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FAQ:
AI Capex Wave
from Credit Lens

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Will AI-driven capex raise corporate leverage in the coming years?

Yes, in some cases. AI build-out is a classic front-loaded capex cycle with back-loaded payoffs. International Data Corp's latest forecasts put AI outlays around $430 billion in 2025, rising towards $1.3 trillion by 2029 (Chart 1), a scale that will test balance sheets before efficiencies flow through income statements.

Chart 1

Worldwide AI IT spending 2024-2029

Source: IDC

For now, Oracle's story is one of the most ambitious. The company is chasing scale—fuelled by headline AI partnerships, including a $300 billion deal with OpenAI—but the cost of building out its cloud and AI infrastructure is steep. Moody's keeps a Baa2 with a Negative outlook, citing heavy capex, persistent free cash-flow deficits, and the weight of dividends and interest payments. Debt is already above the $100 billion mark, that could increase another $50 billion over the next three years, in some estimates. Oracle's leverage and negative cash flow remain the main pressure points in an otherwise transformative expansion.

At the market level, Fitch expects aggregate capex intensity for a 700+ rated issuer North America cohort to rise to about 7.7% of revenue in 2025 (from 7.2% in 2024) on AI infrastructure, energy transition and onshoring—absorbing cash in the near term. Execution risks are real: long equipment lead times, land constraints, inflation in build costs, and especially power interconnect bottlenecks.

What will unlock rating upgrades?

Falling unit costs will broaden AI adoption, but credit ratings rarely move on headlines. Agencies reward execution over ambition and discipline over disruption.

To warrant upgrades, AI-driven growth must be accompanied by improved cash flow coverage and stable leverage metrics, particularly in rating agencies' cash flow measures such as FFO-to-debt (FFO: Fund from Operation, a core indicator of recurring operating cash flow before working-capital swings).

Simply put, technological milestones alone are not enough - value evidence that innovation reinforces cash generation and resilience, not just market perception.

Which sectors see the strongest near-term upside?

Data centers, select tech hardware, and grid-linked utilities sit closest to the AI dollar: surging demand for compute and electricity lifts volumes, while permitting and grid access act as natural gatekeepers, tempering overbuild risk.

In July 2025, S&P upgraded Equinix and Digital Realty after releasing its revised methodology for digital infrastructure companies - explicit recognition of the significant value in owned data-center platforms and their contract-driven cash flows.

Data-center construction is inherently lengthy: power interconnections, permitting, long equipment lead times, land constraints, and rising build costs slow scale-up. That friction isn't all bad—it helps curb overbuild risk.

The announced pipeline is massive (Table 2). Project Stargate—the OpenAI–Oracle–SoftBank joint venture—was unveiled on 21 January 2025 during the inauguration of the US President Trump, coinciding with DeepSeek's release of its R1 reasoning model under the MIT license. The Stargate initiative envisions up to $500 billion investments, targeting the development of multi-gigawatt-scale infrastructure capacity. That scale underscores the sector tailwind—and the need for power, land, and interconnects years in advance.

Table 3

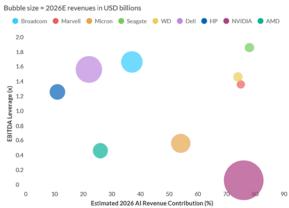| Parties involved	Project	Size (US$ bn)
OpenAI, SoftBank, Oracle, and MGX	AI data center build (Project Stargate)	100–500
Saudi PIF, Nvidia, AMD, AWS, Qualcomm, and Cisco	AI-focused data centers and fund (HUMAIN project)	77
Amazon Web Services	Data center build	61
Microsoft, Nebius	AI data center	17
Microsoft	Cloud and AI infrastructure	30
Google (Alphabet)	AI infrastructure, data centre, AI campus	53
BlackRock, Microsoft, Nvidia, xAI, and Emirati MGX	Data center and energy projects	Up to 30
Abu Dhabi Developmental Holding and Energy Capital Partners	UAW/US-linked energy infrastructure/power generation for data centers	25
Equinix, Singapore GIC, and Canada Pension Plan Investment Board	Multiple data center build	15
Meta	data centers	Undisclosed

