



The AI Decade

Welcome to the Fourth
Industrial Revolution

Alexander Mees | Head of Research, Morgans | October 2026

Is this the start of a correction, or pause for breath?



PHLX Semiconductor Index (SOX), daily close, last 12 months



Source: Nasdaq, PHLX Semiconductor Index, 16 October 2025–16 October 2026.



“Technological change is
not synonymous with
investment success.”

Carlota Perez

Economic historian



“A lot of investors have no clue what they are investing in.”

Hock Tan

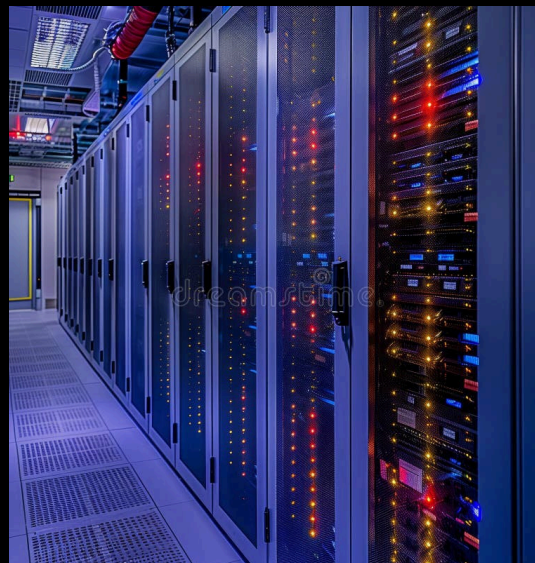
Chief Executive Officer, Broadcom

Four unanswered questions



01

How much are the hyperscalers going to spend?



02

Will they ever see a return on this investment?



03

Who is ultimately going to pay?



04

What will happen to the jobs market?



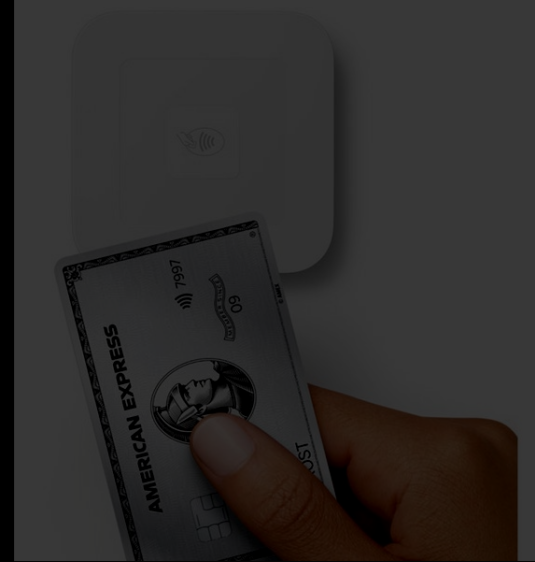
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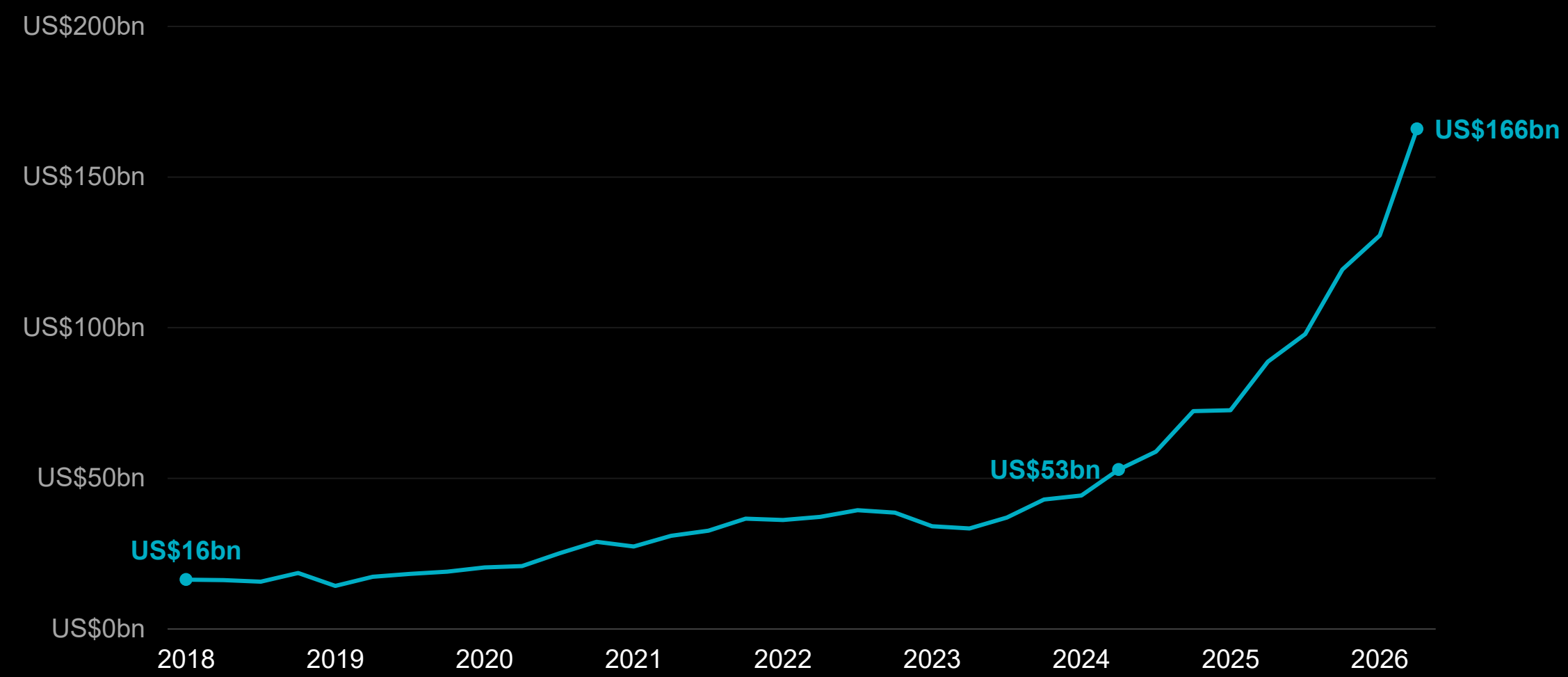
04

What will happen to the jobs market?

