asset 360 ONE

panorama

October 2025

Key Insights:

AI-led investment strongly supports the US economy, but AI's impact on job losses is overstated

- Tech's contribution (AI-driven) to growth has climbed since Dec'24, while consumption's share has fallen
- Sustained fall in leading economic indicators signals weakening momentum in the US
- Youth unemployment typically rises more sharply than overall unemployment during economic downturns
- Hence, rising youth unemployment is not conclusive evidence of AI-related job losses
- In India, hiring in AI-vulnerable BPO/ITES/CRM/Transcription roles has surged recently

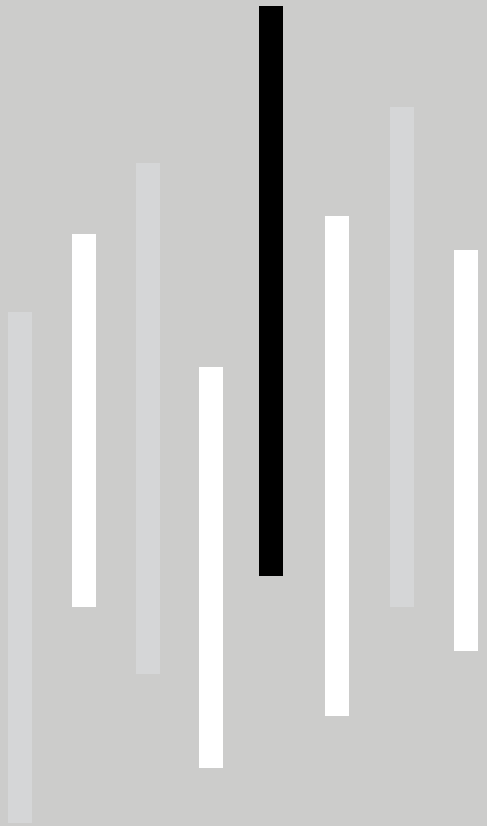
AI boosts productivity, but companies struggle with integration

- IT, management, and financial services report higher usage of generative AI and the greatest time savings
- Firms report a decline in AI adoption as they struggle to identify use cases and integrate it into workflows
- Firms report rising 'workslop' - AI-generated work that appears polished but lacks meaningful substance
- AI is likely to increase the skill premium, boosting wages and employment for skilled over unskilled workers
- Tech advancements also tend to decrease labour's share of GDP and increase capital's share

AI may sustain or modestly improve growth rather than significantly accelerate it

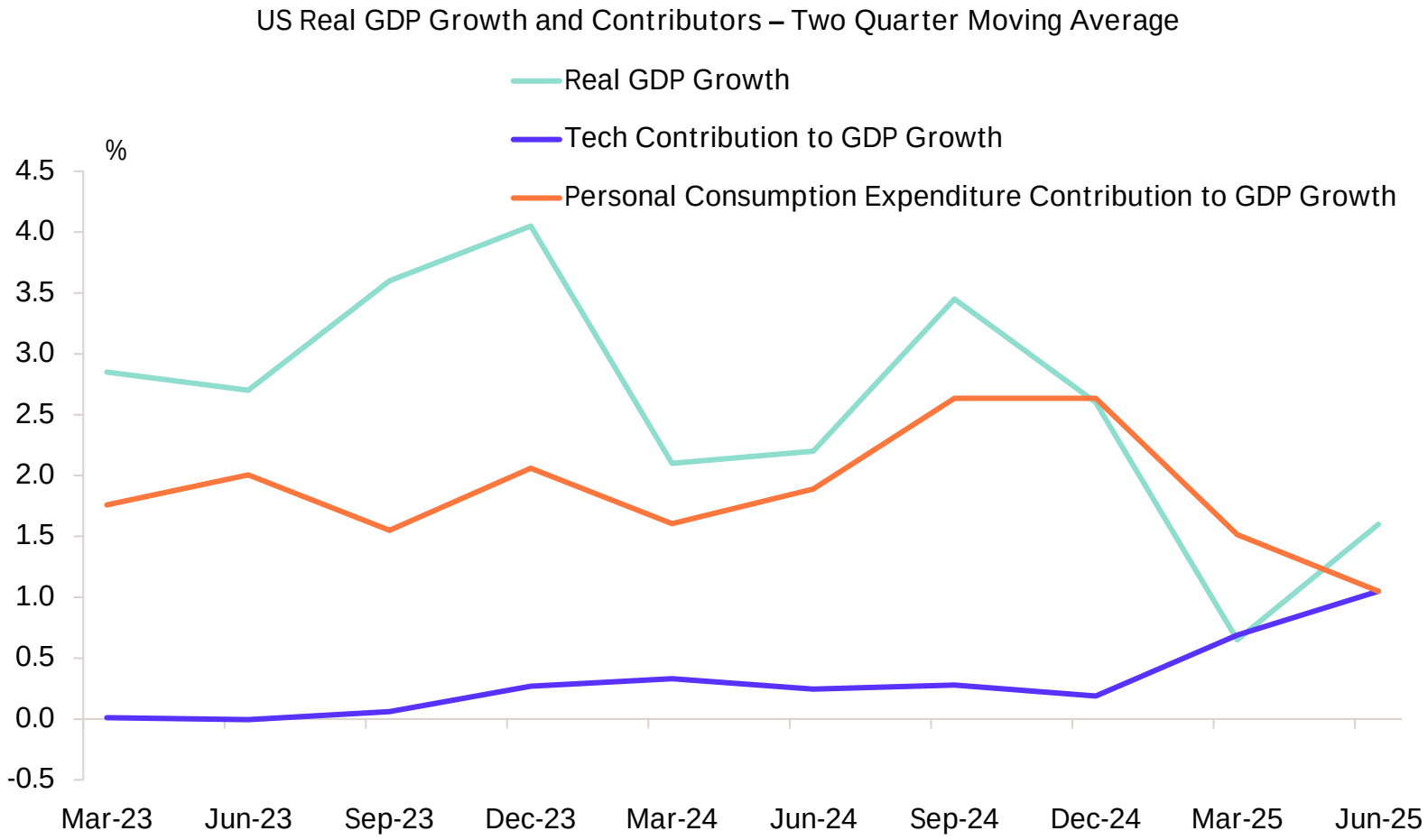
- AI stocks fuel US market cap gains through earnings growth and valuation expansion
- Hyperscaler capex surges to ~60% of cash flow by 2025-27 (from 40% in 2022-23) on AI infra demand
- Tech investment mirrors the early telecom boom, but AI has fueled a sharper, faster construction surge
- AI could accelerate the discovery of new ideas, potentially raising long-term productivity growth

Artificial Intelligence and its Impact



US economic activity is strongly supported by the AI-related capex

Tech's contribution to economic growth has climbed since Dec'24, while personal consumption's share has fallen



The US economy's recent growth has been heavily supported by AI-related capex, with the tech sector's GDP contribution now rivalling personal consumption despite representing only ~6% of GDP versus ~69% for consumption

