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HIGHER CAPITAL SPENDING PROGRAMED
FOR FIRST HALF 1969

Businessmen anticipate that expenditures for new plant and equipment will rise about 6 percent in the final quarter of 1968 and a comparable amount in the first quarter of 1969, according to the survey conducted in late October and November by the Department of Commerce and the Securities and Exchange Commission. Tentative anticipations reported for the second quarter of 1969 point to a moderate decline from the first. The anticipated annual rate of expenditures for the first 6 months of 1969 is 9 percent above that for the full year 1968.

Actual outlays in the third quarter of 1968 rose 1 percent to a seasonally adjusted annual rate of \$63.4 billion. This was about 2 percent short of businessmen's expectations reported in the August survey. The most recently programed fourth quarter capital expenditures, at \$67.3 billion, are 3 percent above the August projection.

At the present time it appears that spending for all of 1968 will total \$64.5 billion, 4-1/2 percent above 1967. This is about the same as was projected in August, but 1 percent below the annual anticipation for 1968 first reported in March.

The following table presents actual expenditures for the first three quarters of 1968 and scheduled outlays for the following three quarters, all at annual rates. All figures in the text of this release are seasonally adjusted.

(Billions of dollars)

	1968				1969	
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr. <u>1/</u>	1st Qtr. <u>1/</u>	2nd Qtr. <u>1/</u>
All industries	64.75	62.65	63.45	67.25	71.15	69.80
Manufacturing	26.35	25.80	26.65	28.10	29.60	29.70
Durable goods	13.65	12.80	13.65	14.15	15.10	15.40
Nondurable goods	12.70	13.00	13.05	13.90	14.50	14.30
Nonmanufacturing	38.40	36.85	36.75	39.20	41.50	40.10

1/ Anticipated.

Planned increases in capital spending from the last half of 1968 to the first half of 1969 are widespread among the major industries. The nonelectrical machinery and motor vehicle industries, with gains of about 15 percent, account for a large part of the increase in durable goods. Stone, clay, and glass producers are projecting a large advance of about 40 percent while small percentage increases are projected by the electrical machinery, nonauto transportation equipment, and the "other durable goods" industries. Chemicals and petroleum, with increases of about 10 percent and 5 percent, account for more than one-half of the advance in nondurable goods. Paper and textiles are scheduling increases in capital expenditures of about 10 percent.

Among the nonmanufacturing industries, railroads anticipate a gain of more than one-fifth from the second half of 1968 to the first half of 1969; this reflects substantially higher investment in equipment. Over the same period, public utilities and communication firms are each expecting to hike expenditures by about 15 percent. Commercial firms plan a 5 percent increase, while mining companies expect little change. Nonrail transportation as a whole projects a somewhat lower level of investment in the first 6 months of 1969 primarily because the airlines are reducing outlays from the record total spent in the second half of 1968.

Annual programs of major industries

From 1967 to 1968, investment in the public utility and nonrail transportation industries shows an increase of about 15 percent; together these two groups account for more than two-thirds of the total advance in business investment. Small gains, ranging from 2 to 6 percent, are indicated for communication, mining, and commercial companies, while a 2 percent decline is now estimated for the railroads.

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Plant and equipment outlays in 1968 by manufacturers are now expected to be about the same as in 1967. An increase of 1-1/2 percent for nondurable goods producers is largely offset by a 1 percent decline in the durable goods industries.

In the nondurable goods category, increases are indicated for petroleum refining and "other nondurable goods" producers while decreases show up for the chemical, textile, and paper industries. Among the durables, investment is higher in the electrical machinery, nonferrous metals, and "other durable goods" groups; the rest report lower outlays this year.

