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COMPANY PROFITS, AUSTRALIA
DECEMBER QUARTER, 1986

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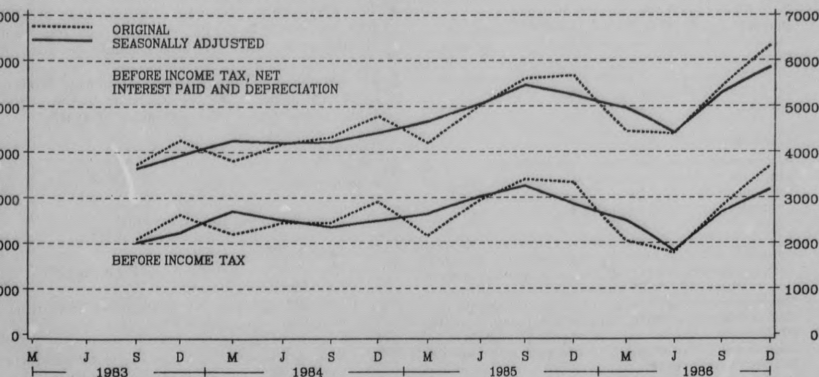
MAIN FEATURES

COMPANY PROFITS
($ million)



NOTE: ***Details in this publication exclude companies classified to the agriculture, finance, insurance and community services industries. Also excluded are companies employing 30 persons or less.***

'Company profits' are calculated before income tax and do not include capital gains or losses, or dividends received — see paragraph 13 of the Explanatory Notes.

The strong rise in company profits for the December quarter 1986 continued the trend seen in the September quarter. However profits before income tax for the 6 months ended December 1986 were still below the level of profits for the same period in 1985.

Estimates of company profits for the December quarter 1986 are:	*Value ($m)*	*% Change on Sept. qtr 1986*	*% Change on Dec. qtr 1985*
Before Income Tax			
original	3,682	+32	+11
seasonally adjusted	3,170	+19	+11
Before Income Tax, Net Interest Paid and Depreciation			
original	6,328	+16	+12
seasonally adjusted	5,855	+11	+12

Estimates of company profits before income tax for the 6 months ended December 1986 are:	*Value ($m)*	*% Change on 6 months ended Dec. 1985*
All industries	6,475	-4
Mining	1,781	-23
Manufacturing	2,570	+2
Wholesale and Retail Trade	1,388	+8
Other	736	+22

EXPLANATORY NOTES

Introduction

This publication contains estimates of company profits in selected industries in Australia. The series contained in this publication have been compiled from data collected by the Australian Bureau of Statistics (ABS) in its quarterly Survey of Operating Surplus. Estimates are derived from a stratified random sample of companies recorded on the ABS central register of businesses.

Scope of the survey

2. 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 except for those primarily engaged in agriculture, forestry, fishing, hunting, banking, non-bank finance, unit trusts, land trusts, mutual funds, insurance and community service activities.

3. Private households, unincorporated business enterprises (e.g., sole proprietors, partnerships and trusts), co-operative societies and public sector enterprises (i.e., departments, authorities, companies and other organisations owned, and/or controlled by Commonwealth, State or Local Government) are outside the scope of this survey.

Coverage

4. Because small companies do not generally produce quarterly profit and loss account information, the quarterly data presented in this publication relate only to those companies with employment of 31 persons or more.

5. It is estimated (from an annual survey of small companies) that the overall coverage of company profit details presented in this publication is approximately 90 per cent (based on 1984-85 financial year details). Although this overall coverage is relatively high, users should note that coverage may vary from industry to industry because of the number of small companies operating in particular industries. The coverage may also vary over time and between data items. Estimates of coverage of company profits in 1984-85 for the major industry groups are as follows:

- Mining — 99%
- Manufacturing — 96%
- Wholesale/Retail — 82%
- Other Industries — 64%

6. In addition, the coverage of companies within the scope of the survey is dependent on the completeness of the ABS central register of businesses.

Statistical unit

7. In the main, the statistical unit is the company (i.e., the incorporated business enterprise) as recorded on the ABS central register of businesses. There are, however, a small number of exceptions to this situation. These cases occur when:

(a) a company has significant activities in more than one industry. A statistical unit has been created for each significant activity.

(b) data for each individual company are not available but data are available for the enterprise group (the parent company and its subsidiary companies). Where possible a statistical unit has been created for each operating division of the enterprise group.

Classification to industry

8. In order to classify profits by industry in these series, each company recorded on the ABS central register of businesses (and therefore each company selected in the sample) is classified to the Australian Standard Industrial Classification (ASIC) industry in which it mainly operates.

