Australian Bureau of Statistics

CATALOGUE NO. 5651.0

EMBARGOED UNTIL 11.30 A.M. 28 NOVEMBER 1991

COMPANY PROFITS, AUSTRALIA
SEPTEMBER QUARTER 1991

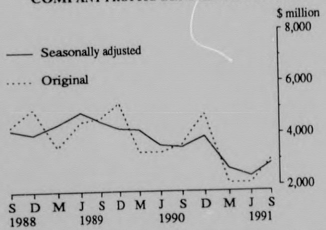
MAIN FEATURES

Company profits (before income tax) for companies with more than 30 employees are estimated to be $2,982m, for the September quarter 1991. When seasonally adjusted this represents a 21 percent increase on the revised June quarter estimate. The main contributor to this increase was the Wholesale Trade industry, where seasonally adjusted profits increased $355m to $217m.

However, the September quarter estimate of $2,982m is still 17 percent less than the September quarter 1990 estimate and 35 percent less than the September quarter 1989 estimate.

Industry details are shown graphically on page 2.

COMPANY PROFITS BEFORE INCOME TAX



In seasonally adjusted terms, the September quarter 1991 profits (before income tax) are as follows:

	Value ($m)	*% Change on*	
	Sept. qtr 1991	*June qtr 1991*	*Sept. qtr 1990*
Mining	1,230	-9	-10
Manufacturing	1,297	+15	-8
Wholesale	217	+257	-59
Retail	158	-7	-40
TOTAL (a)	2,841	+21	-18

In original terms, changes in company profits (before income tax) for the 3 months ended 30 September 1991 are as follows:

	Value ($m)	*% Change on*	
	3 months ended 30 Sept. 1991	*3 months ended 30 Sept. 1990*	*3 months ended 30 Sept. 1989*
Mining	1,221	-10	+1
Manufacturing	1,403	-9	-40
Wholesale	205	-60	-50
Retail	104	-39	-58
TOTAL (a)	2,982	-17	-35

(a) Includes 'Other' industries.

NOTES

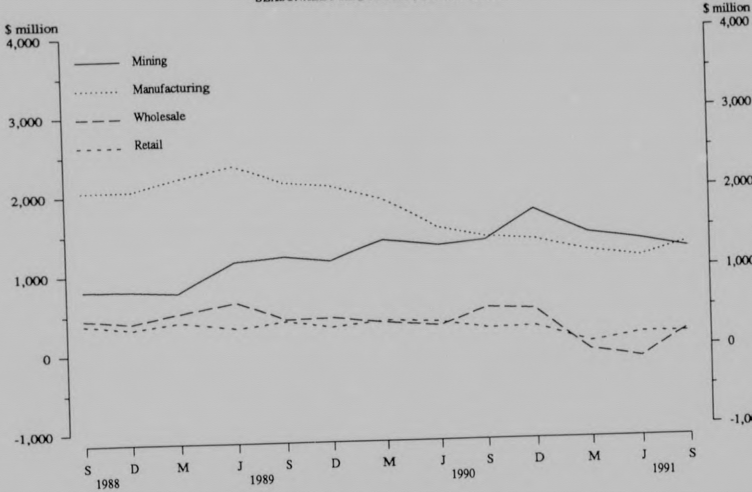
The seasonally adjusted series in this publication have been reanalysed to take into account the latest available data. Refer to paragraphs 17 to 21.

The June quarter preliminary estimate has been revised significantly as a result of companies supplying amended data and additional response.

INQUIRIES

- *for further information about statistics in this publication and the availability of related unpublished statistics,* contact Peter Crowe on Canberra (06) 252 5617 or any ABS State office.
- *for information about other ABS statistics and services* please refer to the back page of this publication.

COMPANY PROFITS BEFORE INCOME TAX
SEASONALLY ADJUSTED, BY INDUSTRY



COMPANY PROFITS BEFORE INCOME TAX BY INDUSTRY
FOR THE THREE MONTHS ENDED 30 SEPTEMBER

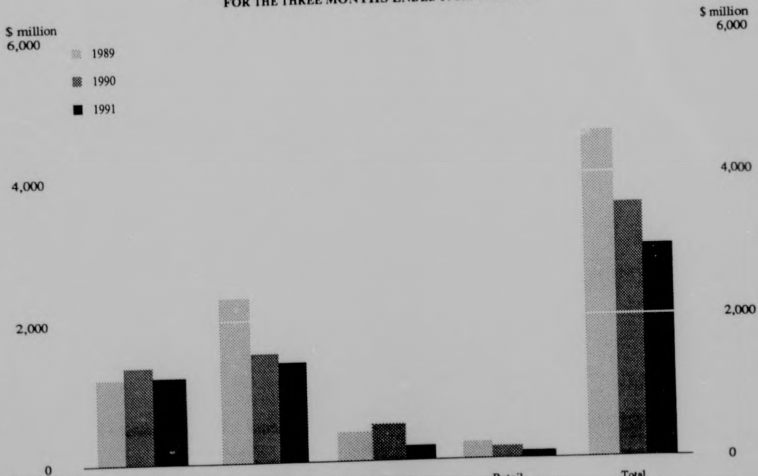


TABLE 1. COMPANY PROFITS BEFORE INCOME TAX
($ million)

