

Quarterly Agribusiness Survey – December Quarter, 2002

Overview

The results of the National's latest Quarterly Agribusiness Survey indicated that agribusiness conditions remained weak in the December quarter – especially in retail and wholesale segments of agribusiness. Moreover, agribusiness conditions remained significantly poorer than that for the non-farm business sector as a whole, where business conditions remained unchanged at the strongest level for three years, largely underpinned by strength in domestic-focused sectors. Despite some improvement due to some temporary/seasonal influences, respondents expect weaker agribusiness conditions in the March quarter 2003.

Within the components of the Agribusiness Composite Index, trading and profitability improved, while firms continued to shed labour. Profitability remained poor, however, consistent with weak trading conditions, export sales and a further, albeit smaller fall in sales margins. The latter was consistent with a modest rise in final prices of agriproducts, but larger increases in purchase, overheads and labour costs.

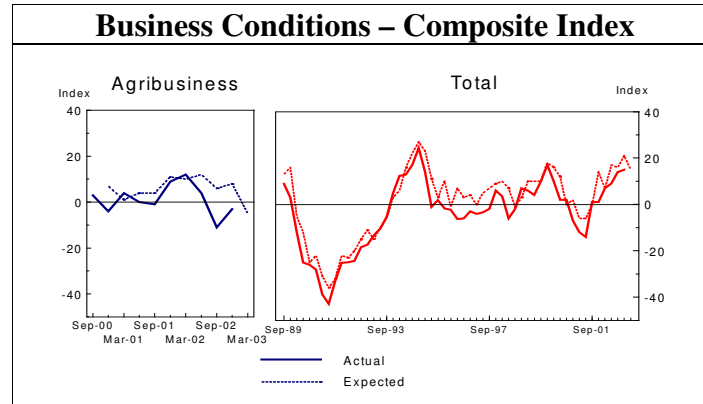
Agribusiness confidence deteriorated significantly further in the December quarter. The Agribusiness Confidence Index fell 5 points to an index of -6.8 points to also remain well below overall confidence in the non-farm business sector as a whole (index of +6.6 points). The fall in business confidence for agribusiness reflects concerns regarding the availability of rural inputs as a result of the drought as well as continued fears about the impact of the uncertain global economic outlook on demand and profitability. With the impact of the drought intensifying and widening across sectors during the December quarter, business confidence for most sectors upstream to agribusiness (that is, suppliers of commodities to agribusiness) deteriorated significantly further in the December quarter to very poor levels. By sector, the largest falls in the December quarter were reported by cotton (down 23 points to an index of -44 points), wheat (down 22 points to -22 points), wool (down 21 points to -21 points), farm equipment (down 21 points to -46 points) and, to a lesser extent, other crops such as fruit, vegetables & fodder (down 12 points to -20 points), farm chemicals (down 8 to -26 points) and dairying (down 7 points to -40 points). On the other hand, business confidence improved for wine (up 21 points to an index of 5 points) and sugar (up 16 points to -10 points) – possibly reflecting the favourable impact of the drought on production yields and quality. Nevertheless, only wine has a slightly positive outlook in the near term.

In addition to near term views, longer-term expectations for all components of business conditions in the next twelve months were also scaled back significantly, especially expectations for output/sales. As for the factors most likely to constrain profitability in the next twelve months, demand remained the most cited factor by 44% of respondents, but there was a significant rise in the proportion of respondents citing “other factors” (from 13 to 22%). Not surprisingly, the most nominated factor under “other” was the impact of the drought on the availability and price of inputs. Only 1% of respondents cited a higher \$A

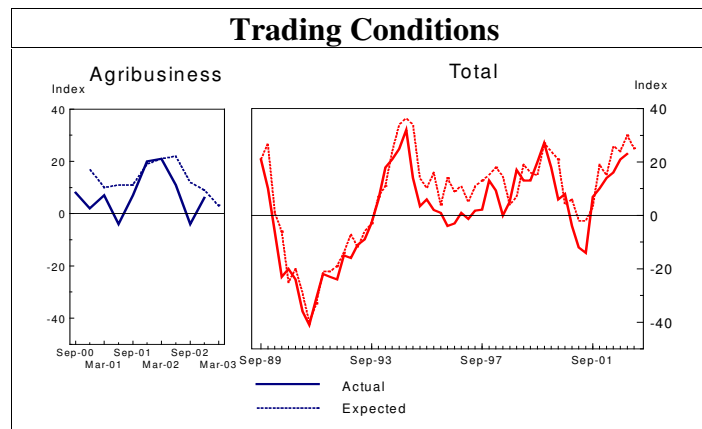
Other key developments for agribusiness in the December quarter included:

