

November 2023

# U.S. Equipment & Software Investment Momentum Monitor



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## About the U.S. Equipment & Software Investment Momentum Monitor

Business leaders require actionable forward-looking intelligence to make strategic decisions. Accordingly, the Equipment Leasing & Finance Foundation commissioned Keybridge LLC to develop a series of custom leading indicators for the equipment sector. Published monthly, the “U.S. Equipment & Software Investment Momentum Monitor” consists of indices for the 12 equipment and software investment verticals listed below. These indices are designed to identify turning points in their respective investment cycles with an approximate 6-month lead time.

The Momentum Monitor is based on Keybridge’s extensive research which shows that not all movements in economic data are reliable signals of future economic trends. Keybridge has operationalized its research by constructing indices, each comprised of 10–20 high-frequency indicators. These indicators undergo rigorous testing to determine the optimal thresholds at which their short-term fluctuations are economically meaningful. In simpler terms, the Momentum Monitor sifts out the “noise” in the data and identifies the dominant trends. As a result, each Momentum Monitor index is statistically optimized to signal turning points in the investment cycle without giving false readings of shifts in momentum.

The Momentum Monitor covers 12 equipment and software verticals as defined by the U.S. Department of Commerce, Bureau of Economic Analysis.

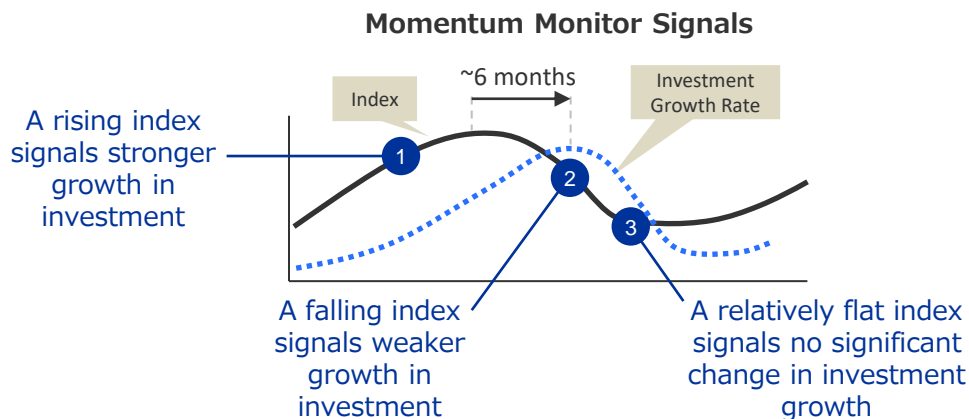
## U.S. Equipment & Software Investment Momentum Monitor – 12 Verticals

- |                                   |                       |
|-----------------------------------|-----------------------|
| 1) Agriculture Machinery          | 7) Aircraft           |
| 2) Construction Machinery         | 8) Ships and Boats    |
| 3) Materials Handling Equipment   | 9) Railroad Equipment |
| 4) All Other industrial Equipment | 10) Trucks            |
| 5) Medical Equipment              | 11) Computers         |
| 6) Mining & Oilfield Machinery    | 12) Software          |

## How to Read the Monitor

Each Momentum Monitor index provides a signal of the direction and magnitude of growth in equipment investment over the next six months. It is important to note that index values do not correspond to particular growth rates. Instead, the Momentum Monitor indices should be interpreted within the context of prior index readings and investment growth rates. For example, there are several simple rules to follow when examining the latest index values:

- 1) A rising index signals that growth in investment will accelerate from the current rate;
- 2) A falling index signals that growth in investment will decelerate from the current rate; and
- 3) No change in the index signals no meaningful change from the current growth rate.



To help the reader interpret the latest Momentum Monitor signals, a summary report for each equipment vertical follows a specific outline:

