

QUARTERLY BUSINESS SURVEY No. 15. PRELIMINARY RESULTS.

PAST AND ANTICIPATED CAPITAL AND MAINTENANCE EXPENDITURE BY AUSTRALIAN BUSINESS.

I. INTRODUCTION.

Total expenditure on new buildings and new capital equipment by private businesses subject to payroll tax was about £130m. in 1950. This represents an increase of about £55m. or 75 per cent. over the total expenditure in 1947 when this series of surveys was commenced. The increase of £25.6m. in the total expenditure between 1949 and 1950 is considerably greater than the previous annual increases. Preliminary estimates of anticipated expenditure, based on forecasts made by businesses in January and February of this year, indicate that new capital expenditure will probably increase by at least a further £15m. in the following twelve months. If the planned expenditures are carried out total expenditure in 1951 will be about £150m. - double the level in 1947.

The trend of expenditure on new buildings and new capital equipment from 1947 to 1950 together with the expenditure anticipated in the first half of 1951 is shown by chart 1 on page 4.

The details discussed in this report are derived from returns made by business firms to the Quarterly Business Survey. The preliminary figures of actual expenditure in the first half of 1950 and anticipated expenditure in the second half of 1950 and the first half of 1951 shown in the previously circulated report on the results of Survey No. 13 have been revised to take into account returns received subsequent to the preliminary tabulation of that Survey. The figures of actual expenditure in the second half of 1950 and anticipated expenditure for 1951 are based similarly on the preliminary tabulation of the current Survey and are subject to revision when the final tabulation is complete. The figures of expenditure by the engineering and vehicle manufacturing and transport industries shown in the previous report have been adjusted as a result of a change in the industry classification used, but this has not affected the figures of total expenditure previously published.

As in previous surveys the figures shown are estimated total expenditure by all private businesses which are subject to payroll tax, with the exception of those in rural industry. The firms from whose returns the figures are estimated account for about 90 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.

In these surveys builders and manufacturers or repairers of capital equipment are asked to exclude the value of work done for other businesses, and the figures refer to expenditure made by businesses in respect of equipment for their own use. "Buildings" in this report includes a certain amount of construction work on assets such as private wharves, roads, etc. Capital equipment includes vehicles, cranes, office equipment and furniture, and machines and machinery of all kinds.

II. NEW CAPITAL EXPENDITURE.

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

Table 1. New Capital Expenditure

	1947	1948	1949	1950		1951	
				1st half	2nd half	1st half	2nd half
	£m.	£m.	£m.	£m.	£m.	£m.	£m.
<u>New Buildings</u>							
1st Forecast	-	23.1	24.1	14.3	14.4	17.1	21.2
2nd Forecast	-	26.8	26.7	17.1	19.8	22.8	-
Actual	16.3	20.9	25.2	15.0	18.9	-	-
<u>New Capital Equipment</u>							
1st Forecast	-	63.5	64.6	31.9	35.6	44.1	43.8
2nd Forecast	-	72.9	78.2	43.8	48.4	56.1	-
Actual	58.1	72.1	80.6	48.6	48.9	-	-
<u>Total Expenditure on New Buildings and Capital Equipment</u>							
1st Forecast	-	86.6	88.7	46.2	50.0	61.2	70.0
2nd Forecast	-	99.7	104.9	60.9	68.2	78.9	-
Actual	74.4	93.0	105.8	63.6	67.8	-	-

Expenditure on new buildings increased by about £3.9m. between the first and second half of 1950 and accounted for the bulk of the increase in total new capital expenditure in this period. The increase was substantially greater than previously recorded increases. Expenditure on new capital equipment was virtually unchanged. In the following six monthly period expenditure on new capital equipment is expected to increase by about £7.2m. as compared with an expected increase of £3.9m. for new buildings.

Expenditure on both new buildings and new capital equipment in the second half of 1950 was close to the forecasts of expenditure made in July and August last year. A tendency to over-estimate expenditure on building has been a fairly consistent feature of these forecasts, and this tendency was again present in the second half of 1950. Actual expenditure on new capital equipment has in most periods been very close to the level forecast (See chart 2 on page 4).

The preliminary forecasts, made by informants in January and February of this year, of expenditure on both new buildings and new capital equipment in the second half of 1951, are below the revised forecasts made for the first half of this year, but considerably higher than the original forecasts (made six months previously) of expenditure in the first half of 1951. If, as in the past, these preliminary forecasts should prove to be under-estimates, expenditure on buildings and new capital equipment in 1951 is likely to be considerably higher than in 1950.

III. NEW CAPITAL EXPENDITURE BY INDUSTRIES.

Table 2 shows the new capital expenditure in the chief industry groups since 1947 together with the expenditure anticipated in the first and second half of 1951. 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.