- *export sales (mainly manufactured agri-products) improved, but remained weak and well short of expectations reported in the previous survey. That said, respondents expect a further moderate improvement in export sales in the March quarter 2003;*
- *forward orders fell were down slightly and stocks remained at a high level;*
- *consistent with poor trading conditions, capacity utilisation edged fell further (down a percentage point to 78.5%) to be well below the corresponding figure of over 82% for the non-farm business sector as a whole. Reflecting the impact of the drought, more respondents nominated the availability of materials as a major factor constraining output;*
- *actual capital spending rebounded, after falling in the previous quarter. On the other hand, reflecting deteriorating business confidence and low levels of capacity utilisation, capital spending plans for the next 12 months were downgraded significantly;*
- *a special question as to the expected value of the Australian dollar against the US dollar in the next six months. Taken in late November/early December, respondents revised up their expectations for the \$A to 57.2 US cents (55.9 US cents previously); and*
- *some special questions regarding their hedging practices. Net exporters within agribusiness reported a reduction in their level of hedging to 42.1% (51.3% previously) and a slight increase in the term of contracts to 6.8 months.*

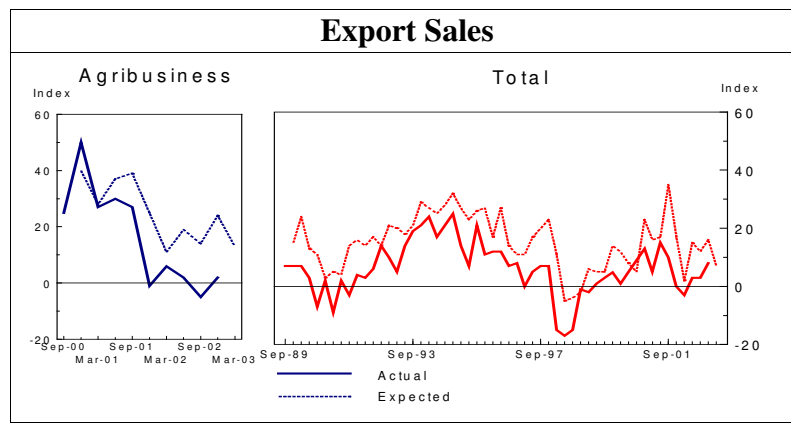
- Despite some improvement due to some temporary/seasonal influences, **Agribusiness conditions** remained weak in the December quarter. Indeed, respondents expect weaker business conditions in the March quarter 2003. The Composite Index rose 8 points to an index of -3 points to be well below expectations of 8 index points reported in the previous Survey. Business conditions in agribusiness remain significantly weaker than total industry. The business sector as a whole reported unchanged business conditions at an index of 15 points in the December quarter - the highest level for three years - largely reflecting strength in mainly domestic-focused sectors. As mentioned previously, agribusiness respondents expect business conditions to ease back in the March quarter 2003 to an index of -5 points - well below expectations reported in the previous survey. As for total industry, business conditions appear to be topping out with respondents expecting unchanged conditions in the March quarter 2003.



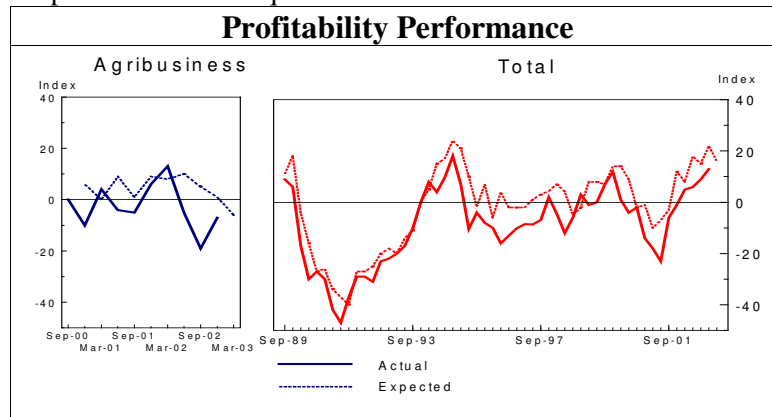
- Trading conditions** for agribusiness strengthened significantly in the December quarter, partly reflecting seasonal influences given a large portion of the respondents are manufacturers (especially food & beverage), wholesalers and retailers. The Trading Conditions Index rose 10 points to an index of 6 points, slightly below expectations of 9 index points reported in the previous survey. Nevertheless, the level of trading conditions for agribusiness remained well below total industry, which reported a further moderate improvement to an index of 25 points. Notwithstanding the marked improvement in the December quarter, agribusiness respondents expect trading conditions to ease back to an index of 3 points in the March quarter 2003. Total industry expects trading conditions to edge up marginally to an index of 25 points in the next quarter.



