

1 December 2022

## Australian business capex. Plans continue to point to double digit increase in 2022/23. Q3 real capex: -0.6%; equipment -1.6% 2022/23 plans: Est 4 \$155.7bn, 12.4% above Est 4 a yr ago

### Q3 capex spending disappoints, led by a dip in mining

Capex spending edged lower in the September quarter, -0.6%, to be 1.8% higher over the year. The outcome represented a downside surprise, Westpac f/c +1.6% and market median +1.5%.

The softer result was led by a fall in mining capex, -5.1%, while non-mining rose by 1.4%. The Q3 outcome for mining likely represents a temporary dip, coming on the heels of an 11% increase over the year to June 2022 and with plans for 2022/23 positive.

By asset, equipment spending slipped by 1.6%qtr, to be 2.2% higher over the year. We had anticipated a rise of 1.2%. Mining was the main source of weakness, down by 4.9%, non-mining was 0.9% lower in the quarter.

By state, capex spending took a backward step in Victoria (following a strong Q2 gain) and in WA, while NSW posted a strong lift, with likely further upside near-term.

In nominal terms, capex expenditure rose in the quarter, up by 2.0%qtr, 11.2%yr.

Cost continue to rise sharply, increasing by 2.6%qtr, 9.3%yr.

### Capex plans continue to point to double digit growth for 2022/23 - in part to meet sharply higher costs

As to capex plans for 2022/23, they were broadly as anticipated - coming in just a little higher than our prior.

There was further confirmation that plans point to a sizeable increase in capex spending in the 2022/23 year, a double digit increase - in part to meet rising costs.

The price / volume split of plans is an unknown - making interpretation of the survey more difficult during periods of high inflation.

Est 4 printed at \$155.7bn, some 12.4% above Est 4 a year ago. We had anticipated a figure of around \$154bn.

Recall, Est 3 originally printed at \$146.4bn, 14.7% above Est 3 a year ago (revised to \$147.4bn, 15.6% above Est 3 a year ago).

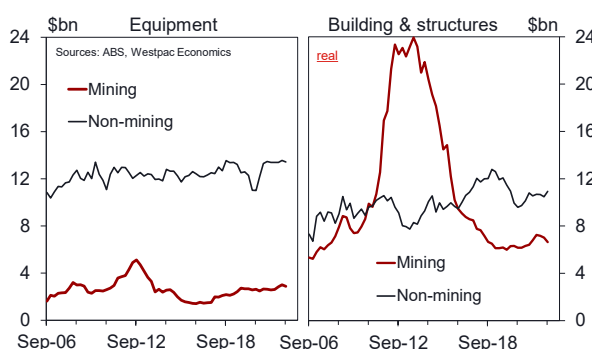
We estimate, that based on average Realisation Ratios (RRs), capex plans now point to around a 15% increase in capex spending in the 2022/23 year. This is broadly in line with Est 3, which implied a rise of around 14.2%.

Strength is broadly based by asset and by the non-mining / mining split, as before. Based on average RRs, mining plans point to an 11% increase in 2022/23 (consistent with a growing infrastructure work pipeline) and non-mining plans point to a 16.7% increase in capex.

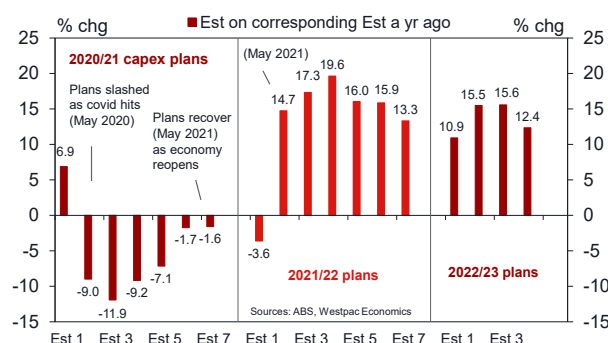
The fundamentals are that firms are responding to rising demand, limited spare capacity and generous tax incentives.

However, beyond the near-term, the outlook is becoming gloomier - with the economy set to slow sharply to well below trend growth in calendar 2023, as sharply higher interest rates rise and high inflation impact. This will adversely impact business investment - with the impact likely to be felt in the 2023/24 financial year.

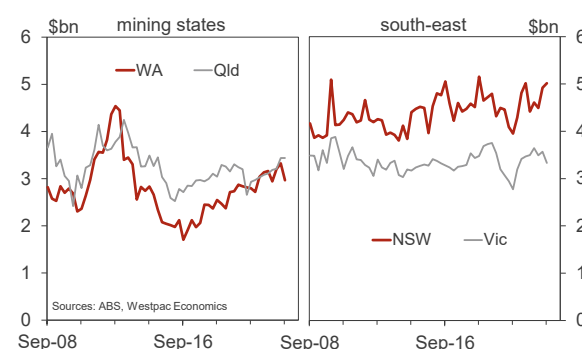
### CAPEX: by industry by asset



### Capex plans: positive for 2022/23



### Equipment (capex survey): state view



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