	1947	1948	1949	1950		1951	
	Actual	Actual	Actual	1st half Actual	2nd half Actual	1st half Forecast	2nd half Forecast
	£m.	£m.	£m.	£m.	£m.	£m.	£m.
Manufacturing							
Engineering & Vehicles	17.9	21.6	24.1	13.7	14.1	19.9	20.4
Textile	1.9	3.5	3.6	2.2	1.6	1.9	2.3
Clothing	2.3	2.7	3.6	1.4	1.3	1.2	1.5
Food, Drink, Tobacco	7.9	8.2	10.9	6.7	8.9	7.9	6.3
Paper and Printing	5.0	6.8	9.1	5.8	5.3	5.9	6.5
Gas and Electricity	3.4	5.4	5.2	2.7	3.4	3.6	3.8
Other Manufacturing	10.4	11.0	13.5	9.5	9.3	10.2	9.3
Total Manufacturing	48.8	59.2	70.0	42.1	43.9	50.6	50.1
Lining	2.1	3.3	4.5	3.6	3.3	4.2	3.1
Transport	4.8	6.5	7.2	2.6	4.0	5.8	2.6
Wholesale & Retail							
Trade	12.6	17.7	16.1	10.1	10.7	11.9	9.7
All other	6.1	6.3	8.0	5.2	5.9	6.4	4.5
TOTAL:	74.4	93.0	105.8	63.6	67.8	78.9	70.0

The increase of 7 per cent. in the actual new capital expenditure between the first and second half of 1950 results from an increase of 4 per cent. in the expenditure by manufacturing industries and 11 per cent. by the non-manufacturing industries. In the following six-monthly period both manufacturing and non-manufacturing industries anticipate a further increase in expenditure of more than 15 per cent.

Increases in expenditure of more than 25 per cent. between the first and second half of 1950 are shown by the food, drink and tobacco, gas and electricity, and the transport industries. Expenditure in the textile industry dropped quite sharply.

All industry groups except the clothing and food, drink and tobacco groups anticipate a further increase in expenditure to the first half of 1951. Increases of more than 25 per cent. are forecast by the engineering and vehicles, mining and transport industries, and increases of between 10 to 25 per cent. are forecast by the textile, paper and printing, other manufacturing and wholesale and retail trading groups.

IV. REPAIR AND MAINTENANCE EXPENDITURE

Expenditure on repairs and maintenance since 1947 and forecasts of expenditure for the first and second half of 1951 are shown in Table 3.

Table 3. Repair and Maintenance Expenditure

	1947	1948	1949	1950		1951	
				1st half	2nd half	1st half	2nd half
	£m.	£m.	£m.	£m.	£m.	£m.	£m.
1st Forecast	-	55.2	59.2	32.9	35.0	34.1	41.7
2nd Forecast	-	57.4	64.2	35.2	34.5	41.2	-
Actual	58.3	62.7	70.3	36.3	41.4	-	-

The gradual increase in repair and maintenance expenditure since 1947 would be chiefly attributable to rising costs.

CHART I. EXPENDITURE ON NEW BUILDINGS AND OTHER NEW CAPITAL EQUIPMENT 1947 TO 1951. (HALF YEARLY TOTALS AT ANNUAL RATES.)

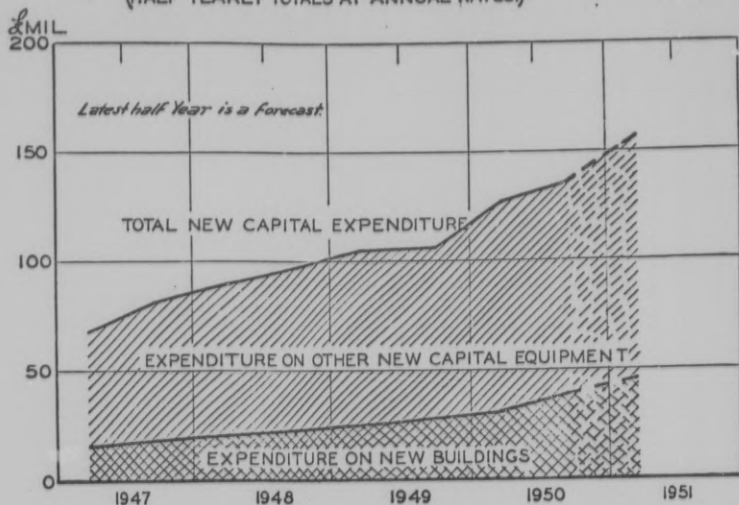


CHART 2 ANTICIPATED AND ACTUAL EXPENDITURE ON NEW BUILDINGS AND OTHER NEW CAPITAL EQUIPMENT 1948 TO 1950.

