

Recent Developments in Investment

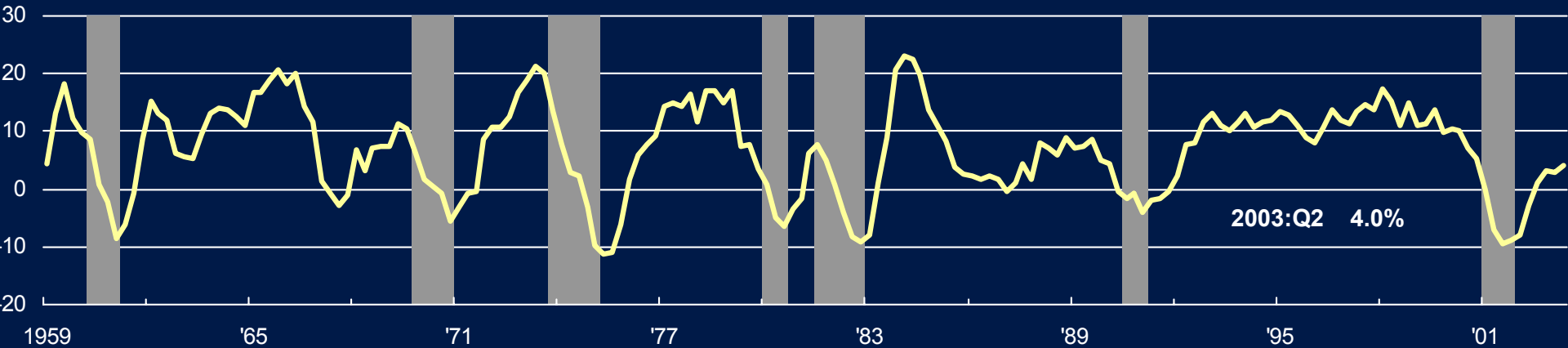
Midwest Manufacturing Workshop
September 30, 2003

Spencer Krane
Vice President and Economic Advisor
Federal Reserve Bank of Chicago

Growth in Real Business Fixed Investment

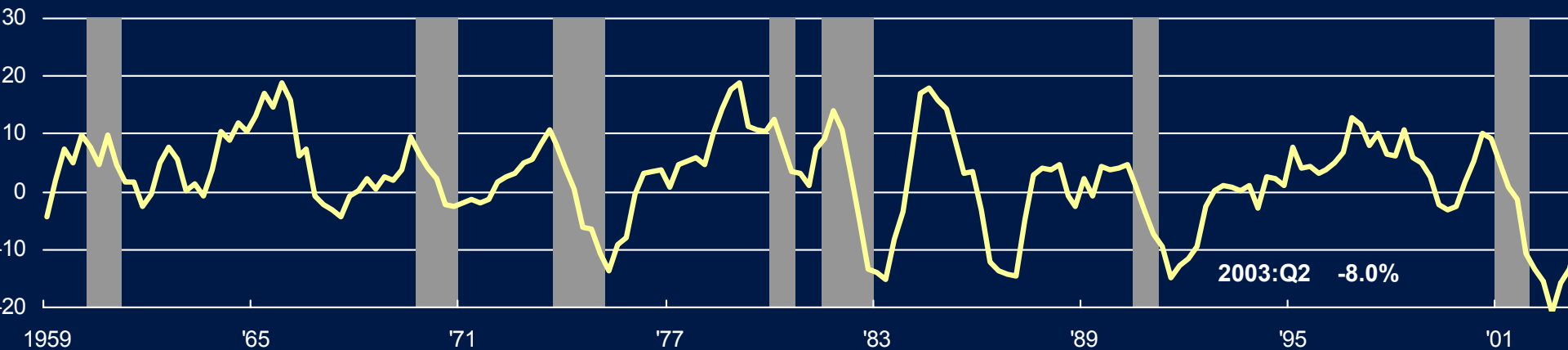
Equipment and Software

(4-qtr percent change)