### Materials Handling Equipment:

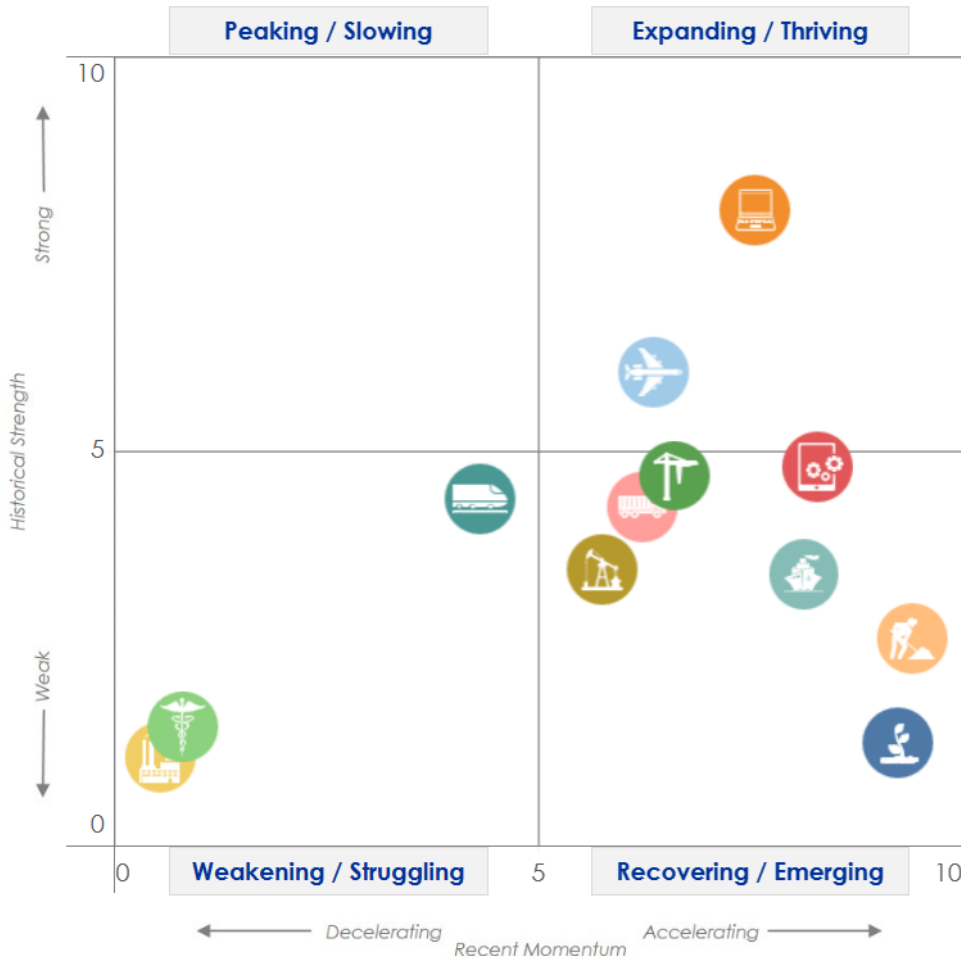
- 1 Investment in Materials Handling Machinery inched up at a 0.3% annualized rate in Q4 2014 and is up 7.3% year-over-year.
- 2 The Materials Handling Momentum Index slipped from 93.5 in May to 92.5 in May.
- 3 A 23% decline in the MNI-Chicago Business Barometer and a spike in Economic Policy Uncertainty offset gains in Machinery Sales, Manufacturing Sales, and the ISM Manufacturing Suppliers Deliveries Index.
- 4 The Index's recent trend continues to indicate that growth may moderate over the next six months.

- 1) The first sentence reports the latest growth rate for investment in a given vertical. This provides a context for interpreting the order of magnitude of growth over the next six months.
- 2) The second sentence explains the latest movement in the index, indicating whether momentum is accelerating or decelerating.
- 3) The report then describes the recent movements of one or more indicators to help to explain the index's latest reading.
- 4) Finally, the report ends with an interpretation of where investment growth is heading over the next six months based the index's recent movement and historical strength.

# U.S. Equipment & Software Investment Momentum Monitor

## November 2023

### Momentum Monitor Sector Matrix



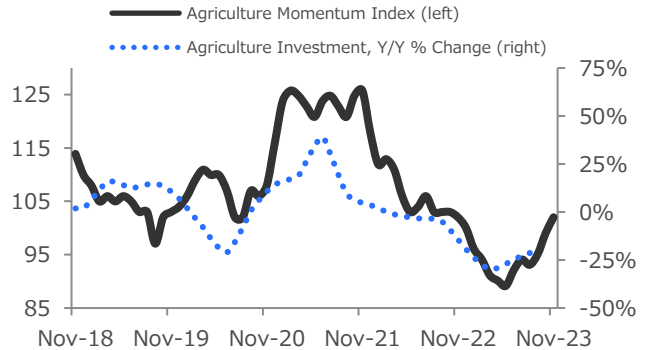
The matrix above summarizes the current values of each of the 12 Equipment & Software Investment Momentum Indices based on two factors: Recent Momentum (x-axis) and Historical Strength (y-axis):

- **“Recent Momentum”** represents the degree of an indicator's recent acceleration or deceleration in the past month relative to its average movement during the previous 3 months. Ratings closer to "0" represent an indicator that is rapidly decelerating, while ratings closer to "10" represent an indicator that is rapidly accelerating.
- **"Historical Strength"** represents the strength or weakness of an indicator in the past month relative to its typical level since 1999. Ratings closer to "0" represent an indicator that is weaker than average, while ratings closer to "10" represent an indicator that is stronger than average.