Notably, the tech sector's share understates total AI investment, as it excludes spending on data centre construction, power infrastructure, and other AI-driven investments

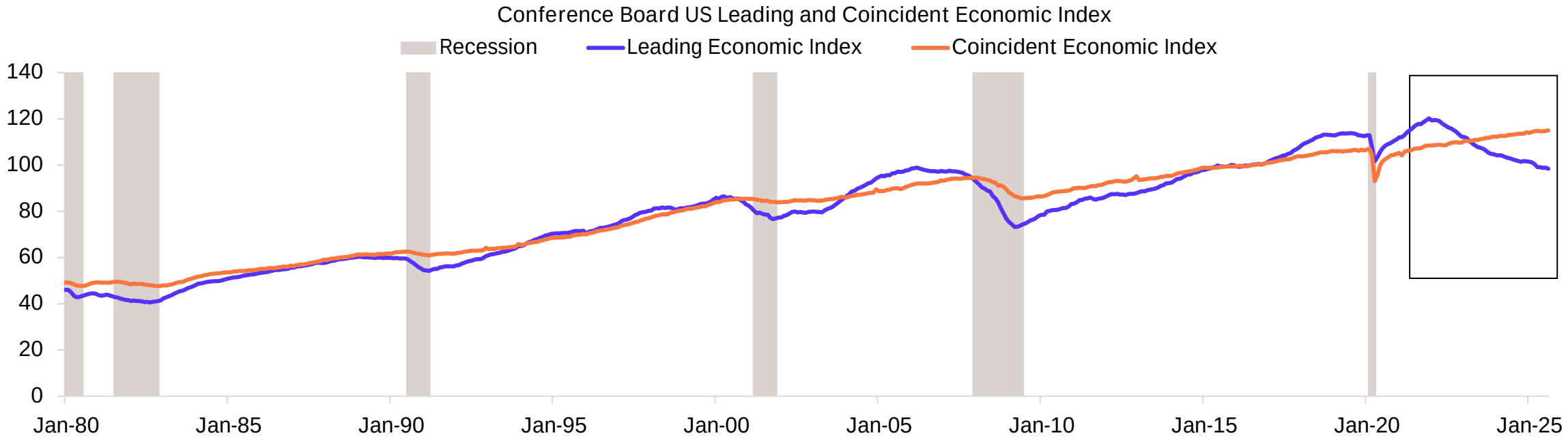
Although part of tech capex goes toward imported computing equipment - limiting its net GDP effect - AI-related investment activity in the US has nonetheless surged

Source: FRED, 360 ONE Asset Research

Note: Tech contribution includes investment in information processing equipment and software

Underlying economic momentum is showing clear signs of weakening

A sustained fall in the Leading Economic Index points to signs of an emerging economic slowdown



The Conference Board's Leading Economic Index (LEI) has been steadily declining since 2022, signalling persistent and steady weakness in economic activity

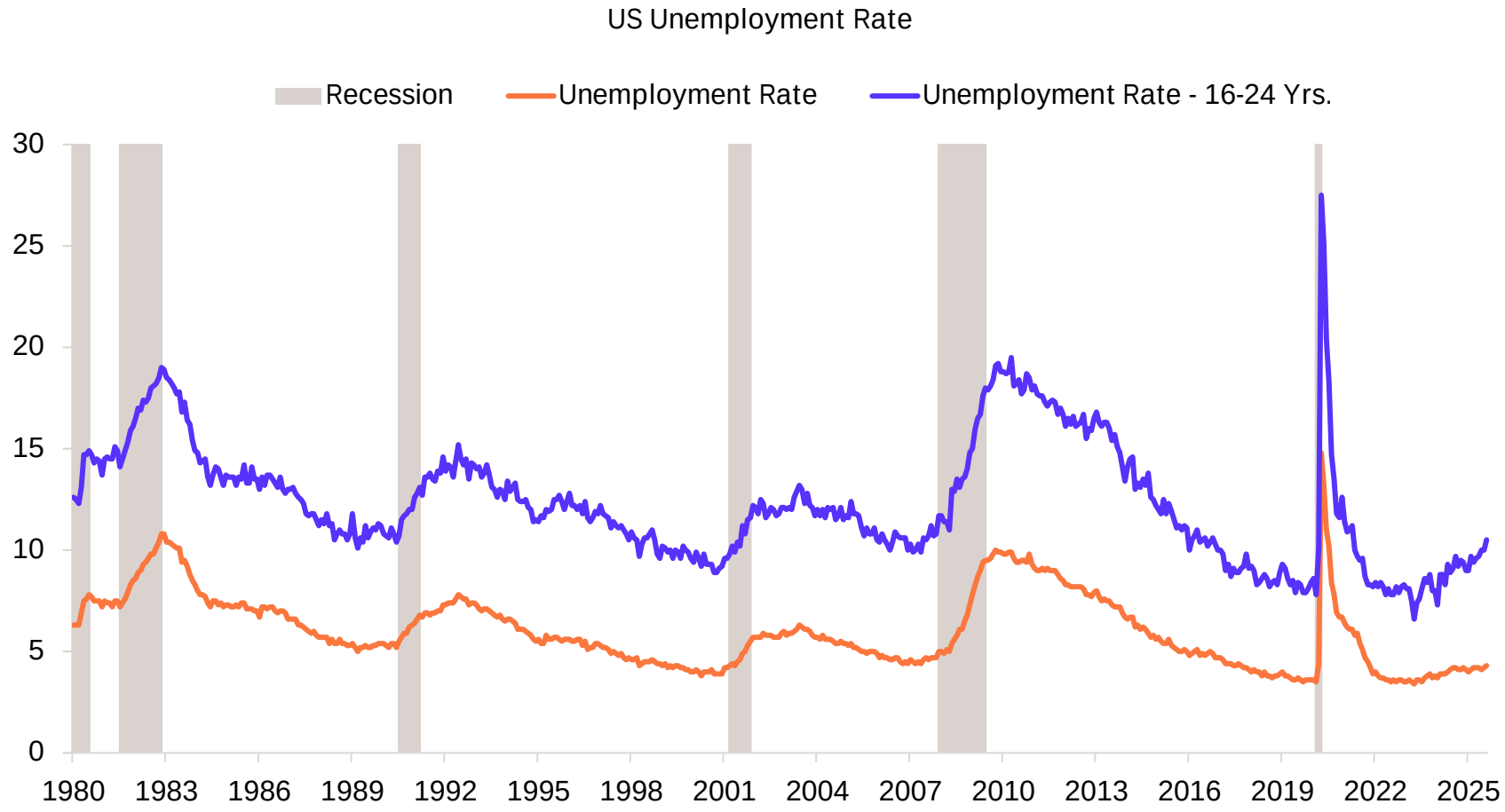
The Coincident Economic Index (CEI) has largely held firm so far; however, historically, the LEI has tended to weaken well before the CEI and has therefore served as an early warning signal

