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BUSINESS PLANS MODERATE INCREASES
IN CAPITAL SPENDING IN THE FIRST HALF OF 1979

Business plans to increase capital spending 3.8 percent in the fourth quarter of 1978, 1.3 percent in the first quarter of 1979, and 2.7 percent in the second, according to the survey conducted in late October and November by the Bureau of Economic Analysis, U.S. Department of Commerce. Actual spending in the third quarter of 1978 increased 3.1 percent.

Planned capital spending in the first half of 1979 is at a seasonally adjusted annual rate of \$165.6 billion, a 4.6-percent increase from the second half of 1978. Spending increased 7.3 percent from the first half of 1978 to the second.

The latest projection of 1978 spending is \$153.1 billion, a 12.7-percent increase over 1977. This is slightly higher than the 12.3-percent increase projected three months ago, and continues the small upward revisions in earlier surveys this year. The June report indicated an 11.2-percent increase, and the March report indicated a 10.9-percent increase. Spending in 1977 was \$135.8 billion, 12.7 percent more than in 1976.

Capital spending estimates from the survey are not adjusted for price change. Capital goods prices, as measured by the implicit price deflator for fixed nonresidential investment in the national income and product accounts, rose at an average annual rate of about 8 percent in the first three quarters of 1978. If the latest spending plans reflect expectations of similar price rises, an increase in real spending of about 4½ percent is indicated for 1978, compared with an increase of 6½ percent in 1977. Virtually no change in real spending is indicated from the second half of 1978 to the first half of 1979.

The third-quarter increase in actual spending is little different from the 2.9-percent increase planned three months ago. The planned fourth-quarter increase is 1.3 percentage points larger than the 2.5-percent increase reported in September.

Actual spending through the third quarter of 1978 and planned spending through the second quarter of 1979 are shown below:

(Billions of dollars, seasonally adjusted annual rates)

	1978				1979	
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr. ^{1/}	1st Qtr. ^{1/}	2nd Qtr. ^{1/}
ALL INDUSTRIES	144.25	150.76	155.41	161.24	163.34	167.82
Manufacturing	61.57	67.20	67.75	73.20	73.02	76.28
Durable goods	28.72	31.40	32.25	34.19	34.13	35.89
Nondurable goods	32.86	35.80	35.50	39.02	38.89	40.40
Nonmanufacturing	82.68	83.56	87.66	88.04	90.31	91.53

^{1/} Planned

The planned 4.6-percent increase in capital spending from the second half of 1978 to the first half of 1979 is larger in manufacturing (5.9 percent) than in nonmanufacturing (3.5 percent). In manufacturing, nondurable goods producers plan to increase spending 6½ percent, with a large increase in the paper industry. Durable goods producers plan a 5½-percent increase; there are large increases in motor vehicles, aircraft, and stone-clay-glass. In nonmanufacturing, the planned increase in the first half of 1979 reflects large increases in the transportation industries.

Annual investment program--1978

Manufacturers' capital spending plans call for an increase of 12½ percent in 1978--to \$67.6 billion. Durables producers plan a 14-percent increase, with the largest increases in aircraft (37 percent), stone-clay-glass (25 percent), and electrical machinery (20 percent). Sizeable increases are also planned by "other durables" (16½ percent) and motor vehicles (15 percent). Nondurables producers plan an 11-percent increase; rubber and "other nondurables" report planned increases of more than 20 percent. Food-beverage plans a 15-percent increase, and petroleum and textiles, 12 percent.

Nonmanufacturing industries plan a 13-percent increase in spending--to \$85.4 billion. Air transportation plans a 46-percent increase. Communications firms, railroads, and electric utilities plan increases of 17, 15, and 14 percent, respectively. Smaller increases are planned by other nonmanufacturing industries, except "other transportation," which plans a 5-percent decline.

A summary of planned capital spending for 1978 and actual spending for 1977 and 1976 is shown below. Additional detail for manufacturing is shown in table 2.

