

# Sensis® and Australian Business Limited *Manufacturing and Allied Services Index*



March 2004

**Sensis<sup>®</sup> and Australian Business Limited  
Manufacturing and Allied  
Services Index**

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# Sensis® and Australian Business Limited

## Manufacturing and Allied Services Index

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## Introduction

The Sensis® and Australian Business Limited *Manufacturing and Allied Services Index* is an ongoing series of national surveys tracking confidence and behaviour of Australia's small and medium manufacturers and allied service firms. "Allied service" firms are those in non-manufacturing sectors which contain businesses with significant and direct dealings with manufacturers.

The primary objectives of the *Manufacturing and Allied Services Index* are to track manufacturing and associated activity over the past three months; expectations over both the current three and 12-month periods and to measure overall confidence among manufacturers and allied industries. A second purpose is to provide an independent, objective assessment of proprietors' experiences and attitudes on key issues.

The *Manufacturing and Allied Services Index* is based on a sample size of over 600 small and medium manufacturers and allied industries from metropolitan and regional areas of Australia. It includes businesses within the manufacturing, wholesale trade and transport and storage sectors as well as selected business services related to manufacturing. Each of the SMEs in the survey sample has less than 200 employees. Small and medium firms account for over 99 per cent of firms in these sectors in Australia.

Research conducted for the Australian Business Limited sponsored think tank Australian Business Foundation, identified transformation within the manufacturing sector which combines products and services into new business offerings. The *Manufacturing and Allied Services Index* enables broad scrutiny of the manufacturing sector, as well as an understanding of trends and issues relevant to this sector. The *Manufacturing and Allied Services Index* also recognises the importance of sectors closely inter-related to the manufacturing sector, as the future prospects of manufacturing firms in Australia are closely associated with the prospects of allied sectors.

Results in the *Manufacturing and Allied Services Index* are reported as a net balance, which represents the total number of positive responses minus the number of negative responses. All results in the *Manufacturing and Allied Services Index* are based on the responses of those businesses surveyed.

The *Manufacturing and Allied Services Index* is commissioned by Australian Business Limited in recognition of the importance of manufacturing and related industries to the national economy and the need to regularly track business conditions within this vital sector. Australian Business Limited is one of Australia's leading industry organisations, representing over 19,000 businesses in the manufacturing, services, wholesale, retail, transport, defence, communication and health industries. The *Manufacturing and Allied Services Index* replaces the *Quarterly Survey of Manufacturing* which Australian Business Limited produced for 18 years.

The *Manufacturing and Allied Services Index* is produced by Sensis® Pty Ltd. Sensis® manages two of Australia's leading brands, Yellow Pages® and White Pages®, along with a leading internet city guide brand CitySearch®, and the location and navigation brand Whereis®. In addition, the Sensis® research team undertakes commissioned research through the Sensis® *Business Index* for corporate, government and industry organisations.

## About the Index

The Sensis® and Australian Business Limited *Manufacturing and Allied Services Index* analyses data on manufacturing and allied industries through data collected as part of the Sensis® *Business Index*. Since its inception in 1993, the *Business Index* has been one of the most comprehensive and regular surveys of small businesses in Australia. Historically, the *Business Index* has focused specifically on businesses employing 19 people or fewer. In November 2000 it was expanded to cover the medium business sector, while the regional and industrial sectors were also enhanced.

The February 2004 *Manufacturing and Allied Services Index* results are based on telephone interviews conducted with approximately 600 small and medium manufacturers. Small and medium firms account for over 99 per cent of Australia's manufacturing industry. The sample size is divided between manufacturers and firms in the wholesale trade and transport and storage sectors as well as selected manufacturing related firms in the business services sector. Manufacturing related firms included from the business services sector include those with Australian New Zealand Standard Industrial Class Australian New Zealand Standard Industrial Classification (ANZSIC) codes from 7741 to 7743; 7854 to 7855; 7861 to 7862; and 7866 to 7869. These codes consist of motor vehicle hiring, other transport equipment leasing, plant hiring or leasing, business administration services, business management services, employment placement services, contract staff services, cleaning services, contract parking services nec, and business services nec.

Businesses interviewed for the February 2004 *Business Index* were drawn from all metropolitan and major non-metropolitan regions within Australia. The numbers of businesses surveyed that form part of the *Manufacturing and Allied Services Index* for March 2004 is shown below.

At the analysis stage, results were weighted by selected ANZSIC divisions within the metropolitan and non-metropolitan region of each state and territory. This ensured the sample reflected the actual business population distribution. The Australian Bureau of Statistics (ABS) Business Register, as at June 1998, was used to weight the sample to be representative of the total business population.

Interviewing for this latest survey was conducted over the period 21st January to 11th February 2004. The *Index* covers experience over the past three months (November 2003 to January 2004), and expectations for both the current quarter (February 2004 to April 2004) and the 12 months ending January 2005.