9. All of the profits of each selected unit are classified to that unit's industry even though it may have activities in other industries.

10. Where special statistical units have been created (refer paragraph 7(a) and 7(b)), each unit has been classified to the industry in which it mainly operates.

11. 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 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).

Description of terms

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

13. *Company Profits* are calculated before income tax and do not include capital gains or losses, or dividends received. They are defined for the purposes of this survey to be, in general, on the same definitional basis as used in compiling company income tax returns.

14. *Net Interest Paid* is interest paid less any interest received.

15. *Depreciation* is as used in compiling company income tax returns, except that mining companies are asked to apply the schedule rate rather than the accelerated rates applicable to that industry.

Seasonal adjustment

16. The quarterly company profit 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.

17. Seasonal adjustments may be carried out by various methods and the results may vary slightly according to the procedure adopted. Accordingly, seasonally adjusted statistics are in fact only conditional estimates and should not be regarded as in any way definitive.

18. The original series, which commence from September quarter 1983, are not presently long enough to alone provide sufficient information for adequate seasonal analysis. Accordingly, these series have been augmented with information from June quarter 1980 in order to facilitate the publication of more reliable seasonally adjusted estimates of total company profits. Seasonally adjusted estimates for broad industry levels will be made available when sufficiently reliable estimates can be produced.

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

20. For all the reasons discussed above particular care should be taken in interpreting quarter to quarter movements in the adjusted figures, and it should be noted that short term movements in these series cannot be assumed to indicate changes in trend.

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

Reliability of the estimates

22. Since estimates are based on information obtained from a sample drawn from units in the surveyed population, the estimates and the movements derived from them are subject to sampling variability; that is, they may differ from the figures that would have been produced if all units had been included in the survey. One 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 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.

23. Table 5 presents a summary of approximate standard errors for certain estimates of level and of movement for company profit, depreciation and net interest paid. Examples of the use of standard errors from Table 5 for the current quarter are as follows:

(a) *Estimates of level*. Company profit before income tax, net interest paid and depreciation for total manufacturing industries in December quarter 1986 was $2,643m (from Table 3) and the applicable standard error is $26m (from Table 5). There are two chances in three that a complete collection would give an estimate within one standard error of the sample estimate (i.e., in the range $2,617m to $2,669m) and 19 chances in 20 that the 'true' estimate would be within two standard errors of the sample estimate (i.e., in the range $2,591m to $2,695m).

(b) *Estimates of movement*. The estimate of quarterly movement to December quarter 1986 for company profit before income tax was $889m from a September estimate of $2,793m (from Table 1). The applicable standard error is $58m from Table 5. There are two chances in three that a complete collection would have given an estimate of movement in the ranges of +$831m to $947m.

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

Revisions to estimates

25. 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 an initial response level of about 80 per cent. As well, earlier quarters have been revised as companies finalise their annual accounts.

Comparison with other statistics published by the ABS

26. The series 'company profit 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:

(a) 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 31 persons or more.

(b) The national accounts estimates of gross operating surplus include estimates for companies classified to the agriculture, forestry, fishing and hunting, and community services industries.

(c) 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.

(d) The national accounts estimates of gross operating surplus include details relating to net third party insurance transfers, royalty and land rent payments.

(e) The national accounts estimates incorporate data from other sources such as taxation data as well as information from the Survey of Operating Surplus.

Unpublished data

27. As mentioned in paragraph 5, data for small companies are compiled on an annual basis. These data may be made available on request. Inquiries should be made to the officer named in the Telephone Inquiries section at the front of this publication or by writing to Business Surveys Section, Australian Bureau of Statistics, P.O. Box 10, Belconnen, A.C.T. 2616.

Related publications

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

Australian National Accounts, National Income and Expenditure (5204.0) — *issued annually*

Quarterly Estimates of National Income and Expenditure, Australia (5206.0) — *issued quarterly*

Australian National Accounts, Concepts, Sources and Methods (5216.0) — *issued irregularly*

29. Current publications produced by the ABS are listed in the *Catalogue of Publications, Australia* (1101.0). The ABS also issues, on Tuesdays and Fridays, a *Publications Advice* (1105.0) which lists publications to be released in the next few days. The Catalogue and Publications Advice are available from any ABS office.

Symbols and other usages

..	not applicable
r	series revised since previous issue
n.e.c.	not elsewhere classified
ASIC	Australian Standard Industrial Classification 1983 edition.

Electronic services

30. VIATEL. Key *656# for selected current economic, social and demographic statistics.

AUSSTATS. Thousands of up-to-date time series are available on this ABS on-line service through CSIRONET.

