Sunday, 25 October 2026

The Editorial

AI: The bill is real. The verdict can wait.

This Sunday's Editorial is the first in a trilogy on AI. By now, AI is everywhere to a degree that has made it increasingly difficult to discuss the economy or almost any corner of financial markets, without also discussing the AI aspect of it. One thing is that AI has more or less dominated the investment narrative and shaped risk appetite across equities, credit, currencies and commodities over the past month. Another is that at last week's IMF and World Bank Annual Meetings in Bangkok, it was mentioned by almost every speaker, even outside the AI-dedicated sessions. Naturally, both act as an increasing risk on its own, but also a potential upside catalyst.

On Monday this week, we published our new monthly **AI Investment Tracker**, bringing together the macroeconomic, equity and credit perspectives on the buildout. You have probably already received it. If not, you can find it ***here***. Over three Editorials, we will draw out what we believe matters most, from three different angles. Today, we begin with the economics, the sheer scale of investment, its uneven impact across regions, the demand behind it and the physical constraints shaping its progress. Credit and equities will follow over the next two weeks.

But first, a personal confession. I am a heavy user of everything from ChatGPT, Gemini and Copilot to Rogo and AskB. So much so that my children regularly joke that I am married to ChatGPT. And yes, AI helped prepare this Editorial too. Consider both my enthusiasm and my bias fully disclosed. Finally, this piece was co-authored by our Chief AI Analyst, Allan von Mehren.

Much of the debate still centres on AI's ultimate destination. That is understandable, but it also risks obscuring the journey already underway. We do not claim to know what the end game will mean for society or the economy. The effects on productivity and labour markets, and the ultimate return on today's enormous investment, remain fiercely contested. What is no longer open to debate, however, is that AI is already having a substantial, measurable and growing impact on investment, trade and economic activity. That is where our analysis begins.

It is already huge

We have discussed AI in several previous Editorials, primarily through the equity market, where its impact has been impossible to miss. Here is a cliffhanger: AI's impact on equities has so far been roughly five times larger than its impact on the economy. We will put the numbers behind that claim in an upcoming piece, but the conclusion is simple: the gap explains why AI has, until now, been much more of a Wall Street story than a Main Street story.

Viewed in an historical context, the AI investment cycle has barely begun. Yet the economic debate surrounding it has already undergone several distinct shifts. Only a year ago, the discussion left remarkably little room between two extremes: AI would either prove to be economically irrelevant or eliminate virtually all desk jobs within 12 to 18 months. The debate today is far more nuanced, focusing increasingly on the timing, scale and distribution of AI's economic effects.

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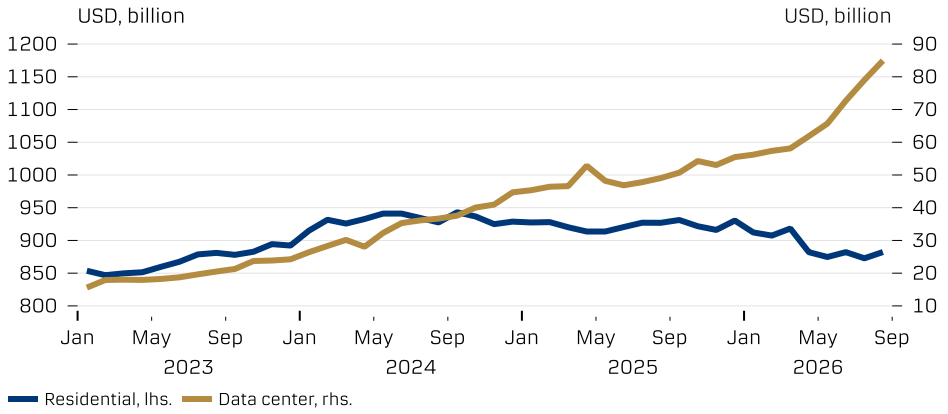
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The relevant comparisons now extend well beyond previous technology product cycles as the AI investments are now increasingly being assessed alongside the major US infrastructure booms during the past 200 years, from the canals buildout around 1840 and railways 30 years later to electrification in the 1910s, highways in 1960s and telecommunications around the turn of the century.

And to put some numbers on it, the current projections of the broader AI infrastructure buildout, covering data centres, chips, networking equipment and associated power infrastructure, indicate the tune of 3-4% of US GDP annually in the coming years. For comparison, the average annual investment was 2.2% of GDP during the railway boom and 1.1% during the telecommunications and internet buildout. These figures describe the scale of investment relative to GDP, not the contribution to annual GDP growth, and that distinction matters enormously for markets, and how AI should be assessed in today's world, but more on that in a later editorial.

