



Australian
Chamber of Commerce
and Industry

Business Expectations Survey

Issue 83 December Quarter 2015

Foreword

The Business Expectations Survey is a national survey aggregated from the surveys conducted by member associations of the Australian Chamber of Commerce and Industry. These surveys cover firms in every mainland state, in every industry and of every size. In total, they represent Australia's most comprehensive survey of business expectations.

The data in this survey covers the period October, November and December 2015. There were 3,405 respondents to the survey.

Participating Organisations

This survey is compiled from data collected through individual surveys conducted by members of the Australian Chamber of Commerce and Industry:

Business SA

Tyson Ghergetta
Ph: (08) 8300 0088

Chamber of Commerce and Industry Queensland

Nick Behrens
Ph: (07) 3842 2244

Chamber of Commerce and Industry Western Australia

Dale Leggett
Ph: (08) 9365 7555

NSW Business Chamber

Paul Orton
Ph: (02) 9458 7462

Victorian Automobile Chamber of Commerce

Susie Richards
Ph: (03) 9829 1111

Victorian Chamber of Commerce and Industry

Steven Wojtkiw
Ph: (03) 8662 5453

General Enquiries

Tim Hicks | Senior Manager – Economic Policy
(02) 6270 8000 | tim.hicks@acci.asn.au

Media Enquiries

Jessica Wright | Senior Manager - Media
0439 429 259 | (02) 6270 8000 | jessica.wright@acci.asn.au

ABN 85 008 391 795

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Results at a Glance

	5-year average	Dec 14	Sep 15	Dec 15	Change	Mar 16 (e)
Expected Economic Performance (a)	46.4	45.0	44.6	46.5	^	—
General Business Conditions	44.9	45.5	44.6	45.6	^	48.1
Sales Revenue	48.0	50.3	51.0	52.4	^	57.9
Export Sales	47.1	47.2	49.8	50.4	^	50.4
Wage Growth	61.4	58.4	61.7	63.2	^	59.7
Non-Wage Labour Costs	61.2	58.7	63.5	64.0	^	61.1
Selling Prices	46.3	47.9	46.7	47.2	^	50.8
Profits	40.2	41.9	43.8	44.9	^	51.3
Employment	47.4	47.0	47.9	49.2	^	50.4
Overtime Utilisation	45.0	44.1	46.0	47.7	^	43.5
Investment in Buildings and Structures	44.1	45.0	45.9	48.6	^	48.3
Investment in Plant and Equipment	47.9	47.8	48.7	50.5	^	51.1

(a) Expectation for following 12 months

(e) Expectation for next quarter

About the Survey

Index values are discussed in trend terms.

An index level of 50 indicates an exact balance between those who said the variable is growing and those who said it is declining.

Businesses are asked for their expectations for the Australian economy over the next 12 months compared with the previous 12 months. This provides a reading on the strength of the domestic economy.

The survey asks firms to indicate how their business has performed over the past three months relative to the three months before. There are 11 measures: Business Conditions, Sales/Revenue, Export Sales, Wages, Non-Wage Labour Costs, Selling Prices, Profits, Employment, Overtime, Investment in Buildings and Structures, and Investment in Plant and Equipment.

Firms are also asked how they believe their business will perform over the next three months compared with the previous three months. This is reflected in expectations indices.

Several survey questions are segmented by size of business: small firms (fewer than 20 employees), medium firms (20 to 99 employees) and large firms (100 or more employees).

Each survey reading is calculated by taking a weighted sum of the proportion of responses in each answer grouping to form an index between 0 and 100.

Answers are grouped according to the strength of conditions. The strongest answer grouping is given a weighting of one and the weakest is given a weighting of zero.

If all respondents place their answer in the strongest grouping the index would be 100. If they all opted for the weakest grouping the index would be 0.

If n is the number of response categories, $prop_i$ is the proportion of responses in a given category (out of 100) and i is the response category (ordered from 1 = strongest to n = weakest), then the formula for the index is:

$$Index = \sum_{i=1}^n prop_i \left(\frac{n-i}{n-1} \right)$$



Strong sales translating into increased investment

The December Quarter results from the *Australian Business Expectations Survey*, Australia's largest quarterly business survey, show an accelerating recovery in business conditions and confidence, with all indicators now at or above their five-year average and measures of sales and investment performing particularly strongly.