Location of Business March 2004			
	Total	Metro	Non-metro
New South Wales	107	78	29
Victoria	116	91	25
Queensland	103	63	40
South Australia	82	67	15
Western Australia	77	66	11
Tasmania	57	32	25
Northern Territory	46	26	20
Australian Capital Territory	47	47	-
<b>Total</b>	<b>635</b>	<b>470</b>	<b>165</b>

Industry Division March 2004	
Manufacturing	218
Wholesale Trade	153
Transport/Storage	147
Selected Business Services	117
<b>Total</b>	<b>635</b>

## Executive summary

The March 2004 *Manufacturing and Allied Services Index* recorded strong levels of business confidence for manufacturers and allied firms, however manufacturing firms were more worried about the next 12 months than their counterparts in allied sectors. Perceptions of the current state of the economy were also strong, with the vast majority of firms believing that the economy would be at least as strong or better a year from now. In line with strong expectations for the economy over the coming year, key economic indicators were also strong for the year ahead, with the main area of weakness being capital expenditure.

### Overall highlights

- A net 65% of SMEs in the manufacturing and allied sectors were confident about the next twelve months, with manufacturing firms recording a positive net confidence of 58 per cent, which was below their allied service sector counterparts confidence rating of net 67 per cent, and down on the level of net 61 per cent recorded for manufacturing firms in the November 2003 Sensis® *Business Index*.
- Two-thirds of firms reported that they believed that their businesses would track in line with the national economy. Both manufacturing and allied firms were more likely to feel that their businesses would perform better than the national economy than otherwise.
- Overall, 61 per cent of firms felt that the economy was currently in a growth phase.
- Firms believed that the economy would continue to perform strongly, with 86 per cent of manufacturing and allied sector firms reporting that the economy would be either the same or better in a year's time.
- In line with strong expectations for the economy, manufacturing and allied sector firms recorded strong expectations across most indicators for the year ahead, with the exception of capital expenditure, which recorded relatively weak expectations for the year ahead.
- Lack of work or sales was the most pressing problem for manufacturing and allied sector firms in the past quarter. This was followed by competitive pressures and big businesses, and finding quality staff. Finding quality staff was the most pressing concern for manufacturing firms, affecting almost one in five small firms in the sector. Cash flow was the main problem affecting wholesale firms.
- Sales growth for manufacturers was strong, with net 33 per cent recording increased sales in the past quarter, ahead of their allied sector counterparts.
- In line with strong sales growth, a net balance of 16% of manufacturers reported an increase in capacity utilisation.
- Employment performance was relatively weak for manufacturers, with net balance of only one per cent of firms increasing the size of their workforce in the march quarter. However, expectations are stronger for the current quarter. Lack of work was the main barrier to taking on new employees.
- All sectors expect more stability in wage levels in the June quarter than in the March quarter. Only in the business services sector is there an increase in the proportion of firms expecting upward pressure on wages in the June quarter.
- In an environment of increasing exchange rates, pressure on selling prices was subdued in the past quarter. The number of wholesalers decreasing selling prices in the March quarter was greater than the number increasing selling prices, but this is expected to be reversed in the June quarter.
- Capital expenditure was strong for manufacturers in the past quarter, who recorded results well ahead of their allied counterparts. However, expectations for the coming quarter are subdued across all sectors., with capital expenditure in the business services sector set to weaken significantly.
- All sectors indicated that over the last 12 months they have experienced considerable increases in productivity as a result of capital expenditure. Net 25 per cent of manufacturers had realised increases in productivity through capital investments in the past year.

- Overall, one quarter of manufacturers had reported exporting in the past quarter, with net four per cent increasing the value of their exports. A further two per cent were intending to start exporting in the current quarter.
- Profitability was strong in the current quarter in all sectors in the March quarter. Further improvements are expected in the June quarter, with over 40% of firms in each sector expecting profits to increase, while in each sector less than 20% of firms are expecting profit decreases..

# Manufacturing and Allied Services Index

## Confidence in own business prospects over the next 12 months

### Key findings

Australian manufacturers reported levels of business confidence significantly below that of their major allied industry sectors.

### Last quarter (November 2003 to January 2004)

Business confidence among manufacturing firms recorded a solid net balance result of 58 per cent. This involved 73 per cent of manufacturers that stated they were confident about their business prospects for the year ahead, while 15 per cent stated that they were worried. This was a decrease from the level of net 61 per cent recorded in the November 2003 Sensis® *Business Index*.

In comparison, those sectors allied to the manufacturing sector were more confident in their business prospects for the next year, recording a strong net balance result of net 67 per cent. This was composed of 74 per cent who were feeling confident and seven per cent who stated that they were worried to some degree.

The most confident sector was the wholesale sector, where net 77 per cent of the firms surveyed reported feeling confident about their business prospects for the year ahead. This compared to the manufacturing-allied business services firms, which recorded the lowest level of confidence.

