



COMMONWEALTH BUREAU OF CENSUS AND STATISTICS

QUARTERLY BUSINESS SURVEY No. 7.

PRELIMINARY RESULTS

PAST AND ANTICIPATED CAPITAL AND MAINTENANCE EXPENDITURE BY AUSTRALIAN BUSINESS

New capital expenditure by Australian business was at the annual rate of nearly £100 mill. for the second half of 1948 as compared with £80 mill. for the second half of 1947 and is expected to increase further in the first half of 1949.

These figures are derived from returns by firms to Quarterly Business Survey No. 7, circulated in December 1948, which asked for actual new capital and repair and maintenance expenditure for the second half of 1948 and anticipated expenditure for the first and second half of 1949. The preliminary results of Survey No. 7 are compared below with the final results for earlier surveys.

The preliminary figures for Survey No. 5 have been revised and the figures for actual new capital expenditure for the first half of 1948 differ slightly for several industries from those previously circulated. New capital expenditure in the textile, gas and electricity and mining industries has been revised downwards and "other manufacturing" expenditure has been increased. The overall effect of the revision has been to reduce the estimated total new capital expenditure from the preliminary figure of £45.6 mill. to £44.8 mill. Repairs and maintenance figures are substantially unchanged.

As in previous surveys the figures are estimated totals for private employers subject to payroll tax excluding those in rural industries. Capital expenditure by governments and state and local government instrumentalities such as coal mines, housing authorities, power stations, railways, tramways and harbour authorities is also excluded.

NEW CAPITAL EXPENDITURE

Total new capital expenditure for the second half of 1948 was about £48 mill. as compared with about £45 mill. for the first half of the year. This represents an increase of about 8% as compared with a 20% increase between the first and second half of 1947 and 10% increase between the second half of 1947 and the first half of 1948.

As was anticipated, the first forecast for the first half of 1949 made in Survey No. 5 has been increased substantially in Survey No. 7 from £44.2 mill. to £53.4 mill. Past experience suggests, however, that the actual expenditure achieved in the first half of 1949 will not be as high as this and may be only some £49 m. to £51 m. or about 5% above the last half of 1948. The first forecast for the last half of 1949 shows only the drop usual in first forecasts, and it seems probable therefore that the rate of capital expenditure will be at least maintained throughout 1949.

Table 1 shows new capital expenditure on buildings and other capital equipment for 1947 and 1948 together with forecasts for the first and second half of 1949.

TABLE 1. NEW CAPITAL EXPENDITURE

	1947		1948		1949	
	1st half	2nd half	1st half	2nd half	1st half	2nd half
	£m.	£m.	£m.	£m.	£m.	£m.
<u>Building</u>						
1st Forecast	-	-	12.8	10.3	12.2	11.2
2nd Forecast	-	14.0	13.4	13.4	13.1	-
Actual	7.6	8.7	9.8	11.0	-	-
<u>New Capital Equipment</u>						
1st Forecast	-	-	34.6	28.9	32.0	33.5
2nd Forecast	-	35.7	34.3	38.6	40.3	-
Actual	26.2	31.9	35.0	37.2	-	-
<u>Total New Capital Expenditure</u>						
1st Forecast	-	-	47.4	39.2	44.2	44.7
2nd Forecast	-	49.7	47.7	52.0	53.4	-
Actual	33.8	40.6	44.8	48.2	-	-

In the second half of 1947 actual expenditure in both new building and other new capital equipment fell substantially short of expectation. During the first half of 1948 expenditure on building again fell short of the forecast while expenditure on new capital equipment slightly exceeded expectation. For the second half of 1948 actual expenditure for both new capital expenditure was below forecast - buildings by about 20% and new capital equipment by about 5%.

The forecast for expenditure on new building during the first half of 1949 is already 20% above the expenditure during the second half of 1948, but in the light of past trends and the failure to achieve expectations it seems unlikely that this forecast will be achieved. The forecast for new capital equipment represents an increase of 8% over actual expenditure in the second half of 1948.

For both new building and other capital equipment the second forecasts have been consistently greater than the first forecasts for the same period. While the first forecast for the second half of 1949 appears to be low it is expected that these figures will be revised upwards when the second forecasts are made.