Overall business sentiment regarding Australia's *Expected Economic Performance* (p.3) came in near the five-year average, at 46.5, having improved for three consecutive quarters. Perceptions of *General Business Conditions* (p.3) also strengthened for the second consecutive quarter, coming in well above the five-year average, at 45.6.

Sales Revenue (p.4), the strongest component of business performance, pushed further into expansionary territory, to 52.4, following two years of almost uninterrupted improvements. *Export sales* (p.4) have followed a similar pattern, edging into positive territory at 50.4. *Profits* (p.6) have also risen rapidly, but remain relatively weak in absolute terms, at 44.9.

Against this backdrop business are boosting investment, with *Investment in Plant and Equipment* (p.8) rising for the third consecutive quarter, to 50.5, followed closely by *Investment in Buildings and Structures* (p.8), which jumped 2.7 points to 48.6.

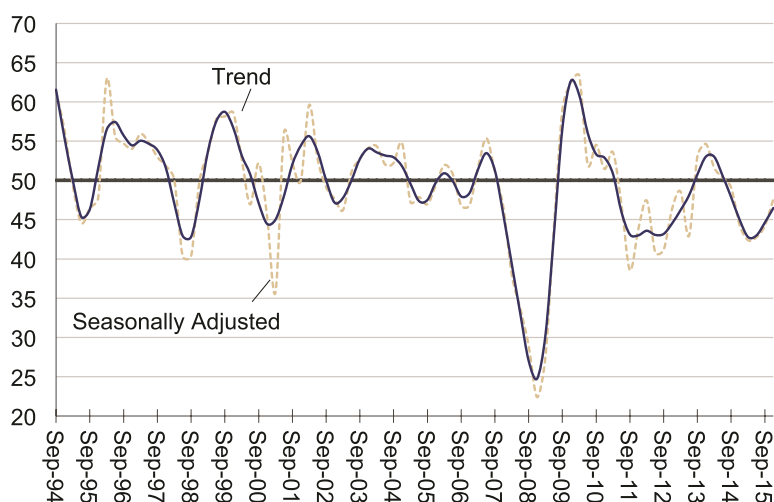
Businesses are also expanding their payroll, with *Employment* (p.7) rising close to neutral, at 49.2, and continuing increases in *Overtime Utilisation* (p.7), rising to 47.7.

The strengthening labour market continues to translate into cost pressures, with significant increases in the December quarter pushing *Wage Growth* (p.5) and *Non-Wage Labour Costs* (p.5) even further above their five-year average. In contrast, *Selling Prices* (p.6) is the only indicator that has fallen over the past 12 months.

Expected Economic Performance (a)

	Dec 2014	Sept 2015	Dec 2015
Much stronger	0.7%	0.9%	1.2%
Somewhat stronger	19.8%	20.0%	23.3%
About the same	40.6%	43.3%	46.6%
Somewhat weaker	35.7%	31.2%	24.2%
Much weaker	3.2%	4.6%	4.6%
Original Index	44.8	45.4	48.1
Seasonally Adjusted Index	44.3	44.2	47.6
Trend Index	45.0	44.6	46.5

