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BUSINESS EXPECTS CAPITAL EXPENDITURES TO RISE
12 PERCENT IN 1974

Businessmen expect to spend \$112 billion on new plant and equipment during 1974, according to the survey conducted in late April and May by the Bureau of Economic Analysis, an agency of the Social and Economic Statistics Administration of the U.S. Department of Commerce. The projected 12.2 percent rise in 1974 capital spending compares with increases of 12.8 percent in 1973 and 8.9 percent in 1972.

Actual capital outlays in the first quarter of 1974 rose 3.4 percent to a seasonally adjusted annual rate of \$107.3 billion. Projected gains are 3.1 percent in the second quarter, 2.3 percent in the third, and 2.5 percent in the fourth.

The last projection for 1974 is about \$750 million, or two-thirds of 1 percent, below that reported in March. The downward revision was in programs for the second half of the year; actual outlays in the first quarter about equaled expectations and second quarter expectations were raised one-half of 1 percent.

The downward revision in 1974 programs centers in nonmanufacturing. Electric and gas utilities, mining and communications firms have lowered programs since the March report, more than offsetting increases by railroads and "other transportation" firms.

[Over]

Manufacturers raised spending plans slightly. Expanded programs by the petroleum, chemical, primary metal, nonelectrical machinery and stone-clay-glass industries outweigh downward revisions by the motor vehicle, electrical machinery, food-beverage, "other durable goods," and "other nondurable goods" industries.

Capital outlays by business in the first half of 1974 are projected at 6-1/2 percent above the second half of 1973. Outlays in the second half of 1974 are expected to rise 5 percent over the first half. Manufacturers expect outlays in the first half of 1974 to advance 11 percent over the second half of 1973, compared with the 3-1/2 percent rise expected for nonmanufacturing. In the second half of 1974, manufacturing outlays are projected to rise 6 percent, compared with 4-3/4 percent in non-manufacturing.

Actual outlays through the first quarter of 1974 and the projected outlays for the remaining three quarters of 1974 are shown below:

(Billions of dollars, seasonally adjusted annual rates)

	1973				1974			
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr. ^{1/}	3rd Qtr. ^{1/}	4th Qtr. ^{1/}
All industries.....	96.19	97.76	100.90	103.74	107.27	110.58	113.16	116.04
Manufacturing.....	35.51	36.58	38.81	40.61	42.96	45.22	46.00	47.40
Durable goods.....	17.88	18.64	19.73	20.48	21.43	22.60	23.25	22.61
Nondurable goods....	17.63	17.94	19.08	20.13	21.53	22.61	22.76	24.80
Nonmanufacturing.....	60.68	61.18	62.09	63.12	64.31	65.36	67.15	68.64

1. Expected

1974 investment programs

Manufacturers project a 19.8 percent increase in capital outlays for 1974. Nonmanufacturing industries expect a 7.6 percent advance.

Durable goods producers expect a 16.8 percent increase, with strong advances expected by aircraft (47 percent) and primary metals (30 percent). Other major durable goods industries project increases ranging between 5 and 21 percent.

Nondurable goods manufacturers expect a 22.8 percent increase; the petroleum industry leads with a planned 41 percent advance. Increases of more than 20 percent are expected by the paper and chemical industries.

Among the nonmanufacturing industries, railroads expect to increase capital spending 30 percent, and "other transportation" -- reflecting sizable outlays for the Alaskan pipeline -- 20 percent. Increases are projected by gas utilities at 18 percent and 14 percent by electric utilities. Airlines expect capital spending to fall 13 percent below 1973.

A comparison of expected capital expenditures for 1974 with actual investment in 1973 and 1972 is shown below:

	Actual 1972	Actual 1973	Expected 1974	Percent change	
				1972 to 1973	1973 to 1974
	(Billions of dollars)				
All industries.....	88.44	99.74	111.96	12.8	12.2
Manufacturing.....	31.35	38.01	45.52	21.2	19.8
Durable goods.....	15.64	19.25	22.49	23.1	16.8
Nondurable goods.....	15.72	18.76	23.03	19.4	22.8
Nonmanufacturing.....	57.09	61.73	66.44	8.1	7.6
Mining.....	2.42	2.74	2.98	13.2	8.9
Railroad.....	1.80	1.96	2.54	9.2	29.6
Air transportation.....	2.46	2.41	2.09	-2.1	-13.0
Other transportation.....	1.46	1.66	1.99	14.0	20.0
Public utilities.....	17.00	18.71	21.36	10.1	14.2
Communications.....	11.89	12.85	13.80	8.1	7.4
Commercial and other.....	20.07	21.40	21.66	6.6	1.2

