Economic Indicator — February 18, 2026

Double Feature: Durable Goods Orders & Industrial Production

Summary

- Business investment over the past year has looked resilient largely because spending has been heavily concentrated in AI and high-tech, masking weakness in other sectors. High-tech orders, production, and imports have surged, while non-tech focused capital goods and output have lagged or declined.
- Today's December durable goods orders and January industrial production data suggest this is changing.
- While the AI investment boom is expected to continue, recent data suggest early signs of a broader pickup, with traditional capex stabilizing and non-high-tech output improving. This is occurring amid supportive tax incentives and a growing willingness by firms to finance investment beyond AI.

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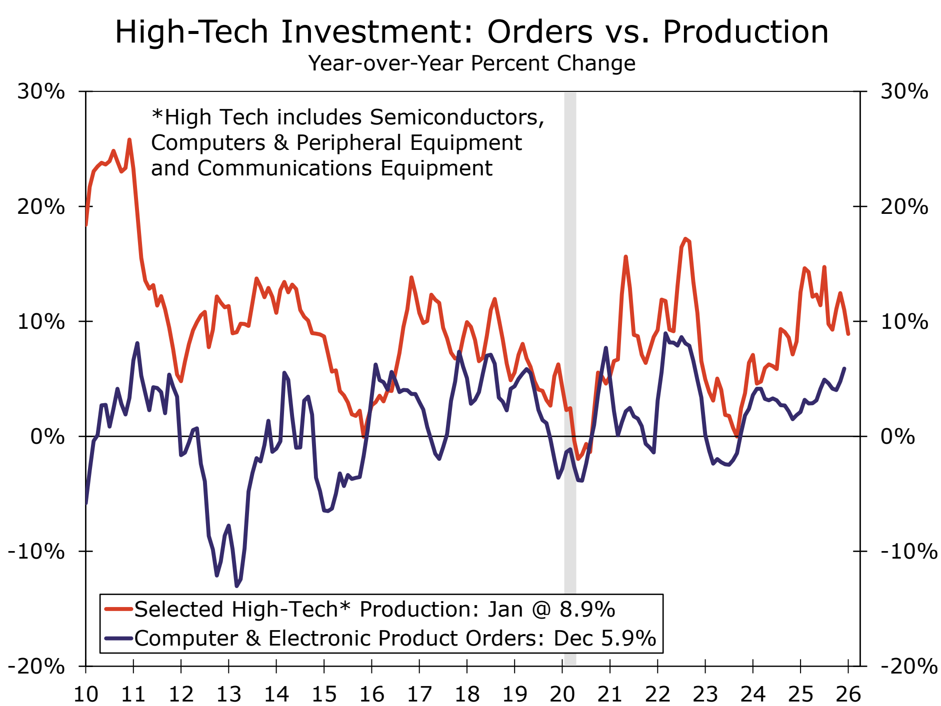


More Than Just Tech: Growth Signals Evident in Broader Range of Industries

What is often mistaken as broad resilience in business investment over the past year has actually been a heavy concentration of spending in the AI and broader high-tech build out. It is not so much a *rising tide that lifts all boats* as it is condensed activity in one sector that masks a struggle in industries not directly tied to the tech build-out. Today's data point to an encouraging growth pick-up outside of high-tech.

That dynamic is clearly visible in the durable goods data: orders for computers & related products rose 13.7% over the past year, running at nearly four times the pace of underlying core capital goods. The same concentration shows up on the production side. Domestic output of high-tech goods—including computers, communications equipment, and semiconductors—is up nearly 9% through January, while non-energy production excluding these components is up just 2.2%. Even trade flows tell the same story where growth in U.S. imports last year was largely driven by high-tech equipment, with non-tech import categories losing momentum.

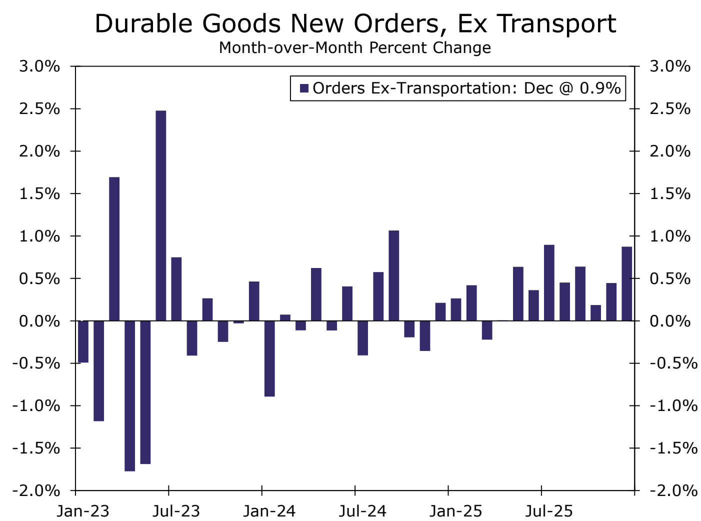
We don't see the AI-driven investment cycle fading anytime soon, and capital flows into that space are likely to continue. This morning's data show there are early signs that more traditional areas of capex are beginning to firm as well. Core capital goods orders are stabilizing and output excluding high-tech is starting to improve. Recent tax incentives in the One Big Beautiful Bill Act are supportive of broader investment, and the early-year pickup in commercial and industrial lending suggests firms are becoming incrementally more willing to finance capex beyond AI.

