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Central File

THE PRESIDENT HAS REVIEWED

COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

ALAN GREENSPAN, CHAIRMAN
WILLIAM J. FELLNER
GARY L. SEEVERS

December 4, 1974

MEMORANDUM FOR THE PRESIDENT

Subject: Business Plant and Equipment Spending Programs
Through the First Half of 1975 (Commerce Survey
conducted in October and November)

Summary

Actual and planned business spending for plant and equipment points to a rise in current dollars but to some decline when correction is made for price changes. Moreover, judging by past experience plans are usually scaled down in the recession phase of the business cycle. Consequently, what previously seemed a strong area of activity has lately weakened.

Alan Greenspan
Chairman

William J. Fellner
Member



Optional Reading

Details

1. Actual plant and equipment expenditures in the third quarter of 1974 rose 2.3 percent from the second quarter. This is a greater rise than expected 3 months ago but is less than the price rise for construction and equipment.

2. Planned expenditures for the fourth quarter have been marked down from what they were three months ago. In current dollars they are scarcely higher than the third-quarter expenditures and in physical volume they are obviously lower.

3. Present plans through the second quarter of 1975 point to a good-sized step-up over the fourth quarter in current dollars (4.4 percent) but to no such increase and possibly to a further decline in physical volume if allowance is made for continuing price increases.

These data were released Wednesday, December 4 at 10:00 a. m.