	Actual <u>1976</u>	Actual <u>1977</u>	Planned <u>1978</u>	Percent Change	
				<u>1976 to 1977</u>	<u>1977 to 1978</u>
(Billions of dollars)					
ALL INDUSTRIES	120.49	135.80	153.09	12.7	12.7
Manufacturing.....	52.48	60.16	67.65	14.6	12.4
Durable goods.....	23.68	27.77	31.75	17.3	14.3
Nondurable goods.....	28.81	32.39	35.90	12.4	10.8
Nonmanufacturing.....	68.01	75.64	85.44	11.2	13.0
Mining.....	4.00	4.50	4.84	12.4	7.8
Railroad.....	2.52	2.80	3.22	11.4	15.1
Air transportation...	1.30	1.62	2.36	24.3	46.2
Other transportation.	3.63	2.51	2.39	-30.9	-4.8
Public utilities.....	22.28	25.80	29.16	15.8	13.0
Communication.....	13.30	15.45	18.04	16.2	16.8
Commercial and other.	20.99	22.97	25.42	9.4	10.7

Starts and carryover of projects

Investment projects started by manufacturers during the third quarter of 1978 totaled \$17 billion (seasonally adjusted), \$1.1 billion -- or 6½ percent -- less than in the second. Durable goods dropped 8½ percent, with all of the major industry groups showing declines. A 4½ percent decline in nondurables was more than accounted for by the petroleum industry.

The value of new projects started by manufacturers was about the same as their capital expenditures in the third quarter. As a result, carryover at the end of September -- \$47.2 billion -- was unchanged from the end of June. Carryover represents the amount remaining to be spent on plant and equipment projects underway.

Starts by public utilities totaled \$4.4 billion in the third quarter, compared with \$7.8 billion in the second quarter. Carryover of utility projects was \$117.0 billion at the end of September, \$2.6 billion lower than at the end of June.

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*, the monthly journal of the Bureau of Economic Analysis. The *Survey* is available from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. First class mail: annual subscription \$31.00 domestic. Second class mail: annual subscription \$19.00 domestic, \$23.75 foreign; single issue \$1.60 domestic, \$2.00 foreign.

Table 1.--Expenditures for New Plant and Equipment by U.S. Business, 1/ Quarterly, Seasonally Adjusted at Annual Rates, 1976-79
(Billions of dollars)