Overall Confidence March 2004			
	Manufacturers	Allied Sectors	Total
Extremely confident	17%	13%	14%
Fairly confident	56%	61%	60%
Neutral	12%	19%	17%
Fairly worried	10%	6%	7%
Extremely worried	5%	1%	2%
Total confident	73%	74%	74%
Total worried	15%	7%	9%
<b>*Net Balance</b>	<b>+58%</b>	<b>+67%</b>	<b>+65%</b>

*Q. Thinking about the next twelve months, how confident do you feel about your business prospects?*

SOURCE: Sensis® National Manufacturing Report  
Sweeney Research – March 2004

Confidence by Sector			
	Confident	Worried	*Net Balance
Manufacturing	73%	15%	<b>58%</b>
Wholesale Trade	80%	3%	<b>77%</b>
Transport/Storage	78%	6%	<b>72%</b>
Business Services	67%	10%	<b>57%</b>

SOURCE: Sensis® National Manufacturing Report  
Sweeney Research – March 2004

## Comparison of personal prospects vs the economy

### Key findings

Small manufacturers and allied firms were likely to be more confident in their own business prospects for the year ahead than for the economy in general.

### Last quarter (November 2003 to January 2004)

Around two-thirds (66 per cent) of small firms in the manufacturing and allied sectors felt that their business prospects would track in line with the national economy. In total, 22 per cent of firms were more confident in their own business prospects, compared to the national economy. Manufacturing firms were slightly less likely to express relative confidence in their business prospects than their counterparts in allied sectors.

Of the allied sectors, firms in the wholesale trade sector were most likely to express more confidence in their own business prospects compared to the national economy. Reflecting relatively low performance, small firms in the business services sector were most likely to feel less confident in their own prospects compared to the national economy. Firms in the transport and storage sector were most likely to feel that their businesses would track in line with the economy.

### Comparison of Personal Prospects vs National Prospects

	Manufacturers	Allied Sectors	Total
More confident in own prospects than National prospects	20%	22%	22%
Less confident in own prospects than National prospects	14%	12%	13%
Equally confident in own and National prospects	66%	66%	66%

*Q. Compared to the Australian economy overall for the next year, do you feel that you are more confident in your own business prospect than you are in the economy; less confident in your own prospects than you are for the economy; or equally confident in both?*

SOURCE: Sensis® National Manufacturing Report  
Sweeney Research – March 2004

### Comparison of Personal Prospects vs National Prospects

	Manufacturing	Wholesale Trade	Transport/ Storage	Business Services
More confident in own prospects than National prospects	20%	26%	18%	22%
Less confident in own prospects than National prospects	14%	5%	9%	20%
Equally confident in own and National prospects	66%	69%	73%	58%

*Q. Compared to the Australian economy overall for the next year, do you feel that you are more confident in your own business prospect than you are in the economy; less confident in your own prospects than you are for the economy; or equally confident in both?*

SOURCE: Sensis® National Manufacturing Report  
Sweeney Research – March 2004

## Perceptions of the economy

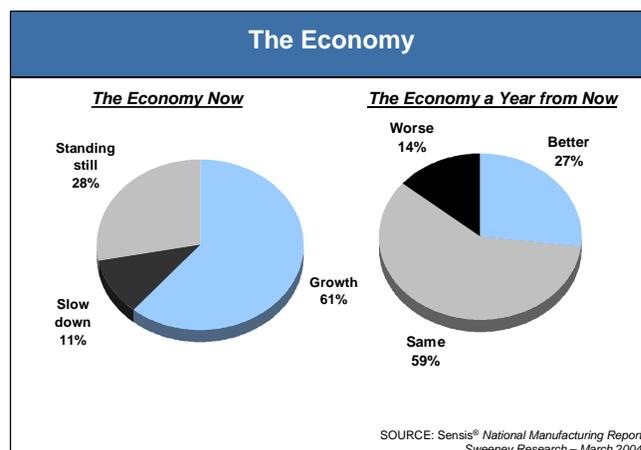
### Key findings

The majority of small manufacturing and allied firms believed that the economy was currently in a growth phase, with 86 per cent stating that it would be the same or better in a year.

### Last quarter (November 2003 to January 2004)

Overall, 61 per cent of small firms in the manufacturing and allied industry sectors believed that the economy was currently in a growth phase. Combined with the 11 per cent who believed that the economy was currently slowing down, this resulted in a net balance of 50 per cent of firms that believed that the economy was currently growing. Firms in the transport and storage sector were most likely to state the economy was growing, closely followed by manufacturing firms.

Despite the large proportion of firms that believed the economy was currently growing, an even larger proportion stated that it would be at least as strong in a year's time. In total, 86 per cent of small manufacturing and allied firms felt that the economy would be either the same or better a year hence, with manufacturing firms expressing the most optimistic beliefs, recording a net balance of 16 per cent that believed the economy would be better.



### Perceptions of the Economy by Sector

	Manufacturing	Wholesale Trade	Transport/Storage	Business Services
<b>The Economy Now</b>				
Growth	68%	53%	69%	57%
Slowing	10%	13%	10%	10%
<b>*Net Balance</b>	<b>58%</b>	<b>40%</b>	<b>59%</b>	<b>47%</b>
<b>The Economy a Year from Now</b>				
Better	28%	29%	24%	27%
Worse	12%	16%	9%	17%
<b>*Net Balance</b>	<b>16%</b>	<b>13%</b>	<b>15%</b>	<b>10%</b>

SOURCE: Sensis® National Manufacturing Report  
Sweeney Research – March 2004

## Expectations on key indicators over the next 12 months

### Key findings

In line with strong expectations for the economy in the year ahead, small firms in manufacturing and allied sectors recorded strong expectations across most indicators.

