

QUARTERLY BUSINESS SURVEY No. 11.
PRELIMINARY RESULTS.

PAST AND ANTICIPATED CAPITAL AND MAINTENANCE EXPENDITURE
BY AUSTRALIAN BUSINESS.

I. INTRODUCTION.

Total expenditure by private firms on new buildings and capital equipment was about £54m. in the second half of 1949 which was an increase of £1.4m. over the total in the first half of the year. Expenditure is expected to increase by a further £6.4m. to £60.4m. in the first half of 1950. Expenditure on new buildings and capital equipment during the whole of 1949 was £107m. compared with £93m. in 1948 and £74m. in 1947. The level of capital expenditure in 1949 was therefore about 15 per cent higher than in 1948, and about 45 per cent higher than in 1947. Repair and maintenance expenditure in the second half of 1949 increased slightly over the level for the first half of the year and was about £35.5m.

This information is derived from returns by firms to the Quarterly Business Surveys. Preliminary figures from Survey No. 11 of actual expenditure in the second half of 1949 and forecasts for the first and second half of 1950 are compared below with final figures for earlier periods from previous surveys. The preliminary figures of expenditure in the first half of 1949 shown by Survey No. 9 have been revised to take into account returns received after the preliminary results were prepared. Only in the engineering and vehicle manufacturing and transport industries have the figures been appreciably altered - the revision in these industry groups being mainly the result of a change in the industry classification used.

As in previous surveys the figures shown are estimated total expenditure by all private employers subject to payroll tax with the exception of those in rural industry. The firms from whose returns these figures are estimated account for about 30 per cent of the total wages and salaries paid by all firms subject to payroll tax. Expenditure by governments (Commonwealth, State and Local), and by most government business undertakings, is excluded.

II. NEW CAPITAL EXPENDITURE.

New capital expenditure of £54m. in the second half of 1949 represents an increase of 3 per cent over the expenditure in the first half of the year. This is a substantially smaller increase than that of 9 per cent shown between the second half of 1948 and the first half of 1949. The earlier forecast for the second half of 1949 was for an expenditure of £51.6m. representing a slight decline from the level of expenditure in the first half of 1949. It now appears that actual expenditure was about 5 per cent higher than the forecast. The expectation of some levelling out of new capital expenditure has been borne out, but in view of the 12 per cent increase in expenditure forecast for the first half of 1950 it now appears that this was only a temporary check to a continuing high rate of increase in new capital expenditure.

Table 1 shows the expenditure on new buildings and on new capital equipment since 1947 together with a comparison of the forecast and actual expenditures in 1948 and 1949.

TABLE 1. NEW CAPITAL EXPENDITURE.

	1947	1948		1949		1950	
		1st half	2nd half	1st half	2nd half	1st half	2nd half
	£m.	£m.	£m.	£m.	£m.	£m.	£m.
<u>BUILDING</u>							
1st Forecast	-	12.8	10.3	12.2	11.9	14.3	12.8
2nd Forecast	-	13.4	13.4	14.0	12.7	15.9	-
Actual	16.3	9.8	11.1	12.0	13.0	-	-
<u>NEW CAPITAL EQUIPMENT</u>							
1st Forecast	-	34.6	28.9	38.0	32.6	31.9	35.6
2nd Forecast	-	34.3	38.6	39.3	38.9	44.5	-
Actual	58.1	35.0	37.1	40.6	41.0	-	-
<u>TOTAL NEW CAPITAL EXPENDITURE</u>							
1st Forecast	-	47.4	39.2	44.2	44.5	46.2	48.4
2nd Forecast	-	47.7	52.0	53.3	51.6	60.4	-
Actual	74.4	44.8	48.2	52.6	54.0	-	-

Expenditure on new buildings has increased steadily since 1947 by about £1m. each six months, and expenditure in 1949 was 20 per cent higher than in 1948, and 50 per cent higher than in 1947. Expenditure on new capital equipment has increased somewhat more erratically and since 1947 the increases have ranged between £.4m. and £5.7m. The expenditure in 1949 was 13 per cent higher than in 1948, and 40 per cent higher than in 1947.

