The BIG Spenders

It is often said that history doesn't repeat, but it rhymes. While the stories evolve, the fundamentals endure. This year's economic story is dominated by the massive surge in spending on Artificial Intelligence (AI) infrastructure. The race is on, and past echoes in sectors like fibre-optic rollout are unmistakable.

AI Capital Expenditure (CapEx) refers to the money companies invest in physical infrastructure and compute power to advance AI capabilities. Most of this goes into data centres, high-performance chips such as NVIDIA's H100 and B200, and the energy systems needed to run them.

The Numbers Are Staggering

Global data centre CapEx in 2024 reached about **$455 billion**, with the so-called "Magnificent 7" tech giants accounting for more than **$228 billion** of that total.

Looking ahead, four of these giants, also referred to as the "hyperscalers" **Amazon, Microsoft, Meta, and Alphabet** are projected to spend between **$340 billion and $400 billion** in 2025, with AI-specific infrastructure the main driver.

Company Projections for 2025:

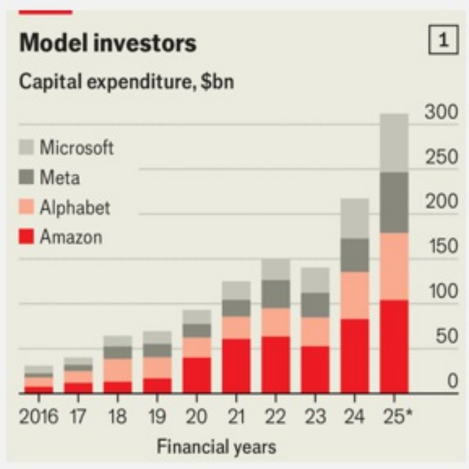
1) Meta (**Facebook) :** CapEx forecast of **$64–72 billion**, up from $60–65 billion in 2024, for AI and data centre expansion.

2) Microsoft : Around **$80 billion** for AI supercomputing, Azure cloud infrastructure, and its OpenAI partnership.

3) Amazon : Estimated **$105 billion**, up from mid-$80 billion in 2024, largely for its AWS AI capacity.

4) Alphabet (Google) : Expected to increase from **$52 billion in 2024** to round **$75 billion**, focused on data centres its Gemini AI model.

The chart below gives a clear indication of the huge spike up in recent years.



Source/s : Bloomberg (2025)

The last time we saw such a spending frenzy was in the late 1990s and early 2000s, when companies poured billions into rolling out fibre-optic networks for the internet. The optimism was immense, driving up valuations and enabling cheap financing. But this "build-at-all-costs" mentality led to a short to medium term **bandwidth glut**, and the eventual bursting of the tech bubble.

AI infrastructure faces its own bottlenecks chief among them the supply of advanced microprocessors and the **enormous energy demands** of modern data centres.

A Word of Caution

Free markets reward those who spot opportunities and commit capital to generate a high return, but exuberance can turn into excess. Just as in the dot-com era, there's a high risk that returns on invested capital diminish if this capex spend outpaces real demand for AI solutions. History suggests some caution is warranted.

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