### Last quarter (November 2003 to January 2004)

Small manufacturers and allied firms recorded the highest expectations for the year ahead for sales, with a net balance of 54 per cent, followed by profitability, with a net balance of 52 per cent.

While most indicators were strongly optimistic, the indicator with the lowest proportion of firms recording a net increase was capital expenditure at only net five per cent.

**Expectations on Key Indicators Over the Next 12 Months**  
February 2004

	Expect an Increase	Expect a Decrease	*Net Balance
Value of sales	67%	13%	54%
Size of workforce	26%	7%	19%
Wages bill	47%	9%	38%
Prices charged	45%	6%	39%
Profitability	63%	11%	52%
Capital expenditure	29%	24%	5%
Capacity utilisation	42%	6%	36%
Exports	47%	12%	35%

SOURCE: Sensis® National Manufacturing Report  
Sweeney Research – March 2004

## Concerns

### Key findings

For manufacturing and allied firms, the main problem affecting businesses was a lack of work or sales. This was followed by concerns over competition and big business, and difficulties in finding quality staff.

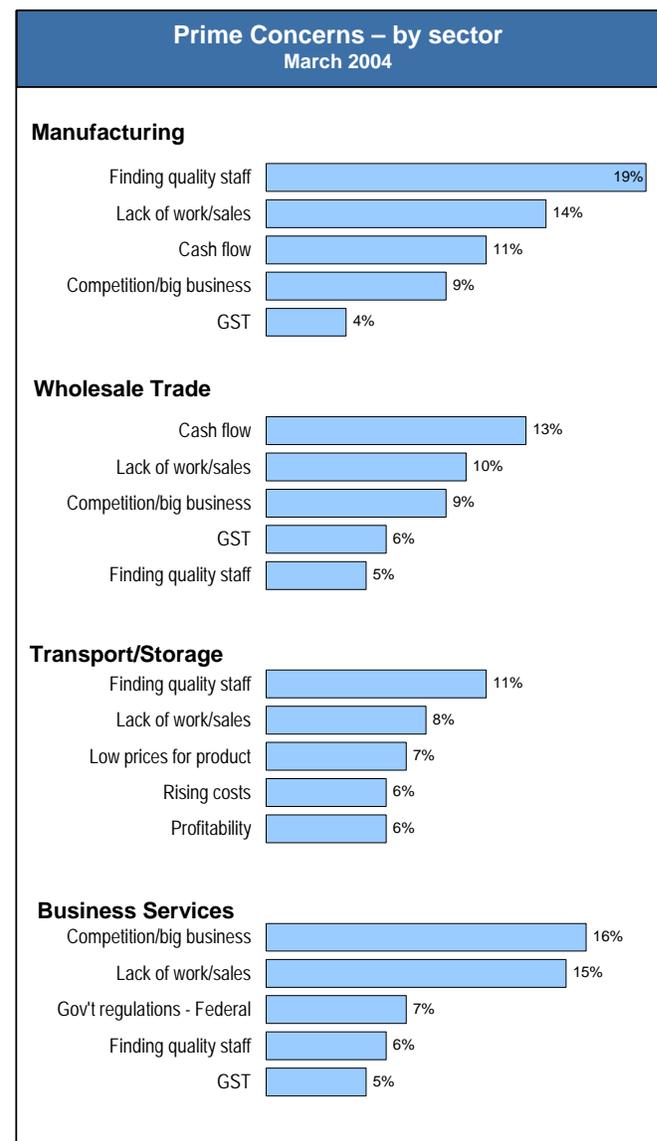
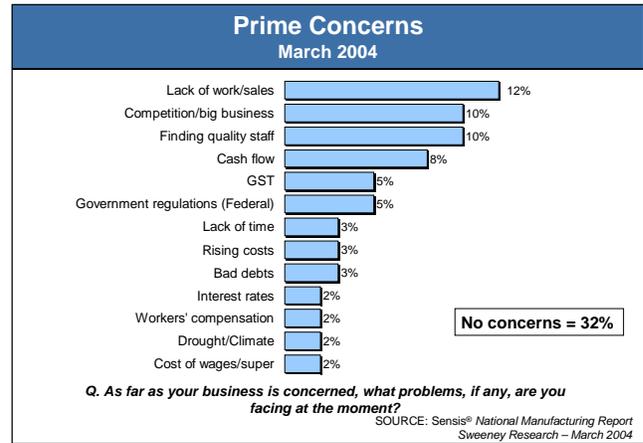
### Last quarter (November 2003 to January 2004)

The most important business concern in the most recent quarter was a lack of work or sales, cited by 12 per cent of businesses. In line with lower performance in the last quarter, a lack of work or sales was most likely to impact on those firms in the business services sector, and was least likely to affect firms in the transport and storage sector.

