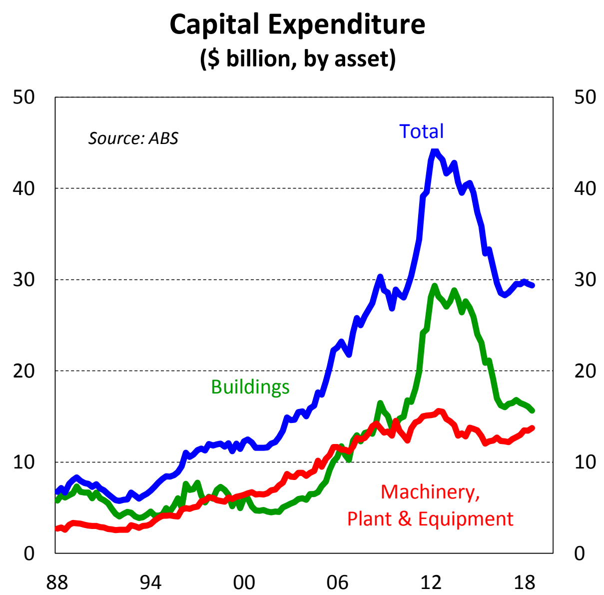
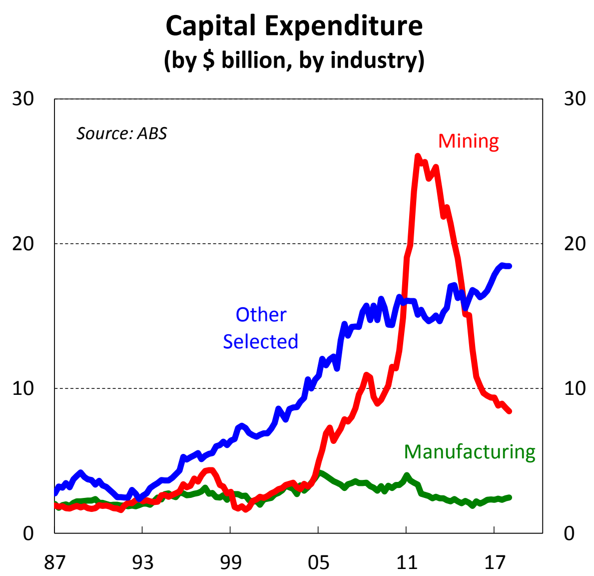
# Private Capital Expenditure

## Businesses Still Got Their Mojo

- **Private capital expenditure (also known as capex) slipped 0.5% in the September quarter, which was a bit weaker than expected. The annual rate edged down from 1.7% in the June quarter to a decline of 0.6% in the September quarter.**
- **Some of the detail in the report however, was more positive. Non-mining investment continued to edge higher, lifting 0.3% in the September quarter. The increase was led by manufacturing capex which rose 2.7% in the quarter, while capex in other industries (mostly services) was flat. The weakness was entirely driven by a 2.7% decline in mining capex, continuing to reflect the downturn in mining investment.**
- **The brightest spot of today's release was the upgrade to spending plans for 2018-19. We received the fourth estimate for spending in the 2018-19 financial year of $114 billion. This was an 11.3% upgrade on the third estimate for spending.**
- **Spending plans now imply an 8.7% increase in non-mining investment in 2018-19, after a 9.7% in 2017-18 increase in the previous year. This is a vast improvement from previous surveys which were suggesting a flat-lining in non-mining investment spending this financial year.**
- **There were no surprises with the ongoing, albeit, lessening drag from mining investment. However, we can be more confident that the upswing in non-mining investment will have further to run.**



**Actual Spending**

Private capital expenditure (also known as capex) slipped 0.5% in the September quarter, a result that was below the consensus estimate for a 1.0% increase (and our forecast of 0.4%). The annual rate edged down from 1.7% in the June quarter to a decline of 0.6% in the September quarter.

Some of the detail in the report, however, were more positive. Non-mining investment continued to edge higher, lifting 0.3%. It was led by manufacturing capex which rose 2.7% in the quarter, while capex in other industries (mostly services) was flat. The weakness was entirely driven by a 2.7% decline in mining capex, continuing to reflect the downturn in mining investment.

On an annual basis, the ongoing recovery in non-mining investment is more apparent. Manufacturing capex grew 7.1% in the year to the September quarter, while capex in other industries grew 3.4%. Meanwhile, mining investment declined 10.2% in the year to the September quarter.

