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BUSINESS CAPITAL EXPENDITURES TO ADVANCE AT A SLOWER RATE IN THE FIRST HALF OF 1975

Business plans call for capital spending to rise 3.2 percent in the first quarter of 1975 and 1.2 percent in the second, according to a survey conducted in late October and November by the Bureau of Economic Analysis, an agency of the Social and Economic Statistics Administration of the U. S. Department of Commerce. Capital outlays in the first half of 1975 are projected at $118.8 billion (seasonally adjusted annual rate), 8-1/2 percent above the first half of 1974 and 4 percent above the second half.

Capital spending in the third quarter reached $114 billion. That was a 2.3 percent increase, as compared with the 3.8 percent increase in the second quarter. Spending planned for the fourth quarter of 1974 is expected to increase about one-half of 1 percent.

The capital expenditure figures presented in this release are not adjusted for price changes. Capital goods prices -- as measured by the implicit price deflator for fixed nonresidential investment in the gross national product accounts -- rose about 6 percent from the first quarter to the third. If businessmen expect this trend to continue and have reflected such price increases in their latest spending projections, real investment will decline in the second half of 1974 and the first half of 1975.

Spending for the full year 1974 is expected to total $111.9 billion, 12.2 percent above 1973, little changed from the 12-1/2 percent increase reported in the August survey. Spending increased 12.8 percent in 1973 and 8.9 percent in 1972. The latest survey reveals that, among manufacturing industries, expenditure plans were raised during 1974 by the primary metal, chemical, and petroleum industries and were reduced by the transportation equipment, stone-clay-glass, and paper industries. In nonmanufacturing, expenditure projections have been raised by railroads and commercial firms and reduced by airline, "other transportation" and gas utility companies. Third

[Over]

quarter spending was about 1 percent higher than projected in the August survey but the fourth quarter projection has been lowered 1-1/2 percent.

Actual spending at annual rates for the first three quarters of 1974 and expected spending through the second quarter of 1975 are shown below:

(Billions of dollars)

	1974				1975	
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.1/	1st Qtr.1/	2nd Qtr.1/
All industries.....	107.27	111.40	113.99	114.40	118.06	119.47
Manufacturing.....	42.96	45.32	47.04	47.33	50.68	52.62
Durable goods.....	21.43	22.50	23.08	23.45	24.09	24.50
Nondurable goods....	21.53	22.82	23.96	23.88	26.59	28.12
Nonmanufacturing.....	64.31	66.08	66.94	67.06	67.38	66.85

1. Expected.

Capital spending planned for the second half of 1974 is 4-1/2 percent higher than actual spending in the first half. Manufacturers expect a 7 percent advance over the first half, compared with 3 percent for nonmanufacturers. Nondurable goods manufacturers expect an 8 percent rise, with large increases expected by the chemical (13 percent) and paper industries (12 percent). Durable goods producers expect a 6 percent increase, with the largest increases expected by producers of iron and steel (20 percent), nonelectrical machinery (14 percent), and stone-clay-glass products (13 percent). Sizable declines are expected by the motor vehicle and textile industries, 13 and 12 percent, respectively.

In nonmanufacturing, the overall increase of 3 percent reflects increases of 21 percent for railroads, 31 percent for "other transportation," and 11 percent for mining; airlines expect an 18 percent drop in outlays.

The planned 4 percent increase in capital spending from the second half of 1974 to the first half of 1975 is attributable to the manufacturing industries, which expect to increase outlays by 9-1/2 percent. Nondurable goods manufacturers expect to increase spending 14 percent, with large increases by the paper, chemical and petroleum industries; these are partially offset by a decrease in spending in the rubber industry. The increase of 4-1/2 percent for durable goods producers is largely attributable to primary metal companies. Outlays are expected to be lower in the first half of 1975 than in the second half of 1974 in the machinery and motor vehicle industries. Among the nonmanufacturing industries, substantial increases in spending in the first half of 1975 are expected by airlines and gas utilities but there are offsetting decreases in the commercial group.

[More]

Annual investment programs - 1974

The projected 12 percent rise in capital expenditures for the full year 1974 reflects increases of 20 percent in manufacturing and 7 percent in nonmanufacturing. In manufacturing, nondurable goods producers are projecting a 23 percent increase in outlays; the largest advances are expected by petroleum (44 percent), paper (37 percent), and chemical (26 percent). Durable goods firms expect an 18 percent rise. Primary metals and aircraft plan increases of 40 percent or more; nonelectrical machinery and motor vehicle manufacturers plan increases of about one-fourth.

