Weekly Economic Roundup

PNC Economics

Headlines

- **It is clear by now that the capex cycle needed to support the AI buildout is shaping up to be one of the largest on record.** This investment is providing a significant boost to domestic demand, even if a large share of AI-related capex is imported chips and equipment that do not directly add to real GDP growth.

- **However, over the past few quarters, business capex has begun to broaden beyond AI.** Investment in industrial and transportation equipment has improved markedly, while structures investment outside of data centers has also strengthened.

- **We are seeing evidence of this broadening elsewhere as well**. Manufacturers' capex intentions for next year have turned higher, commercial lending and demand for credit have improved, and growth in core factory orders outside of aircraft and AI-related components has accelerated.

- **Why is this happening? There are two main drivers**. The first is the One Big Beautiful Bill Act (OBBBA), which restored permanent 100% bonus depreciation for qualifying capex. The second is that uncertainty around tariffs, which had a chilling effect on investment in 2025, is lessening, and there is generally more confidence in the growth outlook.

- **To be sure, AI remains the dominant driver of capex in 2026**. However, the improvement outside of AI is encouraging and points to a broader base of growth as we head into 2027. Continued fed funds rate hikes or a correction in equity markets remain the largest risks to the capex outlook.

Gus Faucher
augustine.faucher@pnc.com

Jay Hawkins
jay.hawkins@pnc.com

Ershang Liang
ershang.liang@pnc.com

Brian LeBlanc
brian.leblanc@pnc.com

Alex Mackle
alex.wyattmackle@pnc.com

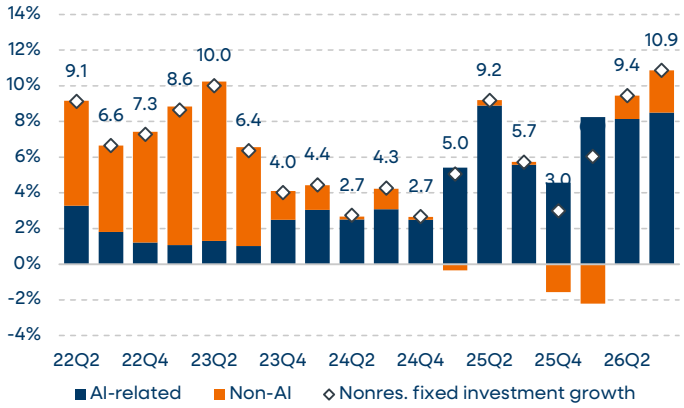
Isfar Munir
isfar.munir@pnc.com

Kurt Rankin
kurt.rankin@pnc.com

Non-AI capex improving in mid-2026

Over the past few years the **investment needed to support the AI buildout has dominated business investment**. This has included significant spending on data center construction, as well as the equipment needed to fill those data centers, including chips, servers, software, and other information-processing equipment.

Figure 1: Business capex, contributions from AI-related vs. non-AI-related components (pp)

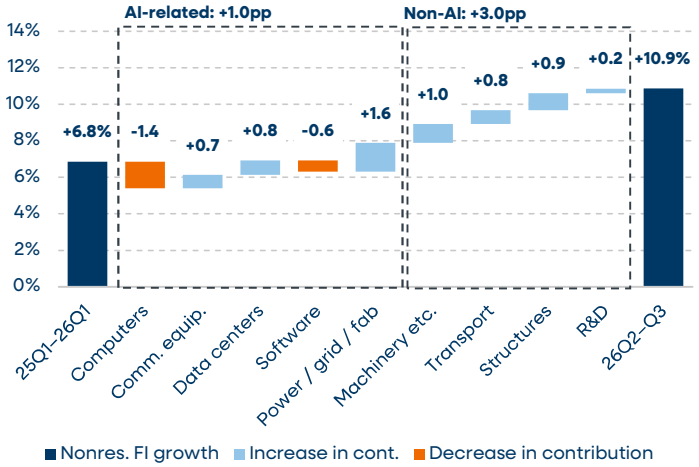


Sources: BEA, PNC

This investment has provided a sizeable boost to domestic demand, with knock-on effects throughout the economy, including stronger construction activity and positive wealth effects on consumer spending through the very strong stock market. Although a large share of AI-related capex consists of imported equipment and therefore does not directly add to real GDP growth, the AI investment boom has nonetheless helped offset outright declines in business capex outside of AI-related sectors.

Over the past few quarters, however, business capex has begun to broaden beyond AI. Much of the improvement in business investment in mid-2026 has come from outside AI-related categories, including industrial and transportation equipment. Construction outside of data centers remains weak, but we have seen some modest improvement there as well.