Structures

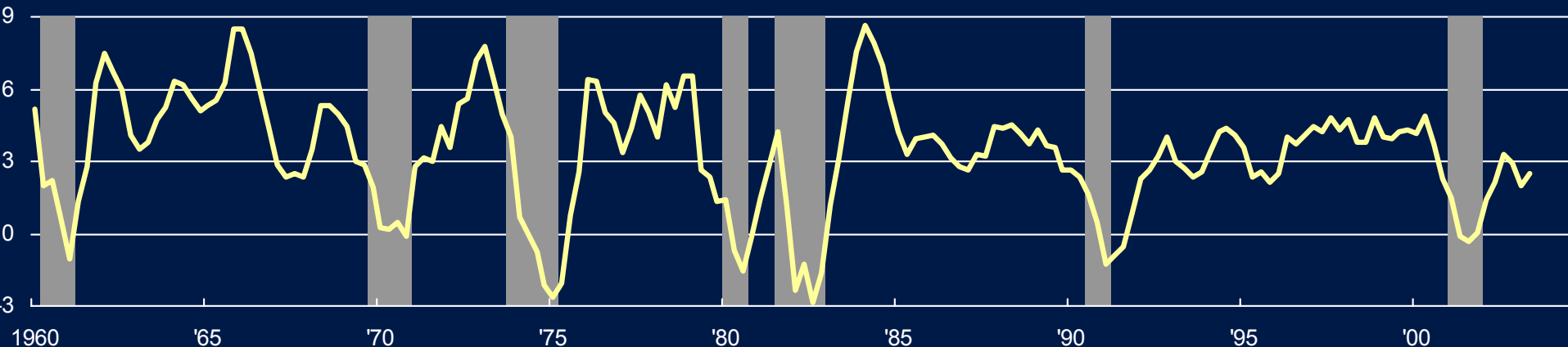
(4-qtr percent change)



Contribution to Real GDP Growth of Business Fixed Investment

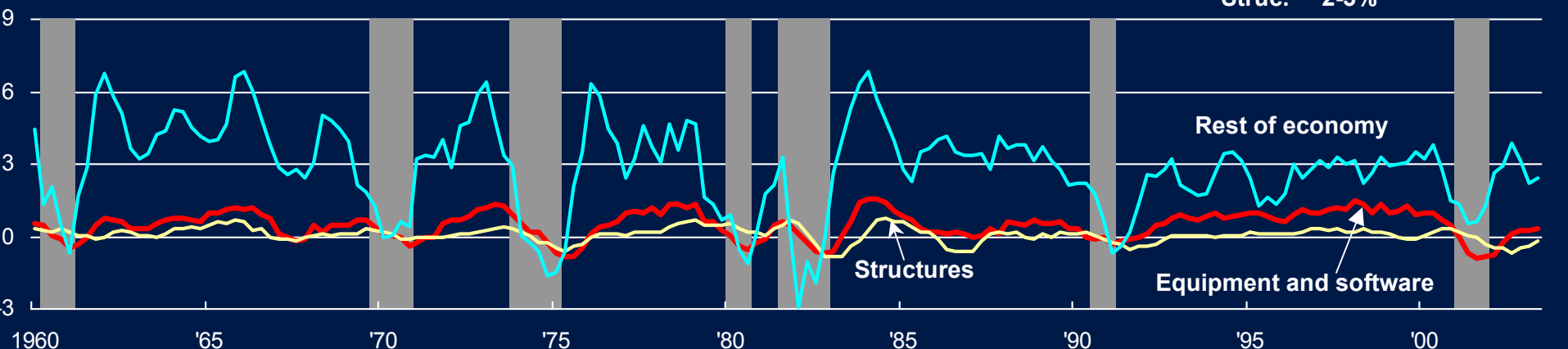
Real GDP growth

(4-qtr change)