The second most pressing problem reported by firms was issues relating to competition and big businesses. Again, this problem was more likely to be reported by firms in the business services sector, and least likely to affect transport and storage firms. This was the most important problem facing firms in the business services sector.

The third top problem for firms was difficulties in finding quality staff. Whilst this was reported by 10 per cent of firms in total, it was far more likely to affect manufacturing firms, with 19 per cent of manufacturers reporting it as a problem. Firms in the wholesale sector were least likely to report problems finding quality staff. Finding quality staff was the most pressing problem for manufacturers and firms in the transport and storage sector in the past quarter.

Cash flow was the main problem affecting firms in the wholesale sector, with 13 per cent of wholesale firms reporting cash flow problems.



## Sales

### Key findings

Sales performance was very strong during the quarter for manufacturing firms, however firms were expecting a fall in the coming quarter. Whilst performance was higher in manufacturing firms than in allied industry sectors, most allied sectors were expecting larger increases in the coming quarter.

### Last quarter (November 2003 to January 2004)

Sales in manufacturing firms recorded a net balance of 33 per cent for the quarter. This was above most sectors allied with manufacturing, with only firms in the wholesale sector reporting equivalent sales performance. The weakest sales performance was recorded in manufacturing-related business services firms, with a net balance of nine per cent.

### Current quarter (February to April 2004)

Manufacturers were expecting a strong but lower sales result for the current quarter, with a net balance result of 28 per cent.

Value of Sales				
	Manufacturing	Wholesale Trade	Transport/Storage	Business Services
<b>Last Quarter</b>				
Experienced increase	54%	56%	46%	32%
No change	25%	21%	30%	45%
Experienced decrease	21%	22%	24%	23%
<b>*Net Balance</b>	<b>+33%</b>	<b>+33%</b>	<b>+22%</b>	<b>+9%</b>
<b>Current Quarter</b>				
Expect increase	46%	53%	42%	49%
No change	36%	34%	39%	39%
Expect decrease	18%	13%	17%	12%
<b>*Net Balance</b>	<b>+28%</b>	<b>+40%</b>	<b>+26%</b>	<b>+37%</b>

SOURCE: Sensis® National Manufacturing Report  
Sweeney Research – March 2004

### Next twelve months (February 2004 to January 2005)

Expectations for sales in the year ahead among manufacturers and allied firms was very strong during the quarter with net 54 per cent expecting an increase.

## Capacity Utilisation

### Key findings

In line with strong demand, manufacturing firms reported net increases in capacity utilisation during the past quarter.

### Last quarter (November 2003 to January 2004)

Capacity utilisation in manufacturing firms grew in the past quarter with a net 16 per cent of firms reporting increases. This was below most sectors allied with manufacturing, with only firms in the business services sector reporting lower growth in capacity utilisation.

The strongest growth in capacity utilisation was recorded in the transport and storage sector, which saw a net balance of 21 per cent of firms reporting an increase. Following on from relatively weak demand, the weakest growth in capacity utilisation was recorded in manufacturing-related business services firms, with a net balance of five per cent.

### Current quarter (February to April 2004)

In line with slightly lower demand expectations for the current quarter, manufacturers were expecting slightly lower growth in capacity utilisation than they experienced in the past quarter. Expectations for manufacturers were lower than those of allied firms, with the greatest expectations for

Capacity Utilisation				
	Manufacturing	Wholesale Trade	Transport/Storage	Business Services
<b>Last Quarter</b>				
Experienced increase	29%	23%	27%	18%
No change	58%	73%	67%	69%
Experienced decrease	13%	4%	6%	13%
<b>*Net Balance</b>	<b>+16%</b>	<b>+19%</b>	<b>+21%</b>	<b>+5%</b>
<b>Current Quarter</b>				
Expect increase	27%	33%	27%	27%
No change	59%	60%	67%	69%
Expect decrease	14%	7%	5%	4%
<b>*Net Balance</b>	<b>+13%</b>	<b>+26%</b>	<b>+22%</b>	<b>+23%</b>

SOURCE: Sensis® National Manufacturing Report  
Sweeney Research – March 2004

capacity utilisation being in the wholesale trade sector.

### Next twelve months (February 2004 to January 2005)

Expectations for capacity utilisation in the year ahead among manufacturers and allied firms was strong during the quarter with net 36 per cent expecting an increase.

## Employment

### Key findings

The last quarter saw manufacturers reporting marginal employment growth, with higher growth seen in allied sectors. Manufacturers were expecting stronger growth in the coming quarter, but this was not shared equally across allied sectors. A lack of work or sales was the main barrier preventing manufacturing and allied firms from increasing the size of their workforce.

### Last quarter (November 2003 to January 2004)

Employment recorded some growth with a net one per cent of manufacturers increasing their workforce during the quarter. This quarter's result comprised 11 per cent of manufacturing firms that identified an increase in the size of their workforce during the quarter, while ten per cent experienced a decline.

