

## QUARTERLY BUSINESS SURVEY No. 9.

## PRELIMINARY RESULTS

## PAST AND ANTICIPATED CAPITAL AND MAINTENANCE EXPENDITURE

## BY AUSTRALIAN BUSINESS

## I. INTRODUCTION

Total expenditure on new buildings and capital equipment as revealed by this survey was about £53m. in the first half of 1949. This represents an increase of £4.7m. over the total expenditure in the second half of 1948 and is about 1 per cent higher than the expenditure in the first half of 1947. Expenditure on repairs and maintenance again increased slightly and was rather less than £35m. in the first half of 1949.

The movement in expenditure from the first half of 1947 to the first half of 1949 together with the forecast expenditure for the second half of 1949 is shown in Chart 1.

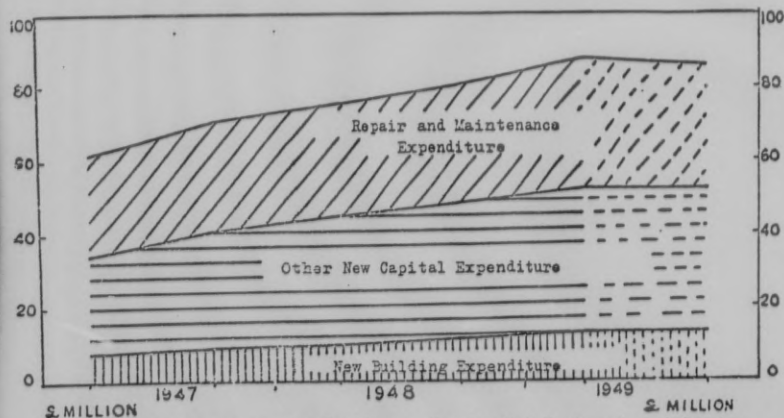


Chart 1. Expenditure on New Buildings, New Capital Equipment and Repairs and Maintenance 1947 to 1949. (half-yearly rates).

These figures are derived from returns by firms to the Quarterly Business Surveys. Actual expenditure in the first half of 1949 and forecast expenditure for the second half of this year are preliminary figures for Survey No. 9. These figures are discussed in Sections III to V and are compared with figures of actual expenditure in 1947 and 1948 shown by earlier surveys. The preliminary figures from Survey No. 7 previously circulated have been revised but the general trend of the figures of expenditure in 1947 and 1948 has not been altered as a result of the revision.

The figures shown are estimated totals covering all private employers subject to payroll tax but excluding those in rural industry. The totals are derived from returns received from a sample of private firms which account for about 25 per cent of total wages and salaries paid by all firms subject to payroll tax. Capital expenditure by governments and state and local authorities, power stations, railways, airways and harbour authorities is excluded.

## II. INVESTMENT EXPENDITURE IN AUSTRALIA

Chart 2 shows for 1938-39 and 1945-46 to 1948-49 the percentages of the gross national product (i.e. of the total value of all goods and services produced in Australia) used for personal consumption, for private investment and for all other purposes. Private investment here is measured on a gross expenditure basis and includes replacement of capital equipment as well as the purchase of additional new buildings, machines, motor vehicles, etc. It includes also the increase in stocks held and the value of new houses constructed. The investment figures used in constructing the chart include estimates for rural industry and those portions of other industry not subject to payroll tax and are therefore not directly comparable with figures in other sections of this report. "All other purposes" includes goods and services used by governments, banks, etc. as well as any exports required to pay interest or dividends overseas or to reduce our overseas indebtedness.

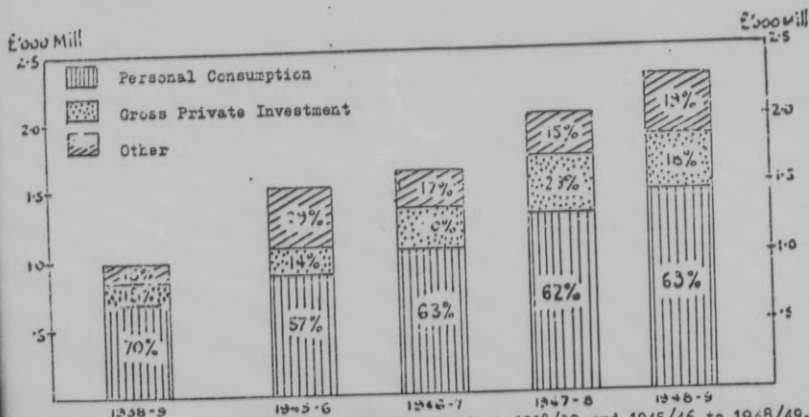


Chart 2. Composition of Gross National Product 1938/39 and 1945/46 to 1948/49.