Starts and carryover of projects

Investment projects started by manufacturers during the first quarter of 1974 totaled \$11.8 billion after seasonal adjustment; this compares with last year's \$12.5 billion in the fourth quarter and \$10.9 billion in the first. New projects started by nondurable goods manufacturers rose about 2-1/2 percent, reflecting increases in the petroleum and food-beverage industries. The durables group indicated that starts in the first quarter of 1974 were 12 percent below the record set in the fourth quarter.

The value of new projects started by manufacturers exceeded their capital expenditures in the first quarter of 1974, resulting in an increase in carryover -- the amounts still to be spent on plant and equipment projects already underway. Seasonally adjusted carryover at the end of March totaled \$33.1 billion for all manufacturers, up \$1.1 billion from the end of December and \$9 billion above the year earlier figure.

New projects undertaken by public utilities totaled \$10.4 billion in the first quarter, \$700 million more than in the fourth quarter. Carryover of projects by the utilities rose \$5.4 billion to a total of \$69.2 billion, after seasonal adjustment.

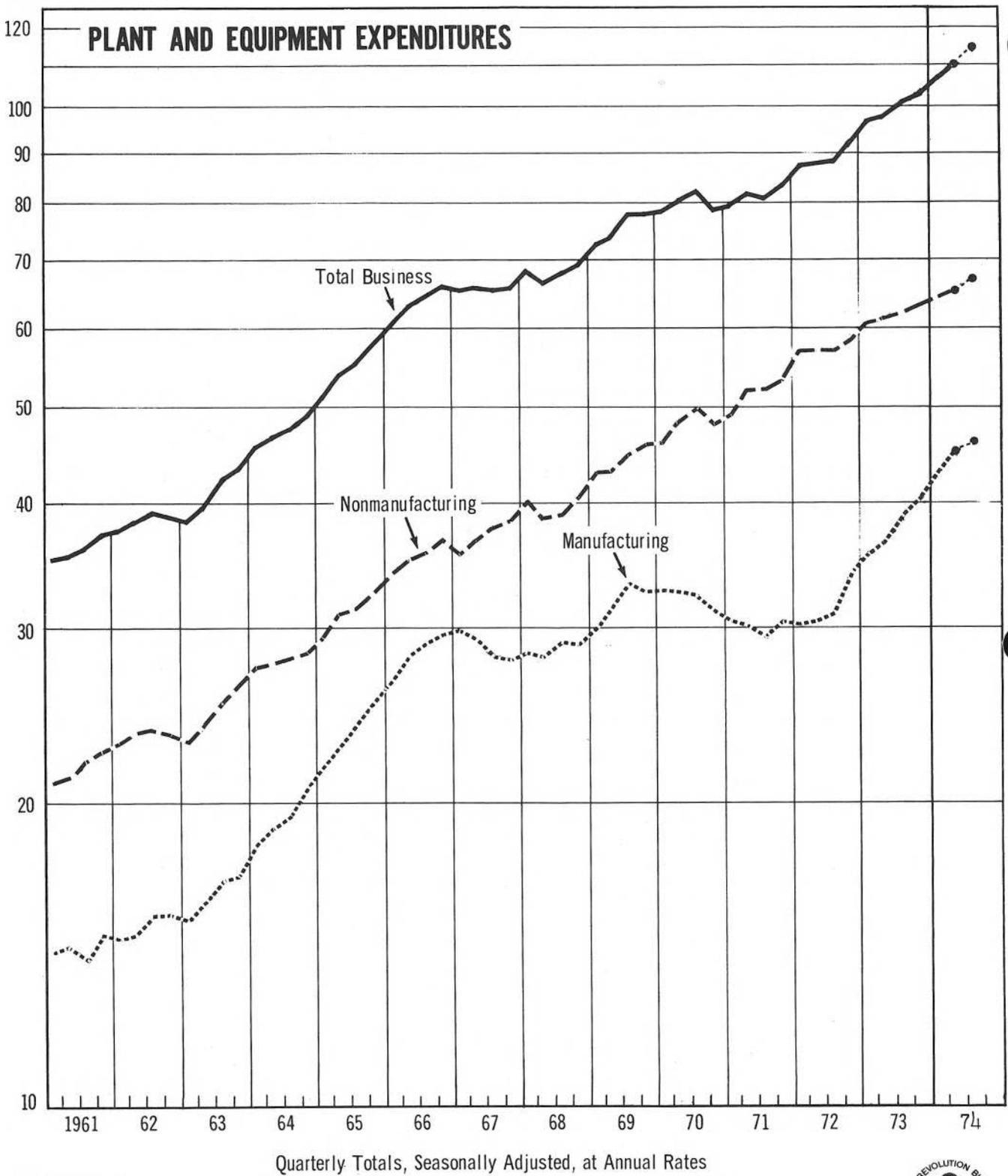
Coverage of report

This summary of plant and equipment expenditures is based on estimates for nonagricultural industry groups presented in the attached tables. The basic data are derived from reports submitted by a large sample of companies, unincorporated as well as corporate, to the Bureau of Economic Analysis and by transportation companies under Interstate Commerce Commission jurisdiction. 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. A company's entire 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 attached tables. Additional discussion will appear in the June issue of the Survey of Current Business, published monthly by the Bureau of Economic Analysis.

The Survey is available from District 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 \$34.45, including weekly supplements.

Billion \$ (ratio scale)



● Expectations

U.S. Department of Commerce, Bureau of Economic Analysis



Table 3.--Starts and Carryover of Plant and Equipment Projects, Manufacturing and Public Utilities, 1971-74
(Billions of dollars)

	Annual			Starts <u>1/</u>				Carryover <u>2/</u>					
				1973				1974	1973				1974
