methods and the results will vary accordingly. Seasonally adjusted statistics are in fact only conditional estimates. Short term movements in all the published series cannot be assumed to indicate changes in trend.

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

20. Details of the seasonal adjustment methods used are available on request.

Reliability of the estimates

21. Since estimates are based on information obtained from a sample drawn from units in the population, the estimates and the movements derived from them are subject to sampling variability. One measure of the 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 a sample estimate will differ by less than one standard error from the figure that would have been obtained if all units had been included, and about nineteen chances in twenty that the difference will be less than two standard errors.

22. Approximate standard errors for estimates of level and movement for company profits, depreciation and net interest paid are presented in Tables 1, 3 and 4.

An example of the use of standard errors for the current quarter is as follows:

Estimate of movement. The estimate of quarterly movement to December quarter 1989 for company profits before income tax was \$596m from a September estimate of \$4,680m. The standard error on movement is \$39m (Table 1). There are two chances in three that a complete collection would have given an estimate of movement within one standard error of the sample estimate (i.e. in the range \$723m to \$801m). There are nineteen chances in twenty that a complete collection would give an estimate within two standard errors of the sample estimate (i.e. in the range \$684m to \$840m).

23. The imprecision due to sampling is not the only type of inaccuracy to which the estimates are subject. Other inaccuracies, referred to collectively as non-sampling errors, may occur for example, because of incorrect reporting by respondents, and deficiencies in the central register of businesses from which the sample is selected.

Revisions to estimates

24. It should be noted that the estimates in this publication are subject to revision. This is particularly so with the latest quarter which is usually compiled on the basis of incomplete response. In addition, earlier quarters are revised by companies as they finalise their accounts.

Comparison with other ABS statistics

25. The series 'Company Profits Before Income Tax, Net Interest Paid and Depreciation' equates, broadly with the national accounting series of 'Gross Operating Surplus of Private Corporate Trading Enterprises'. However, the two series are not directly comparable for the following reasons:

- the national accounts estimates of gross operating surplus include the profits of all companies whereas results from the survey relate only to those companies with employment of more than 30 persons
- the national accounts estimates of gross operating surplus include estimates for companies classified to the agriculture, forestry, fishing and hunting, and community services industries
- the national accounts estimates of gross operating surplus are after deduction of the stock valuation adjustment which measures the portion of income attributable to holding gains or losses resulting from stock valuation practices
- the national accounts estimates of gross operating surplus include details relating to net third party insurance transfers, royalty and land rent payments
- the national accounts estimates incorporate data from other sources such as taxation data as well as information from the Survey of Company Profits.

Unpublished data

26. Some more detailed industry data from this survey are available on request. Inquiries should be made to the officer named in the Phone Inquiries section at the front of this publication or by writing to The Director, Business Surveys Section, Australian Bureau of Statistics, P.O. Box 10, Belconnen, A.C.T. 2616.

Related publications

27. Users may also wish to refer to the following publications:

Private New Capital Expenditure, Australia, Actual and Expected Expenditure, Preliminary (5625.0) — issued quarterly

Private New Capital Expenditure, Australia (5626.0) — issued quarterly

State Estimates of Private New Capital Expenditure, Actual and Expected Expenditure (5646.0) — issued quarterly

Stocks Manufacturers' Sales and Expected Sales, Australia (5629.0) — issued quarterly

Australian National Accounts, National Income and Expenditure (5206.0) — issued quarterly

28. Current publications produced by the ABS are listed in the *Catalogue of Publications and Products, Australia*

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