US residential vs data centre construction spending



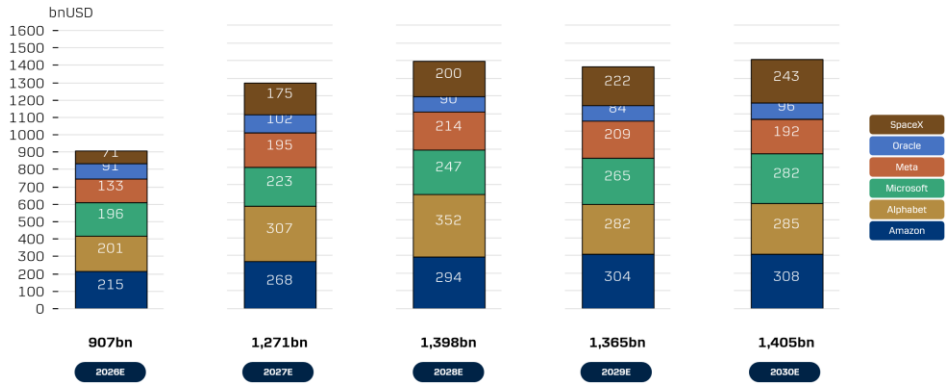
Source: Macrobond, Danske Bank

Thus, when we look back at the AI buildout in 10 years' time, we would be surprised if this buildout hasn't ranked as the largest buildout of the US economy that has ever absorbed!

Six companies, a global investment cycle

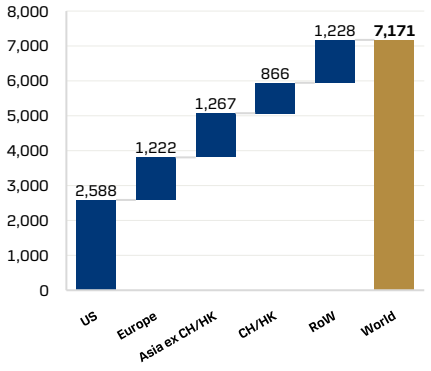
Every infrastructure boom has its defining features. For AI, they are speed, scale and concentration. The six US hyperscalers in our AI Tracker are expected to increase their combined capex from roughly USD900bn this year to USD1.2tn next year and, despite slower growth thereafter, to around USD1.4tn by 2030. I work with big numbers 24/7, but even I find these figures mind-blowing. To put USD1.2tn into perspective, just six companies are investing close to half as much as the entire US corporate sector and roughly as much as corporate Europe combined. Not six countries. Six companies.

Hyperscaler capex: consensus estimates, 2026E-2030E



Source: Bloomberg, Macrobond, LSEG Data & Analytics, Danske Bank

Next 12-month capex estimates for listed companies by region (USDbn)



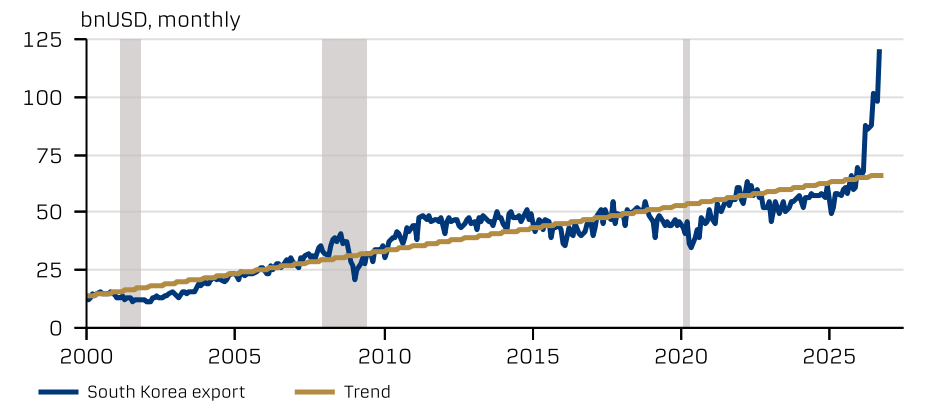
Source: LSEG Data & Analytics, Danske Bank

I still remember talking with clients about numbers of this magnitude more than a year ago, as Nvidia's CFO was already describing the trajectory now taking shape. Yet, Germany's infrastructure package and higher defence spending commanded much more attention among economists and investors. Perhaps that was because government infrastructure and defence are familiar macro stories, while AI capex was still treated largely as a technology-sector story. That distinction is becoming increasingly difficult to maintain. When the investment decisions of six companies rival those of an entire continent's corporate sector, micro becomes macro.