	1976				1977				1978				1979
	I	II	III	IV	I	II	III	IV	I	II	III	IV 2/	I 2/
ALL INDUSTRIES.....	114.72	118.12	122.55	125.22	130.16	134.24	140.38	138.11	144.25	150.76	155.41	161.24	163.34
Manufacturing.....	49.21	50.64	54.78	54.44	56.43	59.46	63.02	61.41	61.57	67.20	67.75	73.20	73.02
Durable goods.....	21.63	22.54	24.59	25.50	26.30	27.26	29.23	28.19	28.72	31.40	32.25	34.19	34.13
Primary metals 3/.....	5.51	5.76	6.42	6.12	5.43	5.61	5.98	5.69	5.13	5.99	5.94	6.60	5.96
Blast furnaces, steel works..	2.90	2.80	3.15	3.10	2.76	2.70	2.83	2.46	2.20	2.68	2.48	2.97	2.60
Nonferrous metals.....	1.96	2.13	2.35	2.19	2.06	2.16	2.30	2.39	2.10	2.41	2.38	2.60	2.25
Electrical machinery.....	2.30	2.48	2.72	2.86	2.97	3.10	3.45	3.51	3.52	3.83	4.07	4.20	3.91
Machinery, except electrical...	4.70	4.60	5.16	5.54	6.02	5.46	6.09	5.56	6.15	6.45	6.32	6.69	6.88
Transportation equipment 3/....	3.25	3.47	3.54	4.17	4.53	5.34	5.63	5.73	5.71	6.22	6.50	6.76	7.41
Motor vehicles.....	2.14	2.22	2.33	3.08	3.46	4.12	4.18	4.44	4.33	4.74	4.84	4.80	5.41
Aircraft 4/.....	.86	1.03	.99	.90	.84	.96	1.17	1.08	1.15	1.26	1.44	1.74	1.81
Stone, clay, and glass.....	1.56	1.58	1.79	1.90	1.91	1.99	2.12	1.94	2.26	2.43	2.52	2.72	2.86
Other durables 5/.....	4.30	4.65	4.97	4.92	5.43	5.75	5.96	5.76	5.94	6.49	6.90	7.22	7.10
Nondurable goods.....	27.58	28.09	30.20	28.93	30.13	32.19	33.79	33.22	32.86	35.80	35.50	39.02	38.89
Food including beverage.....	3.50	3.91	3.88	3.69	3.72	4.05	4.30	4.58	4.80	4.91	4.44	5.09	4.92
Textiles.....	.76	.81	.86	.83	.88	.98	.94	.87	1.01	1.11	1.06	.91	1.01
Paper.....	2.98	3.18	3.50	3.38	3.36	3.36	3.41	3.32	3.06	3.23	3.54	3.53	4.03
Chemicals.....	6.32	6.40	6.97	6.97	6.40	6.63	7.08	7.15	6.53	7.04	7.08	7.97	7.70
Petroleum.....	11.38	11.04	12.38	11.36	12.94	13.92	14.70	13.85	13.68	15.62	15.33	17.59	17.34
Rubber.....	1.06	1.24	1.04	1.06	1.17	1.38	1.60	1.62	1.66	1.80	1.76	1.77	1.48
Other nondurables 6/.....	1.59	1.52	1.56	1.65	1.66	1.89	1.75	1.81	2.10	2.08	2.30	2.16	2.42
Nonmanufacturing.....	65.51	67.48	67.76	70.78	73.74	74.78	77.36	76.70	82.68	83.56	87.66	88.04	90.31
Mining.....	3.83	3.83	4.21	4.13	4.24	4.49	4.74	4.50	4.45	4.81	4.99	5.23	4.94
Railroad.....	2.08	2.64	2.69	2.63	2.71	2.57	3.20	2.80	3.35	3.09	3.38	3.14	4.05
Air transportation.....	1.18	1.44	1.12	1.41	1.62	1.43	1.69	1.76	2.67	2.08	2.20	2.61	3.05
Other transportation.....	3.29	4.16	3.44	3.49	2.96	2.96	1.96	2.32	2.44	2.23	2.47	2.40	2.99
Public utilities.....	21.91	21.85	21.67	23.46	25.35	25.29	26.22	26.23	27.92	28.46	29.62	30.59	30.70
Electric.....	18.56	18.82	18.22	19.49	21.19	21.14	21.90	22.05	23.15	23.83	24.92	26.23	26.31
Gas and other.....	3.36	3.03	3.45	3.96	4.16	4.16	4.32	4.18	4.78	4.62	4.70	4.36	4.38
Communication.....	12.54	12.62	13.64	14.30	14.19	15.32	16.40	15.82	17.07	18.18	18.90	44.07	44.59
Commercial and other 7/.....	20.68	20.94	20.99	21.36	22.67	22.73	23.14	23.27	24.76	24.71	26.09		

1. Excludes agricultural business; real estate; medical, legal, educational, and cultural services; and nonprofit organizations.
2. Estimates are based on planned capital expenditures reported by business in late October and November 1978. The estimates for the fourth quarter of 1978 and first quarter of 1979 have been corrected for biases, as described in the technical notes of the February 1970 Survey of Current Business.
3. Includes industries not shown separately.
4. Includes guided missiles and space vehicles.
5. Consists of fabricated metal, lumber, furniture, instruments, and miscellaneous.
6. Consists of apparel, tobacco, leather, and printing-publishing.
7. Consists of trade, service, construction, finance, and insurance.

