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BEA 87-44

BUSINESS PLANS 2.5-PERCENT INCREASE IN CAPITAL SPENDING FOR 1987

Business plans to spend \$389.1 billion for new plant and equipment (P&E) in 1987, 2.5 percent more than in 1986, according to the survey conducted in July and August by the Commerce Department's Bureau of Economic Analysis. Spending was \$379.5 billion in 1986, 2.0 percent less than in 1985 (tables 1 and 2).

The latest estimate of planned spending for 1987 is \$1.8 billion lower than that reported in June for the survey conducted in April and May. A 0.9-percent downward revision in nonmanufacturing industries more than offsets a 0.3-percent upward revision in manufacturing industries. The previous survey showed planned spending of \$390.9 billion for 1987, 3.1 percent more than in 1986.

Real spending -- capital spending adjusted to remove price changes -- is estimated to increase 1.4 percent in 1987. The previous release indicated a 2.8-percent increase for 1987; if restated to reflect the revisions in P&E implicit price deflators, this increase would have been 1.9 percent (see note). Real spending declined 2.6 percent in 1986, following an increase of 9.6 percent in 1985 (tables 3 and 4). Estimates of real spending are calculated from survey data on current-dollar spending and from estimated capital goods price deflators developed by BEA. The capital goods deflator for "all industries" is projected by BEA to increase 1.1 percent in 1987, following a 0.6-percent increase in 1986; the deflator declined 0.4 percent in 1985.

Current-dollar spending in the second quarter of 1987 increased 0.9 percent, to an annual rate of \$377.7 billion, following a 3.1-percent decline in the first; second-quarter spending was 3.7 percent lower than anticipated in the previous survey. Plans reported in the latest survey indicate a 5.4-percent increase in the third quarter and a 2.1-percent increase in the fourth.

NOTE.--Estimates in this release incorporate revised seasonal-adjustment factors from 1984 to date. "Real," or constant-dollar, estimates are in 1982 dollars and incorporate revised P&E implicit price deflators from 1973 to date; for details, see coverage and methodology section.

Quarterly estimates are expressed at seasonally adjusted annual rates. Estimates in tables 2 and 3 have been rounded; percent changes calculated from those numbers may differ from percent changes shown in this release, which are calculated from unrounded numbers.

Real spending increased 0.7 percent in the second quarter of 1987, following a 3.2-percent decline in the first. Estimates indicate a 5.2-percent increase in the third quarter and a 1.8-percent increase in the fourth.

Historical perspective

- o The 1987 current-dollar spending increase of 2.5 percent, if realized, will be the first since 1985, when current-dollar spending increased 9.2 percent. Planned spending for 1987, if realized, will be a record high; the previous high was \$387.1 billion in 1985.
- o The 1987 constant-dollar spending increase of 1.4 percent, if realized, will be the first since 1985, when constant-dollar spending increased 9.6 percent. The estimate for 1987, if realized, will be lower than the record high of \$392.5 billion in 1985.

Industry programs

Manufacturing industries plan a 2.6-percent increase in current-dollar spending for 1987; in the previous survey, a planned increase of 2.2 percent was reported (table 1). Durable goods industries plan a 3.0-percent increase; the largest planned increase is in blast furnaces-steel works. Increases are also planned in electrical machinery, nonferrous metals, "other durables," and stone-clay-glass. Declines are planned in motor vehicles, aircraft, machinery (except electrical), and fabricated metals. Nondurable goods industries plan a 2.2-percent increase. Planned increases in textiles, "other nondurables," food-beverage, and paper more than offset planned declines in rubber, petroleum, and chemicals.

Current-dollar spending in manufacturing increased 0.1 percent in the second quarter of 1987, following a 2.4-percent decline in the first. A 2.6-percent increase in second-quarter spending by nondurable goods industries offsets a 2.4-percent decline by durables. Manufacturers plan a 6.9-percent increase in the third quarter and a 2.1-percent increase in the fourth.

Nonmanufacturing industries plan a 2.5-percent increase in spending for 1987; in the previous survey, a planned increase of 3.6 percent was reported. Planned increases in "other transportation," air transportation, "commercial and other," and gas utilities more than offset planned declines in electric utilities, railroads, and mining.