	1971	1972	1973	I	II	III	IV	I	March	June	Sept.	Dec.	March
Manufacturing <u>3/</u>	28.00	35.21	47.57	11.08	12.11	11.50	12.88	12.40	24.63	27.58	29.46	30.91	33.82
Durable goods <u>3/</u>	13.59	17.07	23.73	5.34	5.86	5.83	6.70	6.00	11.95	13.16	14.14	15.01	16.27
Primary metals.....	2.44	3.19	5.00	1.16	1.14	1.23	1.48	1.84	3.60	3.94	4.26	4.68	5.59
Electrical machinery.....	1.82	2.34	3.32	.71	.77	.74	1.09	.71	1.72	1.83	1.86	2.05	2.12
Machinery except electrical.....	2.59	3.11	3.71	.87	.97	.86	1.00	1.24	1.14	1.24	1.27	1.27	1.68
Transportation equipment <u>4/</u>	2.34	2.66	3.86	.88	.98	1.00	1.00	.82	2.81	3.04	3.24	3.30	3.25
Stone, clay, and glass...	.94	1.46	1.81	.37	.53	.52	.39	.36	.84	1.00	1.16	1.12	1.16
Nondurable goods <u>3/</u>	14.42	18.14	23.84	5.74	6.26	5.67	6.17	6.40	12.68	14.43	15.32	15.90	17.55
Food including beverage..	2.49	2.98	3.71	.72	.90	1.24	.86	1.01	1.50	1.62	2.04	2.02	2.32
Textile.....	.71	.64	.93	.31	.20	.16	.26	.25	.35	.37	.33	.38	.40
Paper.....	1.00	1.60	2.40	.58	.54	.51	.78	.77	1.16	1.24	1.23	1.48	1.76
Chemical.....	3.25	3.92	6.65	1.57	1.44	1.86	1.78	1.74	3.50	3.88	4.63	4.99	5.54
Petroleum.....	5.14	6.15	7.02	1.74	2.41	1.12	1.75	2.00	4.62	5.78	5.51	5.56	6.08
Public utilities.....	22.22	28.60	38.13	11.88	8.46	8.21	9.58	16.33	49.80	53.67	57.07	61.29	73.24
	Adjusted for seasonal variation												
Manufacturing <u>3/</u>				10.89	12.36	12.09	12.46	11.85	24.05	27.26	29.65	31.96	33.07
Durable goods <u>3/</u>				5.19	6.02	6.18	6.46	5.70	11.64	13.00	14.24	15.58	15.92
Primary metals.....				.99	1.24	1.24	1.63	1.52	3.49	3.90	4.23	4.95	5.42
Electrical machinery.....				.69	.86	.81	.95	.70	1.64	1.82	1.89	2.12	2.06
Machinery except electrical.....				.94	.98	.98	.79	1.32	1.10	1.22	1.35	1.26	1.63
Transportation equipment <u>4/</u>.....				.87	.93	.98	1.08	.82	2.80	3.00	3.20	3.40	3.23
Stone, clay, and glass...				.30	.57	.50	.44	.30	.81	1.01	1.13	1.19	1.16
Nondurable goods <u>3/</u>				5.70	6.34	5.91	6.00	6.16	12.41	14.26	15.40	16.37	17.15
Food including beverage..				.79	.85	1.19	.88	1.08	1.51	1.61	2.01	2.04	2.35
Textile.....				.31	.17	.17	.30	.22	.35	.35	.32	.42	.39
Paper.....				.54	.58	.53	.77	.70	1.10	1.22	1.25	1.55	1.68
Chemical.....				1.46	1.45	1.91	1.89	1.50	3.42	3.83	4.58	5.22	5.38
Petroleum.....				1.72	2.56	1.26	1.48	2.00	4.47	5.74	5.65	5.65	5.90
Public utilities.....				7.94	10.00	11.25	9.71	10.42	46.99	52.47	59.08	63.84	69.23

