

Commonwealth Bureau of Census and Statistics

QUARTERLY BUSINESS SURVEY NO. 3

Preliminary Results

Past and Anticipated Capital and Maintenance Expenditure  
By Australian Businesses

Quarterly Business Survey No. 3, circulated in December, 1947, asked for expenditure on new capital and repairs and maintenance. The survey covered actual expenditure for the 2nd half of 1947 and anticipated expenditure for the two halves of 1948. Expenditure was shown separately for buildings and capital equipment. Quarterly Business Survey No. 1 asked for similar information for the two halves of 1947 and the first half of 1948.

Preliminary results for Survey No. 3 (based on returns covering 25% of private pay-rolls subject to tax) are compared below with final results for Survey No. 1 (based on returns covering 33% of pay-rolls). The final results for Survey No. 1 do not differ greatly from the preliminary results (based on 25%) already issued.

New Capital Expenditure

Expenditure on new capital and repairs and maintenance is shown in Table 1. New capital expenditure was 55% of the total in 1947.

TABLE 1

Type of Expenditure	Total 1947	1947		1948	
		1st Half	2nd Half	1st Half	2nd Half
	£m.	£m.	£m.	£m.	£m.
<u>New Capital</u>					
1st Forecast	-	-	-	47.4	36.8
2nd Forecast	-	-	49.7	42.4	-
Actual	70.8	33.8	37.0	-	-
<u>Repairs &amp; Maintenance</u>					
1st Forecast	-	-	-	26.6	28.7
2nd Forecast	-	-	26.3	28.6	-
Actual	58.2	28.2	29.9	-	-
<u>Total</u>					
1st Forecast	-	-	-	74.0	65.4
2nd Forecast	-	-	76.0	71.0	-
Actual	129.0	62.0	66.9	-	-

New capital expenditure in the 2nd half of 1947 was only 9% above the 1st half although an increase of nearly 50% was forecast. Thus actual achievement was only about 75% of expectation. The deficiency occurred largely in building for which actual achievement was less than 60% of expectation while for capital equipment achievement was over 80%. Building expenditure in the 2nd half of 1947 was 6% higher than for the 1st half, while expenditure on new capital equipment in the 2nd half was 11% higher than for the 1st half.

...../New Capital

New capital expenditure for the 1st half of 1948 was forecast at £47.4m. in Survey No.1 but this figure has been revised downward to £42.4m. in Survey No.3. It is now expected, therefore, that expenditure in the 1st half of 1948 will be 25% higher than for the 1st half of 1947 and 15% higher than for the 2nd half of 1947. Expenditure on buildings is expected to be 49% over the 1st half and 41% over the 2nd half of 1947. Expenditure on new capital equipment is expected to be up 18% and 7% respectively.

The first forecast of new capital expenditure for the 2nd half of 1948 is £36.8m. This is virtually the same as for the 2nd half of 1947 and a drop of 13% on the anticipated expenditure for the 1st half of 1948. Expenditure on buildings is expected to be up 25% on the 2nd half of 1947 while expenditure on new capital equipment is expected to be down 8%.

These movements in new capital expenditure are summarized in Table 2

TABLE 2

Type of Expenditure	1st Half	2nd Half	1st Half	2nd Half
	1947	1947	1948	1948
	Actual	Actual	2nd forecast	1st forecast
	£m.	£m.	£m.	£m.
Buildings	7.6	8.0	11.3	10.0
New Capital Equipment	26.2	29.0	31.1	26.8
Total New Capital Expenditure	33.8	37.0	42.4	36.8

This table shows fairly clearly that the peak in new capital expenditure has been reached and that some decline may be expected by the end of 1948. Expenditure on new capital equipment may fall back to the level of the 1st half of 1947 by the 2nd half of 1948, although building expenditure, despite some decline, may remain substantially higher than the level of 1947. The expected maintenance of building activity may arise, to some extent, from the carrying forward of plans deferred from earlier periods because of shortages, but this factor does not seem to be operating to the same extent for other new capital equipment. It is significant that the failure to achieve expectations in the 2nd half of 1947 has been accompanied by a marked downward revision of expectations for the 1st half of 1948 and an expectation that expenditure in the 2nd half of 1948 will be no higher than actual achievement in the 2nd half of 1947. Thus it appears that many plans for capital expenditure which could not be achieved in 1947 have been dropped rather than deferred.

