November 13th, 2026
Sumitomo Mitsui DS Asset Management
Head of Economic Research Group, Makoto Watanabe

Macro View

The Impact of Slower AI Investment on the Global Economy and Equity Markets in 2027

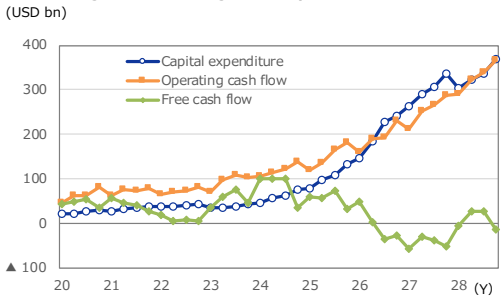
- Consensus forecasts point to a roughly 50% slowdown in Big Tech capex growth in 2027. In two scenarios assuming a similar slowdown in U.S. equipment and information processing equipment investment, global value added falls by 0.20% relative to unchanged investment growth. We do not expect an impact of this size to derail the global expansion.
- While the global impact is limited, the effects are relatively larger in the U.S. and in Asian economies supplying related equipment. Credit problems could emerge among AI-related businesses and their lenders, but broader spillovers are likely to remain limited unless financing conditions deteriorate significantly.
- Continued economic expansion should sustain aggregate earnings growth and support equities. Within the AI sector, slower demand growth could weigh on semiconductor and equipment suppliers, while for the Big Tech companies making the investments, easing growth in funding requirements could support share prices if monetization progresses.
- The key risk is that AI investment declines rather than merely grows more slowly. This scenario would involve a much more pessimistic view of monetization and investment returns, or major disruptions to project execution from regulation or power shortages. We currently regard it as a tail risk.

Democratic victories in the U.S. midterm and gubernatorial elections have raised concerns about tighter restrictions on data center development. The election of governors who campaigned for development moratoriums does not mean investment will immediately stop. It does, however, add political uncertainty to growing concerns about AI monetization and investment returns.

Consensus forecasts point to a halving of Big Tech capex growth next year

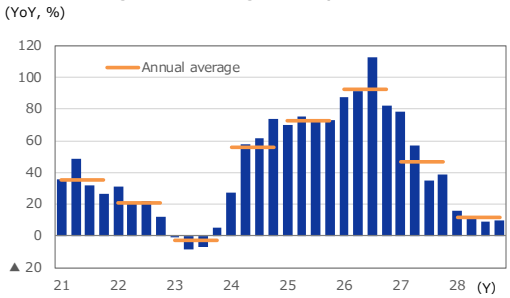
Markets already anticipate some moderation in AI investment, centered on data centers, next year. Bloomberg consensus forecasts show combined capex growth at the five Big Tech companies slowing from 92.6% in 2026 to 46.6% in 2027—roughly half the pace. If these forecasts are realized, investment will continue to rise, but its growth impulse will weaken (Figures 1 and 2).

Figure 1 : U.S. Big Tech Capex and Cash Flow



Note : Big Tech comprises Amazon, Alphabet, Microsoft, Meta and Oracle. Figures are combined totals. Data cover Q1 2020–Q4 2028 and include Bloomberg consensus forecasts. References to individual companies do not constitute investment recommendations.
Source : SMDAM and Bloomberg

Figure 2 : U.S. Big Tech Capex Growth



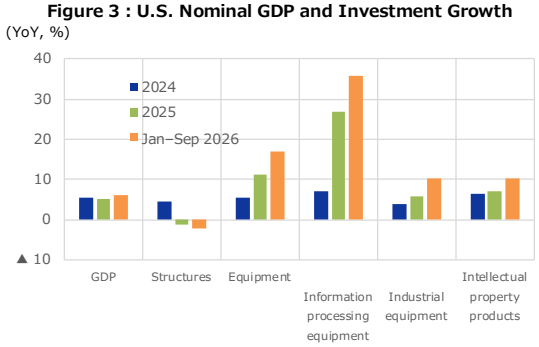
Note : Big Tech comprises Amazon, Alphabet, Microsoft, Meta and Oracle. Figures are combined totals. Data cover Q1 2020–Q4 2028 and include Bloomberg consensus forecasts. References to individual companies do not constitute investment recommendations.
Source : SMDAM and Bloomberg

Could slower investment derail the economic expansion?