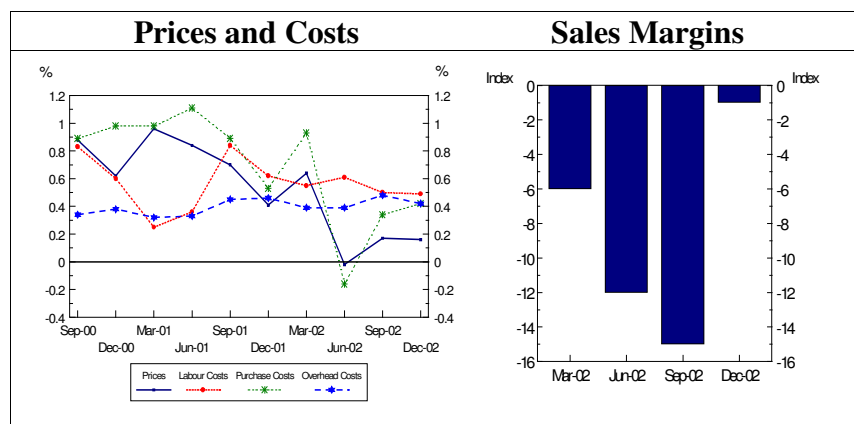
- Agribusiness **exports sales** (largely manufactured agri-products) improved, but remained relatively subdued in the December quarter. The Export Sales Index rose 7 points to an index of 2 points in the December quarter, as actual outcomes continued to fall well short of expectations (see chart below). Export sales for total industry also improved in the latest survey with the Export Sales Index rising 5 points to an index of 8 points. **Forward orders of export sales** for agribusiness also increased albeit are still subdued - rising 7 points to an index of only 2 points. Agribusiness respondents revised down their expectations of export sales to 11 points for the March quarter 2003. On the other hand, total industry expects export sales to remain largely unchanged at an index of 7 points in the next quarter.



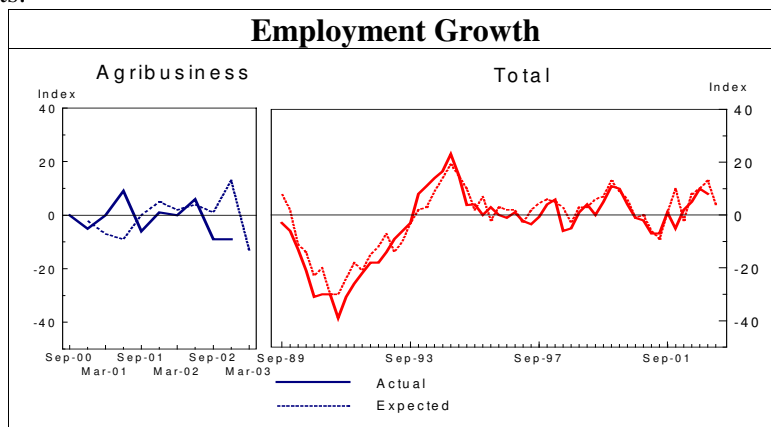
- Profitability** also picked up significantly in the December quarter, reflecting stronger trading conditions as well as less of a contraction in sales margins (see below for more details). The Profitability Index rose 12 points to an index of -7 points, albeit, below expectations of an index point reported in the previous Survey. That said, profitability for agribusiness remained well below the level for total industry, which reported a further and larger improvement in profits to an index of 13 points. Agribusiness respondents expect profitability to remain largely unchanged at an index of -6 points in the March quarter 2003. Total industry expects profitability to rise moderately further by 3 points to an index of 16 points in the next quarter.



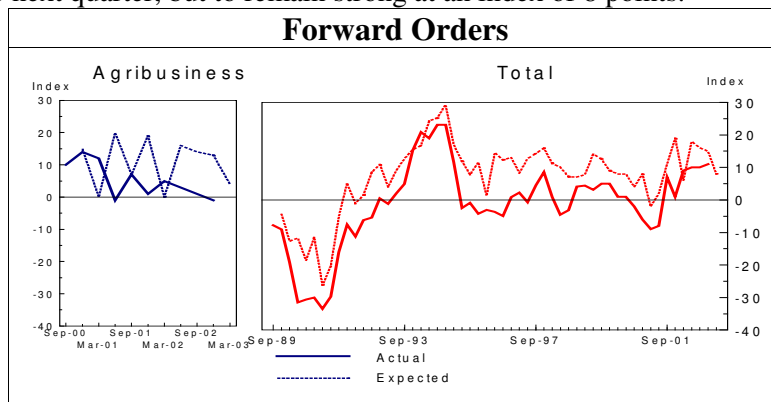
- Sales margins** fell by a smaller amount in the December quarter, consistent with modest growth in final prices, but larger increases in purchase, overheads and labour costs (see charts below). The Sales Margins Index rose 14 points to an index of -1 point in the December quarter, following significantly lower margins in the previous few quarters. While the **price of final products** rose less than 0.2% for the third consecutive quarter, agribusiness respondents expect prices to pick-up to a rise of 0.5% in the March quarter 2003. Likely reflecting the sharp increase in the price of some rural products associated with the drought, **purchase costs** picked up somewhat – rising 0.3% and 0.4% in the previous two quarters, respectively. **Labour costs** remained moderate, rising 0.5% in the December quarter much the same rate as reported during the past year. That said, agribusiness respondents expect labour costs to ease in the March quarter 2003, rising by 0.2%. Increases in **overhead costs** also remained modest, rising by 0.4%. Respondents expected rises in overhead costs to ease to only 0.2% in the March quarter 2003.