Table 2.--Expenditures for New Plant and Equipment by U.S. Business, 1/ Quarterly, Not Adjusted for Seasonal Variation, 1976-79
(Billions of dollars)

	1976	1977	1978 2/	1976				1977				1978				1979
				I	II	III	IV	I	II	III	IV	I	II	III	IV 2/	I 2/
ALL INDUSTRIES.....	120.49	135.80	153.09	25.87	29.70	30.41	34.52	29.20	33.73	34.82	38.06	32.35	37.89	38.67	44.18	36.85
Manufacturing.....	52.48	60.16	67.65	10.96	12.66	13.48	15.38	12.52	14.84	15.60	17.19	13.67	16.76	16.89	20.32	16.22
Durable goods.....	23.68	27.77	31.75	4.78	5.61	6.02	7.27	5.80	6.79	7.17	8.00	6.36	7.79	7.97	9.62	7.57
Primary metals 3/.....	5.97	5.68	5.97	1.21	1.43	1.58	1.74	1.19	1.39	1.49	1.61	1.10	1.46	1.50	1.90	1.28
Blast furnaces, steel works.	2.99	2.67	2.62	.61	.70	.76	.92	.58	.67	.69	.74	.45	.65	.62	.90	.53
Nonferrous metals.....	2.16	2.24	2.39	.45	.52	.59	.61	.46	.53	.58	.66	.47	.59	.60	.72	.50
Electrical machinery.....	2.62	3.28	3.94	.48	.60	.67	.87	.61	.75	.85	1.07	.73	.92	1.01	1.28	.81
Machinery, except electrical..	5.03	5.76	6.42	1.02	1.16	1.26	1.59	1.30	1.37	1.48	1.61	1.37	1.60	1.57	1.88	1.53
Transportation equipment 3/...	3.62	5.32	6.27	.75	.88	.89	1.10	1.05	1.37	1.41	1.49	1.30	1.60	1.62	1.61	1.74
Motor vehicles.....	2.45	4.06	4.66	.48	.58	.58	.81	.80	1.06	1.04	1.16	1.00	1.24	1.16	1.26	1.24
Aircraft 4/.....	.94	1.02	1.40	.21	.25	.25	.23	.20	.24	.30	.28	.25	.32	.39	.43	.40
Stone, clay, and glass.....	1.72	1.99	2.48	.35	.40	.42	.54	.42	.49	.51	.56	.50	.60	.62	.77	.64
Other durables 5/.....	4.73	5.73	6.67	.98	1.14	1.19	1.43	1.23	1.41	1.43	1.66	1.36	1.60	1.66	2.05	1.62
Nondurable goods.....	28.81	32.39	35.90	6.18	7.05	7.46	8.12	6.72	8.06	8.43	9.18	7.31	8.97	8.92	10.70	8.65
Food including beverage.....	3.75	4.18	4.82	.78	.98	1.00	.99	.83	1.03	1.11	1.21	1.05	1.27	1.16	1.34	1.08
Textiles.....	.81	.92	1.02	.19	.20	.21	.22	.22	.24	.24	.23	.24	.27	.27	.23	.24
Paper.....	3.27	3.36	3.37	.65	.78	.86	.97	.73	.82	.85	.96	.67	.78	.89	1.03	.88
Chemicals.....	6.68	6.83	7.20	1.43	1.62	1.68	1.95	1.45	1.68	1.72	1.98	1.47	1.75	1.75	2.23	1.74
Petroleum.....	11.62	13.87	15.56	2.54	2.78	3.07	3.23	2.86	3.48	3.69	3.85	3.03	3.90	3.84	4.79	3.85
Rubber.....	1.10	1.45	1.75	.24	.30	.26	.30	.26	.35	.39	.45	.36	.47	.44	.48	.32
Other nondurables 6/.....	1.58	1.78	2.17	.36	.38	.38	.46	.37	.47	.44	.50	.47	.52	.57	.61	.53
Nonmanufacturing.....	68.01	75.64	85.44	14.91	17.04	16.93	19.14	16.68	18.88	19.21	20.87	18.68	21.13	21.78	23.86	20.63
Mining.....	4.00	4.50	4.84	.92	.99	1.04	1.05	1.02	1.16	1.17	1.15	1.07	1.22	1.24	1.32	1.18
Railroad.....	2.52	2.80	3.22	.49	.68	.64	.70	.59	.67	.78	.76	.71	.83	.84	.84	.86
Air transportation.....	1.30	1.62	2.36	.26	.42	.26	.35	.33	.43	.39	.46	.52	.60	.54	.70	.59
Other transportation.....	3.63	2.51	2.39	.72	1.02	.95	.94	.61	.76	.50	.63	.51	.60	.62	.67	.62
Public utilities.....	22.28	25.80	29.16	4.79	5.50	5.52	6.46	5.55	6.37	6.61	7.28	6.15	7.14	7.43	8.46	6.79
Electric.....	18.80	21.59	24.59	4.18	4.74	4.54	5.34	4.78	5.34	5.41	6.06	5.27	6.01	6.11	7.21	5.99
Gas and other.....	3.47	4.21	4.58	.62	.76	.98	1.12	.77	1.03	1.20	1.21	.88	1.13	1.32	1.25	.81
Communication.....	13.30	15.45	18.04	2.92	3.21	3.33	3.84	3.30	3.86	4.03	4.26	3.97	4.56	4.68	11.88	10.58
Commercial and other 7/.....	20.99	22.97	25.42	4.82	5.21	5.19	5.78	5.27	5.64	5.73	6.33	5.76	6.18	6.43		