How much would slower U.S. AI investment affect the broader economy? Corporate capex and investment in the GDP accounts differ in scope and definition, making a direct mapping difficult. We therefore use the expected halving of Big Tech capex growth as a reference for two scenarios assessing the economic impact of slower U.S. investment.

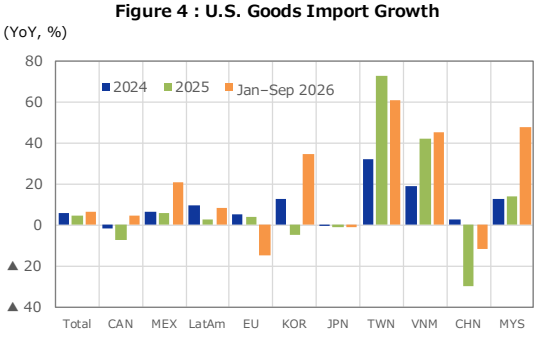
Case 1 covers equipment investment as a whole. Case 2 focuses on information processing equipment, a subset more closely associated with AI investment (Figure 3). In each case, we assume investment growth slows to roughly half its January–September 2026 pace. Specifically, we apply a 10 percentage point decline in growth in Case 1 and a 20 percentage point decline in Case 2, using an inter-country input-output table to estimate the effects.

Figure 3 : U.S. Nominal GDP and Investment Growth



Source : SMDAM and Bloomberg

Figure 4 : U.S. Goods Import Growth



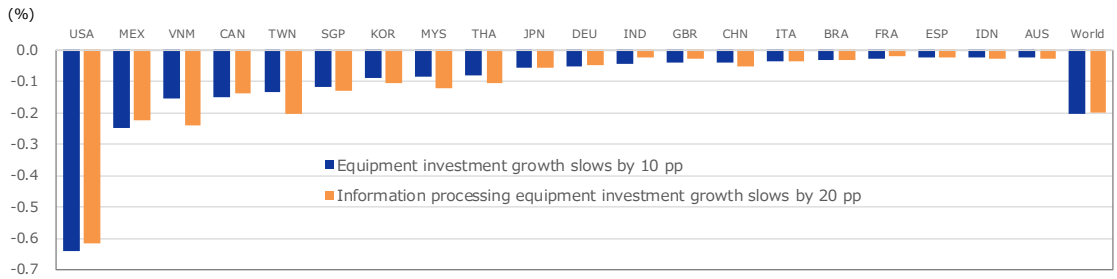
Source : SMDAM and Bloomberg

Year-on-year growth over that period was 16.9% for equipment investment and 35.7% for information processing equipment. An exact halving would imply declines of approximately 8.5 and 17.9 percentage points. Our assumptions of 10 and 20 percentage points are therefore slightly more severe. The scenarios do not include slower investment in structures or software.

Both scenarios reduce global value added by 0.20%

In both cases, global value added is 0.20% lower than under unchanged investment growth (Figure 5). This input-output estimate cannot be treated directly as a reduction in real global GDP growth, but it provides a gauge of the scale of the economic impact.

Figure 5 : Value-Added Impact of Slower U.S. Equipment Investment



Note : Estimates use the OECD Inter-Country Input-Output (ICIO) table for 2022. The two scenarios assume a 10 pp decline in U.S. equipment investment growth and a 20 pp decline in information processing equipment investment growth, respectively. Impacts are value-added reductions relative to an unchanged-growth scenario, expressed as percentages of each economy's total value added. Input coefficients and value-added ratios are held at 2022 levels; subsequent changes in supply chains and relative prices are not incorporated.

Source : SMDAM and the OECD Inter-Country Input-Output (ICIO) table for 2022

Our forecasts put global growth at 3.1% in 2026 and 3.5% in 2027. The 2027 forecast does not incorporate the investment slowdown examined here; the scenarios assess a downside risk to that baseline. An impact of this size could weaken growth relative to our forecast, but is unlikely to derail the expansion. The main implication is that, based on the effects transmitted through equipment investment, the global economy should be able to absorb the slowdown assumed in these scenarios.