Data-centre spending has tripled in two years



Quarterly spending on data centres and equipment, Amazon, Microsoft, Alphabet and Meta combined, US\$bn

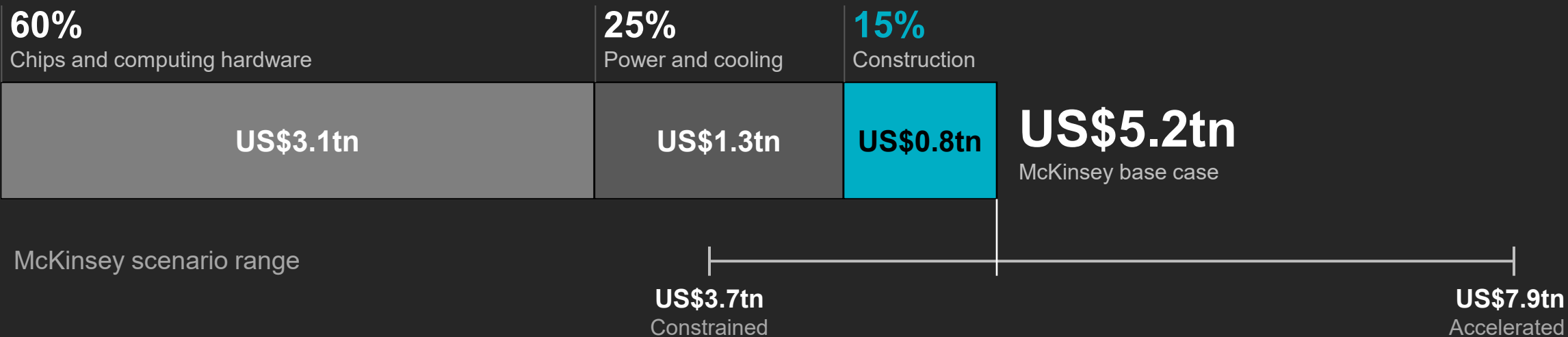


Source: Company filings (Amazon, Microsoft, Alphabet, Meta), calendar quarters. Purchases of property and equipment; Microsoft cash paid for PP&E excludes finance leases; Meta includes finance-lease principal from 2025.

On track to spend US\$5 trillion in five years



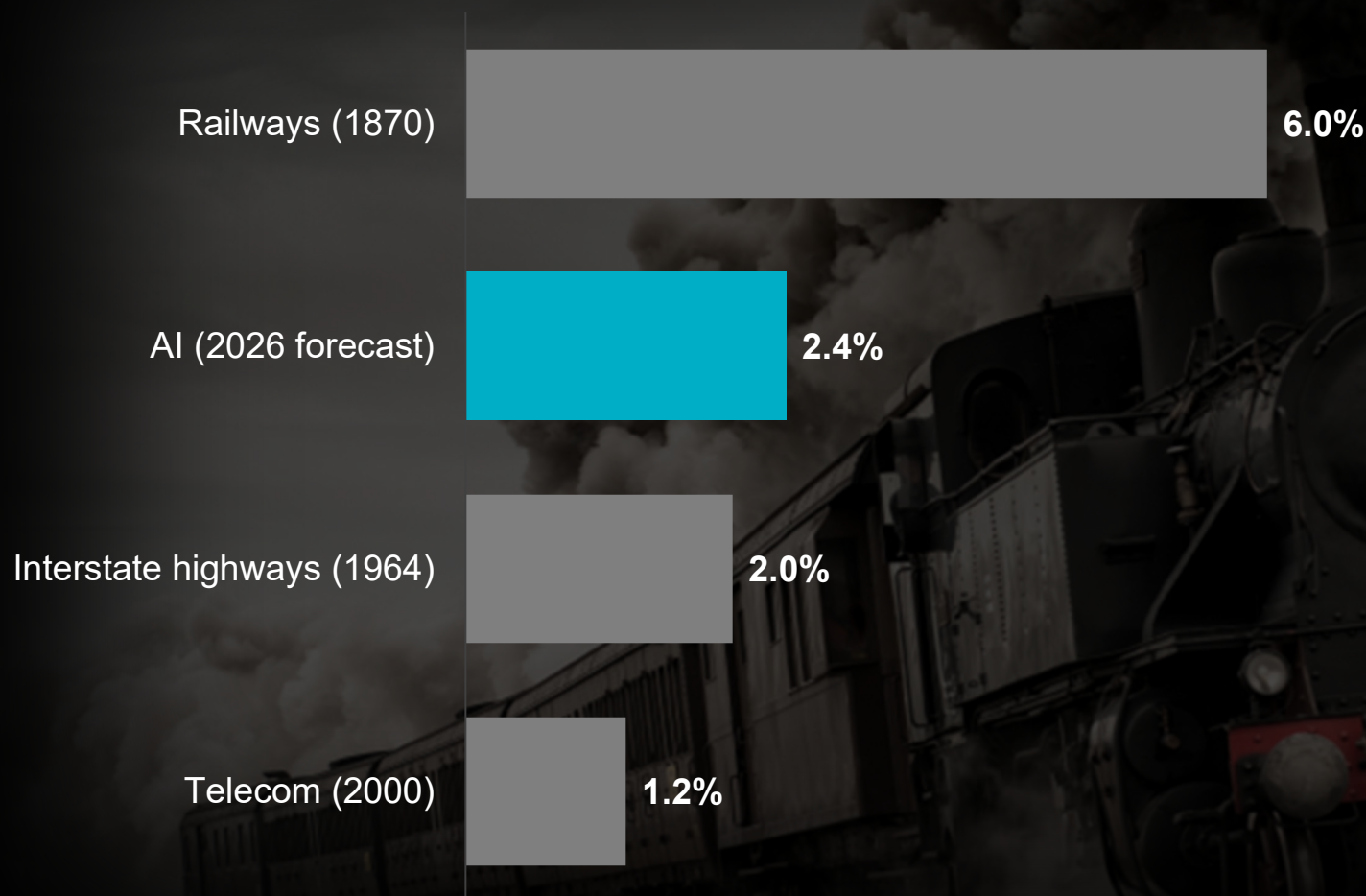
AI data-centre capex, cumulative 2025-2030, by where the money goes



Source: McKinsey & Company, "The cost of compute: A \$7 trillion race to scale data centers", April 2025. Base case; shares of AI-related capex by investor group (technology developers, energisers, builders).