Table 2 shows the actual and percentage increases in expenditure from period to period over the years. Total expenditure has continued to increase throughout the period but at declining rate. The actual and percentage increases in expenditure on new capital equipment have fallen off considerably. Expenditure on new building has been increasing by about £1111. each half year though this naturally represents a slowly falling rate of increase.

TABLE 2. ACTUAL AND PERCENTAGE INCREASE IN NEW CAPITAL

	2nd Half 1947		1st Half 1948		2nd Half 1948	
	Increase over previous six months		Increase over previous six months		Increase over previous six months	
	Actual	Percent.	Actual	Percent.	Actual	Percent.
	£m.		£m.		£m.	
Building	1.1	14	1.1	13	1.2	12
New Capital	5.7	22	3.1	10	2.2	6
Total	6.8	20	4.2	10	3.4	8

NEW CAPITAL EXPENDITURE BY INDUSTRIES

Table 2 shows new capital expenditure for individual industries for 1947 and 1948 and forecasts for 1949. These figures should be used with caution as they are liable to a greater degree of error than the totals presented previously. Actual expenditure for the first half of 1949 is likely to be lower than the amount shown, and for the second half appreciably higher.

TABLE 3. NEW CAPITAL EXPENDITURE BY INDUSTRIES

Industry	1947		1948		1949	
	1st half Actual	2nd half Actual	1st half Actual	2nd half Actual	1st half Forecast	2nd half Forecast
	£m.	£m.	£m.	£m.	£m.	£m.
Manufacturing:						
Engineering & Vehicles	8.5	9.4	10.1	12.4	13.5	10.8
Textiles	.8	1.1	1.8	1.7	2.2	1.7
Clothing	1.2	1.1	1.6	1.1	1.7	1.1
Food, Drink, Tobacco	3.8	4.1	3.8	4.7	4.9	3.3
Paper and Printing	2.2	2.8	2.9	4.1	6.3	4.5
Gas and Electricity	1.3	2.1	2.1	2.8	3.6	4.2
Other Manufacturing	4.6	5.8	5.8	5.1	6.1	5.9
Total Manufacturing	22.4	26.4	28.1	31.9	38.3	31.5
Mining	.8	1.3	1.5	1.7	1.9	2.0
Transport	2.8	2.0	3.4	3.2	2.9	2.3
Wholesale and Retail Trade	4.9	7.7	8.4	8.7	7.6	6.9
All Other	2.9	3.2	3.4	2.7	2.7	2.0
GRAND TOTAL	33.8	40.6	44.8	48.2	53.4	44.7

Expenditure by manufacturing industries has accounted for about two-thirds of total expenditure over the past two years. An expected further increase in expenditure by manufacturing industries combined with a slight fall expected in other industries may increase this proportion somewhat during the first half of 1949.

The greatest increases in expenditure between the first and second half of 1948 have been in engineering and vehicles, food, drink and tobacco, gas and electricity, and paper and printing. Expenditure has fallen in the clothing industry, and has remained relatively stable in textiles and non-manufacturing industries.

In the first half of 1949 new capital expenditure is expected to continue to increase substantially in engineering and vehicles, paper and printing, and gas and electricity. The decline in expenditure by the clothing industry in the second half of 1948 is expected to be reversed during the first half of 1949. Expenditure in transport and wholesale and retail trade is expected to fall substantially.

In all industries with the exception of gas and electricity and mining forecast expenditure for the second half of 1949 is considerably lower than for the previous period. However, as stated above, it is probable that those figures will be revised upwards when the second forecast for this period is made.

REPAIR AND MAINTENANCE EXPENDITURE

Total expenditure on repairs and maintenance in 1947 and 1948 and forecasts for 1949 are shown in Table 4.

TABLE 4. REPAIR AND MAINTENANCE EXPENDITURE

	1947		1948		1949	
	1st half	2nd half	1st half	2nd half	1st half	2nd half
	£m.	£m.	£m.	£m.	£m.	£m.
1st forecast	-	-	26.6	28.6	28.6	30.6
2nd forecast	-	26.3	28.9	28.5	30.9	-
Actual	28.2	30.1	30.6	32.1	-	-

The results of Survey No. 7 support the impression gained from earlier surveys that there is substantial stability in repair and maintenance expenditure and that the small increases in expenditure are due mainly to rising costs.

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