Large and persistent fiscal support, together with AI-driven investment and the wealth effects from the AI-led surge in market capitalization, may have collectively cushioned the U.S. economy so far

Source: The Conference Board, 360 ONE Asset Research

AI's impact on the labour market appears overstated

Weak labor market appears to reflect broader economic softness rather than the effects of AI



Rising youth unemployment (ages 16–24) is often cited as evidence of AI's labour market impact

However, youth unemployment historically rises more sharply than overall unemployment during economic weakness

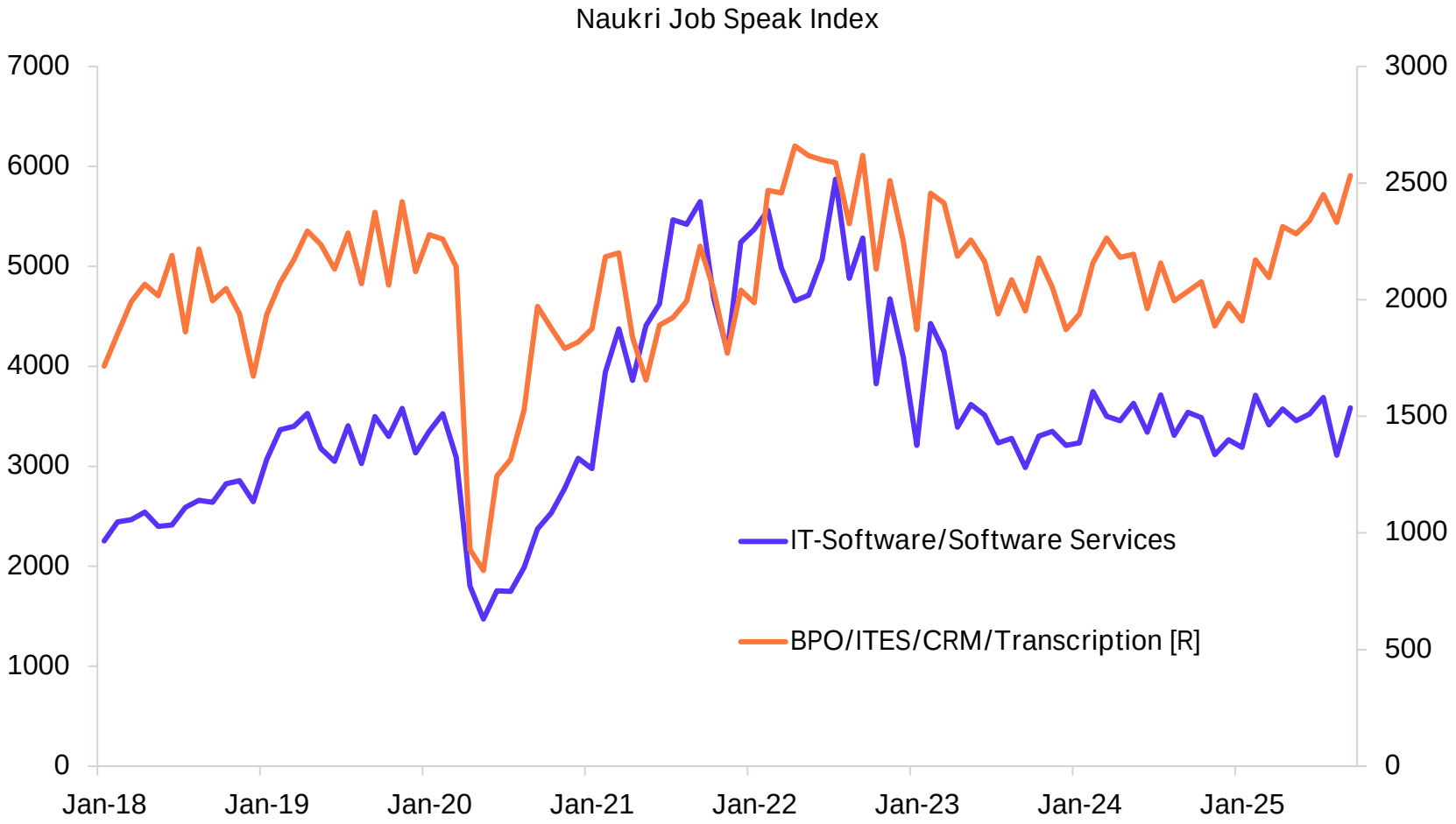
Erratic policy and heightened uncertainty may also have contributed to recent youth joblessness

While firms may be delaying entry-level hiring to assess AI integration in lower-skill roles, this doesn't appear to be the primary driver of current labour market weakness

Source: FRED, 360 ONE Asset Research

Hiring surges in India’s AI-vulnerable sectors despite automation risk

Weak IT sector hiring reflects the broader US economic slowdown, a key market for India's IT exports



In India, the recent slowdown in IT hiring is increasingly being linked to the rise of AI

However, much of the weakness in the IT sector also reflects the broader economic slowdown in the US, which remains a key market for India’s IT exports

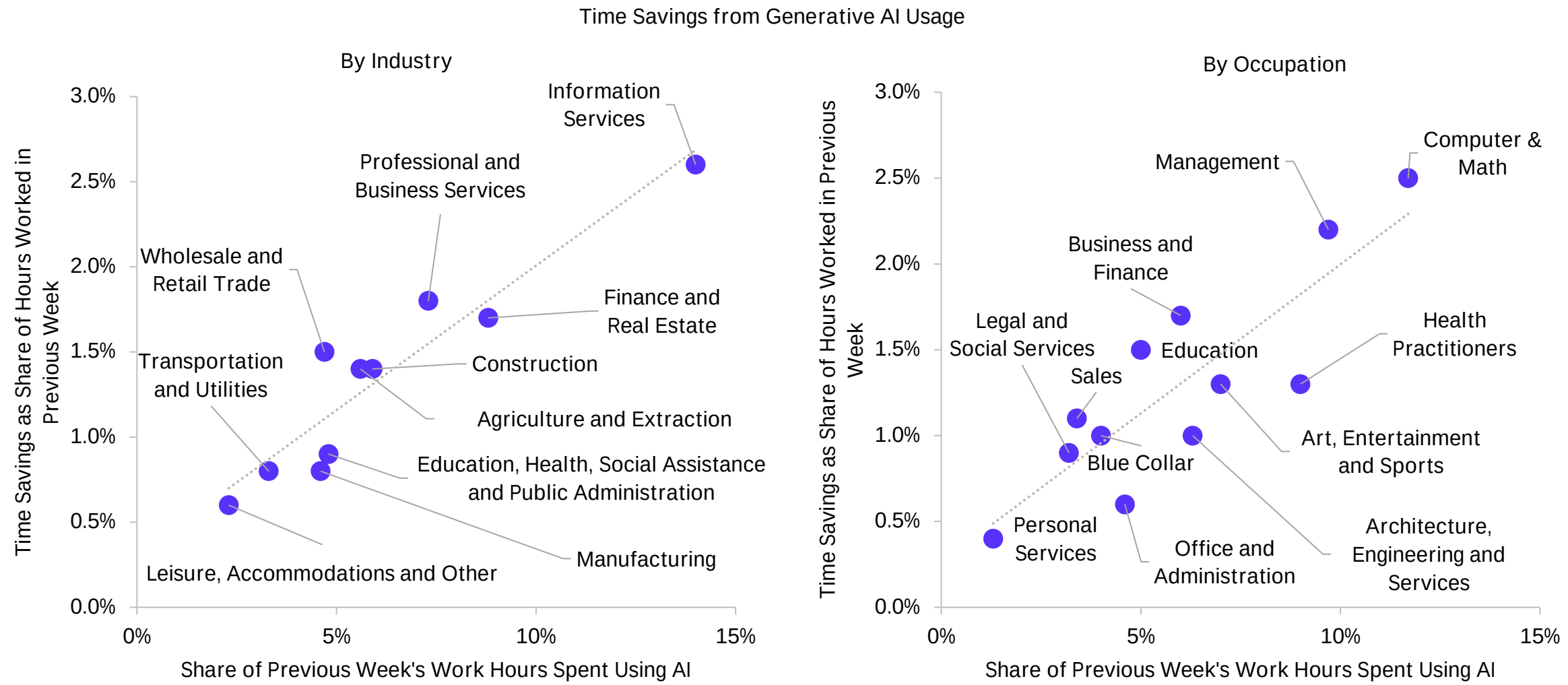
Interestingly, hiring in BPO/ITES/CRM/ Transcription roles - often viewed as the most vulnerable to AI-driven automation - has surged in recent months