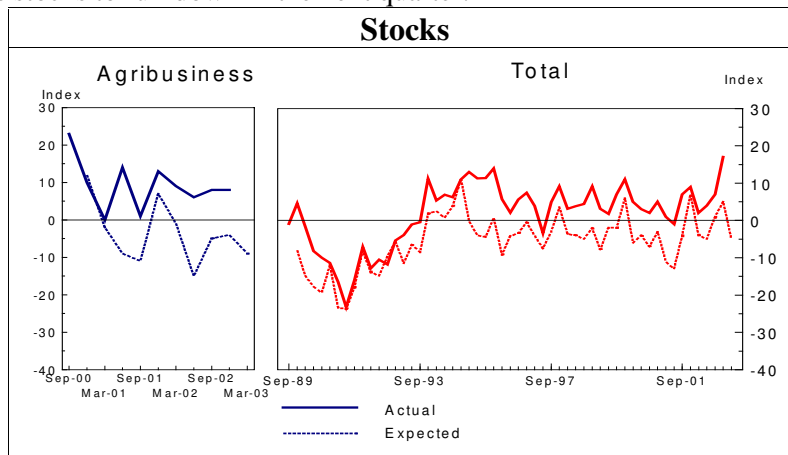
- Agribusiness reportedly shed further jobs in the December quarter. **The Employment Index** remained at an index of -9 points in the December quarter, significantly weaker than expectations of 13 index points reported in the previous survey. In contrast, employment conditions for total industry was considerably stronger at an index of 8 points. Agribusiness respondents anticipate a further moderate reduction in employment in the March quarter 2003, with the Employment Index expected to ease 4 points to an index of -13 points. In contrast, total industry expects some moderation in job gains in the next quarter, with the Employment Conditions Index anticipated to moderate 4 points to an index of 4 points.



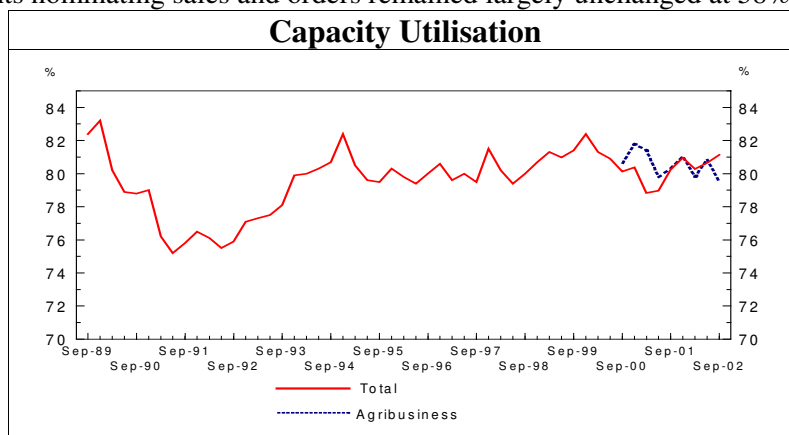
- Forward orders** for agribusiness fell slightly in the December quarter. The Forward Orders Index fell 2 points to an index of -1 point, albeit well short of expectations of 13 index points reported in the previous survey. In contrast, forward orders for total industry increased strongly (index of 11 points) for the fourth consecutive quarter. Agribusiness respondents expect forward orders to increase in the March quarter 2003, with the Forward Orders Index expected to rise by 5 points to an index of 4 points. On the other hand, total industry anticipates forward orders to ease slightly in the next quarter, but to remain strong at an index of 8 points.



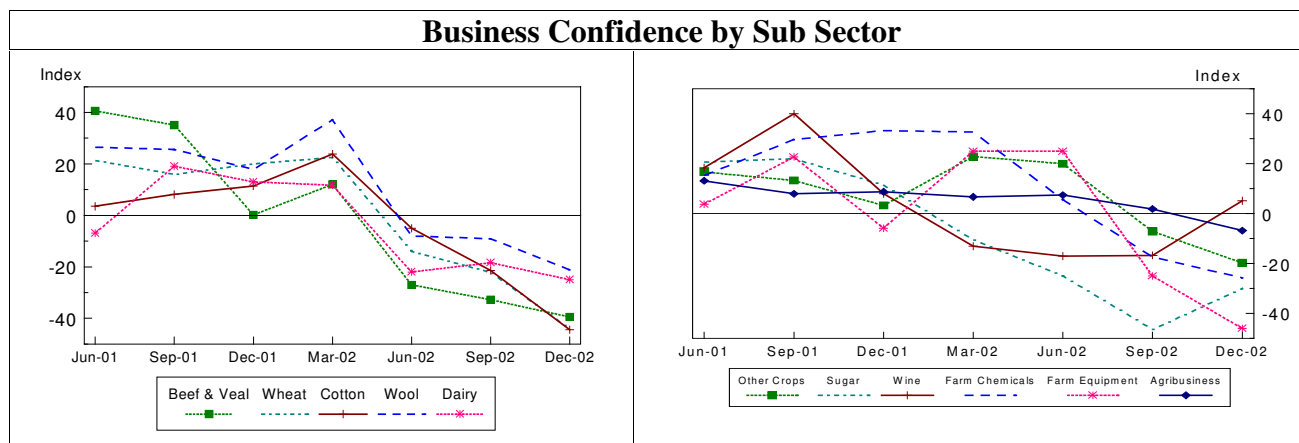
- Agribusiness stocks** continued to be run-up in the December quarter, with the Stock Index unchanged at 8 index points. Total industry also reported a significant run-up in stocks (index of 17 points), largely reflecting a seasonal build-up in the retail and wholesale sectors. Agribusiness respondents expect stocks to run-down significantly in the March quarter 2003, with the Stock Index expected to fall by 17 index points to an index of -9 points. In contrast, total industry expects stocks to run-down in the next quarter.