1. Starts are estimated by adding changes in carryover to expenditures during the given period.
2. Carryover refers to expenditures yet to be incurred in plant and equipment projects already underway at end of period.
3. Includes data not shown separately.
4. Includes guided missiles and space vehicles.

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

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Table 2.--Expenditures for New Plant and Equipment by U.S. Business, 1/ Quarterly, Seasonally Adjusted at Annual Rates, 1972-74
(Billions of dollars)

	1972				1973				1974		
	I	II	III	IV	I	II	III	IV	I	II2/	III2/
ALL INDUSTRIES.....	86.79	87.12	87.67	91.94	96.19	97.76	100.90	103.74	107.27	110.58	113.16
Manufacturing industries.....	30.09	30.37	30.98	33.64	35.51	36.58	38.81	40.61	42.96	45.22	46.00
Durable goods.....	15.06	14.77	15.67	16.86	17.88	18.64	19.73	20.48	21.43	22.60	23.25
Primary metals 3/.....	2.82	2.63	2.76	2.78	3.08	3.30	3.64	3.64	4.17	4.42	4.52
Blast furnace, steel works.....	1.24	1.25	1.23	1.26	1.32	1.37	1.38	1.44	1.70	1.79	1.88
Nonferrous.....	1.27	1.05	1.20	1.22	1.42	1.55	1.83	1.82	1.99	2.16	2.14
Electrical machinery.....	2.14	2.25	2.41	2.65	2.73	2.69	2.99	2.92	3.04	3.12	3.12
Machinery, except electrical.....	2.60	2.73	2.99	3.20	3.23	3.44	3.43	3.53	3.78	4.32	4.40
Transportation equipment 3/.....	2.48	2.48	2.40	2.76	2.81	2.92	3.12	3.56	3.94	3.55	3.74
Motor vehicles.....	1.71	1.79	1.72	2.08	1.97	2.09	2.35	2.67	3.02	2.46	2.60
Aircraft 4/.....	.45	.43	.42	.42	.56	.50	.51	.57	.75	.78	.79
Stone, clay, and glass.....	1.12	1.09	1.22	1.36	1.38	1.48	1.53	1.54	1.33	1.54	1.68
Other durables 5/.....	3.90	3.59	3.89	4.10	4.65	4.82	5.02	5.30	5.17	5.65	5.78
Nondurable goods.....	15.02	15.60	15.31	16.78	17.63	17.94	19.08	20.13	21.53	22.61	22.76
Food including beverage.....	2.46	2.42	2.73	2.59	2.85	2.98	3.17	3.40	3.11	3.14	3.42
Textile.....	.82	.74	.66	.70	.79	.67	.80	.81	.99	.82	.80
Paper.....	1.27	1.39	1.27	1.56	1.70	1.83	2.00	1.88	2.27	2.57	2.56
Chemical.....	3.29	3.30	3.38	3.78	3.86	4.15	4.67	5.02	5.34	5.18	5.53
Petroleum.....	4.99	5.54	4.98	5.45	5.19	5.17	5.40	5.93	6.99	7.78	7.36
Rubber.....	.92	.97	1.11	1.29	1.57	1.51	1.60	1.56	1.39	1.62	1.59
Other nondurables 6/.....	1.27	1.24	1.18	1.40	1.66	1.62	1.45	1.53	1.44	1.51	1.49
Nonmanufacturing industries.....	56.70	56.75	56.70	58.30	60.68	61.18	62.09	63.12	64.31	65.36	67.15
Mining.....	2.42	2.38	2.40	2.46	2.59	2.77	2.82	2.76	2.80	2.97	3.06
Railroad.....	2.10	1.88	1.50	1.71	2.11	1.75	1.95	2.05	2.10	2.48	2.70
Air transportation.....	1.96	2.89	2.67	2.33	2.21	2.72	2.49	2.20	2.13	2.26	2.16
Other transportation.....	1.48	1.53	1.41	1.42	1.53	1.62	1.79	1.73	1.63	1.93	2.17
Public utilities.....	16.92	16.60	17.01	17.53	18.38	18.08	18.58	19.80	20.12	20.73	21.53
Electric.....	14.27	14.32	14.62	14.67	15.40	15.55	16.00	16.72	17.12	17.62	18.20
Gas and other.....	2.65	2.27	2.38	2.86	2.98	2.52	2.58	3.08	3.00	3.11	3.32
Communication.....	11.71	11.59	11.56	12.63	12.34	12.70	13.12	13.24	13.83		
Commercial and other 7/.....	20.10	19.88	20.16	20.21	21.53	21.55	21.36	21.35	21.69	35.00	35.54

1. Excludes agricultural business; real estate operators; medical, legal, educational, and cultural services; and nonprofit organizations.
2. Estimates are based on expected capital expenditures reported by business in late April and May 1974. The estimates for the second quarter and third quarter of 1974 have been corrected for systematic biases, as described in the technical notes of the February 1970 Survey of Current Business.

3. Includes data not shown separately.

4. Includes guided missiles and space vehicles.

5. Includes fabricated metal, lumber, furniture, instrument, ordnance and miscellaneous except guided missiles and space vehicles.

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

7. Includes trade, service, construction, finance and insurance.

Note.--Details may not add to totals because of rounding.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Table 1.--Expenditures for New Plant and Equipment by U.S. Business, 1/ Quarterly, Not Adjusted for Seasonal Variation, 1972-74
(Billions of dollars)