AI spending is big, but railways were bigger

Peak spending as % of US GDP, by investment wave



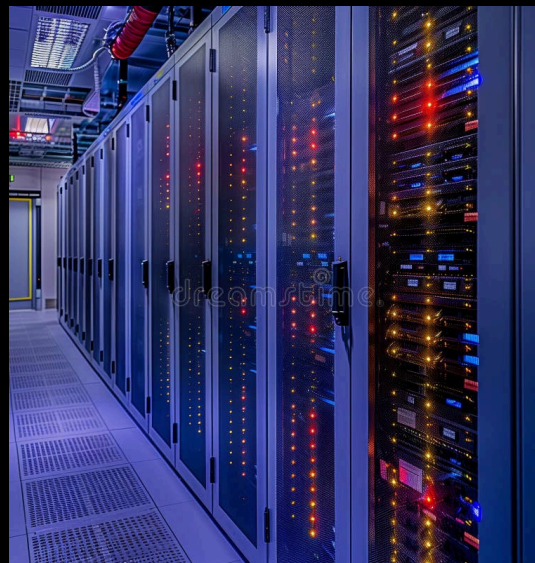
9% → 32%

of AI spending is now paid for with borrowed money (2024 vs 12 months to June 2026)



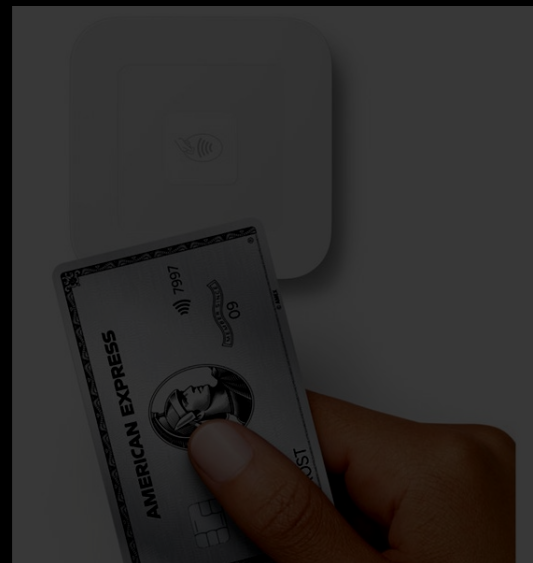
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The revenue is real



+82%

Google Cloud growth vs last year
US\$99bn annual run rate

+43%

Azure growth vs last year
US\$100bn+ revenue in FY26

+37%

AWS growth vs last year
US\$169bn annual run rate

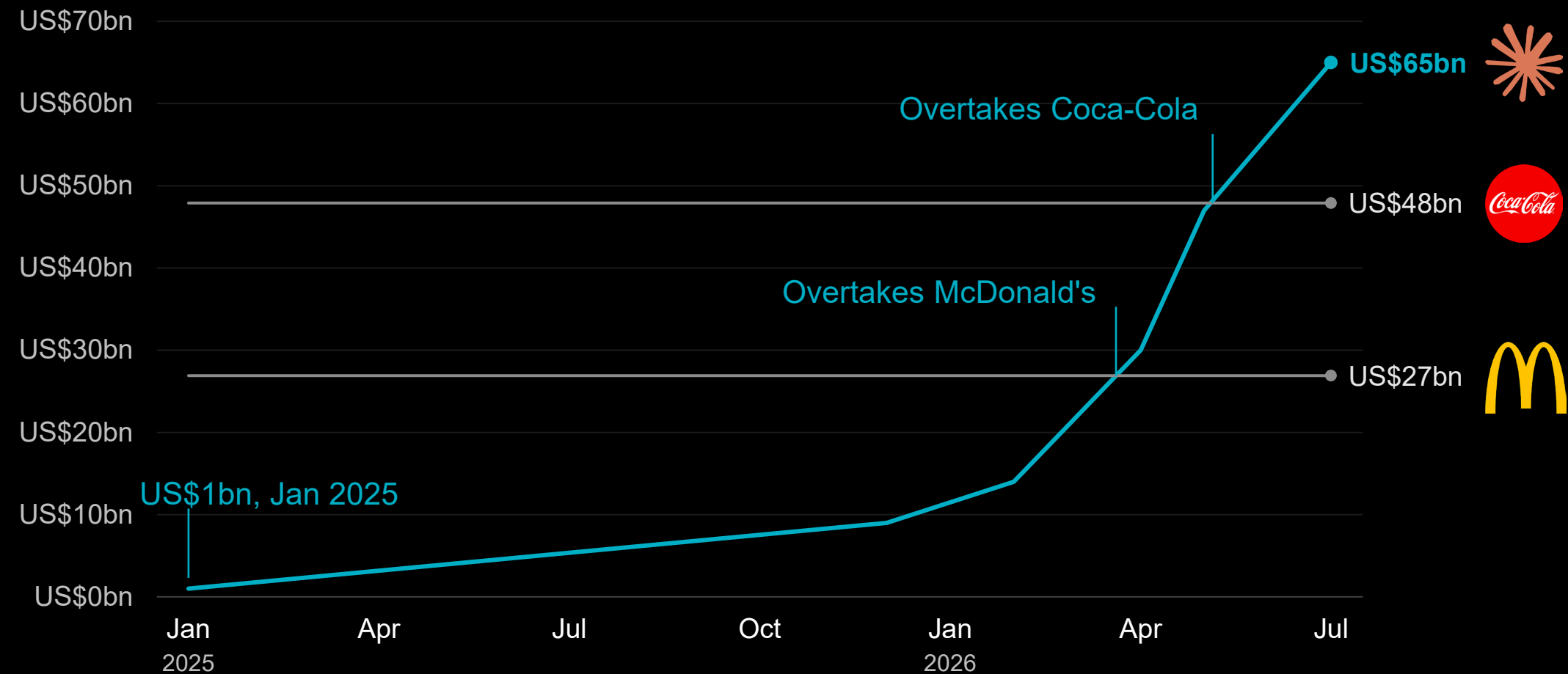
Microsoft and Google Cloud also hold **US\$1.2tn of signed future contracts**

Note: growth is revenue for the latest reported quarter vs the same quarter a year earlier (Azure in constant currency). Signed future contracts are remaining performance obligations at June 2026 (Microsoft US\$678bn, Google Cloud US\$514bn). Source: company reports.