Employment growth was higher in allied sectors, with the transport and storage sector reporting the strongest employment growth of net nine per cent.

In terms of barriers to employment, a lack of work or sales was the main problem preventing firms from increasing the size of their workforce, affecting 31 per cent of firms. Finding skilled staff remained the second greatest barrier to employment, reported by nine per cent, followed by numerous other impediments which all affected seven per cent of firms (cost of employing, workers' compensation, superannuation, employment conditions and a lack of consistent work).

### Current quarter (February to April 2004)

Expectations for employment were stronger for manufacturers for the current quarter with net 11 per cent expecting an increase in the size of their workforce.

Amongst allied sectors, the strongest employment expectations were held by business services firms, with net 14 per cent expecting increased employment in the coming quarter. The weakest employment expectations were recorded in the transport and storage sector, where firms were expecting a net decline of one per cent in employment.

### Next twelve months (February 2004 to January 2005)

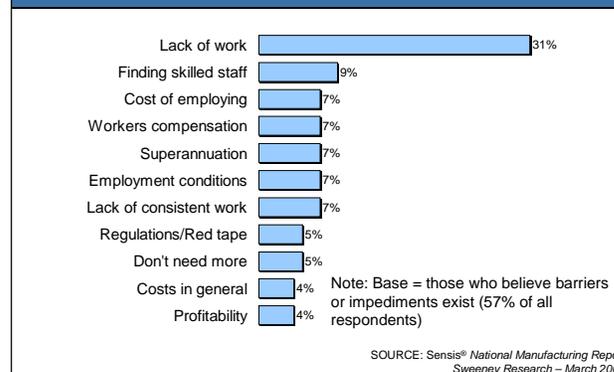
Expectations for employment for the year ahead among manufacturers and allied firms were strong during the quarter with a net 19 per cent expecting an increase in the size of their workforce over the coming year.

### Size of Workforce

	Manufacturing	Wholesale Trade	Transport/ Storage	Business Services
<b>Last Quarter</b>				
Experienced increase	11%	11%	14%	12%
No change	79%	84%	81%	81%
Experienced decrease	10%	5%	5%	7%
<b>*Net Balance</b>	<b>+1%</b>	<b>+5%</b>	<b>+9%</b>	<b>+5%</b>
<b>Current Quarter</b>				
Expect increase	15%	6%	10%	20%
No change	81%	89%	76%	71%
Expect decrease	4%	5%	12%	6%
<b>*Net Balance</b>	<b>+11%</b>	<b>+1%</b>	<b>-1%</b>	<b>+14%</b>

SOURCE: Sensis® National Manufacturing Report  
Sweeney Research – March 2004

### What are the Barriers to Taking on New Employees? March 2004



## Wages bill

### Key findings

Total wage costs recorded strong growth during the last quarter amongst manufacturers, however fewer manufacturers were expecting an increase in the coming quarter.

### Last quarter (November 2003 to January 2004)

The most recent quarter saw a net 22 per cent of manufacturers reporting an increase in their total wages bill. This was higher than wage pressures in allied sectors, with only the transport and storage sector reporting an equivalent increase in their wage costs. The weakest wage pressures were in the business services sector, where only net three per cent of firms reported an increased total wage bill.

### Current quarter (February to April 2004)

Expectations for total wage costs were lower for manufacturers in the coming quarter, with only net 16 per cent expecting an increase in wage costs. Amongst allied sectors, the highest expectations were reported amongst business services firms, where a net 22 per cent were expecting an increased wages bill. The lowest wage expectations for the current quarter were for transport and

Wages Bill				
	Manufacturing	Wholesale Trade	Transport/ Storage	Business Services
<b>Last Quarter</b>				
Experienced increase	31%	24%	31%	22%
No change	5%	60%	54%	57%
Experienced decrease	8%	11%	9%	19%
<b>*Net Balance</b>	<b>+22%</b>	<b>+13%</b>	<b>+22%</b>	<b>+3%</b>
<b>Current Quarter</b>				
Expect increase	22%	21%	24%	28%
No change	67%	69%	56%	64%
Expect decrease	6%	5%	14%	6%
<b>*Net Balance</b>	<b>+16%</b>	<b>+16%</b>	<b>+10%</b>	<b>+22%</b>

SOURCE: Sensis® National Manufacturing Report  
Sweeney Research – March 2004

storage firms, where only seven per cent were expecting an increase.

### Next twelve months (February 2004 to January 2005)

Expectations for growth in wages in the year ahead among manufacturers and allied firms was strong during the quarter with a net 38 per cent expecting an increase.

## Prices

### Key findings

A relatively low net proportion of manufacturing firms reported having increased their prices in the past quarter, however a higher proportion were expecting to increase their prices in the current quarter.

### Last quarter (November 2003 to January 2004)

A relatively low net six per cent of manufacturing firms reported an increase in the prices they charged in the past quarter. This was below most sectors allied with manufacturing, with only firms in the wholesale trade sector reporting a lower result.

