



COMMONWEALTH BUREAU OF CENSUS AND STATISTICS

QUARTERLY BUSINESS SURVEY No. 5.

PRELIMINARY RESULTS

PAST AND ANTICIPATED CAPITAL AND MAINTENANCE EXPENDITURE

BY AUSTRALIAN BUSINESS

Quarterly Business Survey No. 5 circulated in June, 1948, asked for expenditure on new capital and repairs and maintenance. The survey covered actual expenditure for the 1st half of 1948 and anticipated expenditure for the 2nd half of 1948 and the 1st half of 1949. Quarterly Business Surveys Nos. 1 and 3 have asked for similar information for earlier periods.

Preliminary results for Survey No. 5 are based on returns covering about 28% of private pay-rolls subject to tax. They are compared below with final results for earlier surveys.

Apart from some upward revision of actual and forecast levels of new capital expenditure, affecting particularly retail trade and paper and printing, the final results of Survey No. 3 do not differ greatly from the preliminary results already circulated. The revisions were not such as to affect seriously the general trends of the figures of total new capital expenditure.

It should be noted throughout that the figures in this report are estimated totals for private employers subject to payroll tax excluding those in rural industries. Capital expenditure by private employers not subject to tax is therefore excluded, but this field would be too small to affect conclusions based on the trends of the figures presented. Capital expenditure by governments and state and local government instrumentalities such as coal mines, housing authorities, power stations, railways, tramways and harbour authorities is also excluded.

New Capital Expenditure

Now that figures of actual expenditure extend over a period of eighteen months, it is possible to obtain a clearer picture of the trend in new capital expenditure. Total new capital expenditure, which was about £34m. in the 1st half of 1947, rose about 20% to £41m. in the 2nd half of the year. In the first half of 1948 the total rose by a further 12% to about £46m.

The forecasts now given suggest that business expects expenditure in the second half of 1948 to rise again by 10% over the first half of the year and to reach a level of £50m., followed by a decline in the first half of 1949 to about £44m. In the past, however, there appears to have been a tendency for the forecast for the furthest period ahead to be lower than the second forecast and actual expenditure figures for that period. If this tendency has persisted the forecast of £44m. for the first half of 1949 may not in fact indicate that an actual decrease will occur.

Table 1 shows new capital expenditure on buildings and other capital equipment during the eighteen months up to the middle of 1948, together with forecasts up to the middle of 1949.

Table 1. New Capital Expenditure

	1947		1948		1949
	1st half	2nd half	1st half	2nd half	1st half
	£m	£m	£m	£m	£m
Building	-	-	12.8	10.3	11.5
1st Forecast	-	14.0	13.4	12.6	-
2nd Forecast	-	-	9.5	-	-
Actual	7.6	8.7	-	-	-
New Capital Equipment	-	-	34.6	28.9	32.6
1st Forecast	-	35.7	34.3	37.6	-
2nd Forecast	-	31.9	36.1	-	-
Actual	26.2	-	-	-	-
Total New Capital Expenditure	-	-	47.4	39.2	44.1
1st Forecast	-	49.7	47.7	50.2	-
2nd Forecast	-	40.6	45.6	-	-
Actual	33.8	-	-	-	-

The table shows that expenditure on both buildings and other capital equipment has been increasing fairly rapidly. Between the first half of 1947 and the first half of 1948, expenditure on buildings increased from £7.6m. to £9.5m. or about 25%, while expenditure on other capital equipment has increased from about £26m. to £36m. or nearly 40%. The increase of 25% in the value of building suggests an increase of about 10% in the quantity of building if an index of housing construction costs compiled by the Department of Works and Housing can be taken as indicative of building costs generally. For other capital equipment there is no reliable index of price changes, but there has almost certainly been a fairly substantial increase in the quantity of new capital equipment installed.

In the second half of 1947 actual expenditure on both new building and other new capital equipment fell substantially short of expectation - building by some 40% and other capital equipment by rather more than 10%. During the first half of 1948 expenditure on building again fell short of expectation by about 30% while expenditure on new capital equipment slightly exceeded the forecast.