A limited global impact can mask larger effects on individual economies and industries

The U.S., the center of the investment boom, faces the largest impact: a reduction in value added of 0.64% in Case 1 and 0.62% in Case 2.

Mexico and Canada also face relatively large effects. Among Asian economies in the AI supply chain, the reductions in Cases 1 and 2, respectively, are 0.15% and 0.24% for Vietnam, 0.13% and 0.20% for Taiwan, and 0.08% and 0.12% for Malaysia. The larger impact in Case 2 is notable across these economies. Japan's value added falls by 0.06% in both cases.

Input-output analysis assumes a fixed production and trade structure. Supply chains, however, are changing amid tariffs and economic fragmentation. U.S. imports from Vietnam, Taiwan and Malaysia rose by 45.2%, 61.2% and 47.8%, respectively, in January–September 2026 (Figure 4). Vietnam and Malaysia may also serve as indirect export routes for Chinese high-tech goods bound for the U.S. Prices of some AI-related goods, including memory, have risen sharply. These price effects account for part of the increase in import values and may also be boosting revenue and earnings in related industries. If these supply-chain and price changes have increased dependence on U.S. AI investment, the impact of a slowdown on affected economies and industries could exceed estimates based on the earlier structure.

That does not mean the global impact would increase to the same extent. Strong AI demand does not strengthen every part of the economy equally; its benefits tend to be concentrated in particular economies and industries. Despite stronger AI-related demand in 2026, global growth is estimated to have slowed from 3.5% in 2025 to 3.1%, albeit partly because of the drag from higher oil prices caused by the Iran war. Robust AI demand cannot offset every source of weakness in the global economy. Conversely, our estimates suggest that slower AI investment growth alone is unlikely to cause the global economy to stall.

Credit problems are likely to remain concentrated in related sectors

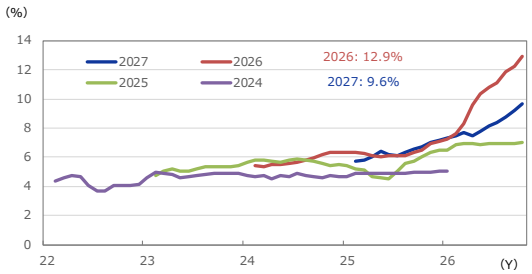
Credit concerns surrounding AI-related businesses require a distinction between problems within the sector and spillovers to the wider economy. As an expansion matures, excessive investment and debt can accumulate. Problems may emerge in projects with delayed investment returns or among highly leveraged operators. Businesses whose revenue depends on AI demand, and lenders with concentrated exposure to them, could face difficulties even if the global economic impact is small.

Credit problems are more likely to spread when financing conditions tighten—for example, through interest rate increases—or when the economy stalls and demand and earnings fall across a broad range of industries. Repayment and refinancing difficulties then become common to many borrowers. The investment slowdown assumed here is unlikely to cause such a broad decline in demand and earnings. Unless financing conditions deteriorate significantly, we expect spillovers from AI-related credit problems to remain limited.

A temporary slowdown need not end earnings growth

A clear slowdown in U.S. AI investment in 2027 could temporarily weigh on the economy and equity markets. Even so, continued economic expansion should sustain aggregate earnings growth, albeit at a slower pace, and provide support for equities (Figures 6–9).

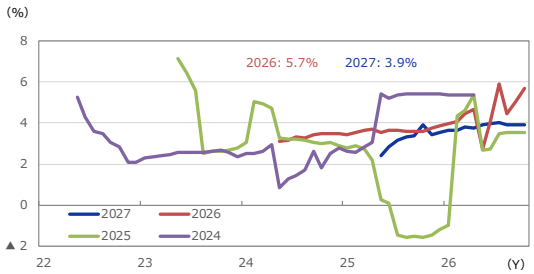
Figure 6 : S&P 500 Revenue Growth Consensus



Data cover Feb 2022–Oct 2026. Lines track changes in LSEG consensus revenue growth forecasts for the calendar years shown.