The strongest growth in prices was recorded in the transport and storage sector, which saw a net balance of 21 per cent of firms reporting an increase. The wholesale trade sector experienced negative pressure on prices in the past quarter, with net ten per cent of firms reporting having decreased their prices.

### Current quarter (February to April 2004)

Selling price expectations for manufacturers were stronger during the current quarter, with net 24 per cent expecting an increase. This was higher than for allied sectors. The sector

Prices Charged				
	Manufacturing	Wholesale Trade	Transport/ Storage	Business Services
<b>Last Quarter</b>				
Experienced increase	11%	11%	25%	14%
No change	84%	68%	71%	84%
Experienced decrease	5%	21%	4%	3%
<b>*Net Balance</b>	<b>+6%</b>	<b>-10%</b>	<b>+21%</b>	<b>+11%</b>
<b>Current Quarter</b>				
Expect increase	29%	18%	20%	15%
No change	66%	69%	79%	80%
Expect decrease	5%	13%	0%	6%
<b>*Net Balance</b>	<b>+24%</b>	<b>+5%</b>	<b>+20%</b>	<b>+9%</b>

SOURCE: Sensis® National Manufacturing Report  
Sweeney Research – March 2004

with the lowest selling price expectations in the coming quarter was again the wholesale trade sector.

### Next twelve months (February 2004 to January 2005)

Expectations for growth in selling prices in the year ahead among manufacturers and allied firms were strong during the quarter with net 39 per cent expecting an increase.

## Capital expenditure and productivity

### Key findings

Manufacturing firms recording very strong growth in capital expenditure in the past quarter, exceeding that of allied sectors. However, the outlook for future investment was lower, with most manufacturers and allied firms expecting a decrease in the level of capital expenditure in the coming quarter.

Overall, a net 25 per cent of manufacturers reported increased levels of productivity from the capital they had purchased over the past year.

### Last quarter (November 2003 to January 2004)

Capital expenditure performance was very strong among manufacturing firms in the last quarter, with a net balance of 14 per cent of firms reporting an increase. This result was substantially ahead of firms in manufacturing-allied sectors.

Of the manufacturing-allied industry sectors, the sector reporting the lowest level of capital expenditure was the wholesale trade sector, where net two per cent of firms reported a decline in investment.

### Current quarter (February to April 2004)

Manufacturers and most allied sectors reported net negative expectations for capital expenditure in the coming quarter. For manufacturing firms, a net one per cent were expecting to decrease their level of capital expenditure in the current quarter.

Of the manufacturing-allied industry sectors, only the wholesale trade sector reported net positive investment expectations, with net four per cent of firms expecting to increase their capital expenditure. The sector with the weakest expectations was the business services sector, where a net 19 per cent of firms were expecting to decrease their capital expenditure in the current quarter.

### Next twelve months (February 2004 to January 2005)

Expectations for growth in investment in the year ahead among manufacturers and allied firms was positive during the quarter with a net five per cent expecting to increase their capital expenditure in the next twelve months.

### Capital Expenditure

	Manufacturing	Wholesale Trade	Transport/Storage	Business Services
<b>Last Quarter</b>				
Experienced increase	28%	20%	16%	21%
No change	55%	54%	68%	60%
Experienced decrease	15%	22%	15%	16%
<b>*Net Balance</b>	<b>+14%</b>	<b>-2%</b>	<b>+1%</b>	<b>+5%</b>
<b>Current Quarter</b>				
Expect increase	23%	26%	17%	16%
No change	50%	48%	55%	45%
Expect decrease	25%	22%	26%	35%
<b>*Net Balance</b>	<b>-1%</b>	<b>+4%</b>	<b>-9%</b>	<b>-19%</b>

SOURCE: Sensis® National Manufacturing Report  
Sweeney Research – March 2004

### Capital Productivity

	Manufacturing	Wholesale Trade	Transport/Storage	Business Services
<b>Last Quarter</b>				
Experienced increase	35%	35%	27%	23%
No change	55%	61%	71%	72%
Experienced decrease	10%	4%	1%	5%
<b>*Net Balance</b>	<b>+25%</b>	<b>+31%</b>	<b>+26%</b>	<b>+18%</b>

Q. Thinking about the last twelve months, has the productivity of your business increased, decreased or stayed the same as a result of any capital expenditure that you have made?

SOURCE: Sensis® National Manufacturing Report  
Sweeney Research – March 2004

### Capital productivity

Manufacturing firms, along with firms in the wholesale trade sector, were the most likely sector to report an increase in the productivity of their business due to capital expenditure that they had made over the past year. Overall, 35 per cent of manufacturers reported increased productivity due to capital expenditure. Manufacturing firms were also most likely to report a decrease in productivity due to capital investments, with ten per cent of manufacturers reporting decreases in capital productivity resulting in a net balance of 25 per cent of manufacturers increasing their capital productivity over the past year.

Of allied sectors, the wholesale trade sector was the most likely to report increased capital productivity in the past year, with business services firms the least likely to have gained from increased capital productivity.