A comparison of 1968 outlays with actual investment in 1967 and 1966 is shown in the following table:

	Actual <u>1966</u>	Actual <u>1967</u>	Preliminary <u>1968 1/</u>	Percent Change	
				<u>1966 to 1967</u>	<u>1967 to 1968</u>
All industries	60.63	61.66	64.53	1.7	4.7
Manufacturing	26.99	26.69	26.78	-1.1	0.3
Durable goods	13.99	13.70	13.58	-2.1	-0.8
Nondurable goods	13.00	13.00	13.19	-	1.5
Mining	1.47	1.42	1.49	-2.9	4.8
Railroad	1.98	1.53	1.51	-22.4	-1.6
Transportation other than rail	3.44	3.88	4.46	12.7	15.0
Public utilities	8.41	9.88	11.38	17.5	15.2
Communications	5.62	5.91	6.26	5.3	5.9
Commercial and other	12.74	12.34	12.65	-3.2	2.5

1/ Based on actual expenditures for first three quarters and anticipations for fourth quarter.

Starts and carryover of projects

Underlying the sharp increase in capital expenditures this fall and winter is a pronounced pickup in starts of new investment projects. Manufacturers started a record volume of new projects in the third quarter of 1968, continuing the upturn that began in late 1967. At \$7.8 billion, starts were up almost one-fifth from the previous quarter and 30 percent from the third quarter of 1967. With third quarter capital expenditures well below starts, the carryover of investment projects rose \$1.1 billion to \$19.3 billion on September 30.

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Durable and nondurable goods manufacturers shared about equally in the advances in starts and carryover. Among the durables, the rise in starts was attributable to metals and transportation equipment companies; starts by machinery producers declined.

Petroleum, rubber, and textile companies accounted for virtually all of the \$0.6 billion increase in starts by nondurable goods producers.

Third quarter starts of new projects by public utility companies totaled \$3.0 billion, a decline of almost \$0.9 billion from the record second quarter rate. Their carryover at the end of September amounted to \$16.7 billion, up \$0.3 billion from June.

Coverage of report

The analysis of plant and equipment expenditures is based on estimates by nonagricultural industry groups presented in the attached tables. The basic data are derived from reports submitted by corporations registered with the Securities and Exchange Commission; by transportation companies under Interstate Commerce Commission jurisdiction; and from a large sample of nonregistered companies, unincorporated as well as corporate, reporting to the Department of Commerce. The estimates presented are universe totals of expenditures for new plant and equipment in the United States based on the sample data. They are compiled from reports on a company basis and not from separate reports for plants or establishments. The entire company's capital expenditures are assigned to a single industry in accordance with the industry classification of the company's principal products.

Further statistical detail is provided in the following tables.

A fuller analysis of this subject will appear in the December issue of the Survey of Current Business, the monthly publication of the Office of Business Economics.

The Survey of Current Business is available from Field Offices of the Department of Commerce, or from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402, at an annual subscription price of \$9.00, including weekly supplements; single copy, \$1.00.

Table 1

Expenditures for New Plant and Equipment by U.S. Business^{1/}, Quarterly 1966-69
Seasonally Adjusted Annual Rates

(Billions of dollars)