Current-dollar spending in nonmanufacturing increased 1.4 percent in the second quarter of 1987, following a 3.5-percent decline in the first. Nonmanufacturing industries plan a 4.5-percent increase in the third quarter and a 2.1-percent increase in the fourth.

Estimates of real spending for 1987 indicate a 1.4-percent increase in manufacturing -- 2.0 percent in durables and 0.9 percent in nondurables (table 4). In nonmanufacturing, estimates indicate a 1.5-percent increase for 1987. Estimated increases in "commercial and other" and transportation more than offset estimated declines in public utilities and mining.

Coverage and methodology

This summary of plant and equipment expenditures is based on estimates for industry groups presented in the attached tables. The estimates are universe totals of expenditures by business for new plant and equipment in the United States. The basic data are derived from reports submitted by a large sample of companies, corporate as well as noncorporate, to the Bureau of Economic Analysis. The reports are on a company, not a plant or an establishment, basis. A company's capital expenditures are assigned to a single industry in accordance with the industry classification of the company's principal product or service.

Estimates in this release incorporate revised seasonal-adjustment factors from 1984 to date. Revised annual estimates for 1986 are calculated from quarterly estimates unadjusted for seasonal variations; the previously reported annual estimates were calculated from seasonally adjusted quarterly estimates derived using projected seasonal-adjustment factors. (Revised annual and quarterly estimates for 1984 to date will appear in the September issue of the Survey of Current Business.)

The estimates of planned spending have been adjusted for systematic reporting biases. The bias adjustments are calculated by industry for each planning horizon. For a given time period, the bias-adjustment factor is the median of the ratios of planned to actual expenditures for that time period in the preceding 8 years. For 1987 planned spending before adjustment, see table 2, footnote *.

The estimates of actual real spending are derived by BEA using implicit price deflators developed for each industry from unpublished detail on current- and constant-dollar nonresidential fixed investment (NRFI) in the national income and product accounts (NIPA's). The estimates of planned real spending are derived using implicit price deflators for each industry extrapolated using the average rate of change during the latest four quarters for which they are available.

Real spending estimates in this release incorporate revised P&E implicit price deflators reflecting: (1) revised NRFI data and (2) revised data used to transform the NRFI data to a P&E survey basis. The revised NRFI data are based on the revision of the NIPA's released in July; they affect the distribution of spending across industries as well as the "all industries" spending levels from 1984 to date. The revised transformation data are based on 1977 capital flow tables and tabulations from the 1977 Census Enterprise Statistics; they affect the distribution of real spending across industries from 1973 to date, but not the "all industries" spending levels. Printouts of revised quarterly and annual constant-dollar estimates from 1972-86 are available by writing to P&E Survey Statistics, Business Outlook Division (BE-52), Bureau of Economic Analysis, U.S. Department of Commerce, Washington, DC 20230, or by calling (202) 523-0874.

Additional discussion will appear in the September issue of the Survey of Current Business, the monthly journal of the Bureau of Economic Analysis. The Survey of Current Business is available from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402. First class mail: annual subscription \$50.00 domestic. Second class mail: annual subscription \$25.00 domestic, \$31.25 foreign; single issue \$5.00 domestic, \$6.25 foreign.

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Next release date for Plant and Equipment Expenditures is December 16, 1987.

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Table 1.--New Plant and Equipment Expenditures by Business

[Percent change from preceding year]

