

## **Business Outlays May Be Climbing After Long Slide**

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The long-awaited rebound in capital spending could be at hand, according to a business-investment index watched by a growing number of economists. But the U.S. economic recovery still faces challenges, new data from the Conference Board and others suggest.

**The business-spending index, compiled by G7 Group Inc., a New York economic- and political-consulting firm, indicates that the economy's steep, five-quarter slide in business investment has likely come to an end. The group's preliminary index, which measures business investment in the second quarter, registered a minus five, a 62-point increase over the previous quarter. Any number less than minus 35 indicates contraction in investment.**

**An index between zero and minus 35 indicates growth, but at lower levels than the historical average of 5% as measured in the U.S. Commerce Department's national income accounts. Results greater than zero indicate above-average business investment.**

**If the index is right, it would mean that the tentative economic rebound now under way has a good shot of evolving into a strong and sustained recovery as the year progresses. So far, the recovery has been led by consumers, who keep spending despite a weak job market. Business spending, by contrast, has been a no-show. If companies don't start investing again soon, the recovery could stagnate.**

**"The question is, will [business investment] come back fast enough" to prevent a recurrence of last year's recession, says former Federal Reserve Vice Chairman Alan Blinder. He is a principal in the G7 Group and one of creators of the index, which, according to the firm, has had a good record of foreshadowing changes in business spending. The latest index reading suggests the answer is "yes, yes in spades," Mr. Blinder says.**

But that optimism was tempered by a separate report released Monday by the Conference Board, a New York business research group. It said that its monthly index of leading indicators fell in April for the first time since September, dropping 0.4%. Composed of 10 economic indicators, the index is generally regarded as a precursor of economic activity. Five of the survey's indicators declined last month, led by falling stock prices and a contraction in the money supply. Three rose and two remained unchanged.

Conference Board economist Ken Goldstein says the latest index doesn't necessarily mean business investment isn't recovering, but it does suggest the rebound could take a while to solidify. Though it is still possible the second half of the year will be stronger than the first, "it's going to be a bumpy road from here to there," Mr. Goldstein says.

That conclusion was consistent with another report released Monday by the Manufacturers Alliance/MAPI, an Arlington, Va., business research group. Its first-quarter report of business activity found that only eight of the 28 industries it examines had inflation-adjusted increases in new orders compared with a year ago. But that is better than the six that experienced positive growth in the previous report.