SMBC SMBC Group

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AI Buildout is Accelerating

Core nondefense capital goods shipments grew at a robust 10.6% y/y rate in July, marking one of the strongest readings since the series began in 1992, exceeded only during February 1994-October 1997 (IT/fiber-optic buildout), January 2005-March 2006 (housing boom), August 2011-June 2012 (post-GFC recovery), and April 2021-February 2022 (post-COVID, V-shaped recovery). ***This series is among the purest signals indicating that the data center, AI ecosystem, and broader CapEx cycle is not only continuing but accelerating.*** While real equipment investment is also likely to continue accelerating, much of this spending is coming from imported goods; our team estimates that the current CapEx boom has contributed just 0.2 percentage points to quarterly GDP growth on average since March 2025, though it contributed 0.8 percentage points to Q2 GDP. As discussed yesterday, ***consumption is running above trend due to equity market wealth effects allowing households to draw down their savings rates*** to near-record lows.

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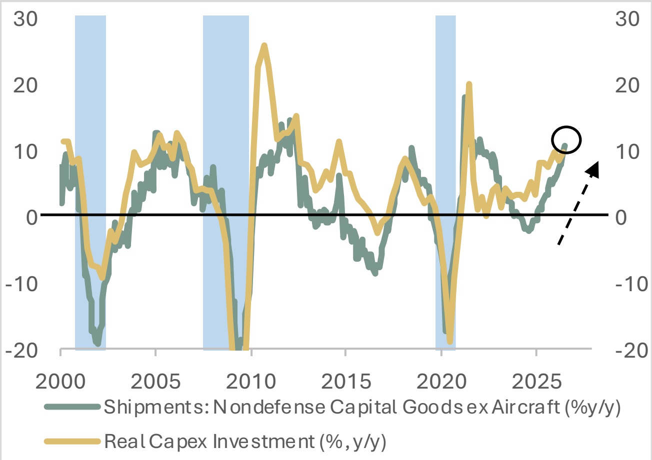

Source: Census, BEA, Haver, SMBC Nikko

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