Among nonmanufacturing industries, railroads are expecting the largest advance, 26 percent. The 22 percent increase for "other transporation" reflects large outlays for the Alaskan pipeline. Mining companies expect a 13 percent increase, while utilities and communication firms expect increases of 10 percent and 8 percent, respectively. Airlines project an 18 percent decline this year.

A summary of projected capital spending for 1974 with actual spending in 1973 and 1972 is shown below. Additional detail for manufacturing is shown in table 1.

	Actual 1972	Actual 1973	Expected 1974	Percent change 1972 to 1973	Percent change 1973 to 1974
	(Billions of dollars)				
All industries.....	88.44	99.74	111.92	12.8	12.2
Manufacturing.....	31.35	38.01	45.80	21.2	20.5
Durable goods.....	15.64	19.25	22.67	23.1	17.7
Nondurable goods.....	15.72	18.76	23.13	19.4	23.3
Nonmanufacturing.....	57.09	61.73	66.12	8.1	7.1
Mining.....	2.42	2.74	3.10	13.2	13.2
Railroad.....	1.80	1.96	2.48	9.2	26.5
Air transportation.....	2.46	2.41	1.97	-2.1	-18.2
Other transportation.....	1.46	1.66	2.03	14.0	22.5
Public utilities.....	17.00	18.71	20.60	10.1	10.1
Communications.....	11.89	12.85	13.86	8.1	7.8
Commercial and other.....	20.07	21.40	22.08	6.6	3.2

Starts and carryover of projects

Investment projects started by manufacturers during the third quarter totaled $13.6 billion, seasonally adjusted, compared with the record $14.2 billion in the second quarter. Starts declined 2 percent in the third quarter for durable goods producers and 6-1/2 percent for nondurables. Declines occurred in most major industries except nonelectrical machinery, stone-clay-glass and chemicals.

[Over]

New projects started by manufacturers exceeded their capital expenditures in the third 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 September totaled $37.7 billion for all manufacturers, an increase of $1.8 billion from the end of June and about $8 billion above the year earlier figure.

Starts by public utilities totaled $14.3 billion in third quarter, about 2 percent less than their record in the second quarter. Carryover of utility projects rose to $87.8 billion at the end of September, an increase of $9.3 billion during the quarter.

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. Transportation companies report to the Interstate Commerce Commission. 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.

Additional discussion will appear in the December 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 $48.30 including weekly supplements.

Table 1.--Expenditures for New Plant and Equipment by U.S. Business, 1/ Quarterly, Not Adjusted for Seasonal Variation, 1972-75
(Billions of dollars)