Source: SMDAM and LSEG

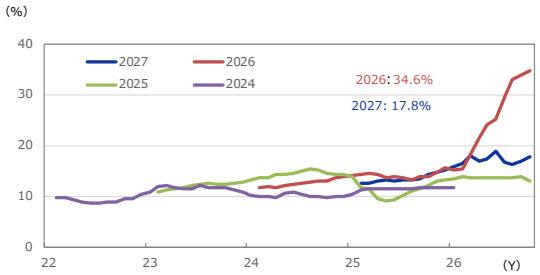
Figure 7 : TOPIX Revenue Growth Consensus



Data cover May 2022–Oct 2026. Lines track changes in LSEG consensus revenue growth forecasts for the fiscal years shown.

Source: SMDAM and LSEG

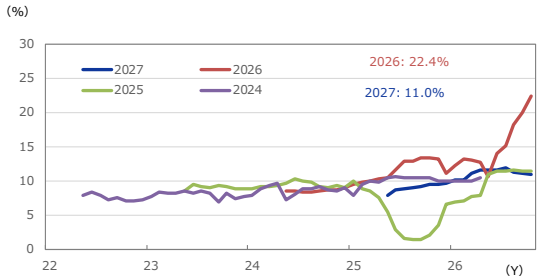
Figure 8 : S&P 500 EPS Growth Consensus



Data cover Feb 2022–Oct 2026. Lines track changes in LSEG consensus EPS growth forecasts for the calendar years shown.

Source: SMDAM and LSEG

Figure 9 : TOPIX EPS Growth Consensus



Data cover May 2022–Oct 2026. Lines track changes in LSEG consensus EPS growth forecasts for the fiscal years shown.

Source: SMDAM and LSEG

The effects will differ across AI-related companies. For semiconductor and equipment suppliers, slower demand growth could restrain earnings growth and weigh on share prices. For Big Tech companies making the investments, slower capex growth alongside progress in monetization could ease the increase in funding requirements and support share prices.

The key risk is outright investment decline

The key risk is that AI investment declines rather than merely grows more slowly. In the same framework, zero growth in equipment and information processing equipment investment would reduce global value added by approximately 0.34% in Case 1 and 0.36% in Case 2. An outright decline would produce a larger drag and could leave the global economy significantly below our 2027 baseline.

Such a contraction would likely involve a much more pessimistic assessment of AI monetization and investment returns, or major disruptions to project execution from regulation or power shortages. We currently regard this as a tail risk.

General disclosure: Please read this disclaimer carefully.

Please note that this financial product does not take into account the EU criteria for environmentally sustainable economic activities.
This material is for non-Japanese institutional investors only.
The research and analysis contained in this report, and the opinions and judgments based thereon, are intended to introduce or demonstrate the capabilities and expertise of Sumitomo Mitsui DS Asset Management Company, Limited (hereinafter "SMDAM"), or to provide information on investment strategies and opportunities. Therefore, this material is not intended to constitute an offer or solicitation of any investment, to provide investment advice or services, or to serve as a disclosure document under the Financial Instruments and Exchange Act of Japan.
The expected returns and risks described in this report are calculated based on historical data and/or estimated based on the current economic outlook and should not be construed as a guarantee of future returns or risks.
Past performance is not necessarily indicative of future results.
Simulated data or returns in this report, other than the historical returns of the fund, do not reflect any investment management fees, transaction costs, rebalancing costs or other expenses.
Investment products or strategies do not guarantee future results or the principal amount invested. Investments may incur losses, and any investment gains or losses shall be borne by the client.
The recipients of this report must make their own independent investment decisions.
The opinions, outlook and estimates in this report do not guarantee future trends or results. They constitute SMDAM's judgment as of the date of this material and are subject to change without notice.
Any awards referenced in this report are based on past achievements and do not guarantee future results.
All intellectual property rights relating to the benchmarks and indices belong to their respective providers and other relevant right holders.
This material has been prepared by obtaining data from sources which are believed to be reliable but SMDAM cannot and does not guarantee its completeness or accuracy.
All rights, title and interest in this material and any content contained herein are the exclusive property of SMDAM, except as otherwise stated. No person may use this material for investment purposes, reproduce or copy this material without SMDAM's authorization, or disclose this material to any third party.

Registration Number: The Director of Kanto Local Finance Bureau (FIBO) No.399
SEC File No.801-116710
Members of Investment Management Association of Japan and Type II Financial Instruments Firms Association
© Sumitomo Mitsui DS Asset Management Company, Limited