This suggests that the impact of AI on employment, at least for now, may be overstated even in India

Source: CMIE, 360 ONE Asset Research

AI has clearly led to an improvement in productivity

IT, management, and financial services report higher usage of generative AI and the most significant time savings

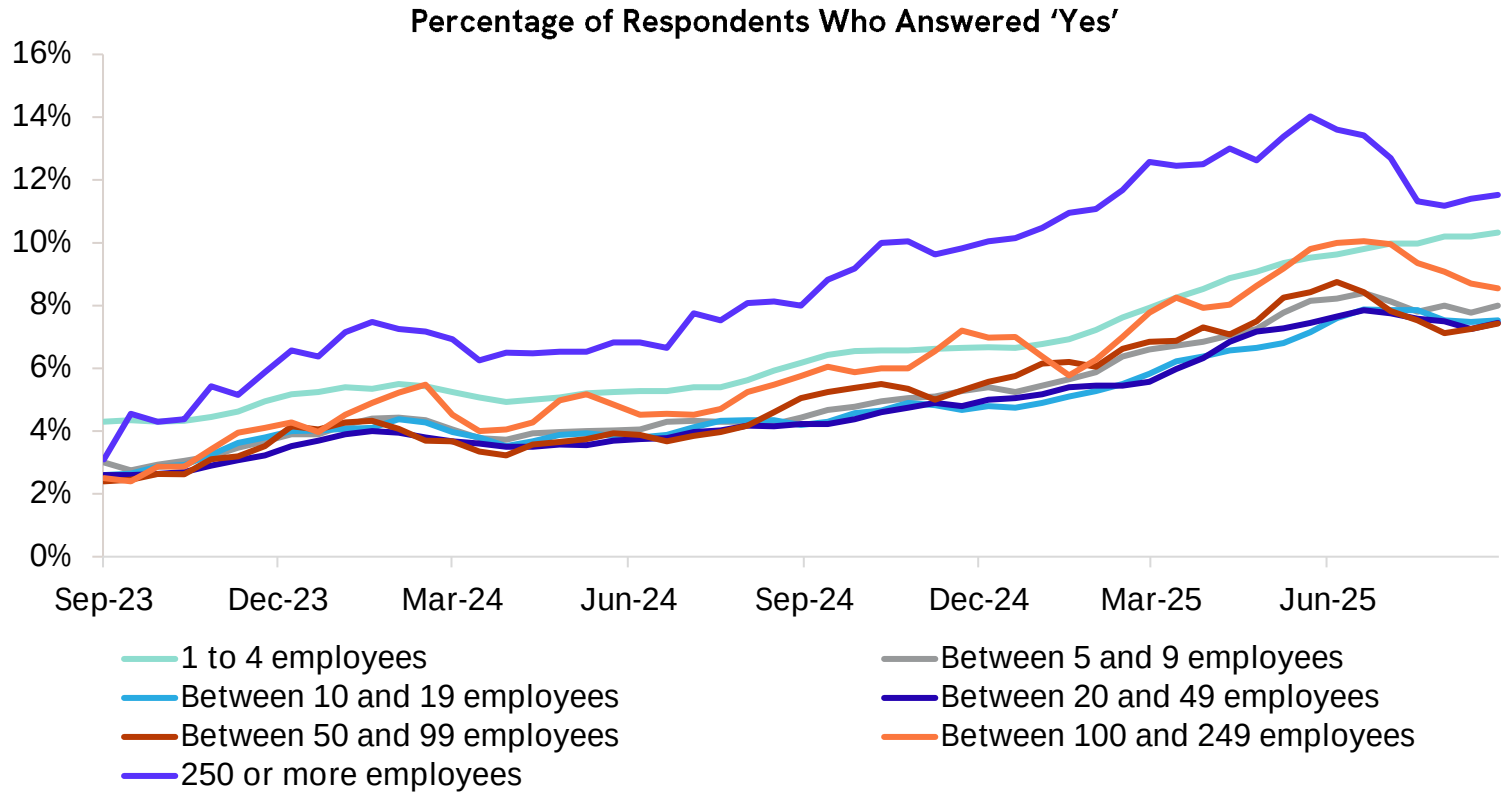


Source: Bick, Blandin, Deming - Federal Reserve Bank of St. Louis

Firms are reporting a decline in the use of AI

Organisations are finding it difficult to identify tangible use cases or integrate AI into their workflows

In the last two weeks, did this business use Artificial Intelligence (AI) in producing goods or services? (Examples of AI: machine learning, natural language processing, virtual agents, voice recognition, etc.)