	1972	1973	1974 2/	1972				1973				1974		
				I	II	III	IV	I	II	III	IV	I	II 2/	III 2/
ALL INDUSTRIES.....	88.44	99.74	111.96	19.38	22.01	21.86	25.20	21.50	24.73	25.04	28.48	24.10	27.96	28.05
Manufacturing industries.....	31.35	38.01	45.52	6.61	7.63	7.74	9.38	7.80	9.16	9.62	11.43	9.49	11.25	11.36
Durable goods.....	15.64	19.25	22.49	3.29	3.71	3.86	4.77	3.92	4.65	4.84	5.84	4.74	5.62	5.69
Primary metals 3/.....	2.75	3.43	4.48	.61	.65	.69	.80	.67	.80	.91	1.05	.93	1.07	1.13
Blast furnace, steel works....	1.24	1.38	1.83	.25	.31	.31	.37	.27	.34	.34	.43	.35	.44	.46
Nonferrous.....	1.18	1.67	2.19	.28	.25	.30	.35	.33	.37	.45	.52	.48	.50	.54
Electrical machinery.....	2.39	2.84	3.08	.45	.56	.58	.80	.56	.66	.72	.90	.63	.77	.75
Machinery except electrical.....	2.90	3.42	4.15	.58	.69	.72	.90	.71	.87	.83	1.00	.83	1.09	1.07
Transportation equipment 3/.....	2.53	3.12	3.71	.55	.63	.63	.72	.62	.74	.80	.95	.87	.90	.94
Motor vehicles.....	1.83	2.28	2.65	.39	.46	.45	.53	.43	.54	.60	.71	.66	.63	.65
Aircraft 4/.....	.43	.53	.79	.09	.10	.11	.12	.12	.12	.13	.16	.17	.19	.20
Stone, clay, and glass.....	1.20	1.49	1.57	.26	.28	.29	.38	.33	.37	.36	.43	.32	.39	.40
Other durables 5/.....	3.87	4.96	5.50	.84	.91	.95	1.17	1.03	1.20	1.23	1.51	1.16	1.41	1.39
Nondurable goods.....	15.72	18.76	23.03	3.32	3.92	3.87	4.61	3.88	4.51	4.78	5.59	4.75	5.64	5.67
Food including beverage.....	2.55	3.11	3.33	.56	.63	.70	.66	.65	.78	.81	.87	.71	.82	.87
Textile.....	.73	.77	.87	.18	.19	.17	.18	.18	.18	.20	.21	.23	.22	.20
Paper.....	1.38	1.86	2.57	.27	.35	.32	.44	.36	.46	.51	.53	.49	.63	.66
Chemical.....	3.45	4.46	5.46	.75	.85	.81	1.04	.87	1.06	1.11	1.41	1.20	1.31	1.30
Petroleum.....	5.25	5.45	7.70	1.08	1.34	1.28	1.56	1.10	1.26	1.39	1.71	1.47	1.88	1.88
Rubber.....	1.08	1.56	1.60	.21	.24	.28	.35	.36	.37	.40	.44	.33	.39	.40
Other nondurables 6/.....	1.27	1.56	1.49	.27	.31	.31	.38	.37	.41	.37	.42	.33	.39	.36