	Actual		Planned			
	1985	1986/#/	1987			
			Oct.-Nov. 1986 survey/**/	Jan.-Mar. 1987 survey/**/	Apr.-May 1987 survey/**/	July-Aug. 1987 survey/**/
All industries/1/.....	9.2	-2.0	0.9	3.0	3.1	2.5
Manufacturing.....	10.6	-7.0	-2.0	1.5	2.2	2.6
Durable goods.....	10.6	-5.6	-.6	2.2	2.6	3.0
Primary metals/2/.....	8.5	-8.0	19.1	24.0	18.8	17.8
Blast furnaces, steel works..	16.5	-19.4	32.7	39.3	32.7	32.3
Nonferrous metals.....	-11.8	3.0	4.5	15.1	8.8	8.7
Fabricated metals.....	3.9	12.1	-1.5	.2	-2.6	-.4
Electrical machinery.....	5.9	-8.4	5.0	13.2	10.9	9.7
Machinery, except electrical...	3.7	-14.9	-7.0	-7.4	-4.1	-2.7
Transportation equipment/2/....	20.3	-3.0	-8.3	-9.5	-7.5	-5.4
Motor vehicles.....	30.6	-4.6	-8.5	-10.2	-9.1	-6.4
Aircraft.....	-3.3	10.0	-9.1	-11.2	-4.0	-3.8
Stone, clay, and glass.....	10.1	-7.7	.2	7.1	7.4	7.1
Other durables.....	19.7	7.6	1.1	6.3	9.1	7.7
Nondurable goods.....	10.5	-8.3	-3.2	.8	1.9	2.2
Food including beverage.....	17.1	2.6	1.5	4.6	7.1	6.9
Textiles.....	-7.6	-5.9	4.1	8.7	17.5	17.8
Paper.....	19.2	2.0	-7.8	-2.9	-3.2	1.2
Chemicals.....	7.3	2.3	-3.5	.6	-1.0	-1.8
Petroleum.....	4.6	-32.9	-14.2	-10.6	-4.6	-5.0
Rubber.....	24.3	.8	-8.6	-7.5	-9.7	-11.2
Other nondurables.....	17.1	11.1	12.1	17.1	14.7	15.1
Nonmanufacturing/1/.....	8.4	1.3	2.7	4.0	3.6	2.5
Mining.....	-5.8	-29.4	-10.1	-10.2	-7.1	-4.2
Transportation.....	9.1	4.3	1.2	1.7	3.4	3.8
Railroad.....	4.3	-6.0	-7.7	-7.3	-8.7	-5.5
Air.....	34.5	30.5	3.4	3.6	8.0	7.2
Other.....	-.4	-4.2	9.0	9.9	12.3	10.7
Public utilities.....	2.8	-5.0	-4.5	-.5	-1.7	-4.0
Electric.....	-2.5	-6.1	-8.1	-4.0	-2.9	-5.7
Gas and other.....	21.6	-1.8	5.1	8.9	1.6	.7
Commercial and other.....	12.0	6.3	5.9	6.5	5.9	4.7

See the second paragraph of the coverage and methodology section.

* As originally published.

1. Surveyed quarterly.

2. Includes industries not shown separately.

Table 2.--New Plant and Equipment Expenditures by Business in Current Dollars/##

[Billions of dollars; quarters seasonally adjusted at annual rates]