Anthropic now generates more revenue than Coca-Cola



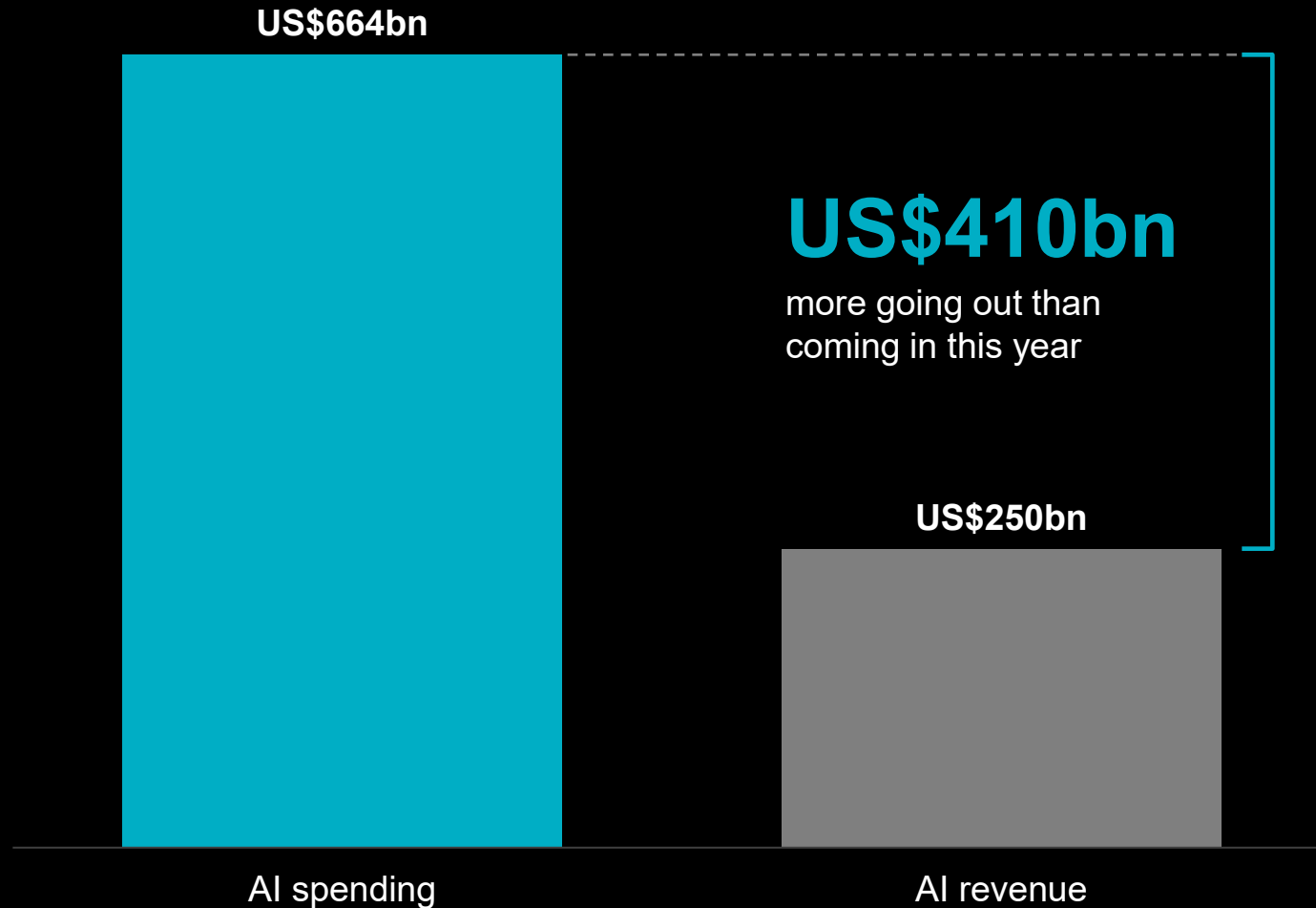
Anthropic's current yearly pace of revenue vs annual revenue of household names, US\$bn



Note: current yearly pace = latest month of revenue × 12; Coca-Cola and McDonald's are calendar 2025 revenue (Nike US\$46bn, Netflix US\$45bn sit just below Coca-Cola). Source: Anthropic via CNBC, Bloomberg; company reports.