By asset class, buildings capex contracted 2.8% in the quarter, the fourth consecutive quarter of contraction. In contrast, spending on equipment, plant and machinery grew 2.2%.

**States and territories**

Consistent with the recovery in non-mining investment, NSW (3.1%), Victoria (5.4%) and Tasmania (3.5%) recorded gains in capex. In the Northern Territory, capex fell 25.2% following an 18.6% decline in the previous quarter, as the investment phase of the INPEX LNG project wraps up. Capex in South Australia (-11.2%), the ACT (-8.6%) and Western Australia (0.9%) also declined in the quarter.

It was a similar story on an annual basis. The strongest growth rates in capex were in non-mining-centric States including Tasmania (18.3%), NSW (13.1%) and Victoria (6.9%). There was modest annual growth in Queensland (1.1%) and the ACT (4.0%) and there were declines in South Australia (-4.4%), Western Australia (-13.0%) and the Northern Territory (-44.3%).

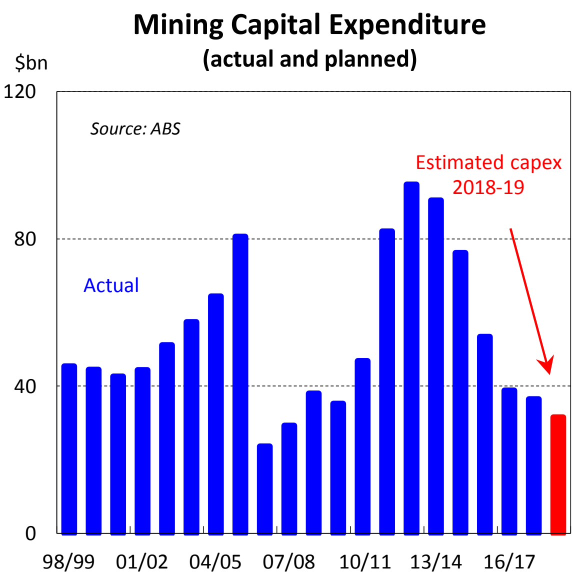
**Spending Plans**

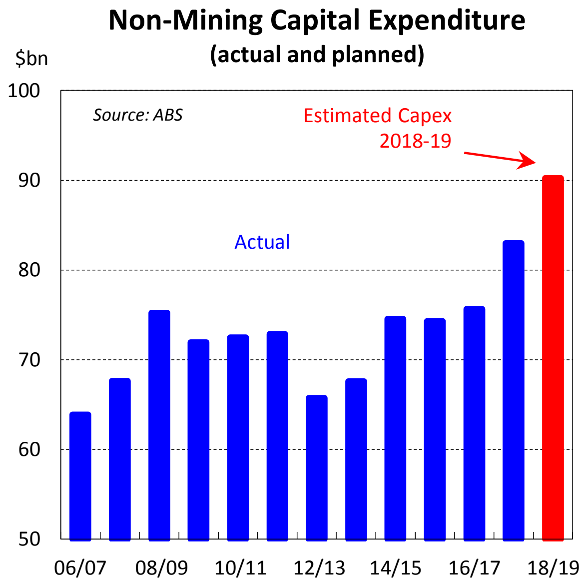
The brightest spot of today's release was the upgrade to spending plans for 2018-19.

We received the fourth estimate for spending in the 2018-19 financial year of $114 billion. This was an 11.3% upgrade on the third estimate for spending, and implies just a 2.1% fall on spending in 2017-18 (based on average realisation ratios).

Breaking down the plans by industry, the upgrade was concentrated in non-mining sectors. Spending plans now imply an 8.7% increase in non-mining investment in 2018-19 from 2017-18. This is a vast improvement from previous surveys which were suggesting a flat-lining in non-mining investment spending this financial year.

The story in mining investment however, was little changed and continuing to suggest that the decline in mining investment has a bit further to run, but is lessening. The spending plans for mining capex are suggesting a 13.5% decline in investment over 2018-19.




**Outlook**

There were no surprises with the ongoing, albeit, lessening drag from mining investment. However, the highlight of today's release was the notable upgrade of non-mining capex plans, which are suggesting a much more favourable outlook for non-mining investment this year.

The RBA has recently downplayed earlier weakness in these plans, noting that various types of investment not included in this survey such as spending on software and education, healthcare, agriculture and public administration. This survey would appear to align closer to the RBA's assertion that "leading indicators point to continued growth in non-mining business investment over the next year or so". It is also consistent with reports suggesting above-average levels of business conditions confidence. We can now be more confident that the upswing in non-mining investment will have further to run.

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**The Detail**

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