1. Excludes agricultural business; real estate; medical, legal, educational, and cultural services; and nonprofit organizations.
2. Estimates are based on planned capital expenditures reported by business in late October and November 1978. The estimates for the fourth quarter of 1978 and first quarter of 1979 have been corrected for biases. The adjustment procedures are described in the February 1970 issue of the Survey of Current Business. Before adjustment, plans were \$153.77 billion for all industries, \$68.22 billion for manufacturing, and \$85.55 billion for nonmanufacturing.
3. Includes industries not shown separately.
4. Includes guided missiles and space vehicles.
5. Consists of fabricated metal, lumber, furniture, instruments, and miscellaneous.
6. Consists of apparel, tobacco, leather, and printing-publishing.
7. Consists of trade, service, construction, finance, and insurance.

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

	Starts <u>1/</u>									Carryover <u>2/</u>							
	1975	1976	1977	1977				1978			1977				1978		
				I	II	III	IV	I	II	III	March	June	Sept.	Dec.	March	June	Sept.
Manufacturing.....	48.24	51.05	66.73	14.71	15.81	18.94	17.26	16.96	18.62	16.37	38.44	39.41	42.74	42.82	46.10	47.96	47.44
Durable goods <u>3/</u>	18.77	24.30	30.43	6.70	7.44	8.39	7.90	8.08	8.96	8.33	16.70	17.35	18.56	18.46	20.17	21.33	21.69
Primary metals.....	5.02	5.18	5.43	1.12	1.24	1.75	1.32	1.22	1.48	1.59	6.11	5.96	6.23	5.93	6.05	6.07	6.16
Electrical machinery.....	1.85	3.04	3.62	.60	.96	1.06	1.00	1.10	1.06	.91	1.75	1.96	2.16	2.10	2.47	2.62	2.51
Machinery, except electrical.....	4.62	5.42	6.19	1.44	1.41	1.80	1.53	1.55	1.78	1.60	2.66	2.70	3.02	2.94	3.12	3.31	3.34
Transportation equipment <u>4/</u>	2.23	3.87	6.32	1.51	1.70	1.63	1.49	1.57	2.27	1.94	2.56	2.89	3.10	3.10	3.37	4.02	4.36
Stone, clay, and glass.....	1.22	1.83	2.33	.46	.61	.63	.63	.87	.78	.71	1.11	1.22	1.34	1.42	1.78	1.96	2.06
Nondurable goods <u>3/</u>	29.47	26.76	36.30	8.01	8.38	10.55	9.37	8.88	9.67	8.04	21.74	22.06	24.18	24.36	25.94	26.63	25.75