AI use among large US firm employees fell from 14% in June 2025 to 11.5% by September, suggesting difficulty identifying tangible use cases

A McKinsey study found 80% of companies saw no significant bottom-line impact from generative AI, while 42% abandoned projects entirely

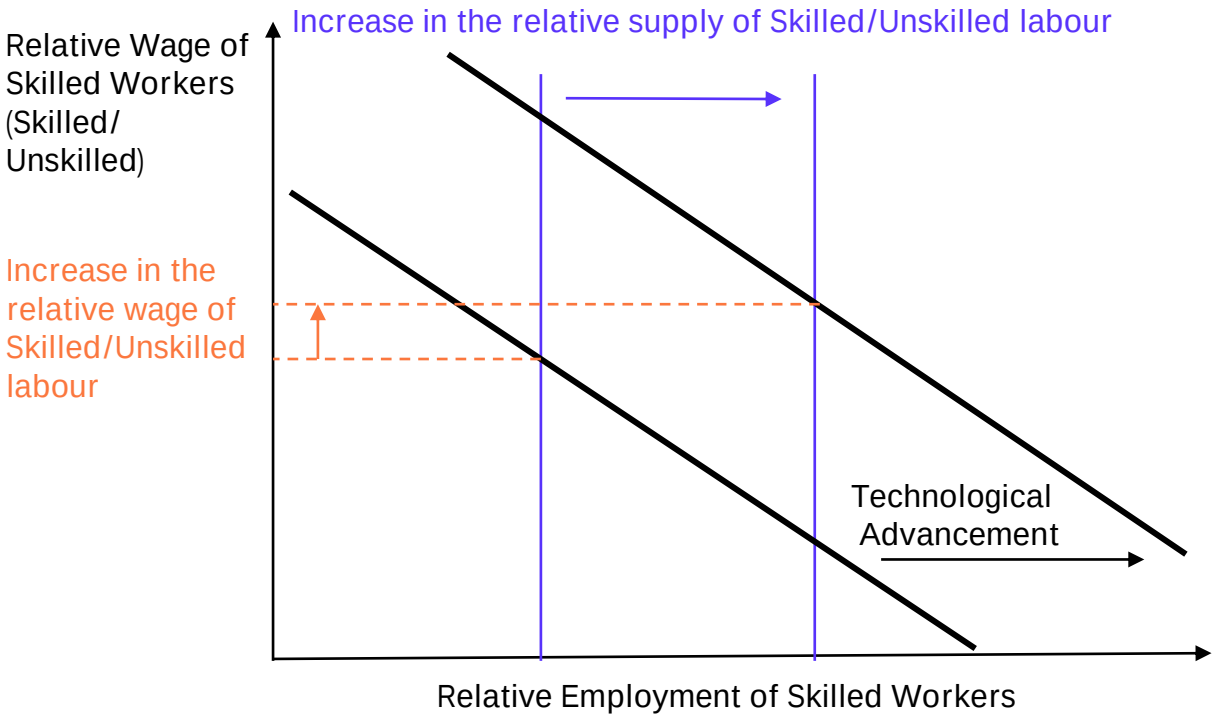
An MIT study reported 95% of AI pilots at large firms failed

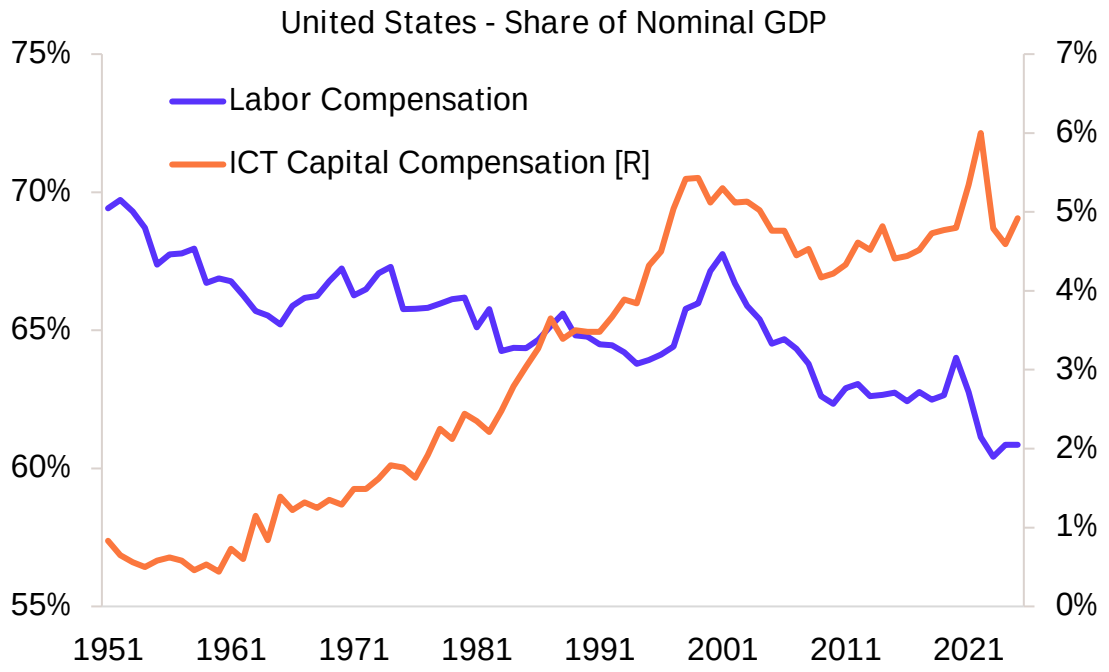
The Harvard Business Review coined "workslop" for AI-generated work that appears polished but lacks substance, shifting burdens downstream and draining rather than enhancing productivity

Source: US Census, News Reports, 360 ONE Asset Research

Technology advances favour high-skilled over low-skilled labor

Tech advancements also tend to decrease labour's share of GDP and increase capital's share





New technologies (like Computers, IT etc.) complement higher-skilled labor, raising its productivity, while substituting for lower-skilled labor

The result is a rising skill premium – wages for skilled workers increase relative to the unskilled – and employment shifts toward skilled roles

Technological progress tends to raise the share of income accruing to capital, while reducing the portion allocated to labour

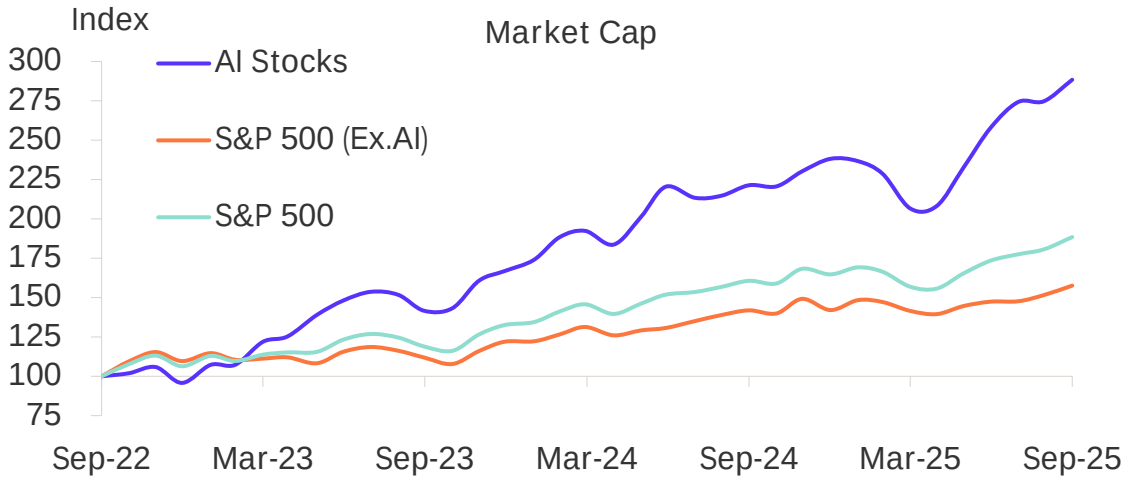
While technology makes economies more productive, much of the gain goes to capital, leaving workers with a smaller share of the benefits