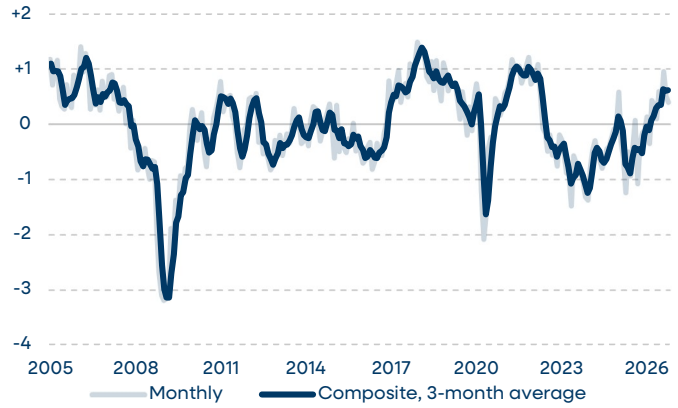
Figure 2: Business capex, change in contribution by category, 2025Q1-26Q1 vs. 2026Q2-26Q3 (pp)



Sources: BEA, PNC

We are seeing evidence of this rebound and broadening elsewhere as well. Manufacturers' capex intentions for next year have turned higher, commercial lending and demand for credit have improved, and growth in core factory orders outside of aircraft and AI-related components has accelerated.

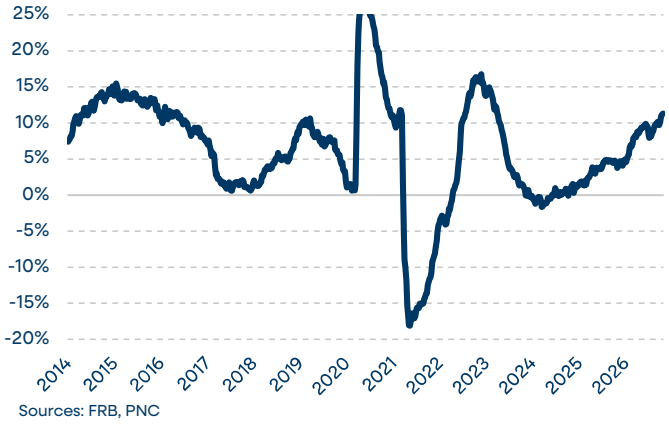
Figure 3: Manufacturers' capital spending plans, composite from Philly, NY, and Dallas Fed PMIs



Sources: Z-score composite of Philly, Empire, and Dallas Fed PMIs

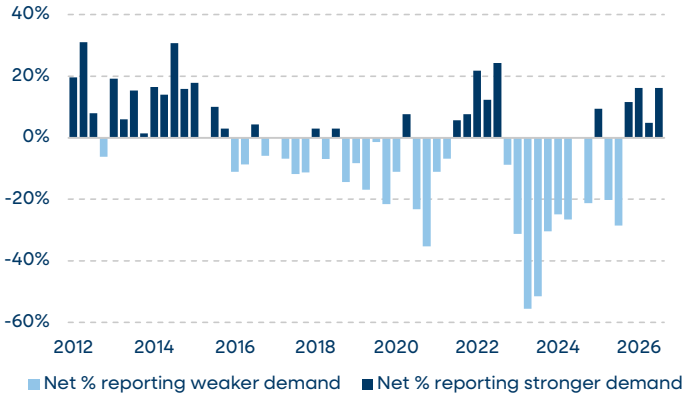
So why is this happening? We see two main drivers. The first is the One Big Beautiful Bill Act (OBBBA), which restored permanent 100% bonus depreciation for qualifying capital investment. This has increased after-tax returns to new investment and has likely encouraged some firms to increase or pull forward capital spending in 2026.

Figure 4: Commercial and industrial loan growth, all commercial banks (% chg. y/y)



Sources: FRB, PNC

Figure 5: Net % of banks reporting stronger demand for C&I loans, large & mid-market



Sources: FRB, PNC

The second is a more favorable environment for business investment. Tariffs, as well as the uncertainty around them, had a chilling effect on capex in 2025 as firms faced questions about not only the direct costs of tariffs but also about their broader implications for growth, inflation, and monetary policy. As some of that uncertainty has faded and the economy has remained resilient, businesses appear to have become more willing to invest.