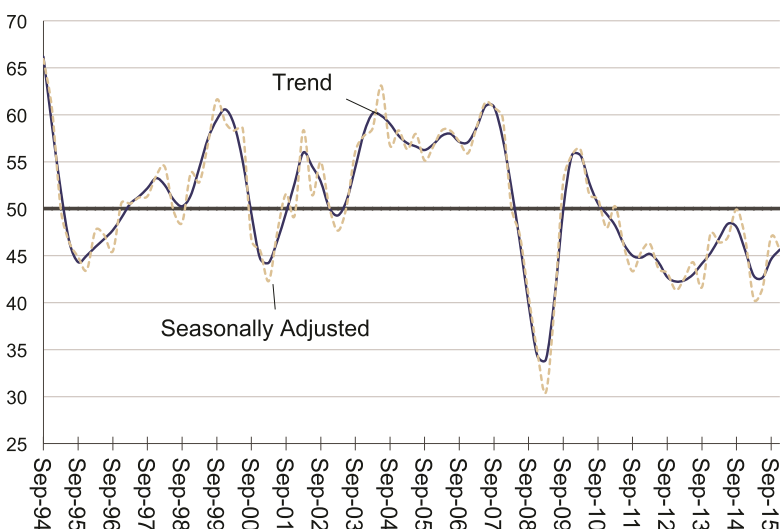
(a) Expectation for following 12 months



General Business Conditions

	Sept 2015	Dec 2015	March 2016 (e)
Up	18.7%	16.9%	15.3%
Same	57.3%	63.9%	67.7%
Down	24.0%	19.2%	17.0%
Original Index	47.4	48.8	49.1
Seasonally Adjusted Index	47.0	45.7	50.4
Trend Index	44.6	45.6	48.1

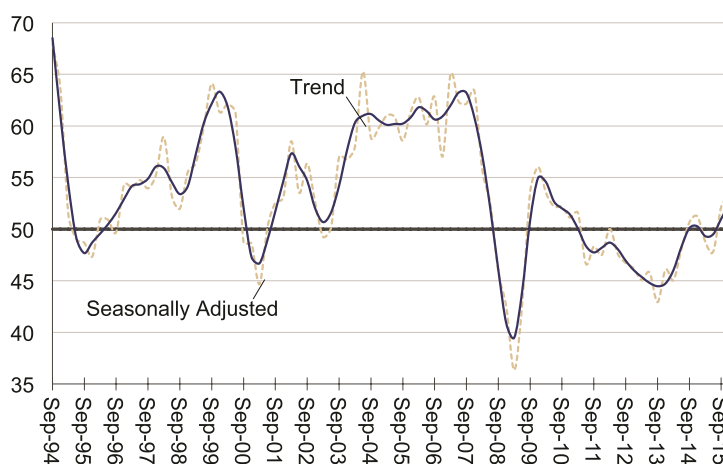
(e) Expectation for next quarter



Sales Revenue

	Sept 2015	Dec 2015	March 2016 (e)
Up	32.6%	38.5%	38.5%
Same	40.9%	37.7%	40.9%
Down	26.5%	23.8%	20.6%
Original Index	53.0	57.3	58.9
Seasonally Adjusted Index	52.2	53.1	61.7
Trend Index	51.0	52.4	57.9

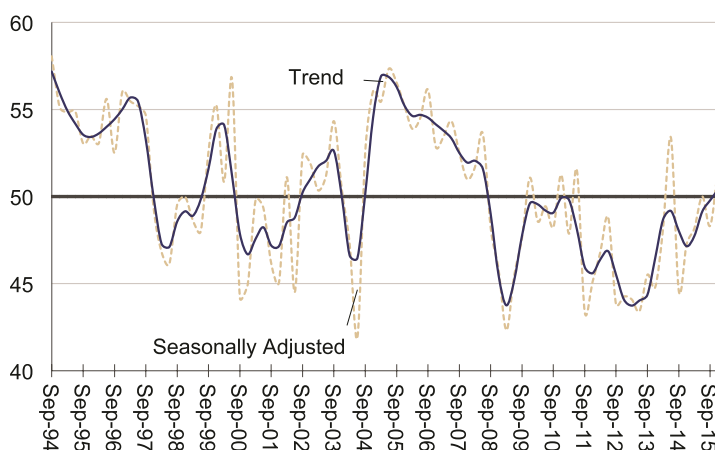
(e) Expectation for next quarter



Export Sales

	Sept 2015	Dec 2015	March 2016 (e)
Up	11.1%	15.7%	12.3%
Same	75.3%	75.2%	80.2%
Down	13.7%	9.1%	7.5%
Original Index	48.7	53.3	52.4
Seasonally Adjusted Index	48.3	51.5	53.2
Trend Index	49.8	50.4	50.4

