Flash Economics

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An artificial intelligence crisis?

The key features of artificial intelligence (AI) are well known: it requires investment on a massive scale. In 2026, AI investment in the United States (including data centres and software) reached USD 1 trillion, of which USD 580 billion came from the operators of hyperscale data centres, known as hyperscalers (Microsoft, Meta, Amazon, Alphabet and Oracle). This raises the question of the return on these investments. With cumulative investment in US data centres expected to reach USD 8.5 trillion between 2025 and 2030, and an expected return of 25%, these investments would need to generate profits of USD 2.125 trillion a year, far more than the profits achieved in 2026 (around USD 250 billion).

AI-related investment accounts for 3.1% of US GDP in 2026 and is expected to rise to 3.2% in 2027 and 3.6% thereafter. This share would thus be considerably higher than that of Internet-related investment in the late 1990s (1.2% of GDP) and above that of railway investment in the late 19th century (3% of GDP on average). An artificial intelligence crisis would therefore stem from the realisation that AI investment would yield a significantly lower return than currently expected. What would be the effects of an AI crisis?

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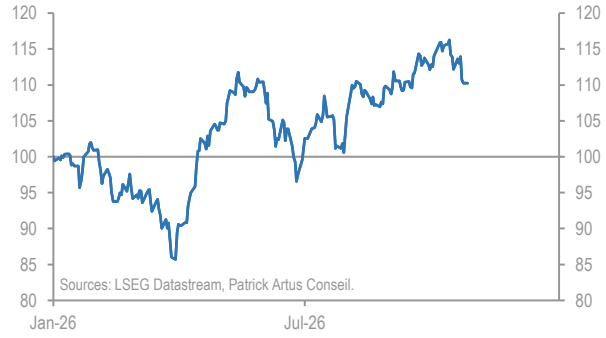
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The effects of lower-than-expected profitability on the different segments of the AI value chain

A crisis triggered by the realisation that AI profitability is lower than expected would affect the various segments of the value chain differently.

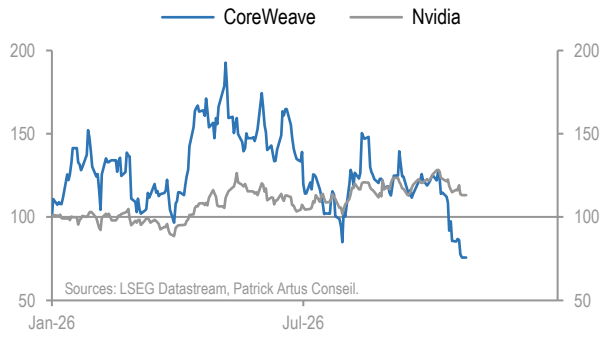
This crisis would have little impact on the hyperscalers, which are highly profitable. Microsoft, Meta, Amazon, Alphabet and Oracle are expected to generate profits of close to USD 1 trillion in 2026. The Magnificent Seven stock price index has thus risen by 10% since the beginning of 2026 (**Chart 1**). The crisis would first hit the private credit market (loans granted by specialised non-bank funds). Outstanding private credit financing AI in the United States has reached USD 200 billion, of which USD 158 billion is for data centre construction. Some cloud providers have borrowed heavily in this market, pledging contracts signed with large corporations as collateral. One example is CoreWeave, whose share price has fallen by 60% since May 2026 and which funds its chip purchases through both the traditional bond market and the private credit market (**Chart 2**).

Chart 1
United States: Magnificent Seven stock price index*
(1 January 2026 = 100)



* Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla.

Chart 2
United States: Stock market indices
(1 January 2026 = 100)



The crisis would then hit **semiconductor suppliers**. Since 1 October 2026, the share prices of several of them have already fallen sharply: Samsung (−22%), SK Hynix (−30%), Intel (−27%), Micron (−20%) and Nvidia (−8.6%) (**Charts 2 to 4**). These companies would be severely affected by a downward revision of their expected sales, despite currently full order books, at a time when they are investing heavily (around USD 250 billion in 2026).

Chart 3
United States: Stock market indices
(1 January 2026 = 100)