Made in America, manufactured in Asia

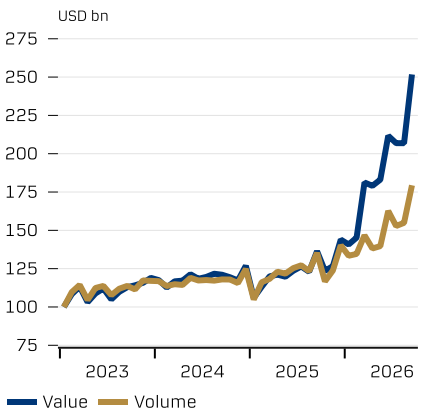
Certainly, just because the centre of the AI buildout is happening in the US, the benefits are well understood well beyond the sector and even the country. For example, the semiconductors account for roughly half the cost of building a data centre, compared with around one-tenth for land and buildings. Ultimately, that means that a substantial share of US investment takes place elsewhere and leaks into imports, with Taiwan and South Korea among the main beneficiaries. And it's evident in the export data from those countries. Yes, higher chip prices explain a significant part of the extraordinary export growth, but volumes have also risen materially. And if you are not familiar with the data, South Korean export growth of more than 80% y/y!

South Korean exports have surged well above trend



Source: LSEG Data & Analytics, Danske Bank

South Korea exports, level (rebased)



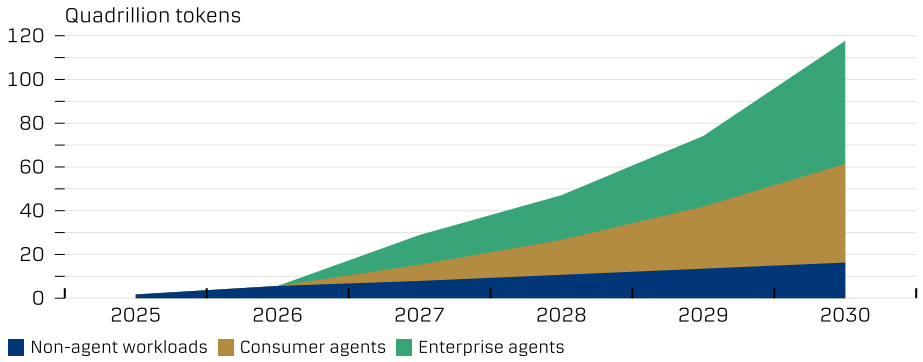
Source: Bloomberg, Macrobond, Danske Bank

And economists have consistently underestimated the strength of this expansion. In our tracking of Taiwanese and South Korean trade surveys, releases have repeatedly exceeded not only the consensus forecast but also the highest individual estimate. This pattern has persisted for more than a year. In econometric terms, the forecast errors appear to exhibit autocorrelation: the same directional mistake is being repeated from one release to the next. Put more simply, almost every measurable dimension of the AI buildout has surprised economists, analysts and strategists to the upside so far.

You have seen the chatbot. Now meet the agents.

AI may be everywhere in the conversation, but it is still early days when it comes to actually using it. And I think that distinction matters enormously when we ask whether demand will eventually absorb all the infrastructure currently being built. Looking at how we use chatbots today and extrapolating from there is, in my view, missing the point.

Goldman Sachs estimate of monthly token use by workload



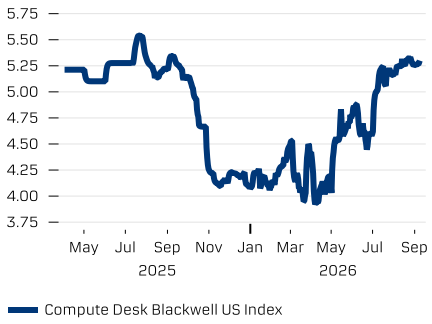
Source: Bloomberg, Macrobond, Danske Bank

Monthly token consumption is already measured in quadrillions or 1,000,000,000,000,000. But honestly, that is not the number I find most interesting. Goldman Sachs estimates that token consumption could increase 24-fold between 2026 and 2030, with AI agents accounting for almost all the increase. That is where I think the discussion gets really interesting.

Just think about the difference between asking an LLM a question and having an AI agent working on your behalf. The agent plans, executes, checks and revises across multiple steps. Estimates suggest agents consume five to 30 times more tokens per task. And then there are robots. Humanoid robots could eventually take AI from digital tasks into physical work, although that is obviously a much more uncertain part of the story. The point is that we have barely started absorbing what agents could mean for computing demand, let alone robots.

Efficiency is improving rapidly as well, so a 24-fold increase in tokens does not mean we need 24 times as much infrastructure. But even with those efficiency gains, the signals hardly suggest an AI ecosystem drowning in excess capacity. GPU rental prices have risen even as token prices have fallen, while leading AI labs continue to report rapidly expanding revenue run rates.

