

QUARTERLY BUSINESS SURVEY No. 17.  
PRELIMINARY RESULTS.

PAST AND ANTICIPATED CAPITAL AND MAINTENANCE EXPENDITURE  
BY AUSTRALIAN BUSINESS.

I. Introduction

Expenditure on new buildings and new capital equipment by private businesses subject to payroll tax increased by about £18m. between the second half of 1950 and the first half of 1951. This represents an increase of about 25 per cent over the previous six months, and of about 35 per cent over the corresponding period in 1950. About £15m. of the increase is in expenditure on new capital equipment and about £3m. in expenditure on new buildings. Judging from preliminary estimates of anticipated expenditure there will be a further substantial increase in the second half of this year. Expenditure on repairs and maintenance also showed a substantial increase, probably mainly attributable to rising costs.

These details are based on estimated figures derived from returns made by business firms to Quarterly Business Survey No. 17 and earlier Surveys. They refer only to those firms subject to payroll tax and exclude rural industry and governments and governmental instrumentalities. The figures of actual expenditure for the first half of 1951 and of forecast expenditure for the second half of that year and for the first half of 1952 are based on the preliminary tabulations of the results of the current survey and may be revised when the final tabulation is completed.

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 new 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		1952
				1st Half	2nd Half	1st Half	2nd Half	1st Half
				£m.	£m.	£m.	£m.	£m.
<u>New Building</u>								
1st Forecast	-	23	24	14	14	17	21	31
2nd Forecast	-	27	27	17	20	23	32	-
Actual	16	21	25	15	17	20	-	-
<u>New Capital Equipment</u>								
1st Forecast	-	64	65	32	36	44	54	68
2nd Forecast	-	73	78	44	48	60	73	-
Actual	58	72	81	49	51	66	-	-
<u>Total New Capital Expenditure</u>								
1st Forecast	-	87	89	46	50	61	75	99
2nd Forecast	-	100	105	61	68	83	105	-
Actual	74	93	106	64	68	86	-	-

The increase of £18m. in total expenditure between the second half of 1950 and the first half of 1951 is substantially greater than any previously recorded increase. A further increase of £19m. is anticipated to the second half of this year which, if realised, would bring the total expenditure for the current year to about £190m., nearly 50 per cent greater than in 1950 and more than two and a half times the 1947 level. Most of this increase in expenditure has occurred in the last two years - the increase of £33m. between the first half of 1949 and the first half of 1951 being nearly double the increase between the first half of 1947 and the first half of 1949.

The actual expenditure of £86m. in the second half of 1950 was identical with the expenditure forecast for this period. In the first half of 1951 the actual expenditure of £86m. was close to the forecast of £83m. The tendency for expenditure on buildings to be somewhat overstated was again noticeable in the first half of 1951 and this partly offset the underestimate of expenditure on new capital equipment.

There has been a continuance in 1951 of the tendency for preliminary forecasts of expenditure on new buildings and new capital equipment to be substantially increased when the second forecasts are made six months later. For forecasts of new capital equipment expenditure the revision has been close to 40 per cent in each of the half yearly periods since 1950. The preliminary estimates are made between 10 and 12 months in advance and the understatement may be due partly to a failure to allow a sufficient margin for price and cost increases and partly to the fact that for many firms expenditure plans are incomplete when these estimates are made.

### III. New Capital Expenditure by Industries

Table 2 shows the new capital expenditure in the chief industry groups since 1949 together with the expenditure anticipated in the second half of 1951 and the first half of 1952. The figures shown in this table are of smaller magnitude than those shown in Table 1 and so that the differences between individual industries and changes between periods may be more apparent they are rounded to the nearest £100,000. These figures should be used with caution as they are liable to a greater degree of error than the totals presented in the previous table.

	1949	1950		1951		1952
	Actual	1st Half	2nd Half	1st Half	2nd Half	1st Half
	Em.	Actual	Actual	Actual	Forecast	Forecast
Manufacturing		Em.	Em.	Em.	Em.	Em.
Engineering & Vehicles	24.1	13.7	13.2	21.3	27.1	27.5
Textile	3.6	2.2	1.9	2.2	2.2	1.6
Clothing	3.6	1.4	1.2	2.1	2.3	1.0
Food, Drink & Tobacco	10.9	6.7	8.3	8.1	8.9	10.0
Paper and Printing	9.1	5.8	5.6	5.5	5.8	7.7
Gas and Electricity	5.2	2.7	3.7	3.8	6.8	6.9
Other Manufacturing	13.5	9.6	10.1	13.2	13.9	12.3
Total Manufacturing	70.0	42.1	44.0	56.2	68.0	67.0
Mining	4.5	3.6	3.2	4.8	7.8	6.5
Transport	7.2	2.6	4.2	4.2	5.2	2.4
Wholesale and Retail Trade	16.1	10.1	10.8	13.2	16.9	15.4
All Other	8.0	5.2	5.9	6.6	7.4	6.8
TOTAL:	105.8	63.6	68.1	85.6	105.3	99.1

Manufacturing industries accounted for £12.2m. of the increase of £17.5m. in new capital expenditure between the second half of 1950 and the first half of 1951 and of this the engineering and vehicles group accounted for £8.1m. Apart from clothing with an increase of £0.9m. and other manufacturing of £3.1m. the remaining manufacturing industries showed only a small change in expenditure. Among non-manufacturing industries wholesale and retail trade made up £2.4m. of the total increase of £5.3m.

Manufacturing industries anticipate a further increase of £11.8m. in expenditure during the second half of 1951 and non-manufacturing industries of £7.9m. The largest anticipated increases are by the engineering and vehicles group of £5.6m. and gas and electricity of £3.0m. among manufacturing industries and mining of £3.0m. and wholesale and retail trade of £3.7m. among the non-manufacturing industries.

Figures for 1947 and 1948 are shown in reports on earlier surveys.

#### IV. Repair and Maintenance Expenditure

Table 3. Repair and Maintenance Expenditure

	1947	1948	1949	1950		1951		1952
				1st Half	2nd Half	1st Half	2nd Half	1st Half
				Em.	Em.	Em.	Em.	Em.
1st Forecast	-	55	59	53	35	34	41	50
2nd Forecast	-	57	64	55	35	41	49	-
Actual	58	62	70	56	41	52	-	-

Table 3 shows the expenditure on repairs and maintenance since 1947. The increases would be due mainly to rising costs, and the large increase in the last six months probably reflects the rather more rapid rise in costs. At the same time the substantial new capital outlays in the post-war years would be expected to result in a delayed rise in repair and maintenance expenditure.