Private investment is estimated to have fallen from £460m. in 1947-48 to about £400m. in 1948-49 and from 23 per cent to 18 per cent of the gross national product. This drop was entirely due to the reduction of farm stocks which were high in June, 1948, following the bountiful 1947-48 season. Expenditure on new building (including houses) and motor vehicles increased substantially in 1948-49, and expenditure on other types of capital equipment remained about the same as in 1947-48. Estimates of the value of stocks other than farm stocks show a substantial increase in 1948-49, but not as great as in the previous year (see Preliminary Results of Quarterly Business Survey No. 8). Apart from expenditure on new houses and private motor vehicles the great bulk of expenditure on buildings and capital equipment is by business firms subject to payroll tax - the field to which these Quarterly Business Surveys apply - and estimates for these firms are given below.

### III. NEW CAPITAL EXPENDITURE

New capital expenditure of £52.9m. in the first half of 1949 represents an increase of about 10 per cent over the expenditure in the second half of 1948. This percentage increase in expenditure compares with a 20 per cent increase between the first half and second half of 1947, a 10 per cent increase between the second half of 1947 and the first half of 1948 and an 8 per cent increase between the first half and second half of 1948.

Table 1 shows the expenditure on buildings and other new capital equipment from the beginning of 1947 to June, 1949, with forecasts up to the middle of 1950.

TABLE 1. NEW CAPITAL EXPENDITURE

	1947		1948		1949		1950
	1st half	2nd half	1st half	2nd half	1st half	2nd half	1st half
	£m.	£m.	£m.	£m.	£m.	£m.	£m.
<u>Building</u>							
1st Forecast	-	-	12.8	10.3	12.2	11.9	14.1
2nd Forecast	-	14.0	13.4	13.4	14.0	12.9	-
Actual	7.6	8.7	9.8	11.1	12.4	-	-
<u>New Capital</u>							
<u>Equipment</u>							
1st Forecast	-	-	34.6	28.9	32.0	32.6	32.5
2nd Forecast	-	35.7	34.3	38.6	39.3	39.2	-
Actual	26.2	31.9	35.0	37.1	40.5	-	-
<u>Total New Capital</u>							
<u>Expenditure</u>							
1st Forecast	-	-	47.4	39.2	44.2	44.5	46.6
2nd Forecast	-	49.7	47.7	52.0	53.3	52.1	-
Actual	33.8	40.6	44.8	48.2	42.9	-	-

In previous periods actual expenditure has tended to fall short of the anticipated expenditure. Actual expenditure of £52.9m. in the first half of 1949 was however almost equal to the forecast figure of £53.3m. This suggests that firms had less difficulty than in earlier periods in carrying out their programmes of capital expenditure.

The forecast of expenditure in the second half of 1949, made in Survey No. 7, has been increased from £44.5m. to £52.1m. This increase is most marked for expenditure on new capital equipment, but it should be noted that previous surveys have shown a tendency for earlier forecasts to be substantially increased when revised figures are asked for six months later.

The revised forecast of new capital expenditure in the second half of 1949 is £52.1m. which is 2 per cent lower than the actual expenditure for the first half of 1949. This decline is accounted for by an expected fall of 3 per cent in expenditure on new capital equipment. Expenditure on new buildings is expected to increase by a further 4 per cent in the second half of 1949.

The expenditure forecast for the first half of 1950 shows a further decline to £46.6m. or about 10 per cent below the expenditure forecast for the second half of 1949. Such falls have been forecast previously and this figure may be revised later.