Source: S&P

Hardware has its own standout: Dell, a global leader in servers and PC. In September 2025, Fitch upgraded Dell by one notch to BBB+, citing Dell's strong positioning to AI-server growth – earnings guidance pointing to $20 billion AI-server revenue in fiscal year 2026 (ending January), from near-zero in before fiscal 2024, supported by $11.7 billion order backlog. Meanwhile, a post-pandemic PC replacement cycle and emerging AI PC demand support low single-digit growth alongside the server ramp.

For the hardware sector as a whole, Fitch estimates that AI-related revenues will account for as much as three-quarters of technology hardware companies' revenues by 2026 (Chart 3).

Chart 3

AI Exposure - Technology Hardware Corporates

Notes: Some companies' data refers to fiscal year ending 2027

Source: Company Data, Fitch

On the utilities side, financial leverage could drift up modestly, as AI-driven data-center load will lift electricity grid and generation capex. Credit stability will hinge on timely regulatory cost pass-through mechanism. Markets with liquid power hubs and faster interconnection timelines will capture a larger share of growth. Where power can be priced, procured, and interconnected quickly, data-center builders will concentrate—and so will growth in utility capex, load, and credit-supportive investment.

In data-intensive, process-driven sectors—finance, healthcare, insurance, and logistics—AI agents can execute complex tasks in seconds by automating standardized workflows and extracting signals from large datasets.

In finance, for example, production deployments of AI-driven fraud screening have, in some cases, cut false positives by over 50%, reducing manual review, compliance costs, and loss ratios.

In healthcare, agents streamline prior authorizations, clinical coding, and discharge planning; in insurance, they accelerate claims triage and sharpen pricing.

In logistics, they enable dynamic routing and demand-aware inventory forecasting. From a credit perspective, these use cases lift throughput and margins with relatively modest incremental capex.

Where are the downside risks concentrated?

Media, advertising, and slower-moving software firms will face the sharpest near-term risk. Increasing disruption of AI-powered chatbots for information retrieval are changing users' behaviours.

AI contributed to an estimated 15% decline in global search traffic year to date as of June 2025, according to Similarweb data. eMarketer reported that Google AI overviews led to as much as 52% decrease in referral traffic in a single month and are reducing users click-through behaviour.

If online traffic declines for publishers persist, advertising monetization reduces meaningfully, these could eventually pressure publishers' credit profile and repayment capacity.

The software sector is undergoing a structural reset. AI is lowering barriers to entry and accelerating product cycles, shifting demand across categories. Pricing power and market share are eroding for undifferentiated vendors, and margins are compressing for laggards.

For lower-rated issuers, intensifying competition and higher customer-acquisition costs—just as capex rises elsewhere in the stack—will squeeze free cash flow and rating headroom.

Conversely, large and highly rated software companies with scalable platforms that have credibly embed AI should realise structural efficiency gains. These companies can unlocked new revenue models – such as AI-ed product enhancements and usage-based pricing – that will strengthen customer retention and cash generation (Table 4).

Table 4

Issuer	Rating	AI Implementation Examples
Automatic Data Processing	AA-/Stable	Machine learning for time tracking, payroll anomaly detection and compliance. Developing agentic AI solutions, including role-based AI agents for HR automation.
Cadence Design Systems	A-/Stable	Cadence.AI is integrated across multiple engineering design domains to accelerate design cycles, enhance productivity, and optimize performance.
Oracle	BBB/Stable	AI embedded in Fusion Cloud Applications, integrated into databases and analytics. AI Agents to automate business processes. Code Assist to help developers write codes more efficiently.
Uber	BBB+/Positive	Leverage AI for autonomous vehicle development, adopting AI in internal operations for efficiency and accuracy.