For further information phone the AUSSTATS Help Desk on (062) 52 6017.

TELESTATS. This service provides foreign trade statistics tailored to users' requirements.

Further information is available on (062) 52 5404.

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TABLE 1 - COMPANY PROFITS BEFORE INCOME TAX, INTEREST AND DEPRECIATION (r)
($ million)

Period	Company Profits Before Income Tax	Net Interest Paid	Company Profits Before Income Tax and Net Interest Paid	Depreciation	Company Profits Before Income Tax, Net Interest Paid and Depreciation
1983-84	9,352	2,845	12,197	3,772	15,969
1984-85	10,456	3,522	13,979	4,350	18,328
1985-86	10,538	4,586	15,123	4,989	20,113
1983-84					
December	2,624	725	3,350	905	4,255
March	2,199	654	2,853	953	3,807
June	2,443	730	3,173	1,007	4,179
1984-85					
September	2,450	827	3,277	1,050	4,327
December	2,905	785	3,690	1,090	4,780
March	2,152	959	3,112	1,078	4,190
June	2,949	951	3,900	1,131	5,031
1985-86					
September	3,394	1,010	4,404	1,199	5,603
December	3,328	1,113	4,442	1,227	5,669
March	2,041	1,164	3,205	1,244	4,449
June	1,775	1,298	3,073	1,319	4,392
1986-87					
September	2,793	1,275	4,068	1,364	5,432
December	3,682	1,227	4,908	1,420	6,328

TABLE 2 - COMPANY PROFITS BEFORE INCOME TAX, INTEREST AND DEPRECIATION (r)
SEASONALLY ADJUSTED SERIES AND PERCENTAGE CHANGE

Period	Company Profits Before Income Tax	Company Profits Before Income Tax and Net Interest Paid	Company Profits Before Income Tax, Net Interest Paid and Depreciation	Company Profits Before Income Tax	Company Profits Before Income Tax and Net Interest Paid	Company Profits Before Income Tax, Net Interest Paid and Depreciation
	$ MILLION			PERCENTAGE CHANGE		
1983-84						
December	2,234	3,003	3,918	11	10	8
March	2,705	3,299	4,249	21	10	8
June	2,503	3,205	4,201	-7	-3	-1
1984-85						
September	2,352	3,172	4,221	-6	-1	0
December	2,488	3,325	4,414	6	5	5
March	2,641	3,587	4,670	6	8	6
June	3,024	3,940	5,056	15	10	8
1985-86						
September	3,248	4,260	5,463	7	8	8
December	2,861	4,010	5,242	-12	-6	-4
March	2,498	3,688	4,953	-13	-8	-6
June	1,822	3,106	4,416	-27	-16	-11
1986-87						
September	2,669	3,934	5,295	47	27	20
December	3,170	4,436	5,855	19	13	11

TABLE 3 - COMPANY PROFITS BEFORE INCOME TAX, INTEREST AND DEPRECIATION, BY BROAD INDUSTRY (r)

($ million)

	Company Profits Before Income Tax					*Company Profits Before Income Tax and Net Interest Paid*					*Company Profits Before Income Tax, Net Interest Paid and Depreciation*				
Period	*Mining*	*Manu-facturing*	*Wholesale and Retail Trade*	*Other Selected Industries*	*Total*	*Mining*	*Manu-facturing*	*Wholesale and Retail Trade*	*Other Selected Industries*	*Total*	*Mining*	*Manu-facturing*	*Wholesale and Retail Trade*	*Other Selected Industries*	*Total*
1983-84	2,736	3,982	1,686	949	9,352	3,011	5,371	2,495	1,320	12,197	3,851	7,209	3,033	1,877	15,969
1984-85	3,129	4,450	1,986	891	10,456	3,683	6,067	2,780	1,448	13,979	4,802	8,117	3,363	2,046	18,328
1985-86	3,843	4,111	1,534	1,049	10,538	4,446	6,380	2,672	1,625	15,123	5,755	8,678	3,338	2,341	20,113
1983-84															
December	584	1,123	627	290	2,624	682	1,461	823	383	3,350	874	1,907	953	520	4,255
March	697	957	387	159	2,199	762	1,263	578	249	2,853	983	1,723	710	390	3,807
June	827	923	421	272	2,443	876	1,297	625	375	3,173	1,101	1,783	773	522	4,179
1984-85															
September	709	1,154	312	275	2,450	822	1,536	521	398	3,277	1,085	2,031	664	547	4,327
December	610	1,297	681	317	2,905	753	1,639	855	443	3,690	1,030	2,158	1,000	593	4,780
March	724	918	370	140	2,152	900	1,336	584	292	3,112	1,178	1,843	729	439	4,190
June	1,087	1,081	623	159	2,949	1,209	1,556	820	315	3,900	1,508	2,084	970	468	5,031
1985-86															
September	1,244	1,298	545	307	3,394	1,370	1,804	787	443	4,404	1,689	2,359	945	610	5,603
December	1,066	1,227	739	297	3,328	1,217	1,749	1,028	447	4,442	1,539	2,310	1,196	625	5,669
March	964	704	168	205	2,041	1,120	1,271	481	333	3,205	1,453	1,838	646	512	4,449
June	569	883	82	240	1,775	739	1,557	376	401	3,073	1,075	2,171	551	594	4,392
1986-87															
September	824	1,205	447	318	2,793	972	1,878	715	503	4,068	1,316	2,514	890	712	5,432
December	957	1,365	941	418	3,682	1,129	2,000	1,215	564	4,908	1,498	2,643	1,415	772	6,328