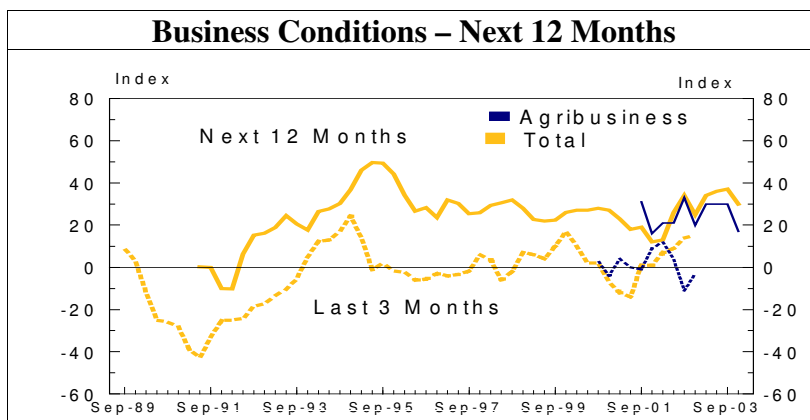
- Actual **capital spending** partly rebounded in the December quarter, after falling in the previous quarter. The Capital Expenditure Index for the Last 3 Months rose 10 points to an index of 7 point, albeit well below expectations of 25 index points reported in the previous survey. Agribusiness respondents scaled back significantly their expectations for capital spending to only 2 points for the March quarter 2003. (More details on the 12 month outlook appear below).
- Consistent with poor trading conditions as well as further tightening in the availability of materials/inputs, **capacity utilisation by agribusiness** edged down further in the December quarter (down a percentage point to 78.5%). In contrast, capacity utilisation for total industry edged higher (albeit partly seasonal) rising percentage point to 82.1% - around the highest rate in three years. Reflecting the impact of the drought, there was a further increase in the number of respondents nominating the availability of materials as a major factor constraining output up to 36% (23% previously). There was also a rise in the number of respondents nominating the availability of suitable labour to 38% (30% previously). On the other hand, fewer respondents cited premises and plant at 29% (33% previously), while the number of respondents nominating sales and orders remained largely unchanged at 58%.



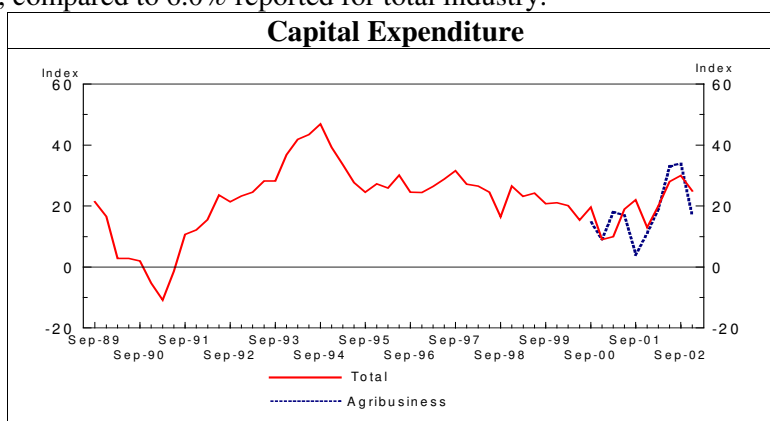
- **Agribusiness confidence** deteriorated further in the December quarter. The Agribusiness Confidence Index fell 5 points to an index of -6.8 points to remain well below overall confidence in the non-farm business sector as a whole (index of 6.6 points). The fall in business confidence for agribusiness likely reflects concerns regarding the availability of rural inputs as a result of the drought as well as continued fears about the impact of the uncertain global economic outlook on demand and profitability. With the impact of the drought intensifying and widening across sectors during the December quarter, business confidence for most sectors upstream to agribusiness (that is, suppliers of commodities to agribusiness) deteriorated significantly further in the December quarter. By sector, the largest falls in the December quarter were reported by cotton (down 23 points to index of -44 points), wheat (down 22 points to -22 points), wool (down 21 points to -21 points), farm equipment (down 21 points to -46 points) and, to a lesser extent, other crops such as fruit, veg & fodder (down 12 points to -20 points), farm chemicals (down 8 to -26 points) and dairying (down 7 points to -40 points). On the other hand, business confidence improved for wine (up 21 points to an index of 5 points) and sugar (up 16 points to an index of -10 points) – possibly reflecting the favourable impact of the drought on production yields and quality. Nevertheless, only wine has a slightly positive outlook in the near term.