In the first half of 1950 expenditure on new buildings is expected to be £2.9m. higher than in the second half of 1949, and expenditure on new capital equipment £3.5m. higher. These revised forecasts represent substantial increases on the earlier forecasts for this period given six months earlier. It should be remembered, however, that the earlier forecasts were made at the time of the 1949 coal strike, of the recession in business activity in the United States, and of the pre-devaluation dollar crisis in the United Kingdom.

The first forecasts made for expenditure in the second half of 1950 show a decline of 20 per cent from the forecast level of expenditure in the first half of this year. However if earlier surveys are taken as a guide these forecasts may well be increased when the second forecasts are made in six months time.

III. NEW CAPITAL EXPENDITURE BY INDUSTRIES.

Table 2 shows the new capital expenditure in various industries in 1947, 1948 and 1949 and the expenditure expected to be made in 1950. The figures shown in this table should be used with caution as they are liable to a greater degree of error than the totals presented previously.

Expenditure by manufacturing industry, which accounts for about two-thirds of total expenditure, has increased by a further £2.3m. in the second half of 1949. This represents an increase of 7 per cent over the expenditure in the first half of the year. Expenditure by the non-manufacturing industries has, however, fallen by £.9m. from £18.7m. to £17.8m. between the first and second half of 1949.--

TABLE 2. NEW CAPITAL EXPENDITURE BY INDUSTRIES.

Industry	1947 Actual	1948 Actual	1949 Actual	1949		1950	
				1st half Actual.	2nd half Actual	1st half Forecast	2nd half Forecast
	£s.	£m.	£m.	£m.	£m.	£m.	£m.
Manufacturing -							
Engineering and Vehicles	16.3	20.1	23.9	11.8	12.1	15.0	13.4
Textile	1.9	3.5	3.4	1.5	1.9	2.5	1.1
Clothing	2.3	2.7	3.7	1.9	1.8	1.6	1.0
Food, Drink, Tobacco	7.9	8.2	10.2	5.1	5.1	5.7	4.2
Paper and Printing	5.0	6.8	10.3	4.0	6.3	4.8	4.1
Gas and Electricity	3.4	5.4	5.1	2.8	2.3	2.6	2.7
Other Manufacturing	10.4	11.0	13.5	6.8	6.7	7.9	5.6
Total manufacturing	47.2	57.7	70.1	33.9	36.2	40.1	32.1
Mining	2.1	3.3	4.6	2.3	2.3	3.0	2.3
Transport	6.4	8.0	8.6	4.6	4.0	4.2	3.6
Wholesale and Retail Trade	12.6	17.7	15.7	8.0	7.7	9.5	6.8
All other	6.1	6.3	7.6	3.8	3.8	3.6	3.6
GRAND TOTAL :	74.4	93.0	106.6	52.6	54.0	60.4	48.4

In manufacturing industry the increase in expenditure in the second half of 1949 largely results from the substantial increase in the paper and printing industry, and in most other industry groups there has been a fair degree of stability in the expenditure for this period. After paper and printing the greatest proportionate changes were in the textile industry (an increase of 25 per cent) and in gas and electricity undertakings (a decrease of nearly 20 per cent).

The forecast of expenditure by manufacturing industries in the first half of 1950 is 10 per cent higher than expenditure in the second half of 1949, all groups except clothing and paper and printing sharing in the increase. In the non-manufacturing industries an increase of 14 per cent is forecast in the first half of 1950. This is due to the large anticipated rises in expenditure in the wholesale and retail trade and mining industries.

IV. REPAIR AND MAINTENANCE EXPENDITURE.

Expenditure on repairs and maintenance from 1947 to 1949 together with the forecast of expenditure for 1950 are shown in Table 3.

TABLE 3. REPAIR AND MAINTENANCE EXPENDITURE.

	1947	1948		1949		1950	
		1st half	2nd half	1st half	2nd half	1st half	2nd half
	£m.	£m.	£m.	£m.	£m.	£m.	£m.
1st Forecast	-	26.6	28.6	28.6	30.6	32.9	35.0
2nd Forecast	-	28.9	28.5	30.9	33.3	35.2	-
Actual	58.3	30.6	32.1	34.8	35.5	-	-

Since 1947 there has been a gradual increase in repair and maintenance expenditure resulting mainly from rising costs.