TABLE 4 - COMPANY PROFITS BEFORE INCOME TAX, INTEREST AND DEPRECIATION, BY DETAILED INDUSTRY (r)

($ million)

Period	Mining	Manufacturing									Other Industries				Total
		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*	*Total Other Industries*	
1983-84	3,851	1,267	318	701	937	1,187	526	1,101	1,172	7,209	1,802	1,230	1,877	4,909	15,969
1984-85	4,802	1,394	283	767	932	1,453	560	1,165	1,563	8,117	2,194	1,169	2,046	5,409	18,328
1985-86	5,755	1,638	351	880	1,087	1,308	423	1,302	1,689	8,678	1,953	1,385	2,341	5,680	20,113
1983-84															
December	874	368	71	187	232	314	128	279	328	1,907	469	484	520	1,473	4,255
March	983	295	73	146	245	302	133	301	229	1,723	482	229	390	1,100	3,807
June	1,101	275	86	190	234	266	164	254	316	1,783	479	294	522	1,295	4,179
1984-85															
September	1,085	311	83	191	245	346	169	300	386	2,031	479	185	547	1,211	4,327
December	1,030	374	76	219	223	363	135	332	437	2,158	547	453	593	1,592	4,780
March	1,178	386	62	159	210	347	93	248	338	1,843	501	228	439	1,168	4,190
June	1,508	323	62	198	254	397	163	286	402	2,084	667	303	468	1,438	5,031
1985-86															
September	1,689	397	106	220	253	402	180	360	441	2,359	618	327	610	1,556	5,603
December	1,539	456	89	243	265	313	122	360	463	2,310	644	552	625	1,820	5,669
March	1,453	410	77	177	265	263	18	272	357	1,838	422	225	512	1,159	4,449
June	1,075	376	79	240	305	329	104	310	428	2,171	270	281	594	1,145	4,392
1986-87															
September	**1,316**	**448**	**114**	**239**	**323**	**449**	**105**	**374**	**461**	**2,514**	**609**	**282**	**712**	**1,603**	**5,432**
December	**1,498**	**572**	**123**	**303**	**339**	**364**	**41**	**386**	**515**	**2,643**	**840**	**574**	**772**	**2,187**	**6,328**

TABLE 5 - APPROXIMATE STANDARD ERRORS OF COMPANY PROFITS BEFORE INCOME TAX, INTEREST AND DEPRECIATION, BY INDUSTRY
($ million)

	Quarterly Total	*Quarter to Quarter Movement*
Company Profits Before Income Tax	*50*	*58*
Mining	4	3
Manufacturing	25	26
Wholesale and Retail Trade	38	48
Other Selected Industries	21	20
Net Interest Paid	*26*	*13*
Company Profits Before Income Tax and Net Interest Paid	*51*	*58*
Mining	5	3
Manufacturing	24	26
Wholesale and Retail Trade	38	47
Other Selected Industries	23	20
Depreciation	*9*	*4*
Company Profits Before Income Tax, Net Interest Paid and Depreciation	*54*	*58*
Mining	8	3
Manufacturing	26	27
Food, Beverages and Tobacco	11	7
Textiles, Clothing and Footwear	6	7
Paper and Printing	11	5
Chemicals, Petroleum and Coal Products	7	5
Basic Metal Products	1	1
Transport Equipment	4	3
Fabricated Metal Products	13	15
Other Manufacturing	13	15
Other Industries	46	52
Wholesale Trade	37	46
Retail Trade	12	11
Other Selected Industries	25	21