The matrix is comprised of four quadrants according to each vertical's recent momentum and historical strength readings. If a vertical is located in the top-left quadrant, its momentum reading is higher than average, but positive movement has slowed (and perhaps reversed) in recent months — suggesting that investment levels may fall over the next two quarters. Verticals located in the bottom-right quadrant, however, have momentum readings that are below average, but recent movement shows promise — suggesting that investment levels may rise over the next two quarters. This makes them potentially attractive targets for new short-term leasing and finance opportunities.

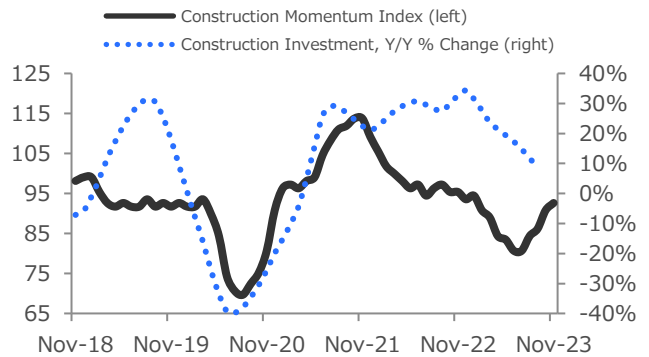
**Agriculture Machinery:**

Investment in Agricultural Machinery improved 10% (annualized) in Q3 2023 but was down 19% compared to a year ago. The Agriculture Momentum Index increased from 99.0 in October to 102.0 in November. In September, Shipments of Farm Machinery and Equipment improved 2.0%, while Industrial Production for Agricultural Machinery fell 3.0%. Based on the index's current position and recent movement, annual growth in agriculture machinery investment should continue to improve over the next six months.



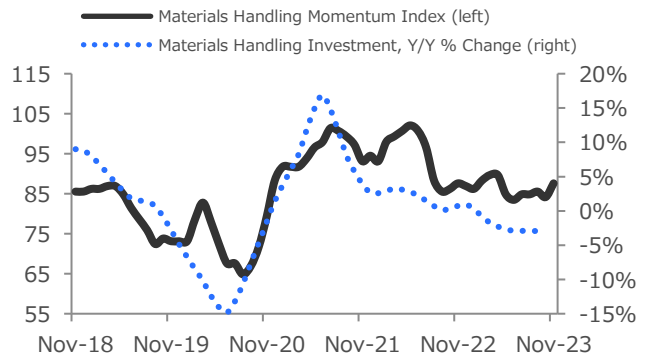
**Construction Machinery:**

Investment in Construction Machinery fell 12% (annualized) in Q3 2023 but was 8.4% above its year-ago level. The Construction Momentum Index increased from 90.8 in October to 92.7 in November, its fourth consecutive monthly gain. Construction Prices for Single Family Homes improved in September by 1.6%, while the Commercial Property Price Index weakened 3.3%. Overall, the Index indicates that investment growth in construction machinery should remain positive and may improve over the next two quarters.



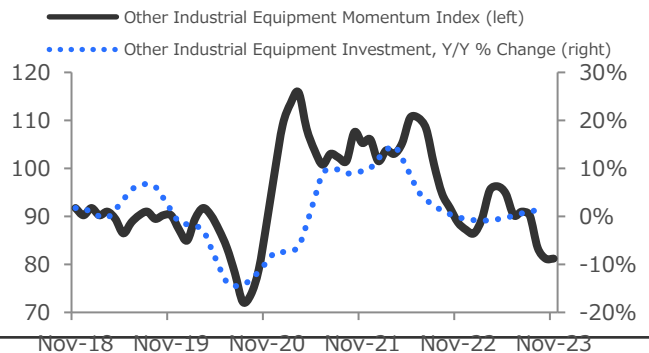
**Materials Handling Equipment:**

Investment in Materials Handling Equipment fell 5.4% (annualized) in Q3 2023 and was 3.0% below year-ago levels. The Materials Handling Momentum Index increased from 84.1 in October to 87.6 in November. In September, Durable Manufacturing Industrial Production expanded 0.4%, while the NFIB Small Business Survey Planned Capital Expenditure Sub-Index improved 1.8%. Overall, the Index suggests that materials handling equipment investment growth will likely remain subdued over the next six months.