- **Twelve-month expectations of business conditions** were scaled back significantly (down 13 points to an index of 17 points) in the December quarter. All components of the Composite Index were downgraded, with expectations for output/sales (down 25 points to an index of 29 points) and to a lesser extent profitability (down 7 points to an index of 23 points) and employment (down 11 points to an index of zero). As for the factors cited as most likely to constrain profitability over the next twelve months, a smaller proportion of respondents cited demand at 44% (49% previously) and only 1% nominated too high an exchange rate (6% previously). On the other hand, more respondents cited other factors at 22% (13% previously). Not surprisingly, the most cited factor under “other” was the impact of the drought on the availability and price of inputs.



- Capital spending plans for the next 12 months were also downgraded significantly. The **12 Month Capital Expenditure Index** fell 17 points to an index of 17 point to below that reported for total industry (25 index points). In quantitative terms, agribusiness respondents expected to increase capital spending by 5.7% (7.7% previously) in the next financial year, compared to 6.0% reported for total industry.



- Respondents were again asked a special question as to the expected value of the **Australian dollar** against the US dollar in the next six months. Reflecting the strengthening of the \$A/\$US in the December quarter, respondents revised up their expectations for the exchange rate. Taken in late November/early December, agribusiness respondents on average expected the exchange rate to be at 57.2 US cents in six months, compared to 55.9 US cents reported in the previous Survey.
- Respondents were also asked some special questions regarding their **hedging** practices. In the December quarter, the majority of agribusiness respondents were net exporters (41%), net importers (24%) and traded within Australia only (35%). Net exporters within agribusiness reported a reduction in their level of hedging to 42.1% (51.3% previously). As for the term of hedging, net exporters within agribusiness reported a slight increase in its term of hedging contracts to 6.8 months (6.1 months previously). Finally, respondents were asked if their current hedging position was favourable vis-à-vis the current exchange rate. Agribusiness respondents reported a further marked deterioration in their hedging position, down 12 points to an index of 0 points. (figures different to table).

See the statistical appendix for more details. Section 1 provides some time series for responses to the main questions. Section 2 reports the business confidence results across sub-sectors. Section 3 reports the business outlook for twelve months by component, while Section 4 reports the results of our special questions.

SECTION 1 - NATIONAL RESULTS

AGRIBUSINESS

ALL INDUSTRIES

TOTAL

	Sep Qtr 2002 Actual Experience %	Dec Qtr 2002 Actual Experience %	Prev Survey Outlook %	Mar Qtr 2003 Outlook %	Dec Qtr 2002 Actual Experience %
1. Business Confidence					
Significant Improvement	3	2	5	5	3
Minor Improvement	21	26	30	31	30
No Change	29	31	40	43	47
Minor Deterioration	34	38	14	18	18
Significant Deterioration	14	13	11	14	2
Index (a)	-17.5	-11.5	1.9	-6.8	6.60
2. Business Conditions					
Very poor	4	4	1	3	1
Poor	28	23	20	24	13
Satisfactory	46	47	51	50	57
Good	18	22	27	19	26
Very good	4	2	1	3	3
Index (a)	-11	-3	8	-5	15
3. Trading					
Very poor	3	5	1	4	1
Poor	26	18	20	21	10
Satisfactory	46	48	49	47	52
Good	20	25	29	24	32
Very good	5	4	1	4	4
Index (a)	-4	6	9	3	25
4. Profitability					
Very poor	9	7	1	3	1
Poor	34	28	24	24	13
Satisfactory	33	35	48	51	53
Good	18	25	24	17	28
Very good	6	3	3	4	3
Index (a)	-19	-7	1	-6	16
5. Employment					
Much less	1	1	0	2	0
Less	24	24	16	28	15
Unchanged	59	59	55	52	65
More	16	16	29	17	19
Much more	0	0	0	1	1
Index (a)	-9	-9	13	-13	4
6. Forward Orders					
Much less	0	1	0	2	0
Less	15	24	9	28	15
Unchanged	33	59	34	52	65
More	16	16	21	17	19
Much more	0	0	0	1	1
Index (a)	1	-9	13	-13	4
7. Stocks					
Much less	4	2	3	2	1
Less	18	17	25	17	20
Unchanged	43	43	41	43	41
More	28	25	24	25	15
Much more	1	2	0	11	1
Index (a)	8	8	-4	8	-5

8. Export Sales

Much less	0	4	0	6	1
Less	27	21	12	13	15
Unchanged	51	48	51	48	62
More	22	27	31	31	21
Much more	0	0	6	2	1
Index (a)	-5	2	24	13	17

9. Capital Expenditure

Much less	3	3	5	3	3
Less	21	15	14	23	14
Unchanged	54	56	36	45	49
More	15	3	39	22	27
Much More	6	1	5	6	5
Index (a)	-3	7	25	2	15