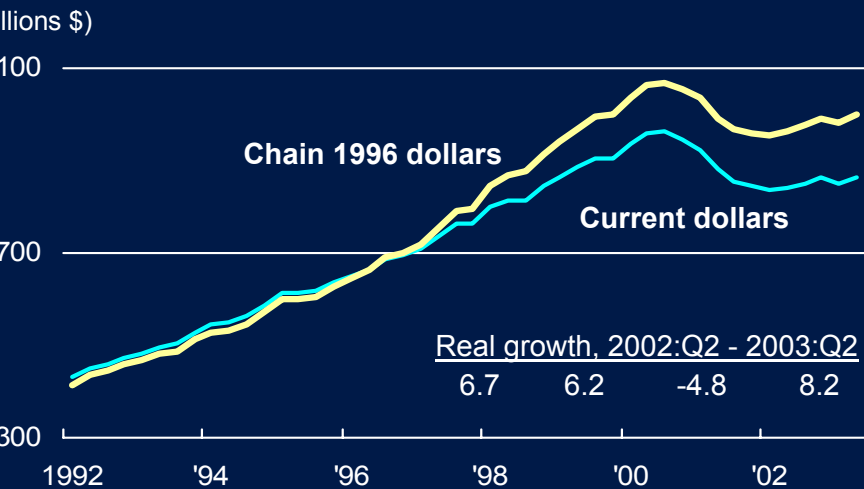
Contributions to growth

(percentage points)

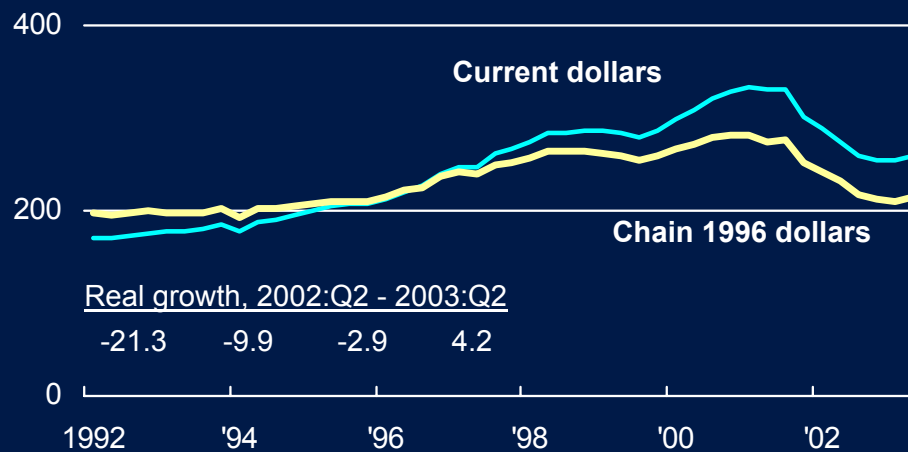


Overall Capital Spending Has Not Returned to Recent Peaks

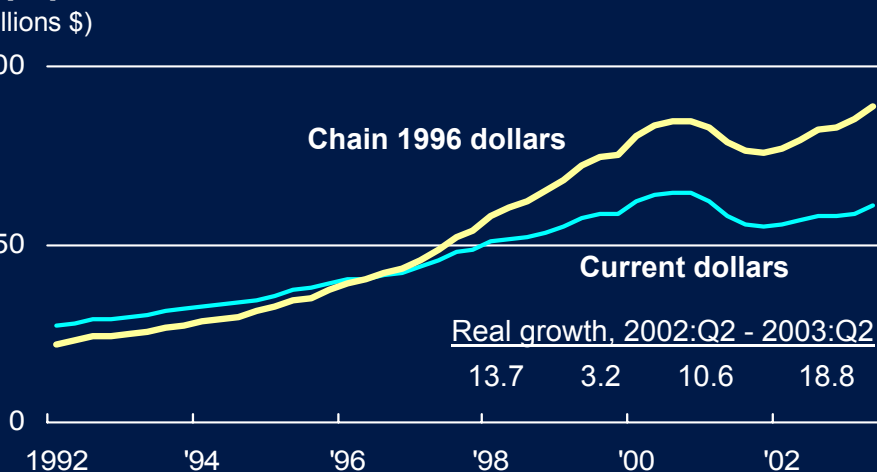
Real and nominal equipment and software investment



Real and nominal structures investment (billions \$)



Real and nominal information processing equipment investment

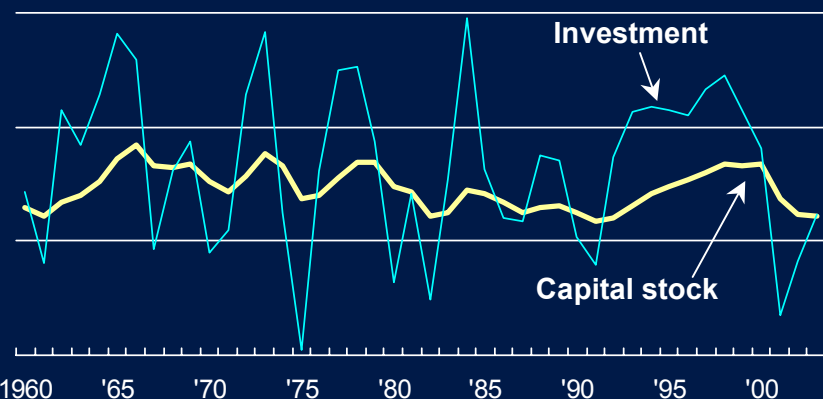


Spending relative to recent peaks (percent):