	1966				1967				1968				1969
	I	II	III	IV	I	II	III	IV	I	II	III	IV ^{2/}	I ^{2/}
ALL INDUSTRIES.....	58.00	60.10	61.25	62.80	61.65	61.50	60.90	62.70	^{6/} 64.75	^{6/} 62.65	63.45	67.25	71.15
Manufacturing industries.....	25.60	26.80	27.55	27.75	27.85	27.00	26.15	26.00	26.35	25.80	26.65	28.10	29.60
Durable goods industries.....	13.15	13.85	14.35	14.50	14.20	13.75	13.50	13.50	13.65	12.80	13.65	14.15	15.10
Primary iron and steel.....	2.00	2.20	2.20	2.25	2.35	2.35	2.25	2.30	2.35	2.25	2.45	2.15	2.30
Primary nonferrous metal.....	.80	.90	.80	.90	.90	.90	.95	.85	.90	.85	.95	1.05	.95
Electrical machinery and equipment....	1.10	1.15	1.20	1.25	1.25	1.20	1.25	1.25	1.25	1.30	1.25	1.40	1.45
Machinery, except electrical.....	2.70	2.70	2.90	3.10	3.15	3.15	3.00	2.60	2.95	2.60	2.75	2.80	3.15
Motor vehicles and parts.....	2.10	1.85	1.90	1.90	1.80	1.70	1.55	1.60	1.60	1.35	1.45	1.70	1.80
Transportation equipment, excluding motor vehicles.....	.85	1.15	1.25	1.10	1.10	1.05	1.10	1.15	1.00	.95	1.05	1.10	1.25
Stone, clay, and glass.....	.85	.85	.95	.95	.90	.70	.65	.65	.60	.70	.70	.75	.95
Other durable goods ^{3/}	2.75	3.05	3.15	3.00	2.70	2.65	2.80	3.15	2.95	2.85	3.00	3.15	3.30
Nondurable goods industries.....	12.45	12.95	13.20	13.25	13.70	13.25	12.65	12.55	12.70	13.00	13.05	13.90	14.50
Food and beverage.....	1.35	1.40	1.35	1.40	1.45	1.45	1.40	1.35	1.30	1.40	1.50	1.40	1.45
Textile.....	1.20	1.35	1.15	.95	.95	.90	.85	.85	.80	.75	.75	1.00	.95
Paper.....	1.35	1.50	1.50	1.60	1.90	1.70	1.65	1.40	1.45	1.55	1.35	1.65	1.60
Chemical.....	2.75	3.00	3.05	3.15	3.20	3.00	2.85	2.55	2.75	2.85	2.65	2.65	3.00
Petroleum.....	4.40	4.35	4.40	4.55	4.65	4.70	4.45	4.75	4.85	4.70	4.95	5.25	5.60
Rubber.....	.35	.45	.40	.45	.50	.50	.45	.50	.55	.60	.65	.65	.70
Other nondurable goods ^{4/}	1.05	1.05	1.30	1.15	1.05	1.00	1.05	1.10	1.05	1.10	1.10	1.25	1.25
Mining.....	1.40	1.55	1.45	1.45	1.40	1.30	1.45	1.50	1.55	1.40	1.35	1.60	1.55
Railroad.....	1.75	2.00	1.85	2.35	1.80	1.55	1.40	1.40	1.65	1.45	1.40	1.50	1.80
Transportation, other than rail.....	3.30	3.50	3.40	3.50	3.05	3.90	4.10	4.45	4.35	3.65	4.60	5.35	4.30
Public utilities.....	8.25	8.30	8.55	8.50	9.20	9.70	9.80	10.65	11.60	11.65	10.90	11.45	13.20
Communication.....	5.35	5.50	5.60	5.95	5.75	5.80	6.05	6.05	6.35	5.90	6.15	19.25	20.65
Commercial and other ^{5/}	12.35	12.45	12.85	13.30	12.55	12.25	11.95	12.65	^{6/} 12.85	^{6/} 12.80	12.35		

1. Data excludes expenditures of agricultural business and outlays charged to current account.

2. Estimates are based on anticipated capital expenditures reported by business in late October and November 1968. The estimates for the fourth quarter of 1968 and first quarter of 1969 have been adjusted when necessary for systematic tendencies in anticipatory data.

3. Includes fabricated metal, lumber, furniture, instrument, ordnance, and miscellaneous industries.

4. Includes apparel, tobacco, leather, and printing-publishing.

5. Includes trade, service, finance, and construction.

6. Revised.

NOTE: Details may not add to totals because of rounding.

Sources: U.S. Department of Commerce, Office of Business Economics, and the Securities and Exchange Commission.

Table 2

Expenditures for New Plant and Equipment by U.S. Business^{1/}, 1966-69

(Billions of dollars)