AI spending is still more than double AI sales

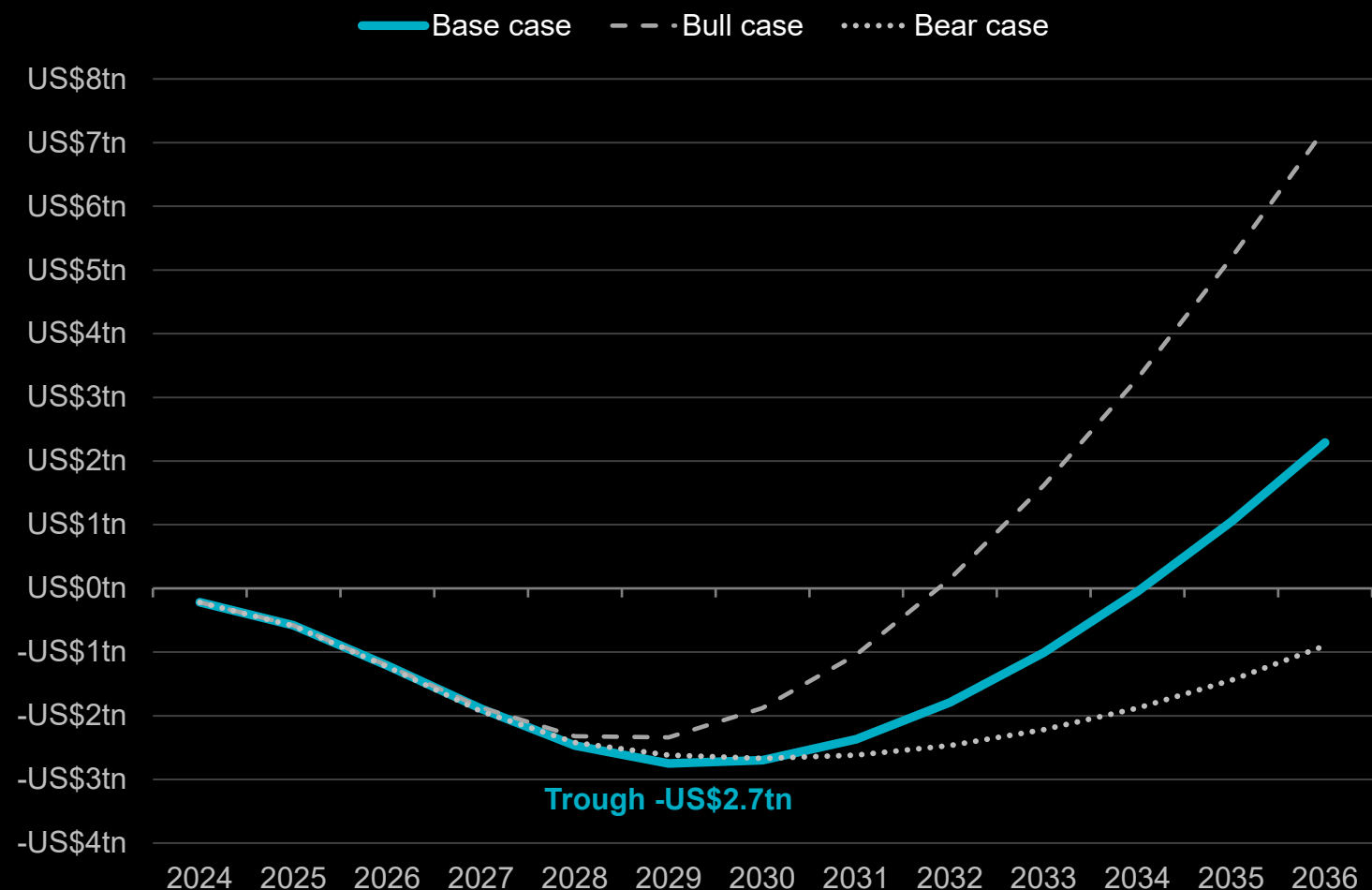
AI spending vs AI revenue, 2026



Note: spending is Big Tech's Q2 2026 data-centre spending (US\$166bn) at a yearly pace; revenue is the Morgans 2026 estimate used on the next slide. Source: company reports, Morgans.

The gap will close, but not until the mid-2030s

Net cash flows in the AI industry, US\$tn



2034-35

Break-even year



US\$2.7tn

Most cash out, in 2029



~16%

Return on capital by 2036

Source: Morgans illustration, not a forecast. Base case: AI capex US\$5.4tn over 2025-30 (McKinsey base case US\$5.2tn), then US\$1tn a year; AI revenue ~US\$250bn in 2026, US\$1.5tn in 2030, US\$3.2tn in 2036; operating costs 30% of revenue; hardware depreciated over six years; 20% tax.



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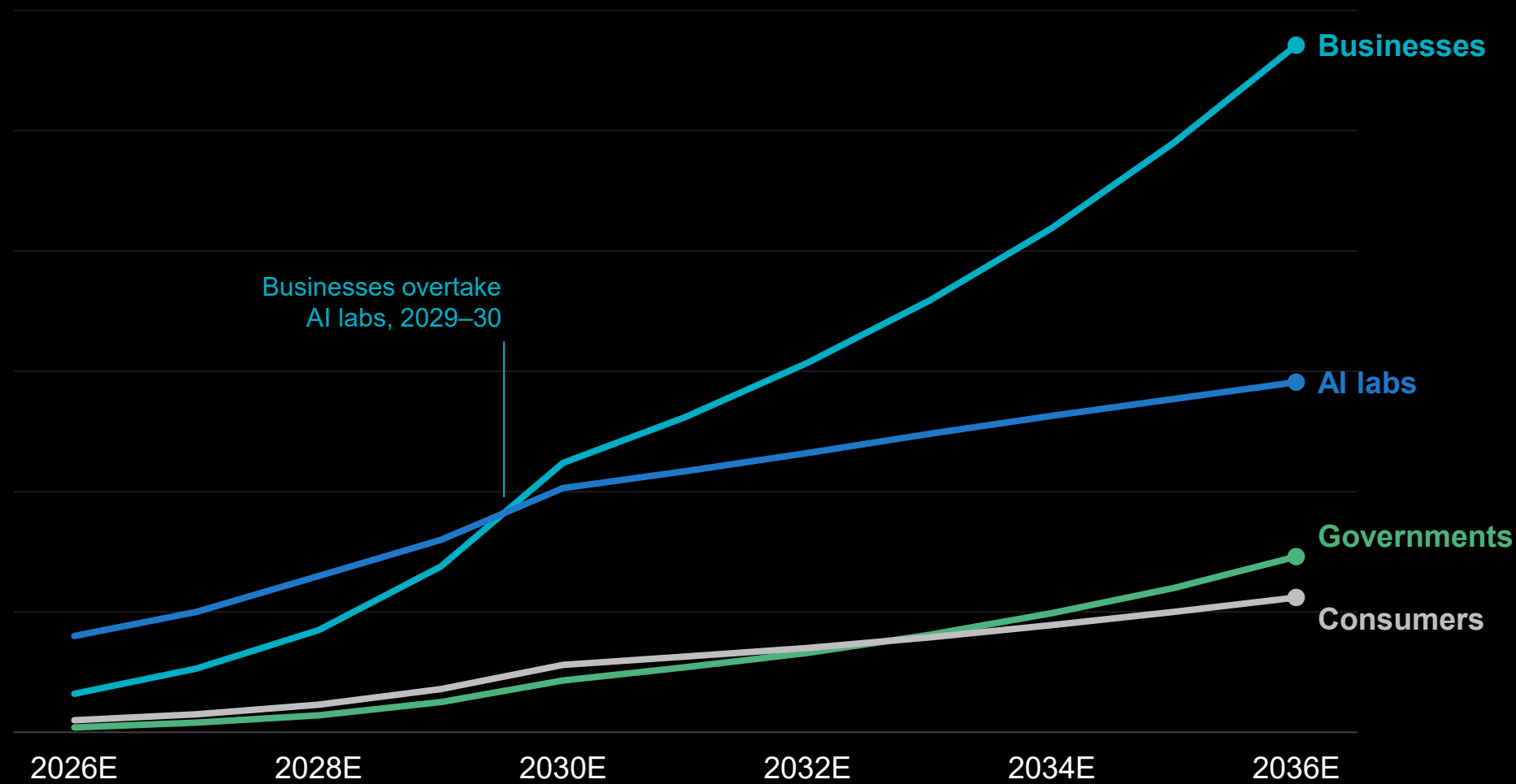
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What will happen to the jobs market?

The AI labs pay today; businesses pay tomorrow



AI revenue by buyer



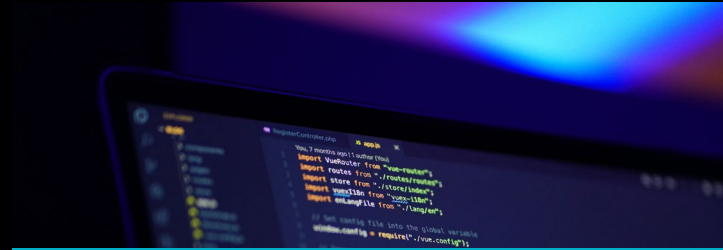
Illustrative, not a forecast.