AI labs Input price: Rental price of Nvidia Blackwell GPUs, USD/GPU-hour



Source: Bloomberg, Macrobond, Danske Bank

AI labs output price: Silicon Data LLM Token Expenditure Index



Source: Bloomberg, Macrobond, Danske Bank

So, for now, I have a hard time looking at the numbers and concluding that demand is the weak link in this story. Supply is still the constraining expansion across important parts of the AI ecosystem. The bigger question is how quickly capacity can catch up with a form of AI usage that is becoming not only more widespread, but much more compute intensive.

This is also something we will spend more time on at our upcoming Nordic Summit / Navigating Tomorrow conference. If you would like to join, please reach out to your Danske Bank representative.

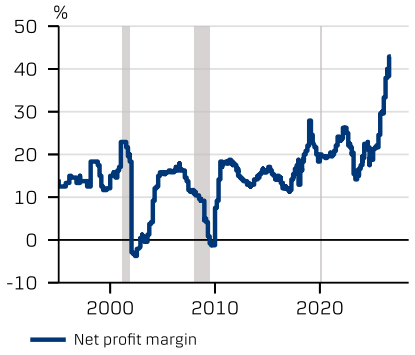
You cannot prompt your way to more chips

As mentioned, the elephant in the room remains supply. Demand for semiconductors, particularly memory, has outpaced the industry's ability to deliver, pushing prices sharply higher. We heard the same message from ASML in their earnings call this week: even if they wanted to, they cannot meet all the demand it sees for 2027 and 2028.

Memory has always been cyclical, but the past year has been extraordinary. Perhaps the best illustration of just how tight the market has become is that some older memory chips can reportedly be sold for more than their original purchase price, even after being fully depreciated. Accounting depreciation and economic scarcity are telling very different stories.

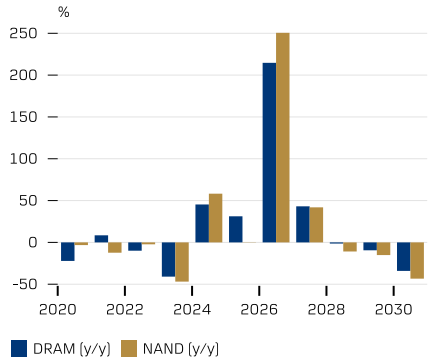
With some producers enjoying margins that look more like monopoly economics than commodity manufacturing, the incentive to add capacity is obviously enormous. And this is where economic history should make us cautious. High prices encourage investment, supply takes time to arrive, and eventually new capacity can come on stream just as demand growth begins to slow. China's urbanisation and the commodity super cycle 20 years ago provide an uncomfortable parallel: prolonged shortages and exceptional profitability eventually triggered the investment that helped undermine both.

US semiconductors: 12M trailing net profit margin



Source: LSEG Data & Analytics, Danske Bank

Average selling prices for the "Big Three" memory giants until 2030E



Source: Bloomberg, Macrobond, Danske Bank

I find it difficult to believe that the memory industry has somehow escaped those economics. At some point, oversupply and a sharp price correction are entirely plausible. But identifying that endgame is much easier than timing it. A shortage can persist for long enough to make an early call on its reversal very expensive.

And right now, the evidence still points in the other direction. Last week's hyperscaler earnings and management commentary, including from Meta, suggest demand is still accelerating. You cannot solve a physical supply constraint simply by approving another billion dollars of capex in demand. It takes time to build.

So, I think we need to hold two thoughts in our heads at the same time. Today's investment boom may eventually create tomorrow's oversupply. But today, the constraint is still too little capacity, not too much. The first is a very credible destination. The second is where we are now, and in the tactically investable horizon, I see no reason why this should change.

The bill is real. The verdict can wait.

The AI buildout is no longer a story about the future. The capital is being spent, its effects extend far beyond the companies signing the cheques, and rapidly rising utilisation is colliding with physical constraints. An eventual overbuild is a credible risk, but it does not describe today's market. Equally, current shortages do not guarantee that every investment will earn an adequate return. AI can deliver substantial economic gains while still destroying capital in parts of the value chain.

With no one-to-one historical playbook, we must remain nimble, evidence-led and humble. For now, our conclusion is clear: demand is rising rapidly, the economic benefits are spreading, and insufficient supply remains the constraint across important parts of the value chain.

Through our AI Tracker, we will continue to track the AI investment cycle, from capex and supply-demand imbalances to growth, productivity and returns. Over the next two weeks, The Editorial will turn to credit and equities.

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