	<u>Real</u>	<u>Current \$</u>
Equip. and soft.	-6.4	-10.5
Structures	-24.6	-22.9
Memo: Info. Proc.	4.4	-5.8

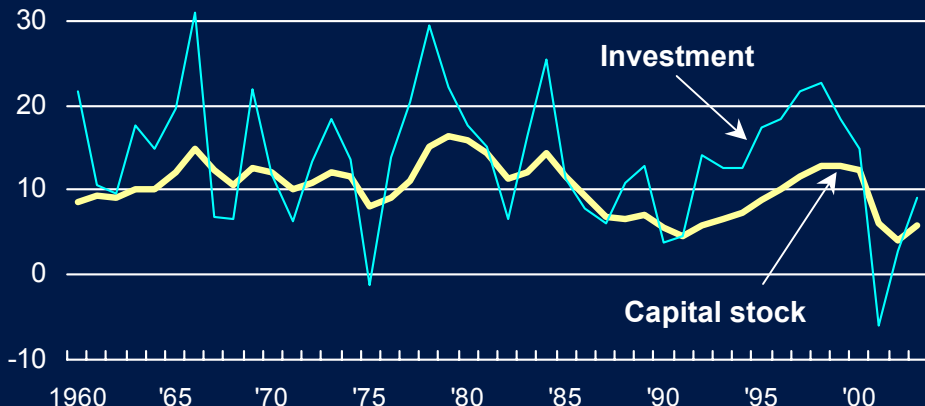
Capital Stock Growth Well Below Recent Peaks

**Growth in net real capital stock and investment:
Total equipment and software**
(annual percent change)



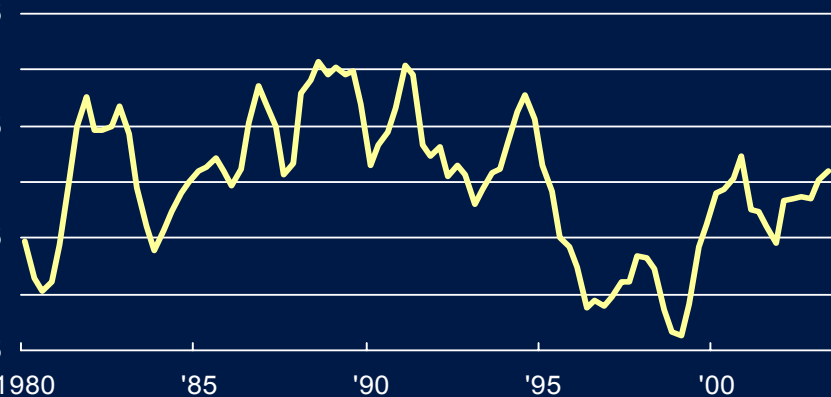
Note: 2002 and 2003 are estimates

**Growth in net real capital stock and investment:
Information processing equipment**
(annual percent change)



Note: 2002 and 2003 are estimates

Relative price for computers
(qtr percent change)