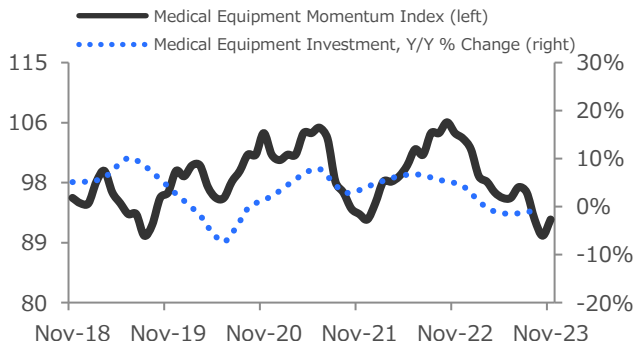
**Other Industrial Equipment:**

Investment in All Other Industrial Equipment increased at a 1.3% (annualized) rate in Q3 2023 and was up 0.1% Y/Y. The Other Industrial Equipment Momentum Index held steady at 81.2 in November. In September, the Nominal Emerging Marketing Economies Index worsened 1.5%, while Unfilled Orders of Industrial Machinery fell 1.6%. Overall, the Index's position and recent movement suggest that other industrial equipment investment growth will likely turn negative over the next six months.



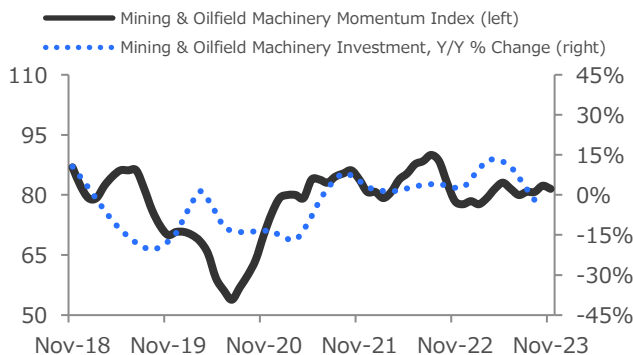
**Medical Equipment:**

Investment in Medical Equipment rose 3.5% (annualized) in Q3 2023 and was down 3.0% year-over-year. The Medical Equipment Momentum Index increased from 89.8 in October to 92.1 in November. In September, Urban Consumers Hospital Services improved 1.5% while the NFIB Small Business Survey Borrowing Sub-Index grew 10.7%. Overall, despite this month's improvement, the Index continues to suggest that medical equipment investment growth will remain weak and may worsen over the next six months.



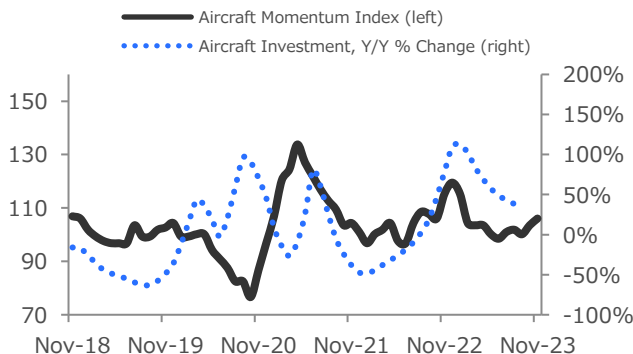
**Mining & Oilfield Machinery:**

Investment in Mining & Oilfield Machinery fell 32% (annualized) in Q3 2023 and was 0.8% (revised) below year-ago levels. The Mining & Oilfield Machinery Momentum Index eased from 82.3 in October to 81.5 in November. Natural Gas Distribution Capacity Utilization ticked down 0.1% in September, while the S&P 500 Steel Index worsened 3.3%. Overall, the Index suggests that mining & oilfield machinery investment growth will remain subdued over the next six months.



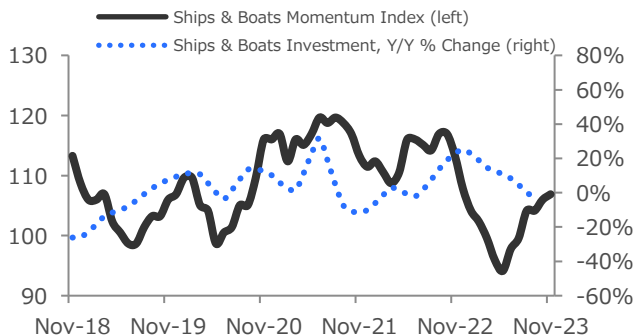
**Aircraft:**

Investment in Aircraft increased at a 24% (annualized) rate in Q3 2023 and was 33% (revised) above year-ago levels. The Aircraft Momentum Index increased from 103.5 in October to 106.0 in November. The S&P 500 Volatility Index improved 3.5% in September, while the Civilian Aircraft Exports decreased 1.4% in August. Overall, the index suggests that aircraft investment growth will remain positive and may improve over the coming two quarters.