10. Total Labour Costs

3% or more	5	7	9	5	7
2% to less than 3%	6	6	8	3	7
1.5% to less than 2%	4	2	3	7	3
1% to less than 1.5%	10	8	8	3	6
0.5% to less than 1%	14	15	10	11	9
Less Than 0.5%	3	2	8	3	55
No change	48	51	45	53	1
Less Than -0.5%	3	2	4	1	1
-0.5% to less than -1%	1	0	4	3	1
-1% to less than -1.5%	0	0	0	1	1
-1.5% to less than -2%	4	1	0	1	1
-2% to less than -3%	1	1	1	1	1
-3% or more	1	4	0	6	1
Average Change % (a))	0.50	0.49	0.67	0.21	0.55

11. Purchase Costs

3% or more	9	9	8	8	3
2% to less than 3%	4	4	4	4	4
1.5% to less than 2%	6	3	4	4	5
1% to less than 1.5%	8	10	9	9	7
0.5% to less than 1%	9	10	11	11	12
Less Than 0.5%	11	3	14	14	8
No change	36	46	43	43	53
Less Than -0.5%	1	1	0	0	1
-0.5% to less than -1%		3	2	1	1
-1% to less than -1.5%	1	2	3	3	0
-1.5% to less than -2%	4	0	0	0	0
-2% to less than -3%	4	3	1	1	0
-3% or more	5	5	4	4	0
Average Change % (a)	0.34	0.42	0.47	0.47	0.44

12. Overheads

3% or more	1	3	1	3	2
2% to less than 3%	5	5	3	1	2
1.5% to less than 2%	9	1	5	1	5
1% to less than 1.5%	8	5	6	5	5
0.5% to less than 1%	14	19	8	14	11
Less Than 0.5%	6	8	9	5	9
No change	51	51	56	63	60
Less Than -0.5%	3	1	4	1	1
-0.5% to less than -1%	1	1	1	3	2
-1% to less than -1.5%	0	2	3	0	1
-1.5% to less than -2%	0	0	3	1	0
-2% to less than -3%	0	2	0	1	1
-3% or more	1	0	1	2	1
Average Change % (a)	0.48	0.42	0.22	0.20	0.25

13. Price of Final Products

3% or more	5	5	4	6	4
2% to less than 3%	5	3	8	7	5
1.5% to less than 2%	3	1	1	2	2
1% to less than 1.5%	3	6	9	4	5
0.5% to less than 1%	10	8	11	11	8
Less Than 0.5%	6	4	8	4	4
No change	53	57	48	57	64
Less Than -0.5%	3	2	4	1	1
-0.5% to less than -1%	3	5	3	4	2
-1% to less than -1.5%	1	1	0	0	2
-1.5% to less than -2%	1	0	0	0	1
-2% to less than -3%	3	1	4	1	0
-3% or more	5	5	1	1	1
Average Change % (a)	0.17	0.16	0.41	0.52	0.38

14. Sales Margins

Much Less	0	2	0	5	2
Less	28	21	14	15	21
Unchanged	56	54	60	57	54
More	13	22	23	21	22
Much More	0	0	0	1	0
Index (a)	-15	-1	9	2	-1

AGRIBUSINESS**ALL INDUSTRIES
TOTAL**

	Sep Qtr 2002 Actual Experience %	Dec Qtr 2002 Actual Experience %	Dec Qtr 2002 Actual Experience %
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15. Current Output Level

Full capacity	16	15	14
90% of full capacity	16	17	26
80% of full capacity	33	30	33
70% of full capacity	21	24	16
60% of full capacity	9	7	5
Below 60% full capacity	5	7	3
Don't know/ not applicable	0	0	3
National Capacity Utilisation Rate (%)	79.50	78.5	82.1

16. To What Extent Are These Factors Constraining Output**(a) Premises and plant**

Significant constraint	9	10	10
Minor constraint	24	19	21
No constraint	63	65	61
Not applicable	5	6	9

(b) Availability of suitable labour

Significant constraint	9	10	11
Minor constraint	21	28	33
No constraint	56	59	52
Not applicable	6	2	4

(c) Sales and orders

Significant constraint	21	35	28
Minor constraint	38	23	29
No constraint	36	35	37
Not applicable	5	6	6

(d) Availability of materials

Significant constraint	15	13	5
Minor constraint	18	23	19
No constraint	56	54	57
Not applicable	11	10	19

17. Anticipated capital expenditure (Next 12 months)

Decline strongly	9	8	6
Decline moderately (by less than 5%)	9	14	9
Remain steady	30	40	44
Increase moderately (by less than 5%)	29	27	27
Increase strongly	23	11	13
Not applicable/ Don't know	0	0	0
Index (a)	34	17	25

SECTION 2 – SUB-SECTOR RESULTS

Business Confidence

	Beef & Veal	Wheat	Cotton	Wool	Dairy	Other Crops (fruit, veg, fodder)	Sugar	Wine	Farm Chemicals	Farm Equipment
Significant Improvement	1	3	0	2	0	3	0	2	1	0
Minor Improvement	9	5	7	9	7	7	1	9	13	7
No Change	8	8	2	8	10	11	13	10	7	8
Minor Deterioration	11	10	9	7	14	13	11	6	7	9
Significant Deterioration	19	22	13	11	6	9	3	2	15	18
Index (a)	-39.5	-44.1	-44.4	-21.2	-25	-19.7	-30	5.17	-25.7	-46