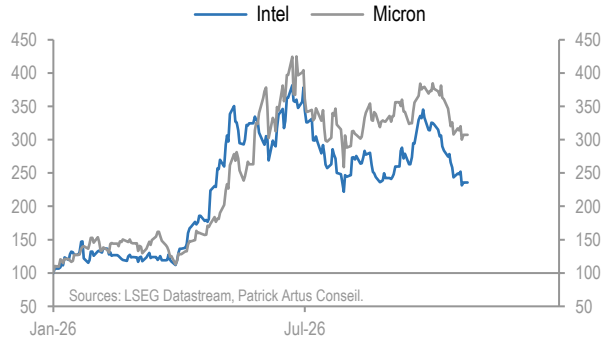
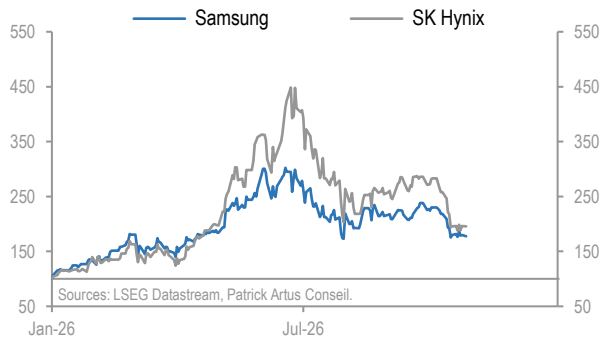


Chart 4
South Korea: Stock market indices
(1 January 2026 = 100)



The effects of lower-than-expected AI profitability on the US economy

Finally, the crisis would weigh on **the US economy**: AI investment is expected to account for 3.2% of GDP in 2027; total business investment contributes 1 percentage point to growth on average, while growth itself is slightly above 2% (**Charts 5 and 6**). Stagnating investment would bring US growth down to a very low level and would be accompanied by job losses. The outbreak of an AI crisis would thus pose three risks: a fall in equity markets, particularly in Asia, but also in US technology stocks; a crisis in the private credit market; and a marked slowdown in US growth.

Chart 5
United States: Private fixed investment (chained 2017 USD billion)

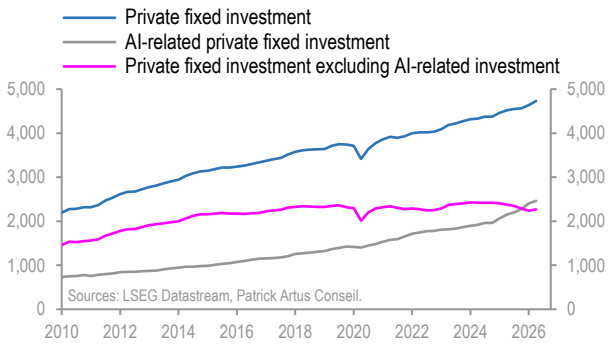
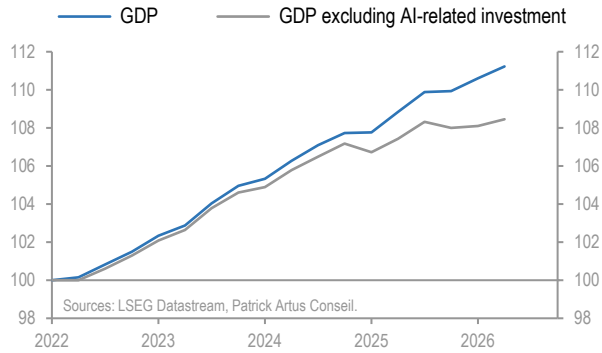
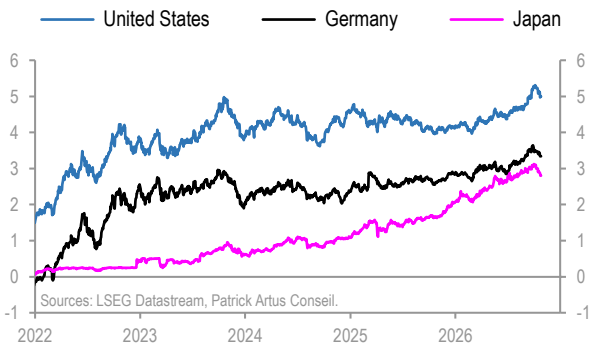


Chart 6
United States: Real GDP (index, Q1 2022 = 100)



Would there be any winners from an AI crisis? The only beneficiaries would be **governments**. If AI investment were to decline, pressure on financial markets would ease and governments would face less competition from large technology companies in raising funds. In the United States, the 10-year Treasury yield has already fallen from 5.3% to 5.0%. Long-term interest rates have also declined in Germany (from 3.6% to 3.3%) and Japan (from 3.1% to 2.8%) (**Chart 7**). This does not reflect an improvement in the perceived credit quality of sovereign issuers, but rather a decline in competition for funding.

Chart 7
10-year government bond yields (%)



Conclusion: what would be the effects of an AI crisis?

Is such an artificial intelligence crisis likely? It would not call into question AI's contribution to labour productivity, but it would lead to a revision of expectations regarding the profitability of AI. Economic history is instructive in this respect: in the United States, the low profitability of railways, which became apparent only after the fact, led to numerous railway bankruptcies (in 1873 and 1893), and these crises resulted in major consolidation of the railway industry. A similar development is likely in the AI sector today.

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