Period	Company Profits Before Income Tax, Net Interest Paid and Depreciation	Depreciation	Company Profits Before Income Tax and Net Interest Paid	Net Interest Paid	Company Profits Before Income Tax
1988-89	32,387	7,843	24,544	7,351	17,193
1989-90	r 35,383	r 9,156	r 26,227	r 9,897	r 16,331
1990-91	r 32,422	r 10,112	r 22,310	r 9,795	r 12,515
1988-89					
September	7,821	1,855	5,966	1,676	4,290
December	8,638	1,920	6,718	1,743	4,975
March	7,351	2,001	5,350	1,889	3,461
June	8,577	2,067	6,510	2,044	4,466
1989-90					
September	r 9,107	2,137	r 6,971	r 2,380	r 4,590
December	r 9,896	2,232	r 7,664	r 2,467	r 5,197
March	r 8,028	2,334	r 5,694	r 2,413	r 3,281
June	r 8,352	r 2,453	r 5,899	r 2,636	r 3,263
1990-91					
September	r 8,599	r 2,473	r 6,126	r 2,552	r 3,574
December	r 9,975	r 2,584	7,391	r 2,638	r 4,753
March	r 6,847	r 2,513	r 4,334	r 2,243	r 2,091
June	7,001	2,542	4,460	2,363	2,097
1991-92					
September p	7,866	2,632	5,234	2,252	2,982
APPROXIMATE STANDARD ERRORS					
Quarterly Total	101	29	85	32	78
Quarterly Movement (a)	74	20	68	27	66

(a) Refer to paragraph 24 of the explantory notes.

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

			Company Profits Before Income Tax					
Period	*Company Profits Before Income Tax, Net Interest Paid and Depreciation*	*Company Profits Before Income Tax and Net Interest Paid*	*Mining*	*Manu- facturing*	*Wholesale Trade*	*Retail Trade*	*Other Selected Industries*	*Total*
			$ MILLION r					
1988-89								
September	7,728	5,878	811	2,056	445	380	462	4,154
December	7,590	5,658	800	2,050	393	317	421	3,981
March	8,233	6,281	774	2,202	514	399	463	4,353
June	8,988	6,850	1,155	2,359	645	316	354	4,827
1989-90								
September	9,027	6,905	1,207	2,134	420	394	305	4,459
December	8,766	6,525	1,144	2,088	432	313	199	4,176
March	8,913	6,642	1,393	1,913	361	386	89	4,142
June	8,722	6,219	1,316	1,536	309	357	29	3,546
1990-91								
September	8,552	6,095	1,371	1,415	525	264	–115	3,461
December	8,875	6,345	1,744	1,369	493	280	–11	3,874
March	7,540	5,024	1,439	1,213	–35	68	–42	2,642
June	7,265	4,730	1,347	1,132	–138	170	–168	2,343
1991-92								
September p	7,801	5,192	1,230	1,297	217	158	–61	2,841
			PERCENTAGE CHANGE r					
1988-89								
September	8	9	–6	8	–16	29	11	3
December	–2	–4	–1	0	–12	–17	–9	–4
March	8	11	–3	7	31	26	10	9
June	9	9	49	7	25	–21	–24	11
1989-90								
September	0	1	4	–10	–35	25	–14	–8
December	–3	–5	–5	–2	3	–21	–35	–6
March	2	2	22	–8	–17	23	–55	–1
June	–2	–6	–6	–20	–14	–8	–68	–14
1990-91								
September	–2	–2	4	–8	70	–26	–497	–2
December	4	4	27	–3	–6	6	90	12
March	–15	–21	–17	–11	–107	–76	–270	–32
June	–4	–6	–6	–7	–295	152	–300	–11
1991-92								
September p	7	10	–9	15	257	–7	64	21

(a) Refer to paragraph 17 of the explantory notes.