Six jobs businesses will use AI to do in 2036



Customer service

AI agents resolve most queries end to end, by voice and chat, around the clock



Software

Agents write, test and maintain most code; engineers set direction and review it



Finance and back office

Bookkeeping, audit checks and compliance run continuously, not at month end



Sales and marketing

Campaigns, quotes and content are tailored to each customer



Healthcare

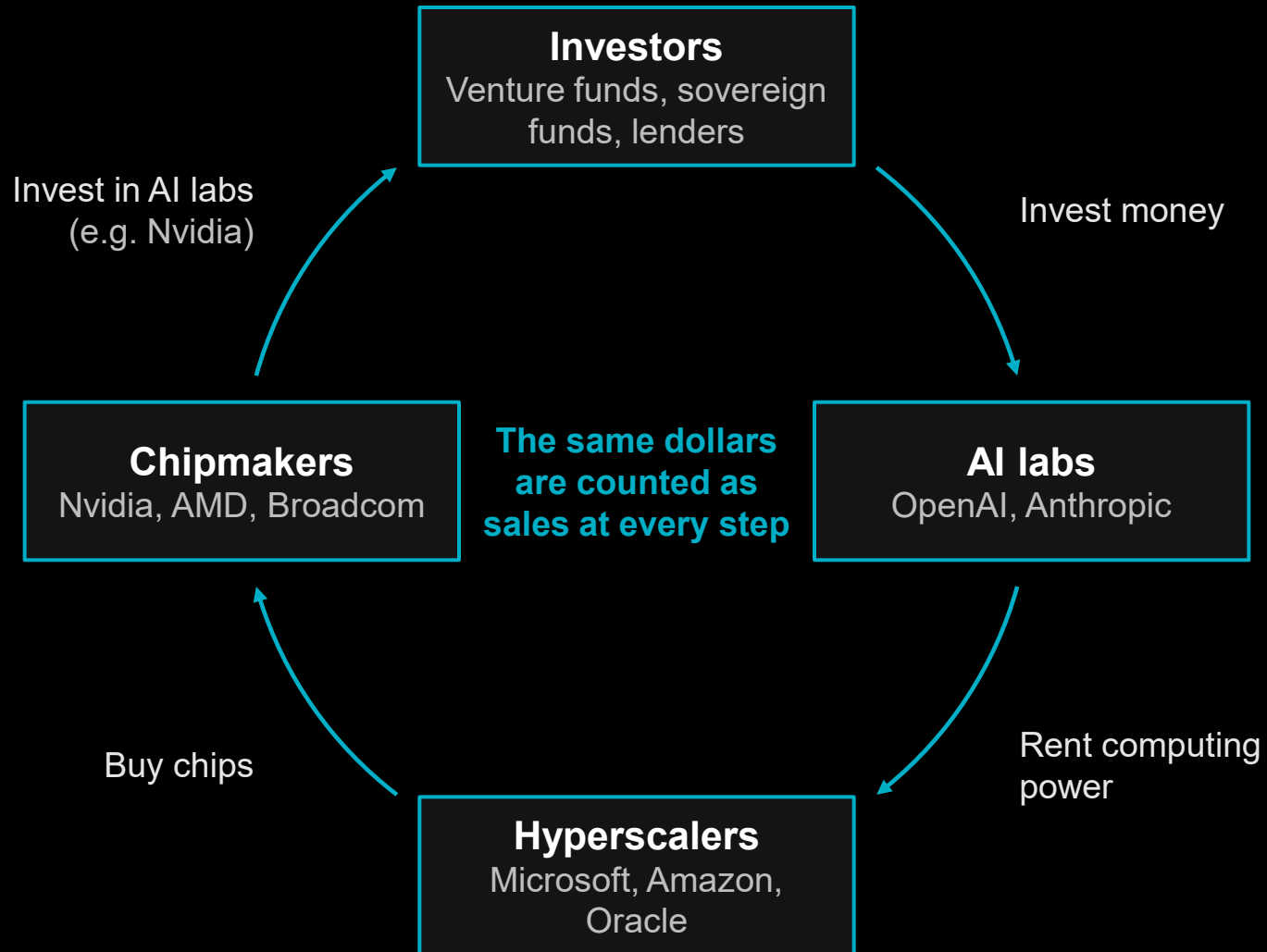
AI reads scans, drafts clinical notes and speeds up drug discovery



Industry and logistics

Robots, predictive maintenance and supply chains that replan in real time

Beware: the same AI money goes round in circles



Source: company reports.





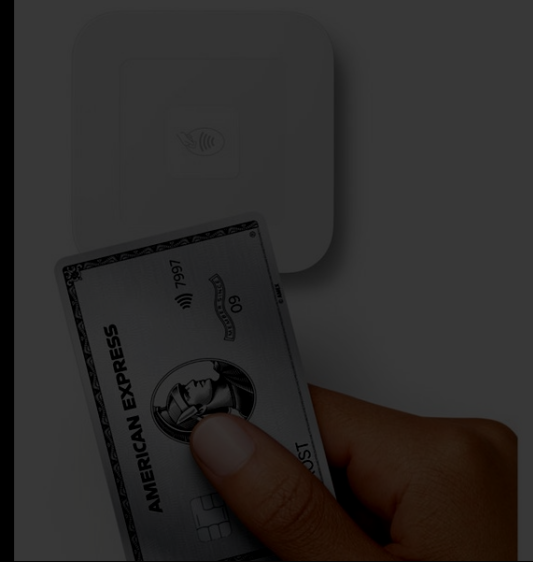
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So far, AI is not visible in the unemployment data