	1985	1986	1987/**/	86:1	86:2	86:3	86:4	87:1	87:2	87:3/**/	87:4/**/
All industries/1/.....	387.13	379.47	389.07	380.04	376.21	375.50	386.09	374.23	377.65	398.04	406.37
Manufacturing.....	153.48	142.69	146.40	145.11	142.19	139.43	144.07	140.65	140.79	150.47	153.67
Durable goods.....	73.27	69.14	71.23	68.71	68.56	69.42	69.87	70.47	68.76	73.24	72.44
Primary metals/2/.....	7.75	7.13	8.40	7.77	6.99	6.68	7.10	7.78	8.16	8.99	8.68
Blast furnaces, steel works.....	4.12	3.32	4.40	3.86	2.98	3.18	3.27	4.11	4.31	4.74	4.43
Nonferrous metals.....	1.88	1.93	2.10	1.89	2.02	1.79	2.03	1.73	2.10	2.20	2.36
Fabricated metals.....	3.57	4.00	3.99	4.09	4.05	3.89	3.99	4.01	3.89	3.93	4.10
Electrical machinery.....	15.47	14.17	15.55	13.07	14.61	14.09	14.92	14.99	14.59	16.31	16.30
Machinery, except electrical.....	15.98	13.61	13.24	14.37	13.26	13.37	13.44	13.07	12.98	13.42	13.48
Transportation equipment/2/.....	19.46	18.88	17.85	18.55	18.68	20.19	18.09	18.62	17.40	18.49	16.90
Motor vehicles.....	14.63	13.95	13.06	13.58	13.73	15.54	12.96	13.93	12.52	13.62	12.16
Aircraft.....	3.45	3.80	3.65	3.83	3.87	3.58	3.92	3.57	3.70	3.73	3.63
Stone, clay, and glass.....	3.40	3.14	3.37	3.09	2.86	3.06	3.56	3.21	3.22	3.58	3.46
Other durables/3/.....	7.62	8.20	8.84	7.77	8.12	8.15	8.76	8.78	8.52	8.53	9.53
Nondurable goods.....	80.21	73.56	75.17	76.39	73.62	70.01	74.20	70.18	72.03	77.23	81.22
Food including beverage.....	10.33	10.60	11.33	9.95	10.48	10.74	11.22	11.25	10.77	10.87	12.45
Textiles.....	1.77	1.67	1.97	1.50	1.77	1.51	1.89	1.86	2.10	1.92	1.98
Paper.....	8.59	8.77	8.87	8.72	9.07	8.71	8.57	8.06	8.77	9.05	9.62
Chemicals.....	16.44	16.81	16.51	15.99	16.76	16.66	17.87	15.24	16.00	16.73	18.08
Petroleum.....	26.71	17.92	17.03	22.85	17.50	14.57	16.76	15.08	15.14	18.78	19.11
Rubber.....	3.86	3.89	3.45	4.35	4.12	3.78	3.31	3.22	3.70	3.52	3.37
Other nondurables/4/.....	12.50	13.90	16.00	13.03	13.92	14.05	14.60	15.47	15.54	16.36	16.61
Nonmanufacturing/1/.....	233.65	236.78	242.68	234.93	234.03	236.07	242.02	233.58	236.87	247.57	252.70
Mining.....	15.88	11.22	10.75	13.13	11.29	10.14	10.31	10.31	11.02	11.06	10.60
Transportation.....	18.02	18.80	19.52	18.50	18.40	18.81	19.50	18.98	17.67	20.45	20.96
Railroad.....	7.08	6.66	6.29	6.50	6.70	7.02	6.41	5.55	5.77	6.79	7.05
Air.....	4.79	6.26	6.70	6.53	5.87	5.78	6.84	7.46	5.72	6.62	7.02
Other.....	6.15	5.89	6.52	5.47	5.83	6.01	6.25	5.97	6.19	7.05	6.88
Public utilities.....	48.81	46.38	44.53	47.17	46.43	45.81	46.12	43.60	43.48	45.59	45.45
Electric.....	36.11	33.91	31.96	34.25	33.77	33.81	33.78	30.85	31.13	32.93	32.95
Gas and other.....	12.70	12.47	12.56	12.92	12.66	12.00	12.34	12.75	12.35	12.66	12.49
Commercial and other.....	150.94	160.38	167.89	156.14	157.91	161.31	166.08	160.70	164.69	170.46	175.70
Wholesale and retail trade.....	50.76	55.46	....	52.66	54.76	56.33	58.09	56.13	57.13	....	....
Finance and insurance.....	39.44	43.79	....	42.01	40.98	45.49	46.63	45.12	46.16	....	....
Personal and business services/5/.....	28.69	28.20	....	27.89	27.88	28.25	28.74	28.79	30.02	....	....
Communication.....	32.04	32.93	....	33.58	34.28	31.24	32.61	30.66	31.38	....	....
Addenda/6/											
Total nonfarm business/7/.....	431.94	427.23	....	....	....	....	....	....	....	....	....
Manufacturing.....	153.48	142.69	146.40	145.11	142.19	139.43	144.07	140.65	140.79	150.47	153.67
Nonmanufacturing.....	278.46	284.54	....	....	....	....	....	....	....	....	....
Surveyed quarterly.....	233.65	236.78	242.68	234.93	234.03	236.07	242.02	233.58	236.87	247.57	252.70
Surveyed annually/8/.....	44.81	47.75	....	....	....	....	....	....	....	....	....

Revised annual estimates for 1986 are calculated from quarterly estimates unadjusted for seasonal variations. The previously reported annual estimates for 1986 were calculated from seasonally adjusted quarterly estimates derived using projected seasonal-adjustment factors. Quarterly estimates shown above reflect revised seasonal-adjustment factors.