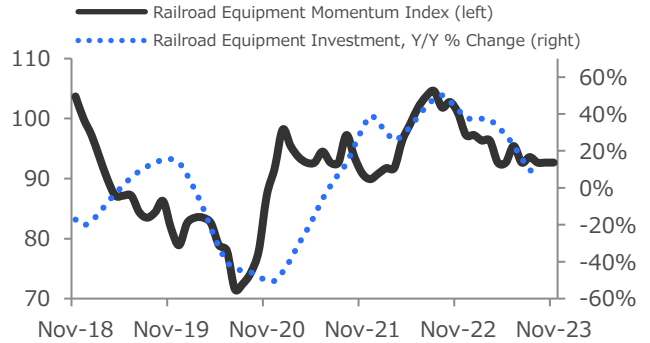
**Ships & Boats:**

Investment in Ships & Boats fell at an annualized rate of 19% in Q3 2023 and was 4.0% below its year-ago level. The Ships & Boats Momentum Index increased from 106.0 in October to 106.9 in November, its fifth increase in six months. In August, the Ship Repair PPI held steady, while the Consumer Confidence Index worsened 1.6% in October. Overall, the index continues to suggest that ships & boats investment growth will strengthen over the next six months.



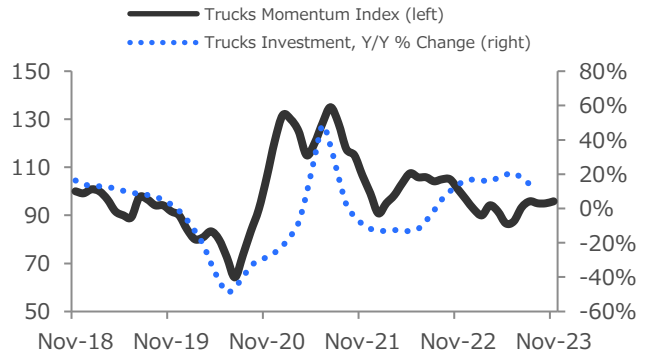
**Railroad Equipment:**

Investment in Railroad Equipment increased 9.1% (annualized) in Q3 2023 and was up 5.7% (revised) year-over-year. The Railroad Equipment Momentum Index held steady at 92.7 in November. In October, Rail Carloads of Petroleum Products increased 1.1% while Crude Oil Exports held steady. Overall, the Index suggests that railroad equipment investment growth will remain modestly positive over the coming six months.



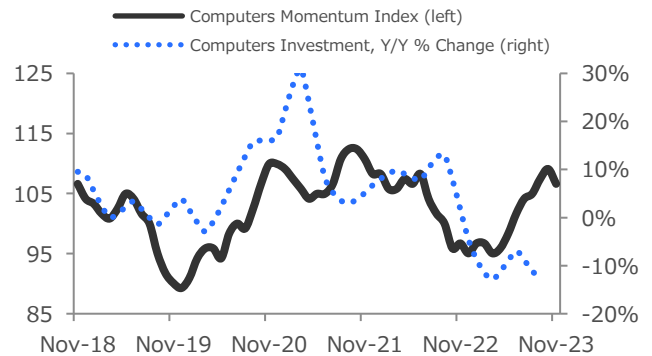
**Trucks:**

Investment in Trucks decreased 8.2% (annualized) in Q3 2023 and was 11% above year-ago levels. The Trucks Momentum Index increased from 95.0 in October to 95.8 in November. In September, Motor Vehicle and Parts Industrial Production worsened 0.3%, while Coal Production improved by falling 4.3%. Overall, the Index indicates that annual investment growth in trucks should remain steady over the coming two quarters.



**Computers:**

Investment in Computers decreased 11% (annualized) in Q3 2023 but was down 13% (revised) year-over-year. The Computers Momentum Index decreased from 109.1 in October to 106.6 in November. Total Revolving Debt rose in August by 1.2%, while Shipments of Computer & Electronic Products worsened 2.0% in September. Overall, the Index's current position and recent movement suggest that computers investment growth should improve over the next six months.



**Software:**

Investment in Software rose 5.0% (annualized) in Q3 2023 and was up 7.9% (revised) from a year prior. The Software Momentum Index increased from 96.2 in October to 97.0 in November. The Conference Board Consumer Installment Credit Outstanding worsened in August 0.3% M/M while NFIB's Interest Rate Paid on Short Term Loans improved 8.9% in September. Overall, the Index's position and recent movement suggest that software investment growth should remain positive and may improve over the coming two quarters.