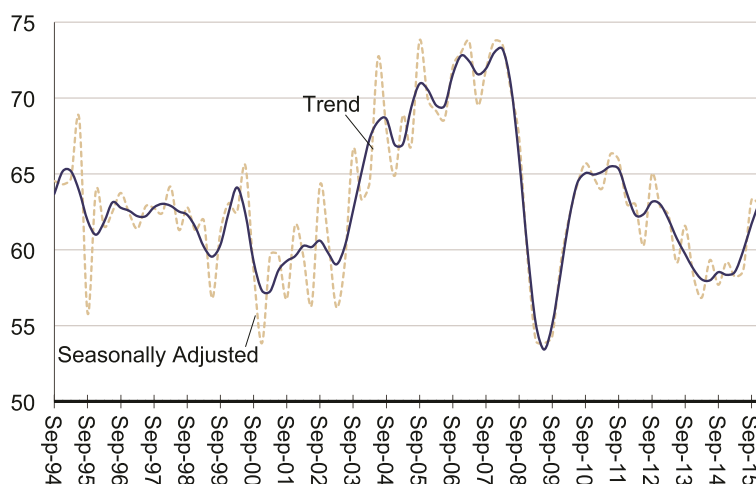
(e) Expectation for next quarter



Wage Growth

	Sept 2015	Dec 2015	March 2016 (e)
Up	36.0%	31.7%	24.1%
Same	56.5%	63.1%	69.7%
Down	7.5%	5.2%	6.2%
Original Index	64.2	63.2	59.0
Seasonally Adjusted Index	63.3	63.0	60.5
Trend Index	61.7	63.2	59.7

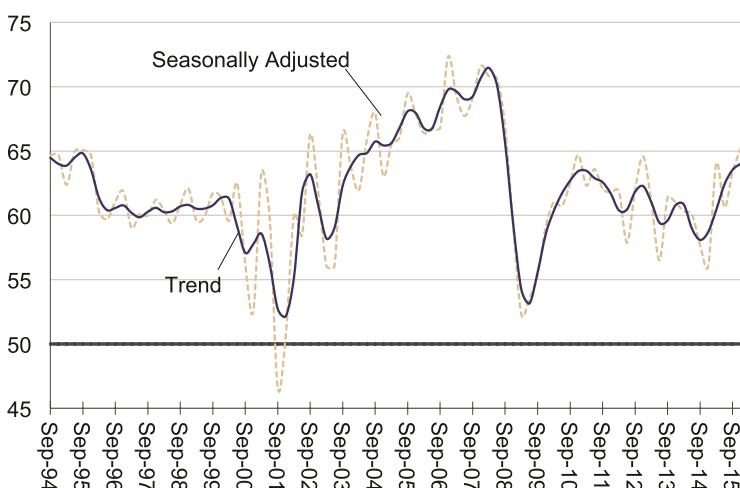
(e) Expectation for next quarter



Non-Wage Labour Costs

	Sept 2015	Dec 2015	March 2016 (e)
Up	36.6%	35.9%	29.1%
Same	56.3%	57.5%	62.1%
Down	7.1%	6.6%	8.8%
Original Index	64.8	64.7	60.2
Seasonally Adjusted Index	63.4	65.2	62.4
Trend Index	63.5	64.0	61.1

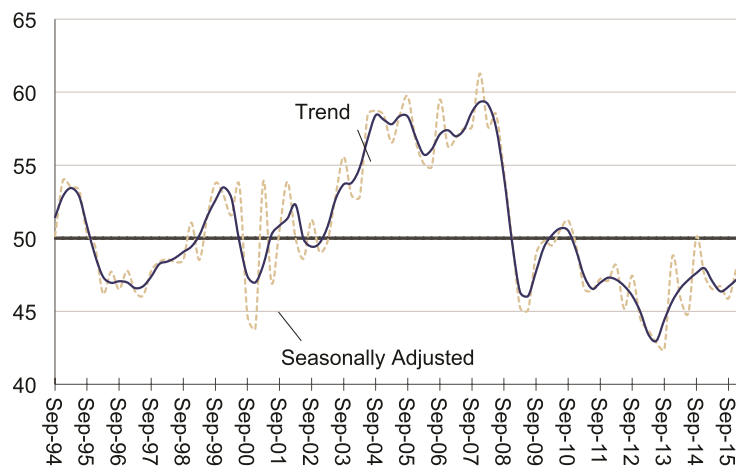
(e) Expectation for next quarter



Selling Prices

	Sept 2015	Dec 2015	March 2016 (e)
Up	16.7%	14.0%	17.8%
Same	59.8%	68.9%	69.8%
Down	23.5%	17.1%	12.4%
Original Index	46.6	48.5	52.7
Seasonally Adjusted Index	45.9	48.0	53.1
Trend Index	46.7	47.2	50.8