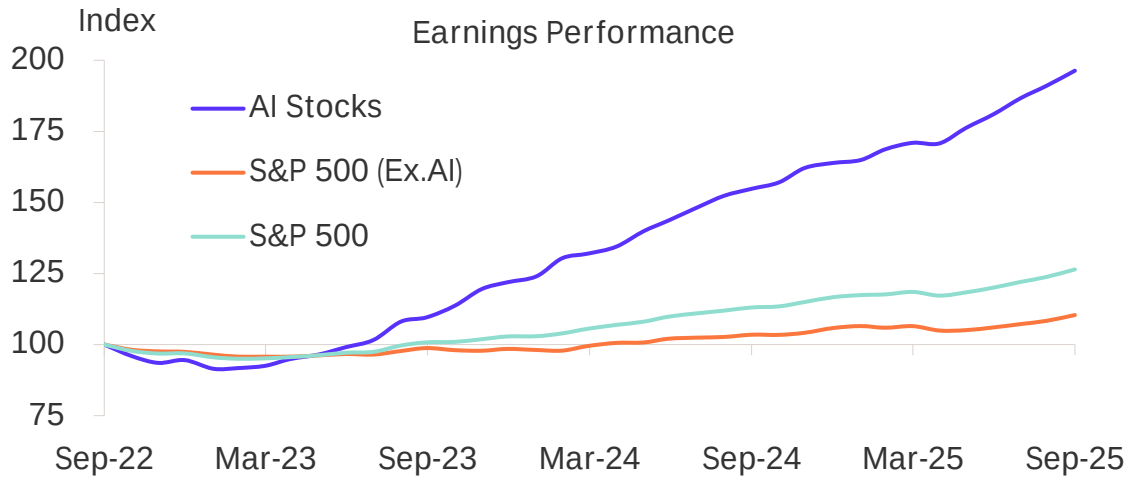
Source: The Conference Board, 360 ONE Asset Research

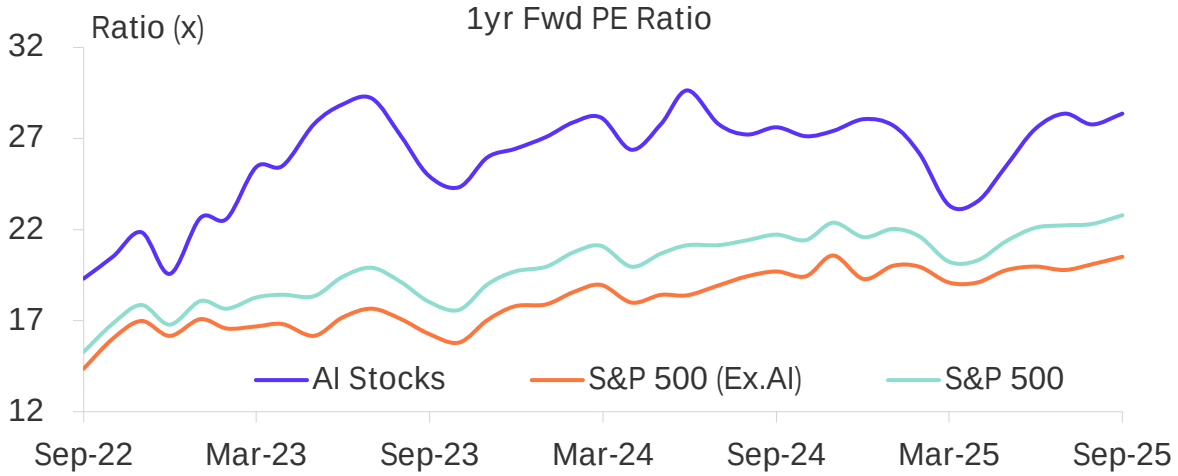
Note: ICT – Information and Communication Technology

US market capitalisation is driven by a surge in AI-related stocks

AI stocks have posted strong earnings growth, but valuations have also expanded notably







The sharp rise in US market capitalisation has been primarily driven by AI-related stocks

However, the increase has not been solely due to valuation re-rating; earnings growth in the AI segment has also outpaced that of the S&P 500 (ex-AI)

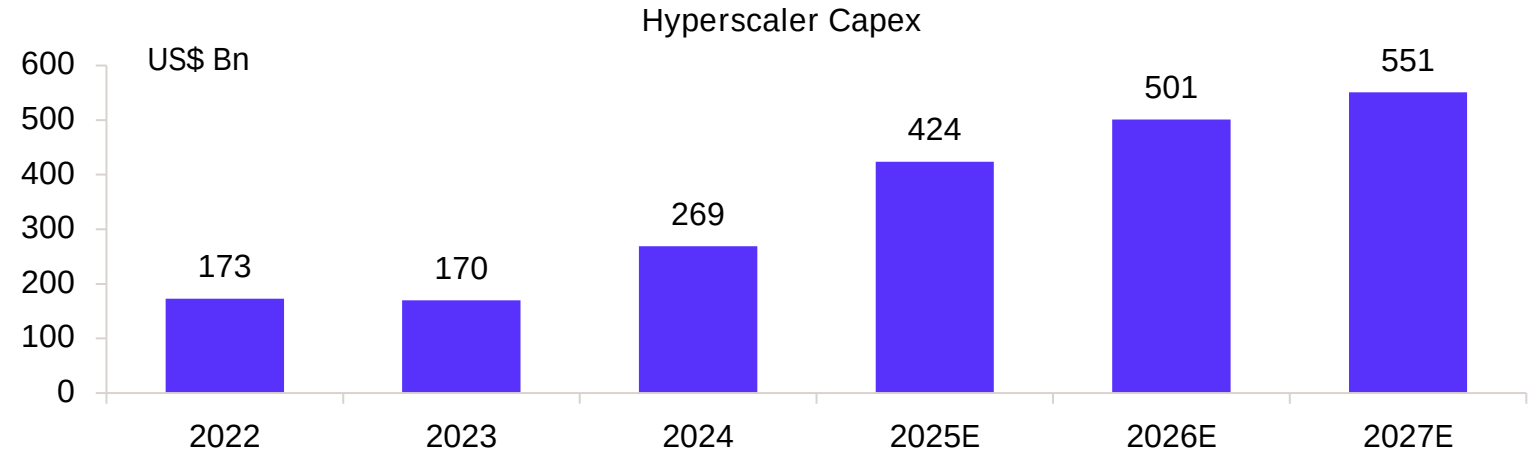
That said, valuations within the AI universe have expanded considerably and remain significantly higher than those of the broader S&P 500 index