Food including beverage.....	3.31	3.89	4.41	.83	1.18	1.37	1.02	1.22	1.14	1.16	2.33	2.48	2.75	2.56	2.73	2.60	2.60
Textiles.....	.70	.90	.96	.24	.22	.22	.27	.31	.27	.20	.39	.37	.36	.40	.47	.46	.39
Paper.....	3.40	2.94	4.14	.80	.86	1.29	1.19	.84	.70	.73	2.17	2.22	2.66	2.89	3.05	2.97	2.80
Chemicals.....	7.05	5.22	6.98	1.69	1.76	2.04	1.50	1.55	1.79	1.79	6.24	6.32	6.64	6.16	6.24	6.28	6.31
Petroleum.....	12.85	10.93	16.04	3.59	3.23	4.73	4.49	4.02	4.59	3.10	9.23	8.98	10.03	10.67	11.65	12.34	11.60
Public utilities.....	34.50	29.66	32.54	15.55	2.19	8.22	6.57	13.55	4.83	3.37	118.22	114.04	115.66	114.95	122.36	120.05	115.99

Seasonally adjusted

Manufacturing.....	15.26	15.15	19.81	16.54	17.41	18.10	16.96	38.36	38.65	42.70	43.90	45.91	47.22	47.23
Durable goods <u>3/</u>	7.00	7.47	8.61	7.40	8.35	9.04	8.29	16.54	17.20	18.50	18.86	20.02	21.21	21.44
Primary metals.....	1.02	1.38	1.88	1.11	1.21	1.67	1.57	5.96	5.94	6.32	6.01	5.94	6.11	6.19
Electrical machinery.....	.66	1.03	1.12	.77	1.17	1.19	.90	1.70	1.95	2.21	2.11	2.40	2.63	2.51
Machinery, except electrical.....	1.55	1.34	1.95	1.41	1.61	1.73	1.63	2.63	2.61	3.03	3.05	3.12	3.24	3.29
Transportation equipment <u>4/</u>	1.53	1.60	1.59	1.64	1.56	2.12	1.95	2.58	2.84	3.02	3.23	3.36	3.93	4.25
Stone, clay, and glass.....	.50	.62	.56	.65	.93	.78	.62	1.12	1.24	1.28	1.45	1.81	1.99	1.98
Nondurable goods <u>3/</u>	8.26	7.68	11.20	9.14	9.06	9.06	8.67	21.82	21.45	24.20	25.04	25.89	26.00	25.79
Food including beverage.....	.92	1.16	1.30	1.01	1.35	1.10	1.07	2.34	2.48	2.71	2.58	2.73	2.61	2.57
Textiles.....	.22	.22	.21	.30	.29	.26	.20	.39	.37	.34	.43	.47	.45	.39
Paper.....	.75	.86	1.46	1.14	.73	.72	.76	2.11	2.13	2.74	3.04	3.01	2.92	2.80
Chemicals.....	1.84	1.59	2.07	1.43	1.77	1.59	1.79	6.33	6.26	6.56	6.20	6.34	6.17	6.20
Petroleum.....	3.62	2.78	5.20	4.38	3.95	4.34	3.66	9.29	8.59	10.11	11.02	11.55	11.98	11.80
Public Utilities.....	9.76	3.79	10.23	7.99	7.98	7.78	4.40	115.45	112.92	116.59	118.02	119.02	119.69	117.05

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