#### Repair and Maintenance Expenditure

Actual and anticipated expenditure on repairs and maintenance is shown in Table 1. Repair and maintenance expenditure in 1947 was £58.3m. as compared with £70.8m. expenditure on new capital.

Repair and maintenance expenditure in the 2nd half of 1947 was 6% higher than in the first half although a decrease of 7% was forecast in Survey No.1. The higher level may, in part, be due to higher prices.

Corresponding with the rise in actual expenditure over the forecast for the 2nd half of 1947, the forecast for the 1st half of 1948 has been raised by 8% in Survey No.3. The forecast level is, however, about 4% below the 2nd half of 1947 and virtually the same as for the first half of 1947. The forecast for the 2nd half of 1948 is the same as for the 1st half of 1948.

These variations are all relatively small and convey the impression that sufficient manpower and materials are now available for carrying out all normal repair and maintenance work. The back-log accumulated over the war period has apparently been overcome.

New Capital Expenditure by Industries

Forecast and actual changes in new capital expenditure are shown separately in Table 3 for each main industry, in the form of percentage changes from the actual figures for the first half of 1947.

TABLE 3

NEW CAPITAL EXPENDITURE BY INDUSTRIES  
Per Cent Change from 1st. Half of 1947

Industry	2nd Half 1947		1st Half 1948		2nd Half 1948
	Forecast	Actual	First Forecast	Second Forecast	First Forecast
	%	%	%	%	%
Manufacturing					
Engineering	55	- 25	35	0	- 5
Vehicle Building	120	120	225	10	- 5
Textiles	65	60	75	140	150
Clothing	51	- 25	45	25	0
Food, Drink & Tobacco	65	5	65	75	15
Paper and Printing	30	0	55	25	25
All Other Manufacturing	20	25	25	55	15
Total Manufacturing	51	10	56	38	12
Mining	140	10	4	45	50
Transport	25	- 25	- 5	- 5	- 25
Wholesale Trade	55	70	45	20	40
Retail Trade	35	- 20	10	5	- 40
All Other	15	0	- 20	- 30	15
<u>GRAND TOTAL</u>	<u>47</u>	<u>9</u>	<u>40</u>	<u>25</u>	<u>9</u>

Manufacturing industry as a whole (which accounts for about two thirds of new capital expenditure) forecast that the 2nd half of 1947 would show a 51% increase over the 1st half of 1947. Only a 10% increase was in fact achieved. The first forecast for the 1st half of 1948 was for a 56% increase, but this has been reduced to 38% in Survey No. 3. The increase for the 2nd half of 1948 over the 1st half of 1947 is forecast at 12% or about the same level as for the 2nd half of 1947.

Looking at the whole field, manufacturing and non-manufacturing industries which showed the biggest increase in expenditure between 1st and 2nd halves of 1947 were vehicle building, wholesale trade and textiles manufacturing. A moderate increase in expenditure was shown by mining while manufacture of food, drink and tobacco and paper and printing remained more or less stable. Expenditure by firms engaged in retail trade, engineering, clothing and transport declined.

The second forecast for the 1st half of 1948 shows substantial increases over the first half of 1947 for textiles and food, drink and tobacco and moderate increases for mining, clothing, paper and printing, wholesale trade and vehicle building. New capital expenditure by engineering, retail trade and transport industries is expected to be at about the same level as in the 1st half of 1947.

The forecast for the 2nd half of 1948 shows substantial increases for textiles and mining and moderate increases for wholesale trade, paper and printing and food, drink and tobacco. Clothing, engineering and vehicle building industries are expected to spend about the same as in the 1st half of 1947 while transport and retail trade are expected to decrease expenditure.