Nonmanufacturing industries.....	57.09	61.73	66.44	12.77	14.38	14.12	15.83	13.69	15.57	15.42	17.05	14.61	16.70	16.69
Mining.....	2.42	2.74	2.98	.58	.61	.59	.63	.63	.71	.69	.71	.68	.76	.75
Railroad.....	1.80	1.96	2.54	.48	.48	.38	.47	.46	.46	.48	.56	.50	.65	.64
Air transportation.....	2.46	2.41	2.09	.50	.73	.61	.63	.52	.72	.57	.60	.47	.63	.50
Other transportation.....	1.46	1.66	1.99	.32	.39	.35	.40	.32	.43	.44	.47	.34	.52	.57
Public utilities.....	17.00	18.71	21.36	3.63	4.24	4.39	4.74	3.95	4.59	4.82	5.36	4.38	5.25	5.57
Electric.....	14.48	15.94	18.11	3.19	3.16	3.67	4.01	3.45	3.91	4.04	4.54	3.85	4.44	4.60
Gas and other.....	2.52	2.76	3.26	.44	.62	.72	.73	.50	.68	.77	.82	.52	.81	.97
Communication.....	11.89	12.85	13.80	2.72	2.95	2.84	3.39	2.87	3.27	3.19	3.53	3.19	8.90	8.65
Commercial and other 7/.....	20.07	21.40	21.66	4.55	4.98	4.97	5.57	4.94	5.40	5.24	5.83	5.05		

1. Excludes agricultural business; real estate operators; medical, legal, educational, and cultural services; and nonprofit organizations.
 2. Estimates are based on expected capital expenditures reported by business in late April and May 1974. The estimates for the second quarter and third quarter of 1974 have been corrected for systematic biases. The adjustment procedures are described in the February 1970 issue of the Survey of Current Business. Before such adjustments, 1974 expenditures were expected to be \$112.08 billion for all industries, \$46.71 billion for manufacturing and \$65.36 billion for nonmanufacturing.

3. Includes data not shown separately.

4. Includes guided missiles and space vehicles.

5. Includes fabricated metal, lumber, furniture, instrument, ordnance and miscellaneous except guided missiles and space vehicles.

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

7. Includes trade, service, construction, finance and insurance.

Note.--Details may not add to totals because of rounding.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.