The earlier forecasts of expenditure for the second half of 1948 given in Quarterly Business Survey No. 3 have now been substantially increased. Expenditure on building is expected to be some 33% above the level for the first half of the year and expenditure on new capital equipment about 5% higher. Although a decline of some 10 to 15% in both types of expenditure is forecast for the first half of 1949, it may well be that the revised forecast will show higher figures.

New Capital Expenditure by Industries

Table 2 shows for individual industries the trends in new capital expenditure in past periods and forecasts of future expenditure. It will be realized, of course, that figures for individual industries are liable to a greater degree of error than the totals presented previously. Nevertheless the general trends in the figures may have more interest for many firms than the overall figures and should not be misleading if used with due caution.

Table 2 New Capital Expenditure by Industries

Industry	1947		1948		1949
	1st half Actual	2nd half Actual	1st half Actual	2nd half Forecast	1st half Forecast
	£m	£m	£m	£m	£m
Manufacturing:					
Engineering and Vehicles	8.5	9.4	10.2	11.4	9.9
Textiles	1.0	1.1	2.8	2.5	2.1
Clothing	1.2	1.1	1.6	1.4	1.1
Food, drink, tobacco	3.8	4.1	3.7	5.3	4.4
Paper and printing	2.2	2.8	3.0	4.1	3.9
Gas and electricity	1.3	2.1	2.6	3.2	3.3
Other Mfg.	4.6	5.8	5.3	7.0	7.2
Total Manufacturing	22.4	26.4	29.2	34.9	31.9
Mining	.8	1.3	2.2	1.7	1.8
Transport	2.8	2.0	3.2	3.0	1.8
Wholesale & Retail Trade	4.9	7.7	7.9	7.5	6.3
All Other	2.9	3.2	3.1	3.1	2.3
GRAND TOTAL	33.8	40.6	45.6	50.2	44.1

Manufacturing industry as a whole accounts for about two thirds of the total. Expenditure has been increasing steadily, and in the 1st half of 1948 was 30% higher than in the 1st half of 1947, although it has actually been falling short of expectation. A further increase in new capital expenditure by manufacturing industries of some 20% over the first half of the year is expected in the 2nd half of 1948, followed by a drop of some 10% in the 1st half of 1949.

The greatest increases in actual expenditure between the first half of 1947 and the first half of 1948 have been in textiles, gas & electricity, mining, and wholesale & retail trade. There have also been substantial increases in engineering, clothing and paper & printing.

Although total new capital expenditure is expected to increase by about 10% in the 2nd half of 1948 the increase is confined to manufacturing in which an increase of about 20% is expected. Mining, transport and wholesale & retail trade all expect moderate decreases in expenditure. Within the manufacturing field the largest relative increases are expected in food, drink and tobacco, paper and printing and "other manufacturing". Moderate increases are expected in engineering and gas & electricity, while small decreases are expected in clothing and textiles.

During the first half of 1949 expenditure is expected to decline from the high level of the 2nd half of 1948, and is at present forecast at a little below the actual level of the first half of 1948. This decline is forecast by most groups, but, as stated above, revised forecasts may be appreciably higher. Manufacturing as a whole, and in particular food, drink and tobacco, paper and printing, gas and electricity and other manufacturing are the only groups in which expenditure in the first half of 1949 is expected to be much above the actual level of expenditure in the first half of 1948.

Repair and Maintenance Expenditure

Total expenditure on repairs and maintenance in past periods and forecasts for future periods are shown in Table 3.

Table 3. Repair and Maintenance Expenditure

	1947		1948		1949
	1st half	2nd half	1st half	2nd half	1st half
	£m	£m	£m	£m	£m
1st Forecast	-	-	26.6	28.6	28.7
2nd Forecast	-	26.5	28.9	28.0	-
Actual	28.2	30.2	29.6	-	-

The variations shown in this table appear to have little significance. There is a slight tendency for forecast expenditure to be lower than actual, but the general impression is one of substantial stability in repair and maintenance expenditure. This applies both to buildings and other capital equipment, for which separate figures are not shown in the table.

COMMONWEALTH BUREAU OF CENSUS AND STATISTICS

CANBERRA, A.C.T.

30th September, 1948.