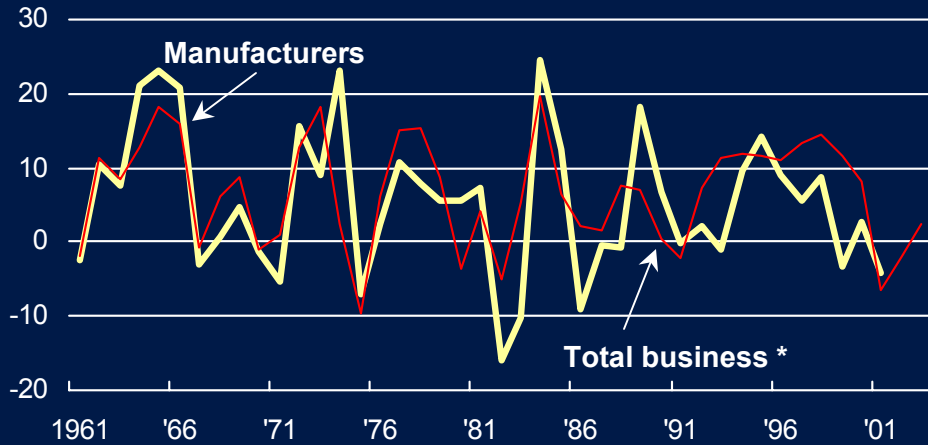
Note: Ratio of chain-price index for final sales of computers to chain price index for GDP less final sales of computers.

- **1990's investment boom raised equipment capital stock growth rates to near post-war peaks.**
- **Early 2000's investment retrenchment lowered capital stock growth to low rates of early 1990's.**
- **Recent investment recovery has stabilized equipment capital growth.**
- **Technological change should continue to boost demand for new capital.**

Investment by Manufacturers Relative to Total Business

Equipment and software

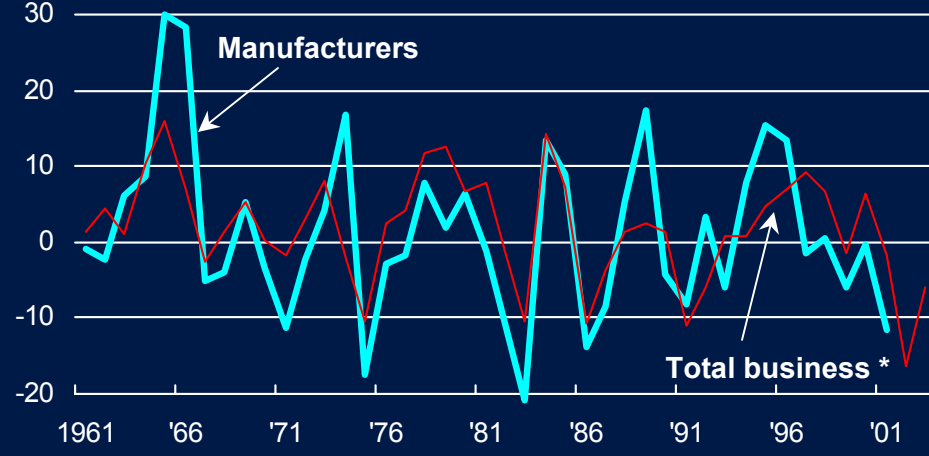
(annual percent change)



*Note: 2002 and 2003 are estimates

Structures

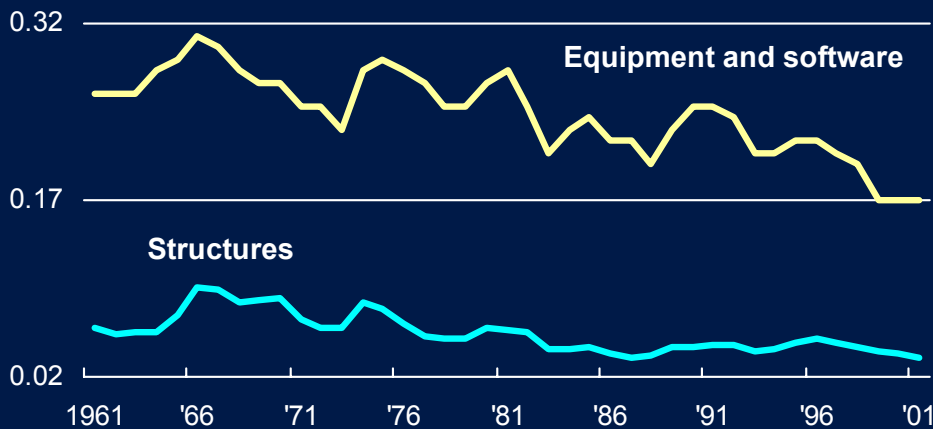
(annual percent change)



*Note: 2002 and 2003 are estimates

Manufacturing share of total business investment

(ratio)