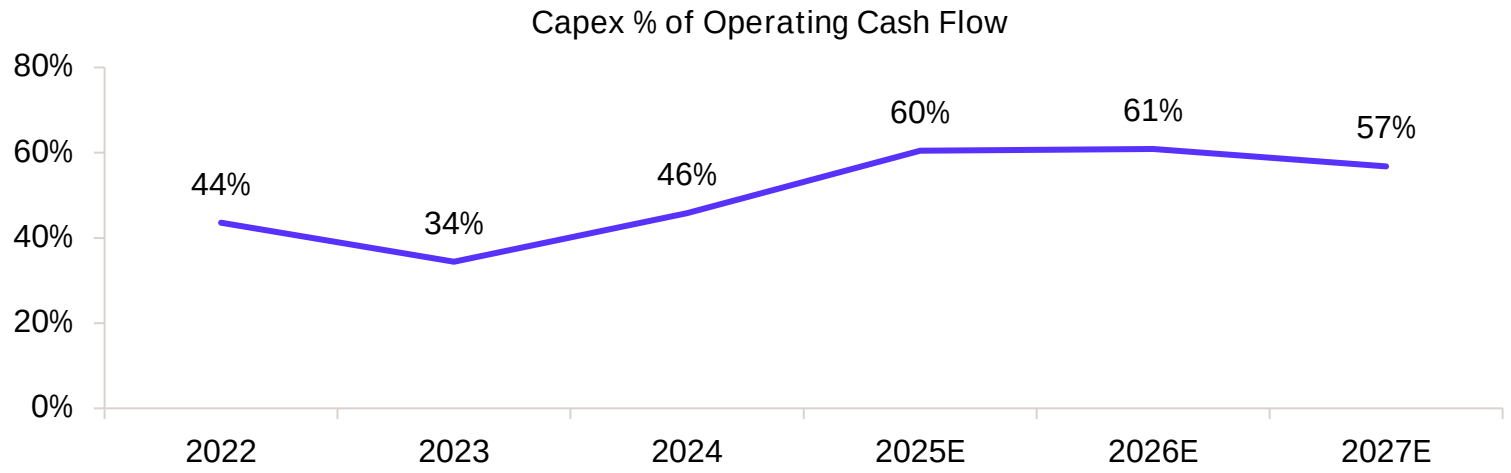
Source: Yes Securities, Bloomberg, 360 ONE Asset Research

Note: AI stocks based on top 20 companies from Bloomberg US 100 Index that develop, facilitate, or utilize artificial intelligence (AI) solutions

Hyperscaler capex is skyrocketing, primarily driven by AI infra needs

Capex % of operating cash flow expected to reach ~60% in 2025-27 from an average of 40% in 2022-23





Hyperscalers, large cloud providers operating massive and scalable data centres, are driving a surge in CapEx as they race to build AI infrastructure for training and deploying large language models (LLMs)

Capex as a percentage of operating cash flow expected to reach ~60% in 2025-27 from an average of 40% in 2022-23

Strong operating profits and healthy cash generation allow them to self-finance a significant share of their infrastructure investments

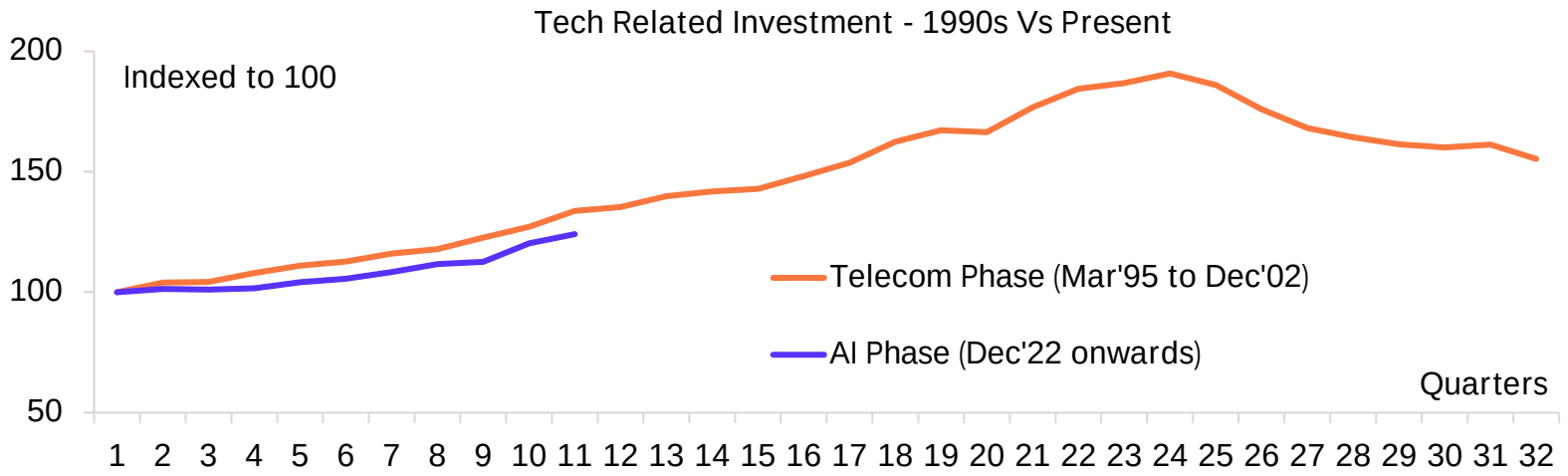
However, as expansion accelerates, hyperscalers are increasingly tapping external credit through bond issuances, and partnerships with institutional investors