	1972	1973	1974 2/	1972 I	1972 II	1972 III	1972 IV	1973 I	1973 II	1973 III	1973 IV	1974 I	1974 II	1974 III	1974 IV 2/	1975 I 2/
ALL INDUSTRIES	88.44	99.74	111.92	19.38	22.01	21.86	25.20	21.50	24.73	25.04	28.48	24.10	28.16	28.23	31.44	26.38
Manufacturing	31.35	38.01	45.80	6.61	7.63	7.74	9.38	7.80	9.16	9.62	11.43	9.49	11.27	11.62	13.42	11.18
Durable goods	15.64	19.25	22.67	3.29	3.71	3.86	4.77	3.92	4.65	4.84	5.84	4.74	5.59	5.65	6.69	5.34
Primary metals 3/	2.75	3.43	4.80	.61	.65	.69	.80	.67	.80	.91	1.05	.93	1.14	1.24	1.50	1.26
Blast furnaces, steel works	1.24	1.38	2.03	.25	.31	.31	.37	.27	.34	.34	.43	.35	.48	.51	.69	.49
Nonferrous metals	1.18	1.67	2.29	.28	.25	.30	.35	.33	.37	.45	.52	.48	.54	.60	.67	.62
Electrical machinery	2.39	2.84	3.06	.45	.56	.58	.80	.56	.66	.72	.90	.63	.77	.76	.90	.55
Machinery except electrical	2.90	3.42	4.26	.58	.69	.72	.90	.71	.87	.83	1.00	.83	1.05	1.12	1.26	.92
Transportation equipment 3/	2.53	3.12	3.83	.55	.63	.63	.72	.62	.74	.80	.95	.87	1.02	.94	1.00	.84
Motor vehicles	1.83	2.28	2.81	.39	.46	.45	.53	.43	.54	.60	.71	.66	.77	.65	.74	.56
Aircraft 4/	.43	.53	.77	.09	.10	.11	.12	.12	.12	.13	.16	.17	.18	.22	.20	.20
Stone, clay, and glass	1.20	1.49	1.48	.26	.28	.29	.38	.33	.37	.36	.43	.32	.36	.36	.45	.40
Other durables 5/	3.87	4.96	5.23	.84	.91	.95	1.17	1.03	1.20	1.23	1.51	1.16	1.25	1.24	1.58	1.37
Nondurable goods	15.72	18.76	23.13	3.32	3.92	3.87	4.61	3.88	4.51	4.78	5.59	4.75	5.69	5.96	6.73	5.84
Food including beverage	2.55	3.11	3.21	.56	.63	.70	.66	.65	.78	.81	.87	.71	.81	.85	.84	.78
Textile	.73	.77	.85	.18	.19	.17	.18	.18	.18	.20	.21	.23	.22	.20	.20	.19
Paper	1.38	1.86	2.55	.27	.35	.32	.44	.36	.46	.51	.53	.49	.62	.66	.79	.67
Chemical	3.45	4.46	5.63	.75	.85	.81	1.04	.87	1.06	1.11	1.41	1.20	1.33	1.48	1.62	1.48
Petroleum	5.25	5.45	7.87	1.08	1.34	1.28	1.56	1.10	1.26	1.39	1.71	1.47	1.93	2.03	2.44	2.07
Rubber	1.08	1.56	1.48	.21	.24	.28	.35	.36	.37	.40	.44	.33	.39	.36	.40	.30
Other nondurables 6/	1.27	1.56	1.55	.27	.31	.31	.38	.37	.41	.37	.42	.33	.40	.40	.43	.34
Nonmanufacturing	57.09	61.73	66.12	12.77	14.38	14.12	15.83	13.69	15.57	15.42	17.05	14.61	16.89	16.61	18.02	15.20
Mining	2.42	2.74	3.10	.58	.61	.59	.63	.63	.71	.69	.71	.68	.78	.80	.83	.81
Railroad	1.80	1.96	2.48	.48	.48	.38	.47	.46	.46	.48	.56	.50	.64	.64	.72	.63
Air transportation	2.46	2.41	1.97	.50	.73	.61	.63	.52	.72	.57	.60	.47	.61	.43	.45	.42
Other transportation	1.46	1.66	2.03	.32	.39	.35	.40	.32	.43	.44	.47	.34	.49	.58	.63	.44
Public utilities	17.00	18.71	20.60	3.63	4.24	4.39	4.74	3.95	4.59	4.82	5.36	4.38	5.30	5.20	5.72	4.69
Electric	14.48	15.94	17.65	3.19	3.16	3.67	4.01	3.45	3.91	4.04	4.54	3.85	4.56	4.42	4.82	4.04
Gas and other	2.52	2.76	2.95	.44	.62	.72	.73	.50	.68	.77	.82	.52	.75	.78	.90	.65
Communication	11.89	12.85	13.86	2.72	2.95	2.84	3.39	2.87	3.27	3.19	3.53	3.19	3.60	3.39	9.67	8.20
Commercial and other 7/	20.07	21.40	22.08	4.55	4.98	4.97	5.57	4.94	5.40	5.24	5.83	5.05	5.46	5.57		

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 October and November 1974. The estimates for the fourth quarter of 1974 and first quarter of 1975 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 $111.81 billion for all industries, $46.10 billion for manufacturing and $65.70 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.

Table 2.--Expenditures for New Plant and Equipment by U.S. Business, 1/ Quarterly, Seasonally Adjusted at Annual Rates, 1972-75
(Billions of dollars)