Share of capital goods in shipments of finished manufactured goods

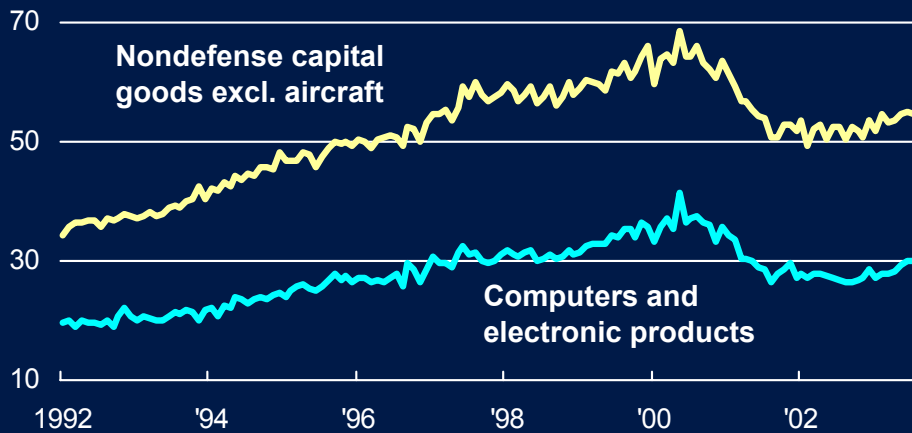
(ratio)



Capital Goods Produced by U.S. Manufacturers

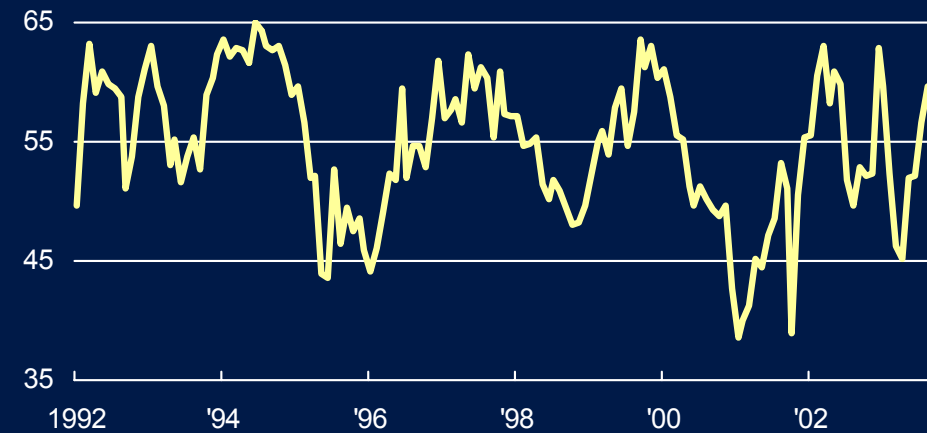
Nominal orders received by manufacturers for capital goods

(billions \$)

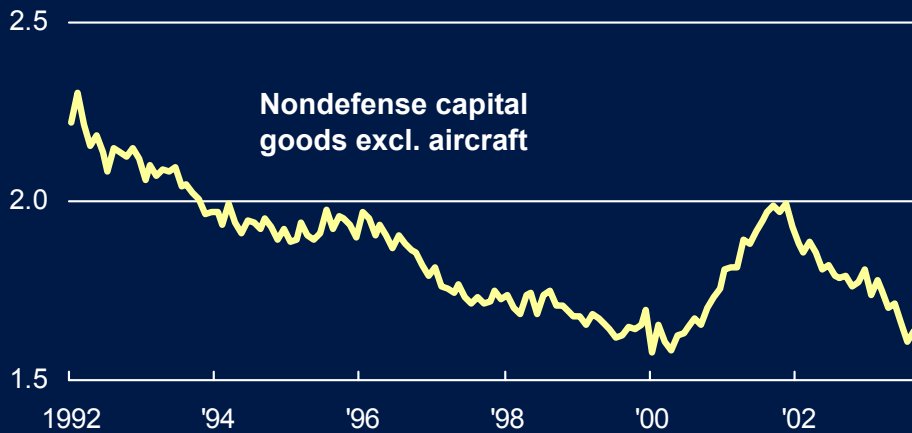


ISM manufacturing new orders

(net percent reporting increase)



Ratio of inventories to shipments



Industrial production