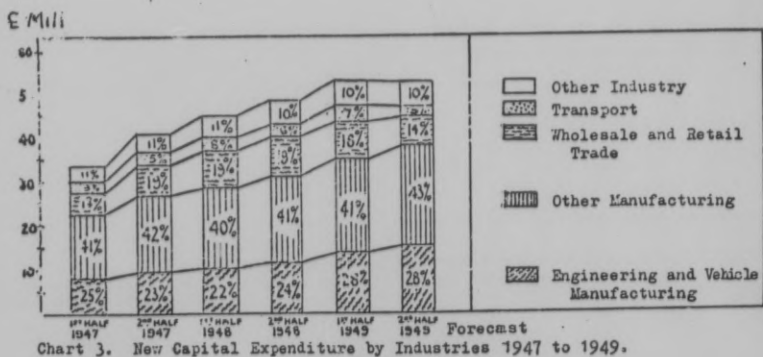
#### IV. NEW CAPITAL EXPENDITURE BY INDUSTRIES

Table 2 shows figures of actual new capital expenditure in various industries in 1947 and 1948 and the first half of 1949 and forecasts of expenditure for the second half of 1949 and the first half of 1950. These figures should be used with caution as they are liable to a greater degree of error than the totals presented previously.

TABLE 2. NEW CAPITAL EXPENDITURE BY INDUSTRIES

Industry	1947		1948		1949		1950
	1st half Actual	2nd half Actual	1st half Actual	2nd half Actual	1st half Actual	2nd half Forecast	1st half Forecast
	£m.	£m.	£m.	£m.	£m.	£m.	£m.
Manufacturing -							
Engineering and Vehicles	8.5	9.4	10.1	11.5	13.9	14.9	13.5
Textiles	.8	1.1	1.8	1.7	1.2	1.5	1.0
Clothing	1.2	1.1	1.6	1.1	2.1	1.8	1.8
Food, Drink, Tobacco	3.8	4.1	3.8	4.4	4.5	5.1	4.6
Paper and Printing	2.2	2.8	2.9	3.9	4.1	4.4	3.4
Gas and Electricity	1.3	2.1	2.1	3.3	2.8	3.0	3.0
Other Manufacturing	4.6	5.8	5.8	5.2	6.6	6.4	5.4
Total Manufacturing	22.4	26.4	28.1	31.1	35.2	37.1	32.7
Mining	.8	1.3	1.5	1.8	2.2	2.4	2.2
Transport	2.8	2.0	3.4	3.1	3.4	2.4	2.2
Wholesale and Retail Trade	4.9	7.7	8.4	9.3	8.5	7.2	6.0
All Other	2.9	3.2	3.4	2.9	3.6	3.0	3.5
GRAND TOTAL	33.8	40.6	44.8	48.2	52.9	52.1	46.6

The movement in expenditure in the various industries is more clearly shown in the following chart.



Manufacturing industries account for £4.1m. of the total increase in actual expenditure of £4.7m. between the second half of 1948 and the first half of 1949.

Total expenditure is expected to decline in the second half of 1949. In manufacturing industries however expenditure is expected to increase by £1.9m. as compared with an expected fall of £2.7m. in the non-manufacturing industries. Both at present forecast a decline in expenditure in the first half of 1949. It has, however, been apparent in earlier surveys that plans have not always been complete for the second six monthly period for which forecasts are given and it is possible that there will be some increase in these forecasts when plans are more complete.

Now capital expenditure in the first half of 1949 has increased by more than 20 per cent over the second half of 1948 in the engineering and vehicle building, clothing, and "other" manufacturing industries and in mining. In the "other manufacturing" group leather, rubber and stone, clay and earthenware manufacturing industries account for £1m. out of the total increase of £1.4m. for the group.

In the second half of 1949 new capital expenditure is expected to increase slightly in all manufacturing industries except clothing and "other" manufacturing (in both of which there were substantial increases in the past six months). The greatest proportionate increase is expected in the textile industry in which expenditure fell substantially in the first half of 1949. A considerable fall in expenditure is anticipated in the transport industry and in wholesale and retail trade.

#### V. REPAIRS AND MAINTENANCE EXPENDITURE

Total expenditure on repairs and maintenance in 1947 and 1948 and the first half of 1949 and forecasts for the second half of 1949 and for the first half of 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	1st half
	£m.	£m.	£m.	£m.	£m.	£m.	£m.
1st Forecast	-	-	26.6	28.6	28.6	30.6	32.9
2nd Forecast	-	26.3	28.9	28.5	30.9	33.3	-
Actual	28.2	30.1	30.6	32.1	34.8	-	-

These figures indicate that repair and maintenance expenditure has remained fairly stable and the small increases which have occurred result mainly from rising costs.

COMMONWEALTH BUREAU OF CENSUS AND STATISTICS

CANBERRA, A.C.T.

30TH SEPTEMBER, 1949.