



Chart of the week

2018: Capex forecasts increasing since October – thanks to the tax bill?

The current global business cycle started in 2009. Hence, by historical standards, it's quite an old cycle already. However, for various reasons, the corporate sector was reluctant to invest in machinery and equipment: in the U.S. for instance, so-called core capital-goods orders are lower today than they have been in the years 2012, 2008 or 2000.

In light of the U.S. tax reform, which aims to soften the tax burden on the corporate sector and to incentivize spending for investments, some momentum seems to be building: Over the past couple of months, core capital-goods orders started to increase. Moreover, analysts are now penciling in higher capex spending for 2018, as our "Chart of the Week" demonstrates. Thomas E. Bucher, equity strategist at Deutsche Asset Management, points out that the upgrade in forecasts started in Q4 2017, just when the odds of a major tax reform began to rise. For 2018's growth outlook, that's certainly good news.

Capex spending estimates*



Sources: FactSet, Deutsche Asset Management Investment GmbH, as of 12/20/17
* for respective calendar year

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