* Estimates are based on planned capital expenditures reported by business in July and August 1987. The planned expenditures are adjusted for systematic biases in reporting. The adjustment procedures are described in the February 1985 SURVEY OF CURRENT BUSINESS. Before bias adjustment, current-dollar plans for 1987 were \$388.29 billion for "all industries," \$150.16 billion for manufacturing, and \$238.13 billion for nonmanufacturing industries surveyed quarterly.

1. Surveyed quarterly.
2. Includes industries not shown separately.
3. Consists of lumber, furniture, instruments, and miscellaneous.
4. Consists of tobacco, apparel, printing-publishing, and leather.
5. Includes construction.
6. The latest estimates for the industries surveyed annually were published in the June 1987 SURVEY. The current-dollar plans for 1987 were \$441.61 billion for total nonfarm business, \$296.74 billion for total nonmanufacturing, and \$50.81 billion for nonmanufacturing industries surveyed annually.
7. "All industries" plus the part of nonmanufacturing that is surveyed annually.
8. Consists of real estate; professional services; membership organizations and social services; and forestry, fisheries, and agricultural services.

Table 3.--New Plant and Equipment Expenditures by Business in Constant Dollars/#!/

[Billions of 1982 dollars; quarters seasonally adjusted at annual rates]

	1985	1986	1987/**	861	862	863	864	871	872	873/**	874/**
All industries/1/.....	392.47	382.40	387.91	387.13	379.25	376.42	386.76	374.49	376.93	396.45	403.78
Manufacturing.....	159.34	146.99	149.08	151.71	146.59	142.43	147.23	143.61	143.37	153.28	156.04
Durable goods.....	74.62	70.60	72.03	70.59	70.23	70.66	70.95	71.51	69.66	73.94	73.01
Primary metals/2/.....	7.64	7.02	....	7.67	6.90	6.57	6.96	7.58	7.93	....	....
Blast furnaces, steel works.....	4.01	3.21	....	3.75	2.88	3.07	3.14	3.94	4.11	....	....
Nonferrous metals.....	1.90	1.97	....	1.94	2.06	1.83	2.06	1.76	2.13	....	....
Fabricated metals.....	3.52	3.93	....	4.04	3.98	3.81	3.89	3.91	3.78	....	....
Electrical machinery.....	15.88	14.65	....	13.60	15.16	14.53	15.33	15.42	14.97	....	....
Machinery, except electrical.....	17.03	14.79	....	15.66	14.44	14.50	14.55	14.21	14.11	....	....
Transportation equipment/2/.....	19.57	18.99	....	18.77	18.84	20.21	18.13	18.61	17.39	....	....
Motor vehicles.....	14.48	13.74	....	13.44	13.56	15.28	12.70	13.63	12.21	....	....
Aircraft.....	3.64	4.08	....	4.12	4.16	3.83	4.19	3.82	3.96	....	....
Stone, clay, and glass.....	3.33	3.05	....	3.02	2.78	2.96	3.43	3.09	3.08	....	....
Other durables/3/.....	7.65	8.18	....	7.84	8.13	8.08	8.66	8.68	8.41	....	....
Nondurable goods.....	84.72	76.38	77.04	81.12	76.36	71.77	76.28	72.10	73.70	79.34	83.03
Food including beverage.....	9.91	10.01	....	9.50	9.93	10.10	10.51	10.48	9.98	....	....
Textiles.....	1.72	1.59	....	1.44	1.70	1.44	1.78	1.74	1.96	....	....
Paper.....	8.62	8.76	....	8.79	9.10	8.67	8.50	7.97	8.65	....	....
Chemicals.....	16.70	17.00	....	16.34	16.97	16.77	17.94	15.31	16.00	....	....
Petroleum.....	31.07	20.86	....	27.20	20.21	16.65	19.38	17.65	17.63	....	....
Rubber.....	3.74	3.73	....	4.20	3.96	3.61	3.14	3.06	3.49	....	....
Other nondurables/4/.....	12.97	14.43	....	13.65	14.50	14.53	15.03	15.88	15.98	....	....
Nonmanufacturing/1/.....	233.13	235.41	238.84	235.42	232.66	233.99	239.52	230.88	233.57	243.17	247.74
Mining.....	19.27	13.54	13.08	16.26	13.51	11.99	12.43	12.49	13.34	13.53	12.97
Transportation.....	16.73	17.14	17.46	17.02	16.84	17.08	17.62	17.12	15.85	18.25	18.60
Public utilities.....	46.13	43.34	40.95	44.23	43.50	42.73	42.88	40.40	40.05	41.82	41.51
Commercial and other.....	151.00	161.39	167.35	157.91	158.80	162.19	166.59	160.87	164.33	169.57	174.65
Wholesale and retail trade.....	50.24	54.60	....	52.34	54.08	55.18	56.81	54.84	55.44	....	....
Finance and insurance.....	44.05	50.60	....	48.51	47.45	52.50	53.87	52.16	53.54	....	....
Personal and business services/5/...	27.76	27.06	....	27.02	26.83	27.03	27.34	27.23	28.24	....	....
Communication.....	28.95	29.13	....	30.05	30.44	27.48	28.57	26.64	27.11	....	....
Addenda:/6/											
Total nonfarm business/7/.....	438.42	431.95	....	....	....	....	....	....	....	....	....
Manufacturing.....	159.34	146.99	149.08	151.71	146.59	142.43	147.23	143.61	143.37	153.28	156.04
Nonmanufacturing.....	279.08	284.96	....	....	....	....	....	....	....	....	....
Surveyed quarterly.....	233.13	235.41	238.84	235.42	232.66	233.99	239.52	230.88	233.57	243.17	247.74
Surveyed annually/8/.....	45.95	49.55	....	....	....	....	....	....	....	....	....