SECTION 3 - 12 MONTH OUTLOOK

	All Industries Total	Agribusiness
	%	%
1. Business Conditions during the next 12 months?		
Decline strongly	3	6
Decline moderately (by less than 5%)	12	18
Remain steady	39	33
Increase moderately (by less than 5%)	34	33
Increase strongly	12	9
Index (a)	30	17
2. During the next twelve months, what change do you expect in your company's profitability?		
Decline strongly	3	6
Decline moderately (by less than 5%)	12	21
Remain steady	39	22
Increase moderately (by less than 5%)	34	39
Increase strongly	12	11
Index (a)	30	23
3. What do you consider will be the most constraining factor on your profitability over the next twelve months?		
Interest rates	3	1
Wage costs	12	5
Availability of suitable labour	8	10
Inadequate capital capacity	4	5
Recent tax changes	0	2
Demand	52	44
Exchange rate - too high	1	1
Exchange rate - too low	3	1
Other	12	22
No response	4	8
4. After allowing for inflation, what change do you expect in your output or sales in the next 12 months?		
Strong decline	4	10
Moderate decline (by less than 3%)	9	11
Steadiness	29	27
Moderate increase (by less than 3%)	38	38
Strong increase	20	14
Index (a)	44	29
5. During the next 12 months, what changes do you expect in the number of employees?		
Decline strongly	2	2
Decline moderately (by less than 5%)	15	23
Remain steady	55	50
Increase moderately (by less than 5%)	25	23
Increase strongly	3	2
Index (a)	11	0

SECTION 4 - SPECIAL QUESTIONS

	All Industries Total	Agribusiness
	%	%

In six months' time, where do you expect to see the Australian Dollar in terms of the exchange rate with the US dollar (currently around 52 cents)?

60 cents or over (specify)	4	1
Between 58 cents but less than 60 cents	19	25
Between 56 cents but less than 58 cents	51	57
Between 54 cents but less than 56 cents	20	16
Between 52 cents but less than 54 cents	5	1
Between 50 cents but less than 52 cents	0	0
Less than 50 cents (specify)	0	0
Don't know	1	0
Average	57.03	57.23

Does your company....?

Export more than it imports (ie is a net exporter)	18	41
Import more than it exports (ie is a net importer)	25	24
Only trade within Australia	57	35

If your company is a net exporter or importer, what proportion of your net exposure do you usually hedge?

Net Exporter		
None	61	44
1 - 10	1	3
11 - 20	1	0
21 - 30	3	0
31 - 40	1	5
41 - 50	6	13
51 - 60	3	0
61 - 70	1	3
71 - 80	6	5
81 - 90	23	3
91 - 100	14	26
Average	28.15	42.1

What is the usual term (in months) of your hedge?

Net Exporter		
0	0	0
1	5	0
2	2	13
3	27	50
4	2	13
5	0	0
6	20	0
7-9	0	0
10 or more	42	25
Average	12.05	6.75

Relative to the current exchange rate, do you consider your current hedging position to be.....?

Net Exporter

Very favourable (100)	3	0
Favourable (50)	37	13
Neutral (0)	46	75
Unfavourable (-50)	14	13
Very unfavourable (-100)	0	0
Average	15.2	0

About the Survey:

This is the 7th release of the Quarterly Survey for Agribusiness.

The agribusiness survey is a cohort of the National's Quarterly Business Survey which surveys approximately 900 small/medium to large sized Australian companies. The agribusiness sample is approximately 100 small/medium to large sized companies, mainly in the food manufacturing industry but also wholesaling, services, and a small number of firms in other sectors. Gundabluey Research Pty Ltd mainly conducts the survey over a two-week period in the final month of each quarter. Surveying for the current quarter took place between 29 November – 12 December 2002.

To ensure the highest possible accuracy, respondents to the survey are chosen at random from those firms with 40 or more employees.

Definitions:

- Business confidence is a measure of respondent's expectations of business conditions in their industry for the upcoming quarter.
- Business conditions are a simple average of trading, profitability and employment indices, reported by respondents for their company.
- The trading, profitability and other indices are calculated by taking the difference between the percentage of respondents nominating good or very good, or a rise and those nominating poor or very poor, or a fall. For example, if 25 per cent of respondents state that trading levels are good or very good and 10 per cent state these levels to be poor or very poor, the corresponding index of trading performance would be 15.
- The Capacity Utilisation Rate measures the degree to which an industry is operating at or below full capacity level. The full capacity rate is defined as the maximum desirable level of output given existing capital equipment. The Capacity Utilisation Rate is calculated as the average of respondents' capacity utilisation for the quarter.
- The cost and price change indices are the average of respondent's estimates of past and expected cost and price movements.