Source: Fitch

Are there regional differences in credit impact?

Regional divergence seems inevitable.

The United States is already pulling ahead, with recent productivity gains—estimated by S&P to have lifted potential growth by 0.4% to 0.5%—driven by sustained investment in energy transition technologies and the rapid diffusion of AI. The CHIPS Act has amplified this trend, funnelling subsidies into domestic semiconductor capacity—from fabs and tools to advanced packaging—laying the hardware foundation for scalable AI adoption.
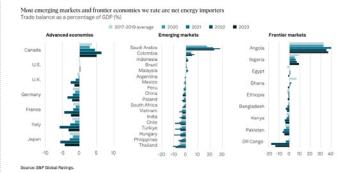
Credit resilience will naturally cluster in economies with abundant power supply, faster permitting processes, and deep capital markets—conditions that favour the US above emerging markets.

By contrast, many emerging market companies face tighter financing conditions and higher capital costs, stretching the timeline for AI payoffs.

Emerging-market liquidity has greatly improved in recent months, buoyed by a softer US dollar and investors' search for yield. Yet borrowing costs remain elevated. Should global growth lose momentum, and the dollar strengthen, the tide could swiftly turn. External shocks could test underlying vulnerabilities, tightening financing access and leaving emerging market borrowers once again facing funding strain.

Compounding the risk, most emerging markets are net energy importers (Chart 5). Higher energy prices could prompt emerging market central banks to recalibrate policy—slowing or pausing monetary easing cycles—and tighten funding conditions for corporates.

Chart 5

Most emerging markets and frontier economies we rate are net energy importers
Trade balance as a percentage of GDP (%)

Source: S&P Global Ratings.

Source: S&P

The Forward Path: testing balance sheets and what comes next

A sharp pullback in AI infrastructure spending could hit technology hardware revenues hard and erode rating headroom – falling profit margins, weaker cash flow, and tighter FFO-to-debt (FFO: fund from operating cash flow).

In a stress scenario modelled by Fitch—assuming a 50% collapse in AI-related revenues by 2027— experience a temporary spike in agency's adjusted leverage (debt-to-EBITDA), exceeding their leverage downgrade trigger (red in Table 6). Such breaches rarely prompt instant downgrades. While leverage is a key trigger, rating agencies weigh a wider mix of financial metrics and qualitative factors before acting. More importantly, ratings reflect corporate credit quality over the business cycle, not the noise of short-term earnings swings.

Table 6

Issuer	Rating	Sector	2025E Leverage	2027 Crash Scenario	Leverage Negative Trigger
Broadcom	BBB+/Positive	Accelerators & networking	1.7	2.2	2.5
Marvell	BBB/Stable	Accelerators & networking	1.4	2.3	2.5
Micron	BBB/Stable	High bandwidth memory	0.6	1.4	2.5
Seagate	BB+/Stable	Hard disk drives	1.9	3.4	3
Western Digital	BB+/Stable	Hard disk drives	1.5	2.6	3
Dell	BBB/Stable	Servers & PCs	1.6	2.2	2
HP Enterprise	BBB/Stable	Servers	1.3	1.8	2
NVIDIA	Not rated	GPUs and networking gear	0.1	0.1	n.a.
AMD	Not rated	GPUs and CPUs	0.5	0.7	n.a.

Source: Fitch, 2025E leverage is based on Fitch forecast for each's next fiscal year.

From 2026 onward, agencies expect AI to be a measurable differentiator in credit quality. Winners will show productivity gains, pricing power and operating expense efficiency that lift margins and stabilize cash flow, improving debt-service capacity and opening the door to upgrades. Laggards—over-spending, mis-executing, or falling behind—risk free cash flow erosion, higher leverage and potential downgrades. By 2027, agencies anticipate AI readiness to be embedded into sector scorecards under "business risk" and "financial policy" factors, moving it from narrative to numeric driver.

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