AUSTRALIAN BUREAU OF STATISTICS
CANBERRA

Reference No. 5.8
NOON 1 APRIL 1977

INQUIRIES If you want to know more about these statistics, ring Mr Ken Mitchell on Canberra 525447 or our State Office or write to Information Services Australian Bureau of Statistics, P.O. Box 10, Belconnen, A.C.T. 2616.

NEW CAPITAL EXPENDITURE BY PRIVATE ENTERPRISES IN AUSTRALIA
DECEMBER QUARTER 1976 (ACTUAL)
JANUARY TO JUNE 1977 (EXPECTED)

MAIN FEATURES

- The estimate of new capital expenditure for the December quarter 1976 is $1,560m.
- Seasonally adjusted the December quarter 1976 estimate is 8% greater than the September quarter 1976 estimate.
- The December quarter 1976 estimate is 16% higher than the December quarter 1975 estimate.
- The estimate of expected new capital expenditure for six months ended June 1977 is $2,949m.
- Seasonally adjusted the estimate of expected new capital expenditure for six months ended June 1977 is 8% greater than the estimate of actual new capital expenditure for the six months ended December 1976.

EXPLANATORY NOTES

This bulletin contains estimates of actual and expected new capital expenditure by type of asset for selected industry groups (see tables 1 and 3) and by industry group (see table 2). These estimates replace the preliminary estimates previously published in *New Capital Expenditure by Private Enterprises in Australia (integrated Series)*, published on 25 February 1977.

2. The series contained in this bulletin have been compiled by using the information supplied by a stratified random sample of the business enterprises recorded in the Bureau's Central Integrated Register of business units engaged in economic activity in Australia. The figures obtained from the selected informants are then statistically expanded using a predetermined mathematical formula, together with an allowance for new enterprises, to derive an estimate of new capital expenditure by all enterprises in the private sector of the Australian economy, within the industry scope of the survey. (For a discussion on the scope of the survey, see paragraph 8. For a discussion of the precision of these sample estimates, see paragraphs 12 to 14.)

Classification by industry

3. In order to classify new capital expenditure by industry in these series, each *enterprise* listed in the Bureau's Central Integrated Register of Statistical Units (and therefore each selected *enterprise*) is classified to the industry in the Australian Standard Industrial Classification (ASIC) in which it mainly operates. All of the new capital expenditure of each selected *enterprise* is then classified to that industry irrespective of the other industries in which establishments of the enterprise may operate. Estimates of the new capital expenditure in each industry are then compiled as outlined in paragraph 2 above. Statistics from the 1968-69 Integrated Economic Census, concerning the relationship between enterprises and establishments, suggest that these enterprise based estimates should be a reliable indicator of corresponding establishment based figures.

Dissection by type of asset

4. The series of total new capital expenditure shown in table 1 is dissected by type of asset, viz., new buildings and structures and other new capital equipment. (For a description of these terms see Paragraph 6.) The series of new capital expenditure by industry group is not dissected in this way.

Comparison with other statistics published by the Bureau

5. The statistics shown in this bulletin will be different from similar statistics shown in other bulletins released by this Bureau for the following reasons :

(1) the statistics shown in this bulletin are derived from a sample survey and consequently are subject to sampling variability;

(2) these statistics are classified by the industry of enterprise (as described above) as opposed to industry of establishment shown in some of the Bureau's publications (e.g. Manufacturing Establishments – Details of Operations by Industry Class – Australia);

(3) these statistics measure new capital expenditure whereas other bulletins (particularly National Accounts bulletins) measure gross fixed capital expenditure which includes purchases less sales of secondhand assets;

(4) these statistics exclude rural, construction and community services which are included in National Accounts estimates.

Description of terms

6. *Enterprise*. For statistical purposes, the concept of an enterprise is broadly one of a unit comprising all the operations in Australia of a single operating legal entity (e.g. company, partnership, sole proprietor).

New capital expenditure. Expenditure incurred during the period on new fixed tangible assets, including major improvements, alterations and additions, also including expenditure on new fixed tangible assets intended for rental or lease outside the enterprise or for transfer or sale to a related enterprise; expenditure on new buildings or land development projects intended for sale (including administrative and other overheads charged to projects but excluding cost of land); expenditure on new fixed tangible assets purchased for purposes of mining exploration; and all expenditure on developmental activities carried out primarily for purposes of commencing or extending mining and quarrying operations.

New buildings and structures. Includes houses, flats and home units, water and sewerage installations, lifts, heating, ventilating and similar equipment forming an integral part of buildings and structures, land and construction site development, roads, bridges, wharves, harbours, railway lines, pipe lines, power and telephone lines; Also includes all work associated with mine development e.g. construction of shafts etc. in underground mines.

Other new capital equipment. Includes vehicles, electrical apparatus, office equipment, furniture, fixtures, and fittings not forming an integral part of buildings, durable containers, special tooling, etc.; also includes goods newly imported from overseas whether previously used outside Australia or not.

Expected expenditure. Represents the total of new capital expenditure expected by individual businesses at the beginning of the half-year. Subsequent changes in economic conditions may cause revision of plans and affect the timing of construction or the deliveries of equipment, or their cost. On occasions individual plans may prove to be collectively beyond the capacity of the economy.

Accruals basis

7. Respondents have been asked to report all expenditure incurred during the period under review for the acquisition of new fixed tangible assets including design, technical and legal fees and assembly, installation and transport costs, irrespective of when the payments for those assets are made.

Scope of the survey

8. The estimates aim in principle to measure the value of new capital expenditure by all private enterprises in Australia. However, because of the large numbers involved and other collection difficulties (see paragraph 2), it is not possible to include in the survey those enterprises primarily engaged in rural activity, construction and community services. All government enterprises are outside the scope of the survey.

Seasonal adjustment

9. Seasonally adjusted statistics are shown in tables 1 and 3. These adjustments have been made on the basis of the seasonal patterns existing in the old capital expenditure series compiled on a non-integration basis. These historically defined seasonal patterns appear to be continuing in these published integration based series, but the pattern can only be confirmed when additional quarterly observations become available.

10. The adjustments made to the components and totals have been on direct analyses of the series. For this reason, while the unadjusted components in the original series add to the total, the seasonally adjusted components may not add to the adjusted totals. It should be noted that the seasonally adjusted figures reflect the sampling errors to which the original figures are subject.

11. Details of the seasonal adjustment methods used, together with selected measures of variability for these series are given in *Seasonally Adjusted Indicators 1976* (Reference No. 1.10) issued on 1 August 1976.

Precision of the estimates

12. As the estimates are derived from returns received from a sample of businesses, they may differ from the results which would have been obtained by a comparable complete collection. A measure of the likely difference is given by the standard error of each estimate. There are about 2 chances in 3 that a sample estimate will differ from results which would be obtained from a comparable complete collection by less than 1 standard error, and 19 chances in 20 that the difference would be less than 2 standard errors. The standard error of the estimate of new capital