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BUSINESSES FORESEE SMALL INCREASE IN 1975 CAPITAL EXPENDITURES

Businesses expect new plant and equipment expenditures to total \$117.1 billion in 1975, 4-1/2 percent above 1974, according to the annual survey conducted in late November and December by the Bureau of Economic Analysis, an agency of the Social and Economic Statistics Administration of the U.S. Department of Commerce. The estimated increase in 1974 was 12 percent.

These data are not adjusted for price changes. Capital goods prices, as measured by the implicit price deflator for fixed nonresidential investment in the national income and product accounts, rose at an annual rate of about 11 percent during the first 9 months of 1974. The 1974 capital expenditures figures therefore represent little if any real growth in investment, and the 1975 projection strongly suggests a decline in real growth.

Manufacturers expect spending to total \$49.9 billion in 1975, a 9 percent increase over 1974, while nonmanufacturing industries expect a 1-1/2 percent increase to \$67.2 billion. The following manufacturing industries plan sizable advances: petroleum (28 percent), chemicals (27 percent), iron and steel (26 percent), and paper (14 percent). Smaller increases are planned by the nonelectrical machinery and nonferrous metal industries. Other major manufacturing industries expect lower outlays in 1975 than last year.

Nonmanufacturing industries as a group expect investment to increase 1-1/2 percent in 1975. Railroads and gas utilities expect large relative increases, 28 percent and 22 percent, respectively. Sizable increases are

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expected also by the mining and "other transportation" industries; expenditures of the latter industry reflect construction of the Alaskan pipeline. Electric utilities expect little change in outlays, following the 11 percent increase estimated for 1974. A decline of about 10 percent is expected by airlines, and smaller decreases are expected by communication and commercial firms.

Coverage of report

This summary of plant and equipment expenditures is based on estimates for nonagricultural industry groups presented in the attached table. 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.

NOTE

The 1975 figures reported above are adjusted for systematic biases. The adjustments, computed separately for each major industry, were applied only when expected spending deviated in the same direction from actual spending in at least five of the last seven years. When this criterion was met, the adjustment was derived by taking the median deviation between expected and actual spending for the last five years. Before adjustment, expenditures for manufacturing were expected to be \$51.8 billion, and \$65.8 billion for nonmanufacturing. The bias adjustments used in the present survey are based on less adequate data than the adjustments that will be used in the survey to be released early in March. For that survey, the adjustments are based on the experience of the entire postwar period. Thus, the results to be released in March may differ from the results shown by this survey not only because of changes in the underlying reports but also because of the use of more comprehensive information on the bias adjustments.

Expenditures for New Plant and Equipment by U.S. Business, 1/ 1973 - 1975

	1973	1974P	1975 ^{2/}	Percent Change	
				1973- 1974	1974- 1975
	(Billions of dollars)				
All Industries.....	99.74	111.92	117.09	12.2	4.6
Manufacturing.....	38.01	45.80	49.92	20.5	9.0
Durable goods.....	19.25	22.67	23.08	17.7	1.8
Primary metals ^{3/}	3.43	4.80	5.50	40.4	14.4
Blast furnace, steel works.....	1.38	2.03	2.55	46.6	25.8
Nonferrous.....	1.67	2.29	2.41	37.2	5.3
Electrical machinery.....	2.84	3.06	2.88	7.7	-6.0
Machinery, except electrical.....	3.42	4.26	4.62	24.8	8.4
Transportation equipment ^{3/}	3.12	3.83	3.51	22.8	-8.3
Motor vehicles.....	2.28	2.81	2.57	23.1	-8.5
Aircraft.....	.53	.77	.69	43.4	-10.3
Stone, clay, and glass.....	1.49	1.48	1.36	-.3	-8.1
Other durables.....	4.96	5.23	5.22	5.5	-.3
Nondurable goods.....	18.76	23.13	26.83	23.3	16.0
Food including beverage.....	3.11	3.21	3.20	3.1	-.3
Textile.....	.77	.85	.70	10.8	-17.1
Paper.....	1.86	2.55	2.90	37.0	14.1
Chemical.....	4.46	5.63	7.16	26.3	27.2
Petroleum.....	5.45	7.87	10.07	44.3	28.0
Rubber.....	1.56	1.48	1.38	-5.4	-6.6
Other nondurables.....	1.56	1.55	1.43	-.4	-8.2
Nonmanufacturing.....	61.73	66.12	67.17	7.1	1.6
Mining.....	2.74	3.10	3.67	13.2	18.6
Railroad.....	1.96	2.48	3.17	26.5	27.7
Air transportation.....	2.41	1.97	1.78	-18.2	-9.6
Other transportation.....	1.66	2.03	2.34	22.5	14.9
Public utilities.....	18.71	20.60	21.46	10.1	4.2
Electric.....	15.94	17.65	17.87	10.7	1.2
Gas and other.....	2.76	2.95	3.60	6.6	21.9
Communication, Commercial and other ^{4/}	34.26	35.94	34.75	4.9	-3.3

1. Data exclude expenditures of 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 November and December 1974. The estimates for 1975 have been adjusted when necessary for systematic biases in expectations data.

3. Includes data not shown separately.

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

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

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

*Look Ahead
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AREA ECONOMIC PROJECTIONS 1990



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