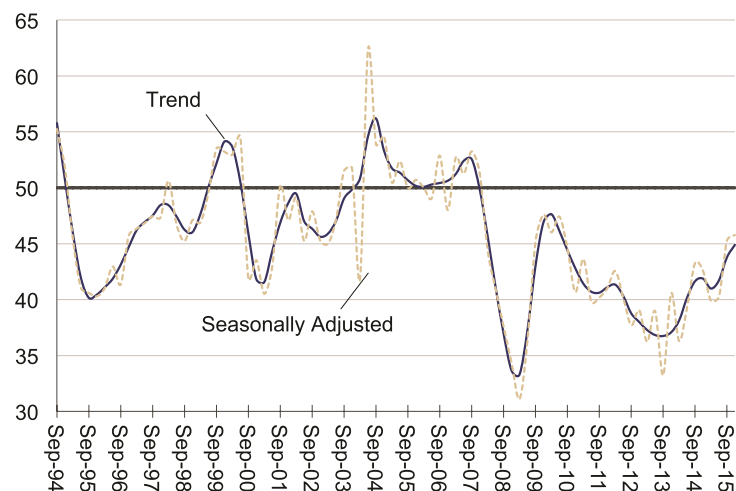
(e) Expectation for next quarter



Profits

	Sept 2015	Dec 2015	March 2016 (e)
Up	24.9%	29.7%	30.9%
Same	41.7%	38.9%	43.5%
Down	33.4%	31.3%	25.7%
Original Index	45.8	49.2	52.6
Seasonally Adjusted Index	45.3	45.8	54.4
Trend Index	43.8	44.9	51.3

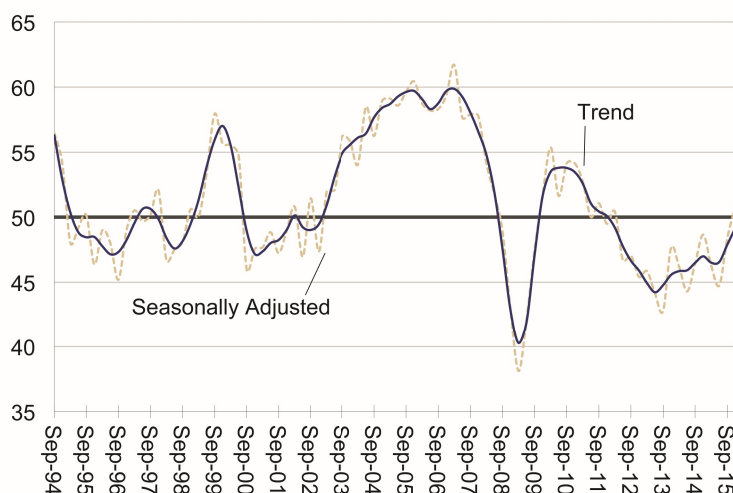
(e) Expectation for next quarter



Employment

	Sept 2015	Dec 2015	March 2016 (e)
Up	17.3%	21.9%	21.4%
Same	62.3%	61.2%	62.8%
Down	20.4%	17.0%	15.8%
Original Index	48.4	52.4	52.8
Seasonally Adjusted Index	48.4	50.8	53.1
Trend Index	47.9	49.2	50.4