	1972				1973				1974				1975
	I	II	III	IV	I	II	III	IV	I	II	III	IV 2/	I 2/
ALL INDUSTRIES	86.79	87.12	87.67	91.94	96.19	97.76	100.90	103.74	107.27	111.40	113.99	114.40	118.06
Manufacturing	30.09	30.37	30.98	33.64	35.51	36.58	38.81	40.61	42.96	45.32	47.04	47.33	50.68
Durable goods	15.06	14.77	15.67	16.86	17.88	18.64	19.73	20.48	21.43	22.50	23.08	23.45	24.09
Primary metals 3/	2.82	2.63	2.76	2.78	3.08	3.30	3.64	3.64	4.17	4.71	4.96	5.24	5.66
Blast furnaces, steel works	1.24	1.25	1.23	1.26	1.32	1.37	1.38	1.44	1.70	1.95	2.06	2.30	2.40
Nonferrous metals	1.27	1.05	1.20	1.22	1.42	1.55	1.83	1.82	1.99	2.34	2.40	2.41	2.60
Electrical machinery	2.14	2.25	2.41	2.65	2.73	2.69	2.99	2.92	3.04	3.15	3.13	2.94	2.69
Machinery, except electrical	2.60	2.73	2.99	3.20	3.23	3.44	3.43	3.53	3.78	4.15	4.62	4.42	4.22
Transportation equipment 3/	2.48	2.48	2.40	2.76	2.81	2.92	3.12	3.56	3.94	4.02	3.73	3.65	3.76
Motor vehicles	1.71	1.79	1.72	2.08	1.97	2.09	2.35	2.67	3.02	3.02	2.58	2.66	2.59
Aircraft 4/	.45	.43	.42	.42	.56	.50	.51	.57	.75	.72	.86	.72	.89
Stone, clay, and glass	1.12	1.09	1.22	1.36	1.38	1.48	1.53	1.54	1.33	1.44	1.52	1.62	1.68
Other durables 5/	3.90	3.59	3.89	4.10	4.65	4.82	5.02	5.30	5.17	5.02	5.12	5.57	6.08
Nondurable goods	15.02	15.60	15.31	16.78	17.63	17.94	19.08	20.13	21.53	22.82	23.96	23.88	26.59
Food including beverage	2.46	2.42	2.73	2.59	2.85	2.98	3.17	3.40	3.11	3.14	3.34	3.23	3.43
Textile	.82	.74	.66	.70	.79	.67	.80	.81	.99	.82	.81	.79	.83
Paper	1.27	1.39	1.27	1.56	1.70	1.83	2.00	1.88	2.27	2.49	2.55	2.80	3.13
Chemical	3.29	3.30	3.38	3.78	3.86	4.15	4.67	5.02	5.34	5.23	6.26	5.68	6.57
Petroleum	4.99	5.54	4.98	5.45	5.19	5.17	5.40	5.93	6.99	7.98	7.94	8.32	9.86
Rubber	.92	.97	1.11	1.29	1.57	1.51	1.60	1.56	1.39	1.60	1.43	1.47	1.27
Other nondurables 6/	1.27	1.24	1.18	1.40	1.66	1.62	1.45	1.53	1.44	1.55	1.63	1.59	1.50
Nonmanufacturing	56.70	56.75	56.70	58.30	60.68	61.18	62.09	63.12	64.31	66.08	66.94	67.06	67.38
Mining	2.42	2.38	2.40	2.46	2.59	2.77	2.82	2.76	2.80	3.07	3.27	3.24	3.34
Railroad	2.10	1.88	1.50	1.71	2.11	1.75	1.95	2.05	2.10	2.42	2.68	2.79	2.68
Air transportation	1.96	2.89	2.67	2.33	2.21	2.72	2.49	2.20	2.13	2.21	1.84	1.70	1.91
Other transportation	1.48	1.53	1.41	1.42	1.53	1.62	1.79	1.73	1.63	1.84	2.16	2.38	2.42
Public utilities	16.92	16.60	17.01	17.53	18.38	18.08	18.58	19.80	20.12	20.97	20.16	21.11	21.68
Electric	14.27	14.32	14.62	14.67	15.40	15.55	16.00	16.72	17.12	18.10	17.47	17.84	17.96
Gas and other	2.65	2.27	2.38	2.86	2.98	2.52	2.58	3.08	3.00	2.87	2.68	3.26	3.72
Communication	11.71	11.59	11.56	12.63	12.34	12.70	13.12	13.24	13.83	13.94	14.01	35.83	35.36
Commercial and other 7/	20.10	19.88	20.16	20.21	21.53	21.55	21.36	21.35	21.69	21.63	22.84		

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 October and November 1974. The estimates for the fourth quarter of 1974 and first quarter of 1975 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 3.--Starts and Carryover of Plant and Equipment Projects, Manufacturing and Public Utilities, 1971-74
(Billions of dollars)

