



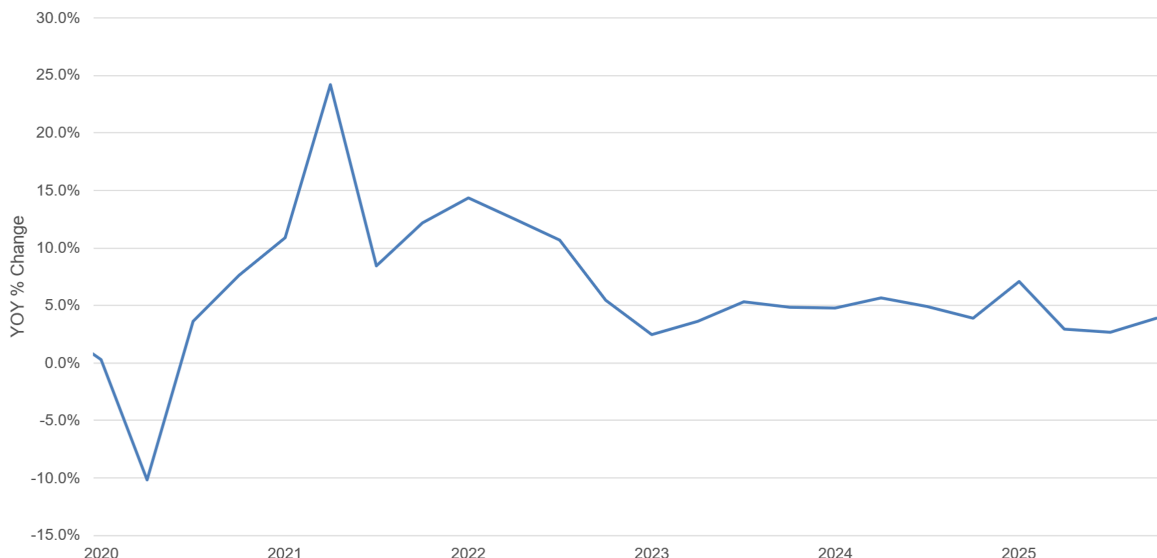
Harry's Take

May 19, 2026

Capital Expenditures Are Not Signaling Confidence in the Economy by Businesses

I looked at home sales falling sharply on May 5th. Then at personal savings rates also suddenly falling on May 12th. Now I look at the rate of growth of capital expenditures by all sectors of government and businesses, and they have also been slowing dramatically, and longer, since early 2021. The rate of growth spiked into early 2021, likely over COVID and has been falling fast since, as this chart shows. It's understandable that there would have to be some sudden capital expenditures to deal with the challenges of COVID, but the real story here is that there has been no follow-through years later despite a strong rebound in the economy.

Capital Expenditures Have Been Falling Since Early 2021: Bad Sign!



This is clearly another danger sign for the current economic expansion and stock rally. Consumer spending is about 70% of GDP, government spending is about 20% and capital spending is 10%... but it is the most volatile sector and is the most indicative of the future outlook and need for expanded infrastructure. Businesses especially aren't going to invest in the future if they are not confident in seeing sufficient, sustainable growth ahead. That's why this chart is not a good sign.

That early 2021 peak in capital expenditures also occurred just before the last significant stock correction set in from November 2021 into October 2022, down 38% on the Nasdaq and 27% on the S&P 500. And Bitcoin saw its last classic 4-year cycle fall of 77% from late 2021 into late 2022. It's hard to say here whether the COVID shock was what caused businesses and government to be more cautious about investing for the future overall. But unless capital expenditures pick up again soon, it is clearly not a good sign for the continuation of the longest business expansion and stock bull market outside of the brief COVID interruption. Just the length of this expansion screams correction and consolidation likely soon! More in the June newsletter.

Harry

Got a question or comment? You can reach us at info@hsdent.com.

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