## Exports

### Key findings

Manufacturing firms recording some growth in the value of goods and services exported in the past quarter, despite increases in exchange rates. The outlook for future exports was higher for manufacturers, however more allied sector firms were expecting increases in the value of their exports than was the case for manufacturers.

Overall, 25 per cent of manufacturers reporting having exported in the past quarter, with a further two per cent planning to commence exporting in the coming quarter.

### Last quarter (November 2003 to January 2004)

Net four per cent of manufacturing exporters reported increases in the value of goods and services that they had exported in the past quarter.

Of the manufacturing-allied industry sectors, the sector reporting the highest net growth in the value of exports was the transport and storage sector. The sector with the lowest level of export growth was the wholesale trade sector, where net nine per cent of firms reported a decline in the value of goods and services that they had exported in the past quarter.

### Current quarter (February to April 2004)

Manufacturers reported the lowest expectations for export growth in the coming quarter. For manufacturing firms, a net seven per cent were expecting to increase the value of exports in the current quarter.

Of the manufacturing-allied industry sectors, the firms in the business services sector were most likely to be expecting an increase in the value of exports in the current quarter.

### Next twelve months (February 2004 to January 2005)

Expectations for growth in the value of exports in the year ahead among manufacturers and allied exporters were strong during the quarter with net 35 per cent expecting to increase the value of their exports in the next twelve months.

### Export Participation

Overall, 25 per cent of manufacturing firms reported having exported over the past quarter, with a further two per cent expecting to start exporting in the current quarter, and four per cent expecting to start in the coming year.

### Exports - change in value

	Manufacturing	Wholesale Trade	Transport/Storage	Business Services
<b>Last Quarter</b>				
Experienced increase	28%	14%	52%	55%
No change	48%	63%	26%	8%
Experienced decrease	24%	23%	23%	37%
<b>*Net Balance</b>	<b>+4%</b>	<b>-9%</b>	<b>+29%</b>	<b>+18%</b>
<b>Current Quarter</b>				
Expect increase	25%	22%	57%	50%
No change	57%	69%	28%	48%
Expect decrease	18%	9%	15%	2%
<b>*Net Balance</b>	<b>+7%</b>	<b>+13%</b>	<b>+42%</b>	<b>+48%</b>

*Base = those firms exporting in last quarter* SOURCE: Sensis® National Manufacturing Report  
Sweeney Research - March 2004

### Exports - participation

	Manufacturing	Wholesale Trade	Transport/Storage	Business Services
<b>Last Quarter</b>				
Exported	25%	36%	9%	10%
<b>Current Quarter</b>				
Plan to start exporting	2%	4%	0%	3%
<b>Year ahead</b>				
Plan to start exporting	4%	2%	3%	9%

*Base = all firms* SOURCE: Sensis® National Manufacturing Report  
Sweeney Research - March 2004

Of the manufacturing and allied sectors, the sector with the highest proportion of small exporters in the past quarter was wholesale trade, with the transport and storage sector reporting the lowest participation. Wholesale firms were most likely to report intending to start exporting in the next quarter, with business services firms the most likely to report that they intended to commence exporting in the next year.

## Profitability

### Key findings

Profitability for manufacturers was strong during the past quarter, with increased expectations for the coming quarter. While most allied sectors performed strongly, business services firms showed relatively weak profitability performance, in line with lower results for most indicators.

### Last quarter (November 2003 to January 2004)

Profitability was strong in manufacturing firms, with a net 15 per cent reporting increases in the past quarter. Profitability results were relatively similar in the wholesale and transport and storage sectors, however results were much weaker for firms in the business services sector, with only a net two per cent of firms reporting increased profitability.

### Current quarter (February to April 2004)

Manufacturers were expecting very strong profitability in the current quarter, with a net 26 per cent expecting an increase. Whilst this was a strong result in itself, it was lower than expectations in allied sectors. Following on low profitability performance in the past quarter, the strongest expectations were amongst firms in the business services sector.

### Next twelve months (February 2004 to January 2005)

In line with strong expected demand, expectations for growth in profitability in the year ahead among manufacturers and allied firms were very strong during the quarter with a net 52 per cent of firms expecting an increase.

Profitability				
	Manufacturing	Wholesale Trade	Transport/Storage	Business Services
<b>Last Quarter</b>				
Experienced increase	39%	40%	38%	29%
No change	35%	38%	41%	44%
Experienced decrease	25%	22%	22%	27%
<b>*Net Balance</b>	<b>+15%</b>	<b>+17%</b>	<b>+16%</b>	<b>+2%</b>
<b>Current Quarter</b>				
Expect increase	42%	43%	41%	44%
No change	41%	44%	43%	43%
Expect decrease	17%	13%	14%	12%
<b>*Net Balance</b>	<b>+26%</b>	<b>+31%</b>	<b>+27%</b>	<b>+32%</b>

SOURCE: Sensis® National Manufacturing Report  
Sweeney Research – March 2004

The Sensis research team undertakes commissioned research for corporate and government organisations on a variety of SME based issues.

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