	Annual			Starts 1/							Carryover 2/						
				1973				1974			1973				1974		
	1971	1972	1973	I	II	III	IV	I	II	III	March	June	Sept.	Dec.	March	June	Sept.
Manufacturing 3/	28.00	35.21	47.57	11.08	12.11	11.50	12.88	12.40	13.75	12.97	24.63	27.58	29.46	30.91	33.82	36.30	37.65
Durable goods 3/	13.59	17.07	23.73	5.34	5.86	5.83	6.70	6.00	6.50	6.20	11.95	13.16	14.14	15.01	16.27	17.19	17.74
Primary metals	2.44	3.19	5.00	1.16	1.14	1.23	1.48	1.84	1.79	1.55	3.60	3.94	4.26	4.68	5.59	6.24	6.56
Electrical machinery	1.82	2.34	3.32	.71	.77	.74	1.09	.71	.70	.57	1.72	1.83	1.86	2.05	2.12	2.05	1.87
Machinery except electrical	2.59	3.11	3.71	.87	.97	.86	1.00	1.24	1.16	1.22	1.14	1.24	1.27	1.27	1.68	1.79	1.89
Transportation equipment 4/	2.34	2.66	3.86	.88	.98	1.00	1.00	.82	1.21	.76	2.81	3.04	3.24	3.30	3.25	3.44	3.27
Stone, clay, and glass	.94	1.46	1.81	.37	.53	.52	.39	.36	.40	.46	.84	1.00	1.16	1.12	1.16	1.20	1.30
Nondurable goods 3/	14.42	18.14	23.84	5.74	6.26	5.67	6.17	6.40	7.25	6.77	12.68	14.43	15.32	15.90	17.55	19.11	19.91
Food including beverage	2.49	2.98	3.71	.72	.90	1.24	.86	1.01	.92	.77	1.50	1.62	2.04	2.02	2.32	2.44	2.36
Textile	.71	.64	.93	.31	.20	.16	.26	.25	.18	.15	.35	.37	.33	.38	.40	.36	.31
Paper	1.00	1.60	2.40	.58	.54	.51	.78	.77	.95	.82	1.16	1.24	1.23	1.48	1.76	2.10	2.27
Chemical	3.25	3.92	6.65	1.57	1.44	1.86	1.78	1.74	1.61	1.96	3.50	3.88	4.63	4.99	5.54	5.82	6.30
Petroleum	5.14	6.15	7.02	1.74	2.41	1.12	1.75	2.00	2.74	2.37	4.62	5.78	5.51	5.56	6.08	6.89	7.24
Public utilities	22.22	28.60	38.13	11.88	8.46	8.21	9.58	16.33	11.95	9.78	49.80	53.67	57.07	61.29	73.24	79.89	84.47
	Adjusted for seasonal variation																
Manufacturing 3/				10.89	12.36	12.09	12.46	11.85	14.20	13.56	24.05	27.26	29.65	31.96	33.07	35.94	37.74
Durable goods 3/				5.19	6.02	6.18	6.46	5.70	6.73	6.58	11.64	13.00	14.24	15.58	15.92	17.03	17.84
Primary metals				.99	1.24	1.24	1.63	1.52	1.97	1.57	3.49	3.90	4.23	4.95	5.42	6.21	6.54
Electrical machinery				.69	.86	.81	.95	.70	.76	.66	1.64	1.82	1.89	2.12	2.06	2.03	1.90
Machinery except electrical				.94	.98	.98	.79	1.32	1.18	1.36	1.10	1.22	1.35	1.26	1.63	1.77	1.97
Transportation equipment 4/				.87	.93	.98	1.08	.82	1.21	.72	2.80	3.00	3.20	3.40	3.23	3.44	3.23
Stone, clay, and glass				.30	.57	.50	.44	.30	.38	.46	.81	1.01	1.13	1.19	1.16	1.19	1.26
Nondurable goods 3/				5.70	6.34	5.91	6.00	6.16	7.47	6.98	12.41	14.26	15.40	16.37	17.15	18.91	19.90
Food including beverage				.79	.85	1.19	.88	1.08	.93	.61	1.51	1.61	2.01	2.04	2.35	2.50	2.27
Textile				.31	.17	.17	.30	.22	.15	.17	.35	.35	.32	.42	.39	.34	.31
Paper				.54	.58	.53	.77	.70	1.00	.93	1.10	1.22	1.25	1.55	1.68	2.06	2.35
Chemical				1.46	1.45	1.91	1.89	1.50	1.71	2.01	3.42	3.83	4.58	5.22	5.38	5.78	6.22
Petroleum				1.72	2.56	1.26	1.48	2.00	2.86	2.53	4.47	5.74	5.65	5.65	5.90	6.77	7.32
Public utilities				7.94	10.00	11.25	9.71	10.42	14.57	14.29	46.99	52.47	59.08	63.84	69.23	78.55	87.81

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.