

UNITED STATES DEPARTMENT OF  
**COMMERCE**  
**NEWS**  
WASHINGTON, D.C. 20230

OFFICE  
OF THE  
SECRETARY

FOR RELEASE AT 11:00 A.M. EST, THURSDAY, MARCH 10, 1983

STATEMENT BY SECRETARY OF COMMERCE MALCOLM BALDRIGE  
ON PLANT AND EQUIPMENT EXPENDITURES FOR 1983

As another sign that economic recovery has begun, U. S. nonfarm businesses have revised upward their planned purchases of real plant and equipment in 1983. After adjustment for inflation, this year's capital spending is expected to be 3.8 percent below the 1982 total, according to the results of a survey taken in late January and February by the Bureau of Economic Analysis. The decline indicated by a similar survey two months earlier was 5.2 percent. I believe that investment will begin to recover around mid-year.

The slowdown in price increases of capital goods means that the recovery in business fixed investment will require less cash outlay and less financing. The fixed-weighted price index for nonresidential fixed investment rose only 4.4 percent between the fourth quarter of 1981 and the fourth quarter of last year, the smallest four-quarter rise in the index since 1973.

Cyclical turns in business fixed investment typically occur a few months later than officially designated recession troughs for the economy as a whole. During the early stages of an economic recovery, idle capacity and low profits continue to deter spending on new plant and equipment. Growth in total capital expenditure also may be delayed this year by reductions in oil and gas exploration until larger gains develop in other sectors. As the business recovery proceeds, the investment incentives enacted in 1981 will take hold. There should be a strong capital goods expansion beginning later this year.

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