Rise in US unemployment rate since 2022, by how exposed a job is to AI



+0.77 points

Most exposed to AI

e.g. bookkeepers, accountants, software developers,
customer service reps



+0.85 points

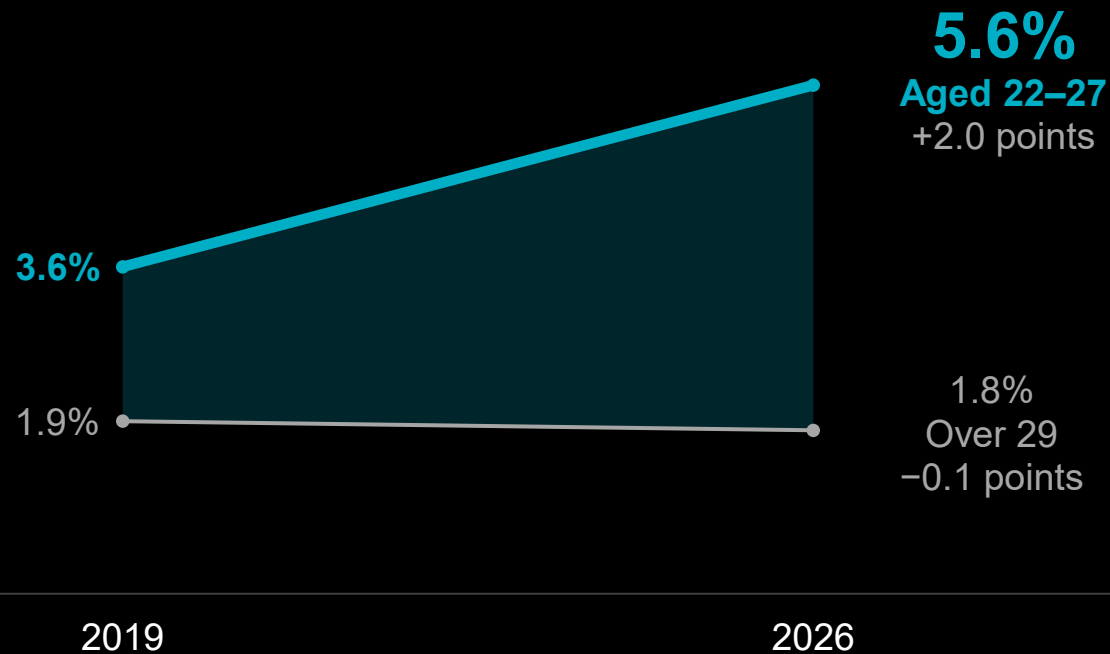
Least exposed to AI

e.g. personal trainers, dancers, roofers, construction
labourers

Note: jobs ranked by exposure to AI and split into fifths; compares the most and least exposed fifths. Exposure measure from Felten, Raj and Seamans (2021), as used in the report. Source: 'What is really happening to jobs? Separating AI hype from reality' (Stanford Institute for Economic Policy Research, July 2026).

But entry level is the pressure point

US unemployment rate for college graduates: recent graduates, vs over 29s, %



64% of the rise is from
remote work, not AI



Australia: young workers
not yet affected



Note: recent graduates are ages 22-27, March 2019 and March 2026; over-29 figures are 2017-19 and 2022-25 averages. Source: New York Fed, The Labor Market for Recent College Graduates and Liberty Street Economics (June 2026); Fairlie and Wu, NBER Working Paper 35796 (Sept 2026); Australian Government, AI and Employment report (July 2026).

Jobs will change, not disappear



60%

of today's jobs **did not exist in 1940**

6-7% of workers could be displaced by AI

+0.5 points temporary rise in unemployment

Note: displacement estimate assumes wide AI adoption over about ten years. Source: Goldman Sachs Research, Briggs and Dong (August 2025); 1940 comparison from Autor et al., cited by Goldman Sachs.

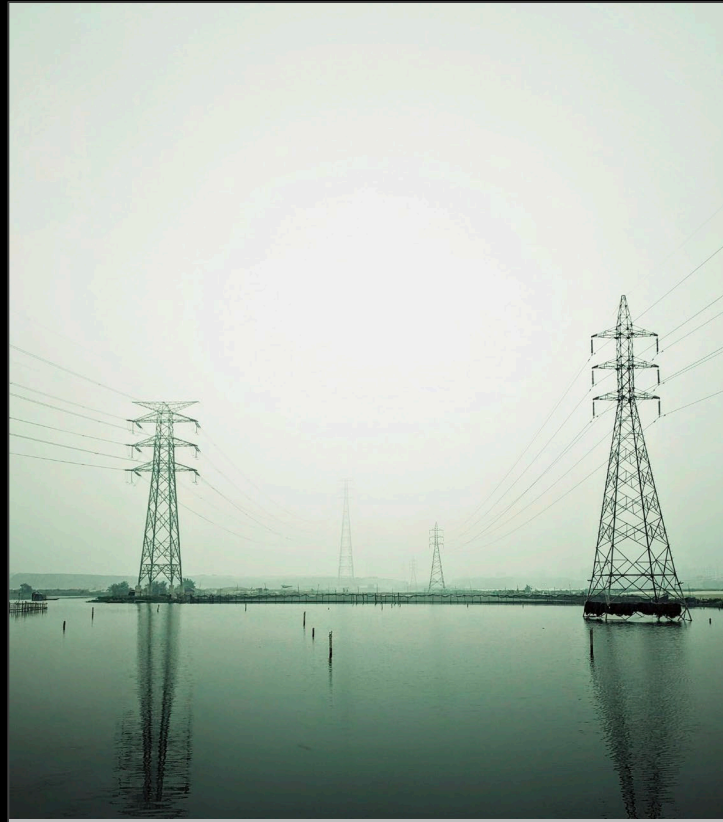
Where do we go from here?