Procedures for preparing constant-dollar estimates are described in the February 1985 SURVEY. Estimates reflect revisions in the current-dollar estimates (see table 2, footnote #) and incorporate revised implicit price deflators (see coverage and methodology section).

* To estimate real spending plans, BEA adjusts the survey results for assumed price changes.

1. Surveyed quarterly.
2. Includes industries not shown separately.
3. Consists of lumber, furniture, instruments, and miscellaneous.
4. Consists of tobacco, apparel, printing-publishing, and leather.
5. Includes construction.

6. The latest estimates for the industries surveyed annually were published in the June 1987 SURVEY. The constant-dollar plans for 1987 were \$432.51 billion for total nonfarm business, \$287.34 billion for total nonmanufacturing, and \$51.50 billion for nonmanufacturing industries surveyed annually.

7. "All industries" plus the part of nonmanufacturing that is surveyed annually.

8. Consists of real estate; professional services; membership organizations and social services; and forestry, fisheries, and agricultural services.

Table 4.--New Plant and Equipment Expenditures by Business in Constant (1982) Dollars/##

[Percent change from preceding year]

	Actual		Planned			
	1985	1986	1987			
			Oct.-Nov. 1986 survey/**	Jan.-Mar. 1987 survey/**	Apr.-May 1987 survey/**	July-Aug. 1987 survey
All industries/1/.....	9.6	-2.6	0.2	1.8	2.8	1.4
Manufacturing.....	11.0	-7.8	-2.6	.1	1.8	1.4
Durable goods.....	12.1	-5.4	-.5	1.3	2.3	2.0
Nondurable goods.....	9.9	-9.8	-4.4	-.9	1.4	.9
Nonmanufacturing/1/.....	8.7	1.0	2.1	2.8	3.4	1.5
Mining.....	-7.2	-29.7	-12.9	-12.4	-7.3	-3.4
Transportation.....	7.4	2.5	-.5	-.3	2.2	1.9
Public utilities.....	1.6	-6.0	-5.3	-1.3	-2.6	-5.5
Commercial and other.....	13.8	6.9	5.7	5.6	6.1	3.7

Estimates reflect revised current-dollar estimates and revised implicit price deflators (see coverage and methodology section).

* As originally published.

1. Surveyed quarterly.

NOTE.--Percent changes are calculated from constant-dollar estimates, which are based on survey data for actual and planned current-dollar spending and on estimated capital goods price deflators developed by BEA.