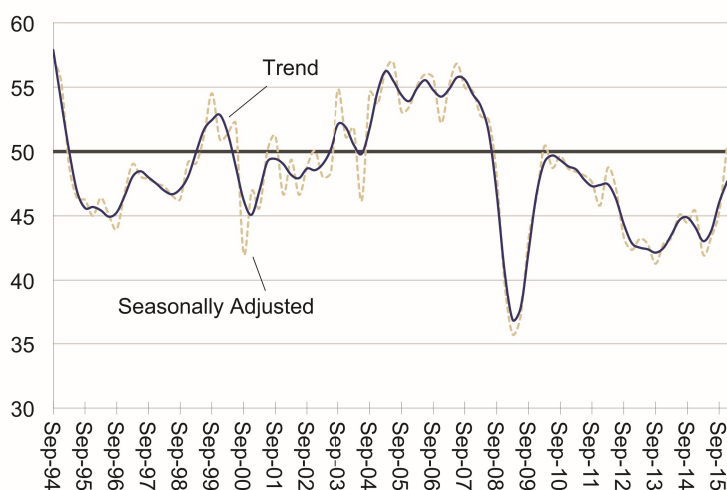
(e) Expectation for next quarter



Overtime Utilisation

	Sept 2015	Dec 2015	March 2016 (e)
Up	18.4%	23.7%	13.8%
Same	53.8%	60.0%	64.5%
Down	27.8%	16.3%	21.7%
Original Index	45.3	53.7	46.1
Seasonally Adjusted Index	45.3	50.5	47.2
Trend Index	46.0	47.7	43.5

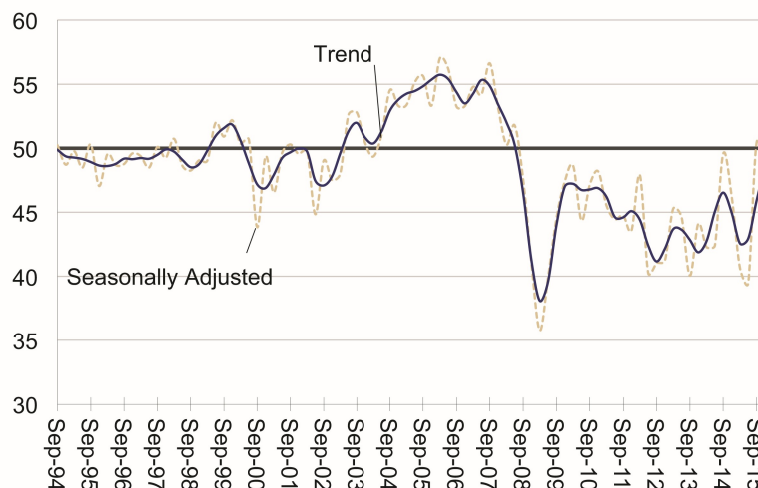
(e) Expectation for next quarter



Investment in Buildings and Structures

	Sept 2015	Dec 2015	March 2016 (e)
Up	20.0%	15.3%	13.0%
Same	60.8%	66.2%	69.9%
Down	19.3%	18.4%	17.0%
Original Index	50.4	48.5	48.0
Seasonally Adjusted Index	50.4	47.3	47.9
Trend Index	45.9	48.6	48.3

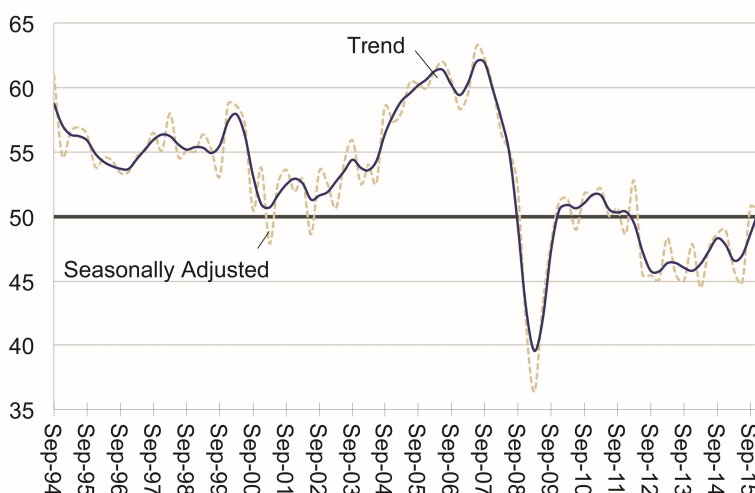
(e) Expectation for next quarter



Investment in Plant and Equipment

	Sept 2015	Dec 2015	March 2016 (e)
Up	25.4%	23.6%	23.3%
Same	50.5%	56.1%	57.3%
Down	24.1%	20.3%	19.4%
Original Index	50.7	51.6	52.0
Seasonally Adjusted Index	50.8	50.2	52.4
Trend Index	48.7	50.5	51.1

(e) Expectation for next quarter



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