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

		Manufacturing												
Period	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	Total
1988-89	3,540	1,172	324	331	1,206	1,905	413	1,248	2,018	8,616	1,993	1,349	1,696	17,193
1989-90	5,043	r 1,307	264	r 375	1,023	1,454	457	1,015	1,871	r 7,766	1,520	1,383	r 619	r 16,331
1990-91	r 5,922	r 1,559	r 179	r 467	r 711	r 706	r -204	r 601	r 1,168	r 5,186	r 844	r 900	r -337	r 12,515
1988-89														
September	812	298	97	125	313	487	102	316	518	2,257	430	236	555	4,290
December	849	405	101	175	364	401	62	364	599	2,471	515	635	506	4,975
March	725	241	53	10	242	432	90	287	395	1,750	467	186	334	3,461
June	1,154	228	73	20	287	585	158	281	505	2,138	581	293	300	4,466
1989-90														
September	1,203	339	148	r 63	310	395	194	336	540	r 2,325	407	250	405	r 4,590
December	1,224	528	93	r 144	300	375	172	319	589	r 2,521	561	608	r 283	r 5,197
March	1,307	289	10	r 101	213	316	42	188	367	r 1,525	308	186	r -44	r 3,281
June	1,309	r 151	14	r 67	201	368	49	172	375	r 1,397	244	339	r -26	r 3,263
1990-91														
September	1,363	r 283	78	r 110	r 215	323	r -8	r 192	342	r 1,534	r 513	r 171	r -8	r 3,574
December	1,875	r 534	57	r 133	r 181	290	r -65	r 153	r 369	r 1,653	r 625	r 533	r 69	r 4,753
March	r 1,351	r 407	16	r 127	r 146	20	r -96	r 131	218	r 969	-90	r 33	r -173	r 2,091
June	1,333	334	28	97	168	73	-35	126	239	1,030	-204	163	-225	r 2,097
1991-92														
September p	1,221	436	85	151	183	54	-41	209	326	1,403	205	104	49	2,982
APPROXIMATE STANDARD ERRORS														
Quarterly Total	26	11	12	15	10	2	6	18	22	45	26	22	66	101
Quarterly Movement (a)	18	7	10	8	8	2	4	15	12	28	24	16	49	74

(a) Refer to paragraph 24 of the explantory notes.

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

		Manufacturing												
Period	*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*	*Total*
1988-89	6,019	2,527	562	1,699	1,912	3,364	973	2,045	2,973	16,055	3,561	2,381	4,371	32,387
1989-90	8,241	r 2,774	718	r 1,838	1,818	3,184	967	1,949	2,981	r 16,229	3,179	2,657	r 5,077	r 35,383
1990-91	r 9,582	r 3,008	r 505	r 1,950	r 1,494	r 2,177	r 385	r 1,387	r 2,484	r 13,391	r 2,464	r 2,276	r 4,710	r 32,422
1988-89														
September	1,389	605	151	405	480	820	237	496	757	3,950	786	479	1,217	7,821
December	1,417	753	158	498	530	733	185	546	837	4,241	915	898	1,168	8,638
March	1,370	593	110	355	415	803	229	476	611	3,592	849	440	1,100	7,351
June	1,844	576	143	440	486	1,008	323	527	769	4,272	1,011	564	886	8,577
1989-90														
September	1,949	685	249	r 412	495	826	316	565	808	r 4,355	784	531	1,489	r 9,107
December	1,990	903	224	r 478	504	790	278	545	867	r 4,590	982	945	r 1,389	r 9,896
March	2,143	654	127	r 477	407	739	173	418	661	r 3,656	747	497	r 985	r 8,028
June	2,159	r 533	119	r 470	411	829	201	421	645	r 3,628	667	685	r 1,213	r 8,352
1990-91														
September	2,242	r 652	167	r 506	r 406	716	r 140	r 384	686	r 3,657	r 915	r 495	r 1,290	r 8,599
December	2,847	r 901	143	r 534	r 378	656	r 81	r 359	r 711	3,764	r 1,075	r 933	r 1,356	r 9,975
March	r 2,263	r 757	95	r 500	r 328	369	r 43	r 315	525	r 2,933	r 311	r 356	r 984	r 6,847
June	2,230	698	100	410	382	437	120	328	561	3,037	164	492	1,079	7,001
1991-92														
September p	2,119	776	153	467	364	419	112	411	632	3,335	653	401	1,358	7,866
APPROXIMATE STANDARD ERRORS														
Quarterly Total	26	11	12	15	10	2	6	18	22	45	26	22	66	101
Quarterly Movement (a)	18	7	10	8	8	2	4	15	12	28	24	16	49	74

(a) Refer to paragraph 24 of the explantory notes.

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 3,000 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 1989. 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. At least once each year the seasonally adjusted series are revised to take into account the latest available data. The most recent reanalysis of the company profits series takes into account data collected up to and including the June quarter 1991 survey. 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. For this reason, additional care should be exercised when interpreting movements in seasonally adjusted data for more recent quarters.

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 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.

23. 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 September quarter 1991 for company profits before income tax was $885m from a June estimate of $2,097m. The standard error on movement is $66m (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 $819m to $951m). 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 $753m to $1017m).

24. September quarter data reflect changes in the sample of companies surveyed. About 20% of sampled companies are rotated out of the survey in the September quarter and replaced with companies of similar size and activity. The major effect of this rotation is that standard errors of movement for the September quarter tend to be larger than for other quarters. The movement standard errors in Tables 1, 3 and 4 are based on data from a number of quarters and will therefore tend to understate the true standard errors for September quarter movement estimates. Estimates of September quarter movement standard errors are available on request.

25. 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

26. 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

27. 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:

(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 more than 30 persons

(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 Company Profits.

Unpublished data

28. 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

29. 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

30. Current publications produced by the ABS are listed in the *Catalogue of Publications and Products, 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 the Publications Advice are available from any ABS office.

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