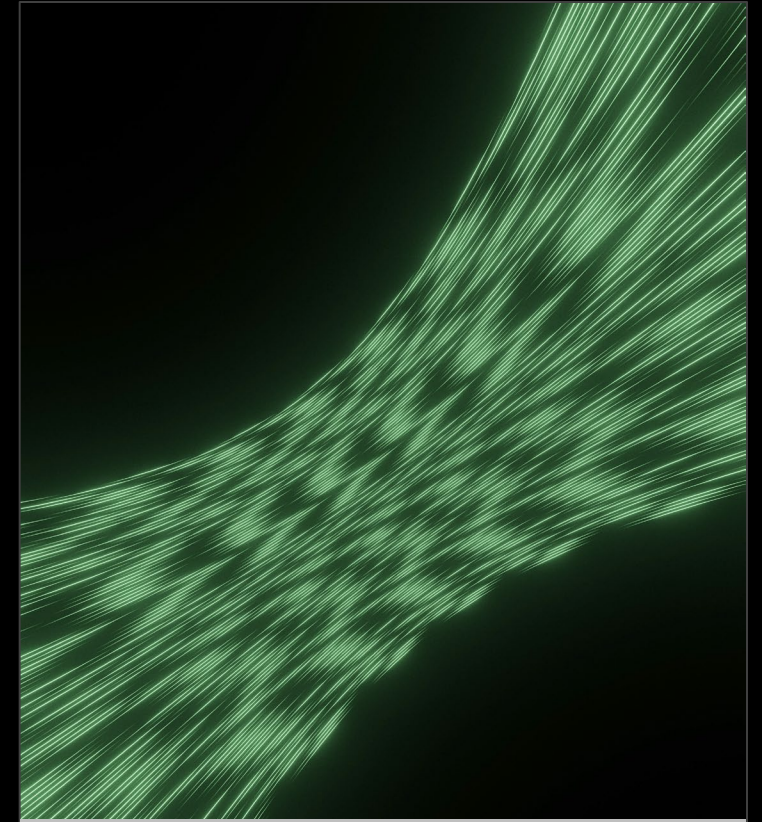
Three ways the decade will play out



55% probability
Railway Base case



25% probability
Electricity Bull case



20% probability
Fibre Bear case

Four things you can do



01

Don't overpay



02

**Back those with
financial strength**



03

**Look further
downstream**



04

Beware of the hype

Four different investments to consider



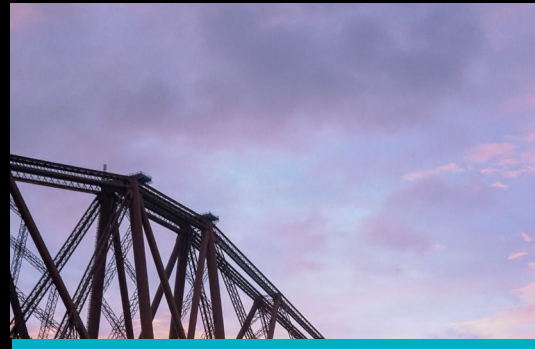
01

AI at a fair price

Quality AI leaders not priced for perfection

Stocks: Alphabet, TSMC, Samsung Electronics

ETFs: iShares Asia 50 (IAA), VanEck Morningstar Wide Moat (MOAT)



02

Cashed-up builders

Paying for AI from cash flow, not debt

Stocks: Microsoft, Amazon, ASML

ETFs: VanEck MSCI International Quality (QUAL)



03

Providers of compute

Essential infrastructure, power and cooling

Stocks: GE Vernova, Schneider Electric, NEXTDC, Goodman

ETFs: Global X Data Center (DTCR)

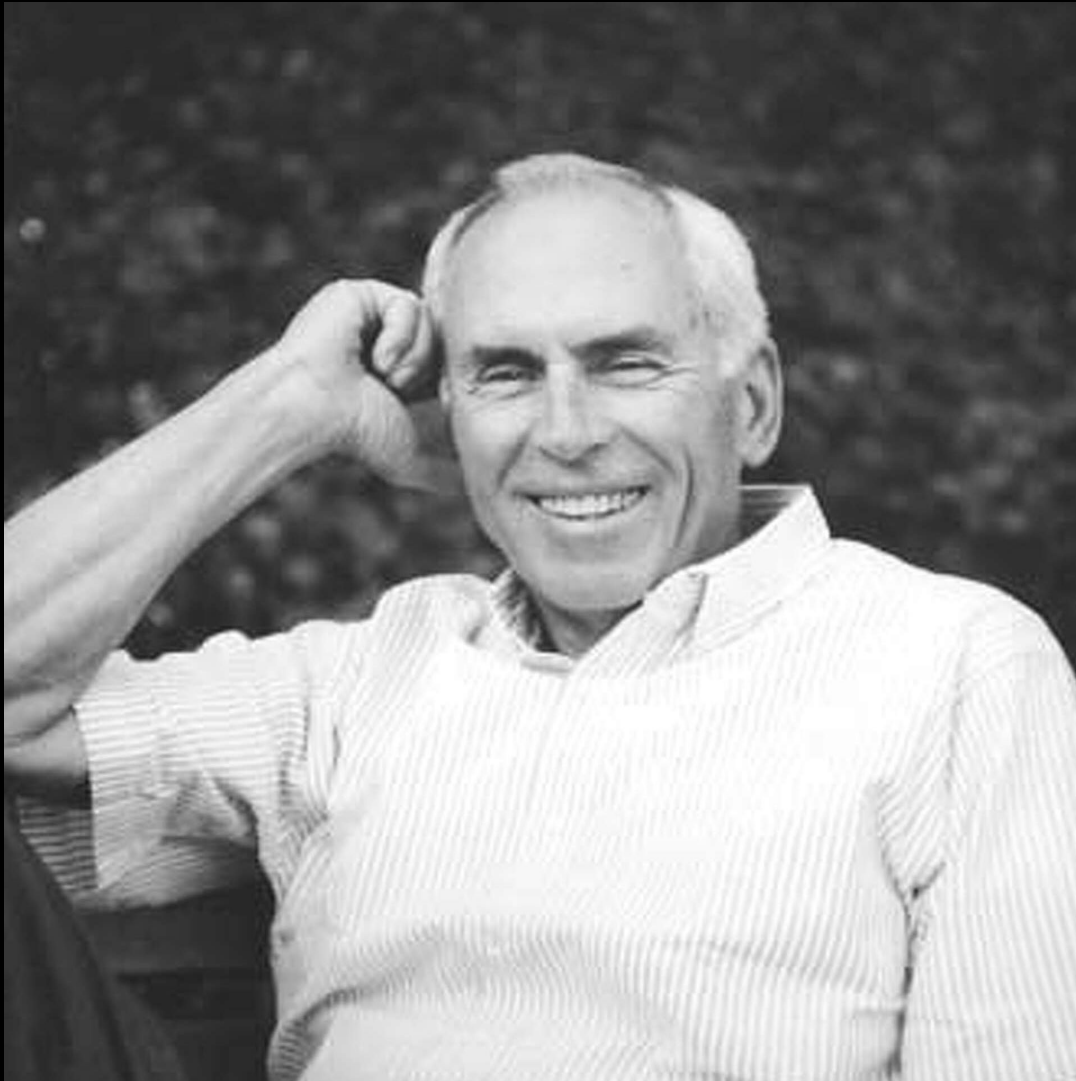


04

Can't decide?

Spread risk across the AI value chain

ETFs: Global X Artificial Intelligence (GXAI), Global X AI Infrastructure ETF (ASX: AINF)



“We tend to overestimate
the effect of a technology in
the short run and
underestimate the effect in
the long run.”

Roy Amara
Futurist



Thank you

Alexander Mees | Head of Research, Morgans | October 2026

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