	1966			1967				1968				1969				
	1966	1967	1968 ^{2/}	I	II	III	IV	I	II	III	IV	I	II	III	IV ^{2/}	I ^{2/}
ALL INDUSTRIES.....	60.63	61.66	64.53	12.77	15.29	15.57	17.00	13.59	15.61	15.40	17.05	^{6/} 14.25	^{6/} 15.87	16.08	18.33	15.62
Manufacturing industries.....	26.99	26.69	26.78	5.61	6.78	6.84	7.75	6.10	6.81	6.48	7.30	5.79	6.50	6.63	7.86	6.50
Durable goods industries.....	13.99	13.70	13.58	2.87	3.51	3.54	4.07	3.08	3.46	3.33	3.82	2.96	3.22	3.37	4.03	3.28
Primary iron and steel.....	2.17	2.31	2.30	.42	.54	.56	.65	.48	.58	.56	.69	.49	.55	.62	.64	.47
Primary nonferrous metal.....	.86	.90	.93	.18	.22	.20	.25	.20	.23	.23	.24	.20	.21	.23	.29	.22
Electrical machinery and equipment..	1.19	1.24	1.31	.23	.29	.30	.38	.27	.30	.30	.37	.27	.31	.31	.42	.31
Machinery, except electrical.....	2.86	2.95	2.77	.61	.69	.68	.88	.70	.78	.71	.76	.66	.64	.65	.82	.70
Motor vehicles and parts.....	1.93	1.66	1.53	.43	.50	.50	.50	.38	.45	.41	.42	.34	.36	.38	.45	.38
Transportation equipment, excluding motor vehicles.....	1.09	1.09	1.04	.18	.28	.30	.32	.24	.26	.27	.32	.21	.24	.26	.32	.26
Stone, clay, and glass.....	.91	.73	.70	.19	.22	.24	.26	.20	.18	.16	.18	.14	.18	.18	.21	.21
Other durable goods ^{3/}	2.98	2.83	3.01	.62	.77	.76	.83	.61	.68	.69	.85	.66	.72	.75	.88	.72
Nondurable goods industries.....	13.00	13.00	13.19	2.74	3.27	3.30	3.68	3.02	3.34	3.15	3.48	2.82	3.28	3.25	3.83	3.22
Food and beverage.....	1.39	1.41	1.42	.31	.37	.34	.36	.33	.39	.35	.34	.30	.38	.38	.36	.34
Textile.....	1.13	.89	.82	.27	.32	.28	.26	.21	.23	.22	.23	.17	.19	.19	.27	.22
Paper.....	1.50	1.64	1.52	.30	.37	.39	.45	.40	.42	.42	.40	.32	.39	.35	.45	.36
Chemical.....	2.99	2.88	2.72	.61	.75	.74	.88	.70	.76	.69	.72	.61	.72	.64	.75	.66
Petroleum.....	4.42	4.65	4.96	.94	1.08	1.12	1.28	1.02	1.17	1.11	1.35	1.07	1.17	1.24	1.48	1.23
Rubber.....	.42	.49	.61	.08	.10	.11	.13	.11	.13	.12	.14	.12	.15	.17	.18	.15
Other nondurable goods ^{4/}	1.14	1.04	1.14	.24	.28	.31	.31	.24	.25	.26	.30	.24	.28	.28	.34	.28
Mining.....	1.47	1.42	1.49	.33	.40	.37	.38	.32	.34	.37	.39	.36	.36	.34	.42	.36
Railroad.....	1.98	1.53	1.51	.40	.55	.48	.55	.41	.41	.35	.36	.37	.38	.36	.40	.41
Transportation, other than rail.....	3.44	3.88	4.46	.75	1.00	.82	.86	.70	1.12	.98	1.07	.98	1.04	1.12	1.32	.96
Public utilities.....	8.41	9.88	11.38	1.60	2.09	2.36	2.36	1.84	2.46	2.66	2.92	2.33	2.97	2.96	3.13	2.64
Communication.....	5.62	5.91	6.26	1.26	1.42	1.36	1.58	1.35	1.49	1.46	1.62	1.48	1.51	1.50	5.20	4.74
Commercial and other ^{5/}	12.74	12.34	12.65	2.83	3.06	3.33	3.52	2.87	2.99	3.09	3.39	^{6/} 2.93	^{6/} 3.11	3.18		

1. Data exclude expenditures of agricultural business and outlays charged to current account.

2. Estimates are based on anticipated capital expenditures reported by business in late October and November 1968. The estimates for the fourth quarter of 1968 and first quarter of 1969 have been adjusted when necessary for systematic tendencies in anticipatory data.