Durable Goods: Handily Exceeding Low Expectations

Get past the slip in aircraft orders and what emerges from the details of the December durable goods report are modest increases in orders across most durable goods categories. Since expectations were so tepid, even these modest gains exceeded expectations.

As is often the case with the durable goods report, a headline reading often misses the important developments. December was no exception with overall orders for long-lived capital goods down 1.4%, and, after excluding defense spending, orders fell 2.5%. But most of the "weakness" was in civilian aircraft orders which fell 25% in December, but that follows a near doubling (+98%) in non-defense aircraft orders in November, so the giveback here in December is not terribly disconcerting. In fact, civilian aircraft orders are up 69% over the past year, more than any other major category of durable goods orders.

The other main transports category, motor vehicles and parts, notched a 1.2% increase in orders in December after back-to-back declines in the two preceding months. Once you start to exclude these notoriously jumpy categories, a brighter picture emerges. Orders excluding transportation have firmed in recent months and rose 0.9% in January which was three-times the consensus expectation.



Source: U.S. Department of Commerce and Wells Fargo Economics

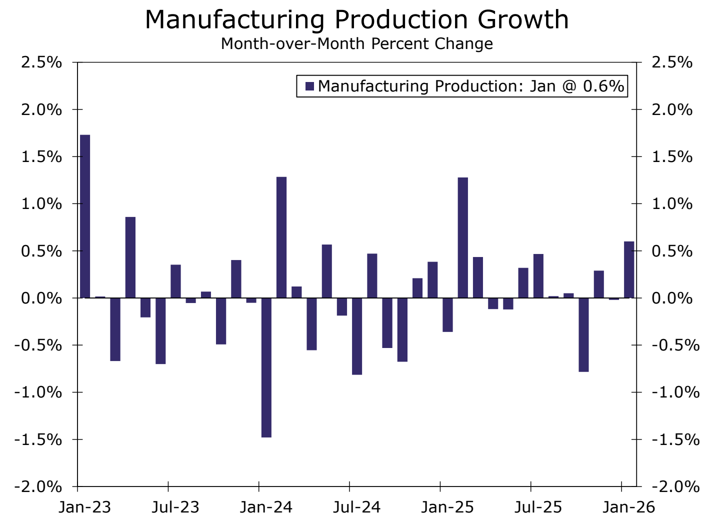
Orders for core capital goods (nondefense ex. air) looked better too, up 0.6% in December (twice the 0.3% expectation), and that better-than-expected reading came on the heels of an upward revision. Shipments of core capital goods rose 0.9% which also handily exceeded expectations, but remains consistent with our expectation for real equipment investment to rise at a near 4% annualized clip in Q4 when data print Friday.

Industrial Production: Stronger Beyond High-Tech

Industrial production picked up at the start of the year, rising 0.7% in January, though downward revisions to year-end take some of the shine off the data. Output was supported by firmer utilities output, but most of the strength stems from a sizable pickup in manufacturing output. Total manufacturing production rose 0.6% in January, posting the strongest monthly gain in nearly a year, and activity looks fairly broad based under the headline. Durable goods production was responsible for most of the strength (+0.8%) with all but the aerospace industry posting a rise in output. Nondurables industries were more mixed (+0.4%), with four of eight industries seeing output fall and a rebound in chemical output and some others offsetting declines.

You do not need to do a deep dive to find the theme of a tech-concentration in the industrial production data. Just look at the index levels. The Federal Reserve sets them all equal to 100 in 2017. The manufacturing index in January came in at 97.5 meaning manufacturing output, in volume terms, is 2.5% smaller than it was almost a decade ago. Yet the category "selected high-technology industries" came in at 184.7 the same month. This grouping includes output of computers, communications equipment, semiconductors and related electronic components.

While high-tech continues to outpace non-tech focused output, we see signs of recovery. Excluding high-tech, manufacturing output rose 0.6% in January, marking the fastest monthly increase in nearly a year with this measure of production matching its highest index reading of the past two and a half years.



Source: Federal Reserve Board and Wells Fargo Economics

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