Additional charts and tables

Table 1: Data release calendar

Release	Date	Time	Period	PNC	Consensus	Last actual
Key Releases						
S&P Global US Manufacturing PMI	Mon 11/2	9:45 am	Oct F	--	56.0	54.9*
ISM Manufacturing	Mon 11/2	10:00 am	Oct	54.8	54.5	55.5*
Construction Spending M/M	Mon 11/2	10:00 am	Sep	-0.1%	0.3%	-1.9%*
JOLTS Job Openings	Tue 11/3	10:00 am	Sep	--	7155k	7079k
Factory Orders	Tue 11/3	10:00 am	Sep	1.0%	1.2%	0.1%
Omdia Total Vehicle Sales	Tue 11/3	--	Oct	16.1m	15.80m	15.98m
MBA Mortgage Applications	Wed 11/4	7:00 am	Fri 10/30	--	--	3.4%
ADP Employment Change	Wed 11/4	8:15 am	Oct	72k	67k	90k
US Treasury Quarterly Refunding	Wed 11/4	8:30 am	--	--	--	--
Trade Balance	Wed 11/4	8:30 am	Sep	-$108.5b	-$107.9b	-$105.6b
ISM Services Index	Wed 11/4	10:00 am	Oct	55	55	55
Nonfarm Productivity	Thu 11/5	8:30 am	3Q P	2.5%	2.6%	1.4%
Unit Labor Costs	Thu 11/5	8:30 am	3Q P	1.2%	0.5%	1.2%
Initial Jobless Claims	Thu 11/5	8:30 am	Sat 10/31	198k	196k	194k
Continuing Claims	Thu 11/5	8:30 am	Sat 10/24	--	1710k	1701k
Change in Nonfarm Payrolls	Fri 11/6	8:30 am	Oct	60k	65k	29k
Unemployment Rate	Fri 11/6	8:30 am	Oct	4.2%	4.2%	4.2%
U. of Mich. Sentiment	Fri 11/6	10:00 am	Nov P	48	48	48
U. of Mich. 1 Yr Inflation	Fri 11/6	10:00 am	Nov P	--	4.7%	4.7%
Consumer Credit	Fri 11/6	3:00 pm	Sep	$12.5b	$13.000b	$8.281b

Sources: Bloomberg, PNC
*Released prior to publication

ISM Manufacturing

- 54.8. Manufacturing activity is expected to have expanded at a slightly faster pace in October amid the continued AI buildout and data center construction.

Construction Spending M/M

- -0.1%. Construction spending is forecast to fall 0.1% in September, giving back some of the strength seen in August. Ongoing weakness in residential building remains the primary drag on construction spending.

Factory Orders

- 1.0%. Factory orders are projected to have surged in September primarily because of a sharp increase in aircraft orders in the advance durable goods report.

Omdia Total Vehicle Sales

- 16.1m. Auto sales are expected to have picked up slightly in October amid increased incentives from dealers.

ADP Employment Change

- 72k. Private sector payrolls are forecast to have expanded at a slightly slower pace in October on a moderation in weekly ADP payroll gains.

Trade Balance

- -$108.5b. Although the services surplus should improve slightly, it was more than offset by a wider goods trade deficit, leaving the overall trade gap up a little more than 2.5% month-over-month.

ISM Services

- 54.7. Service sector activity is expected to have moderated slightly in October in line with the recent trend of slower services spending growth.

Nonfarm Productivity

- 2.50%. Real nonfarm business output is estimated to have increased 3.8% in Q3. With hours worked up 1.3%, productivity is expected to have risen 2.5%.

Unit Labor Costs

- 1.20%. Business sector hourly compensation growth in the third quarter is estimated at 3.7% and with productivity growth of 2.5%, until labor costs are projected to be on par with second quarter growth.

Initial Claims

- 198k. Initial jobless claims are forecast to remain just below 200,000 and in line with the four-week average.

Change in Nonfarm Payrolls

- 60k. Nonfarm payroll gains are projected to have accelerated in October to a level slightly above the three-month moving average.

Unemployment Rate

- 4.2%. The unemployment rate is projected to have remained unchanged in October with layoffs remaining low.

U. of Mich. Sentiment

- 47.5. Consumer sentiment is projected to drop slightly in November due to a great deal of uncertainty from tariffs, the Middle East conflict and the mid-term elections.

Consumer Credit

- $12.5b. Consumer credit is expected to have expanded at a faster clip in September on robust consumer spending.

Disclosures

The material presented and the views expressed herein are of a general nature and does not constitute the provision of investment or economic advice to any person, or a recommendation of any particular securities, financial instruments, strategies or banking services. Opinions and forecasts expressed herein are subject to change without notice. Relevant information was obtained from sources deemed reliable. Such information is not guaranteed as to its accuracy. You should seek the advice of an investment professional to tailor a financial plan to your needs. To the extent that these materials reference PNC data, such materials are not intended to be reflective or indicative of, and should not be relied upon as, the results of operations, financial condition or performance of PNC.

Forward-looking statements are necessarily subject to numerous assumptions, risks and uncertainties, which change over time. Future events or circumstances may change our outlook and may also affect the nature of the assumptions, risks and uncertainties to which our forward-looking statements are subject. Forward-looking statements speak only as of the date made. We do not assume any duty and do not undertake any obligation to update forward-looking statements. Actual results or future events could differ, possibly materially, from those anticipated in forward-looking statements, as well as from historical performance. As a result, we caution against placing undue reliance on any forward-looking statements.

"PNC" is a registered mark of The PNC Financial Services Group, Inc.

© 2026 The PNC Financial Services Group, Inc. All rights reserved.