3. Includes fabricated metal, lumber, furniture, instrument, ordnance, and miscellaneous industries.

4. Includes apparel, tobacco, leather, and printing-publishing.

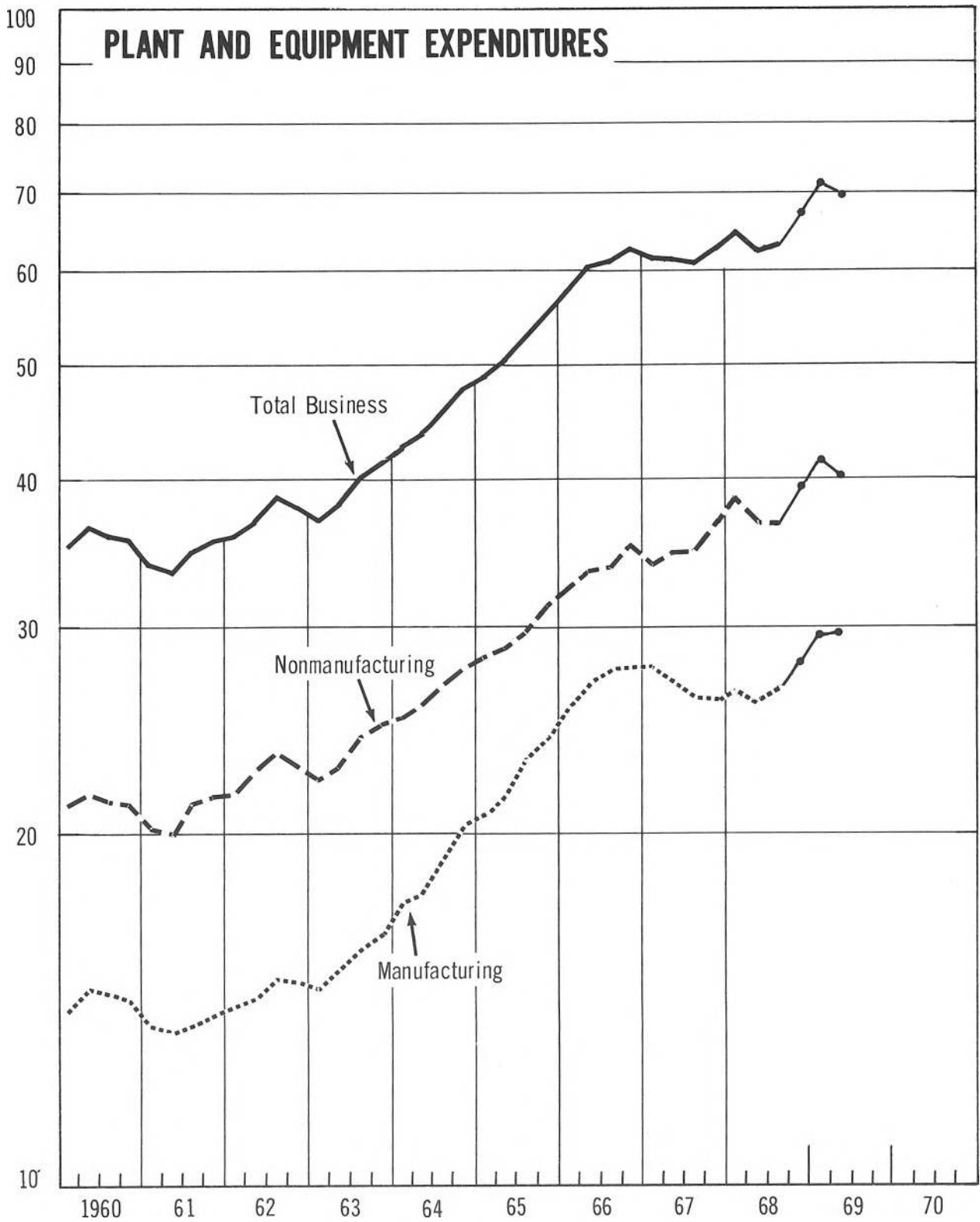
5. Includes trade, service, finance, and construction.

6. Revised.

NOTE: Details may not add to totals because of rounding. Data for earlier years were published in June 1956, March 1958, 1960, 1961, 1962, 1963, 1964, 1965, 1966, 1967 and 1968 issues of the Survey.

Sources: U.S. Department of Commerce, Office of Business Economics, and the Securities and Exchange Commission.

Billion \$ (ratio scale)



Quarterly Totals, Seasonally Adjusted, at Annual Rates

• Anticipated

Data: OBE-SEC