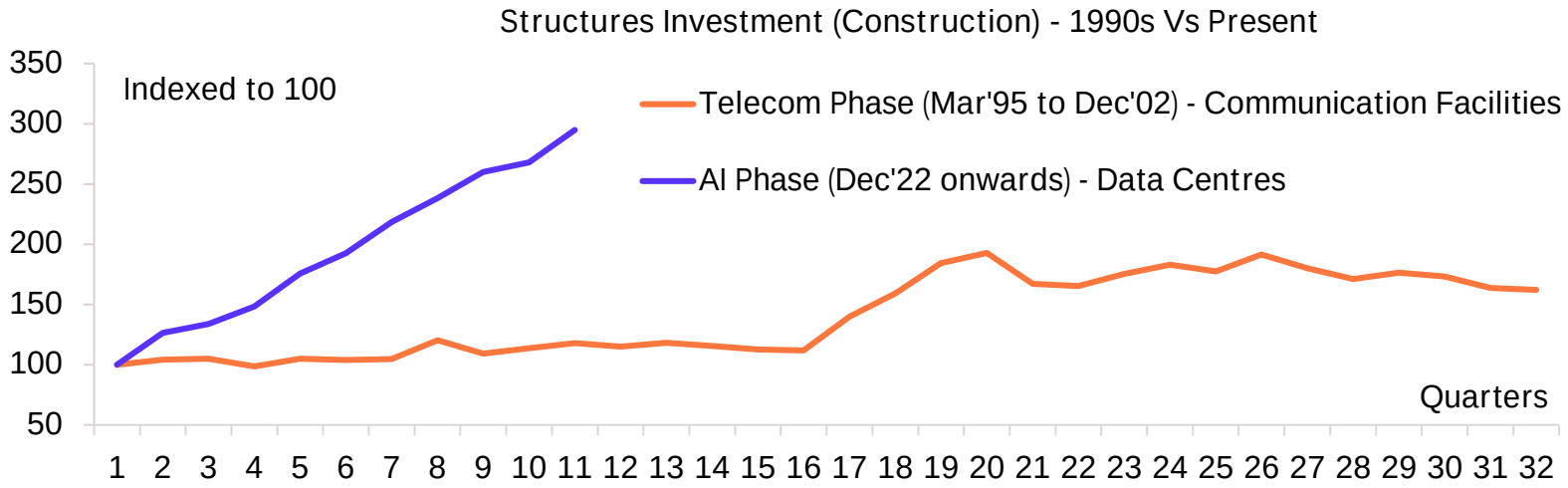
Source: Bloomberg, 360 ONE Asset Research

Note: Hyperscaler capex reflects spending by six major companies

Tech investment mirrors the early telecom boom

The AI wave has fueled a sharper, faster surge in construction than the telecom boom





Tech investment growth since the launch of ChatGPT mirrors the surge in spending during the early telecom boom

The 1990s telecom boom saw a delayed construction surge, whereas the AI wave has driven a far faster and sharper rise in construction activity

The 1990s telecom boom led to short-term overcapacity before demand caught up

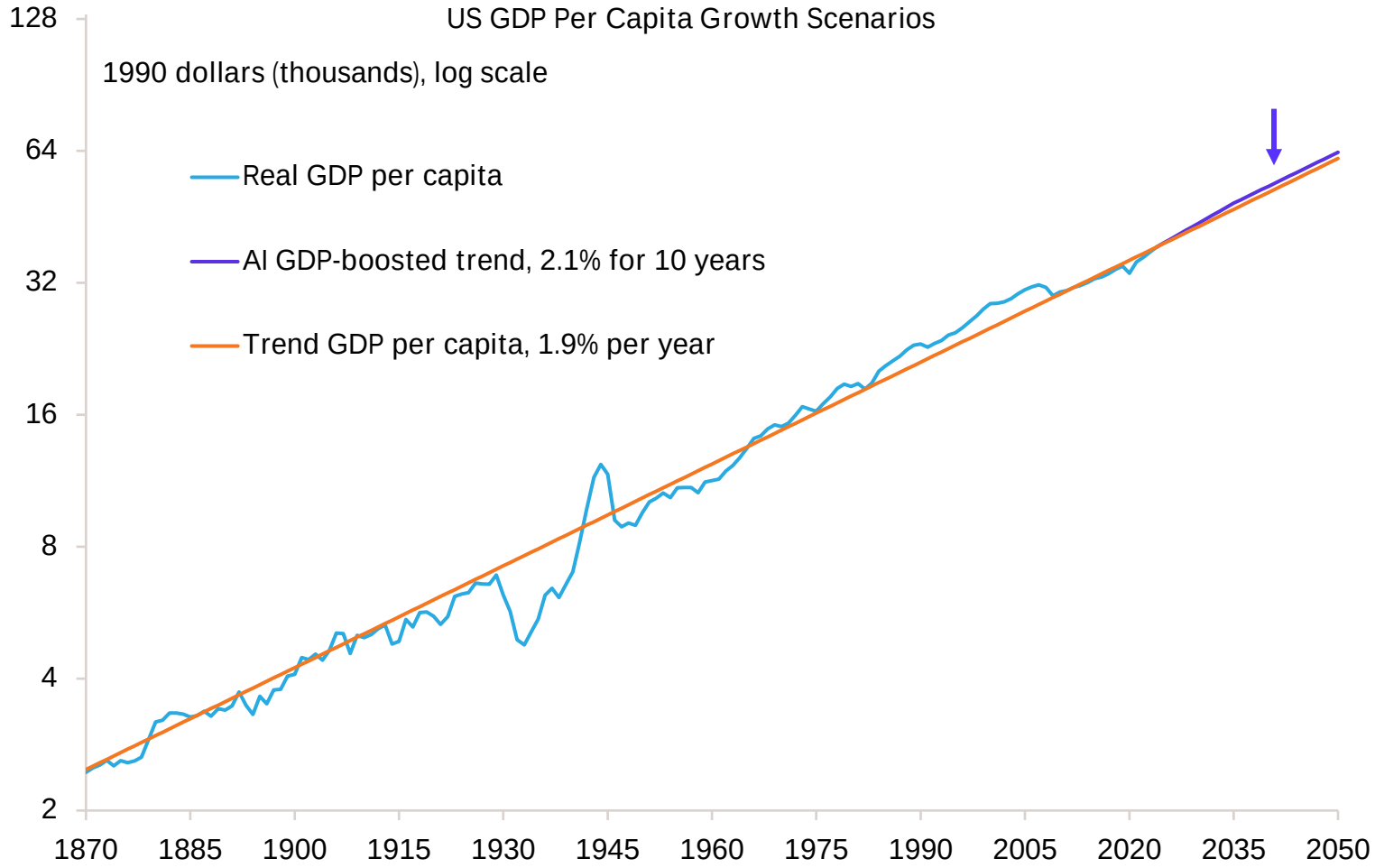
The rapid surge in AI investment raises questions about whether the current buildout will face a similar boom-and-bust cycle

Source: John O'Trakoun - Federal Reserve Bank of Richmond, 360 ONE Asset Research

Note: The above analysis draws on insights from this article.

Tech advances have been the primary force behind improved living standards

AI may sustain or modestly boost living standards; it also has the potential to accelerate innovation



Long-term living standards improve through productivity growth, historically driven by major innovations like electrification, combustion engines, and computers

If AI follows past technology patterns, it will likely sustain rather than significantly accelerate the US's historical ~1.9% per capita growth rate

A plausible scenario sees AI adding ~0.3 percentage points to annual productivity growth over the next decade, raising 2050 GDP per capita by a few thousand dollars - meaningful but not transformative

However, AI could potentially accelerate innovation discovery in areas like scientific research and drug development, which may ultimately lift long-term productivity growth

Source: Mark A. Wynne and Lillian Derr - Federal Reserve Bank of Dallas Note: Real gross domestic product (GDP) per capita in 1990 dollars. The above analysis draws on data and insights from this article. Check the link for a detailed analysis.

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