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# FRIDAY FUNDAMENTALS

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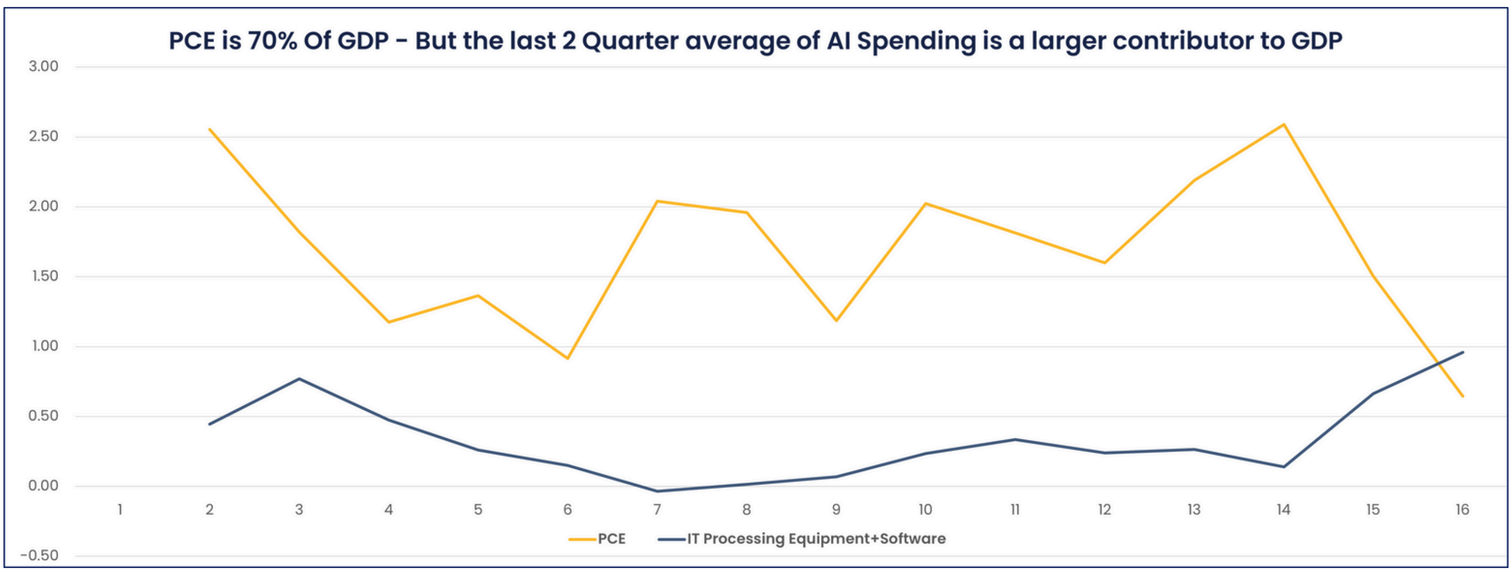
## FEATURED TOPIC

# Is AI Tech Spending Replacing The Consumer




Source: BEA, Renaissance Macro, CS McKee

Consumer spending has long been the backbone of U.S. growth, making up about 70% of GDP. But recently, it has been losing steam as households are pulling back under the weight of higher living costs and job uncertainty combined with higher living costs. PCE has cooled from 2.6–2.7% earlier this year to closer to 0.6–1.0%, as households face economic uncertainty and pull back on discretionary spending.

At the same time, AI and data center investment is surging. IT spending just hit a new high, with software steadily contributing and hardware swinging sharply higher in recent quarters.

In fact, according to Neil Dutta at Renaissance Macro, AI-related capex has added more to GDP growth for the most recent 2 quarter-period than consumer spending itself.

This is a fascinating shift: the consumer, long the main driver of the economy, is stepping back while corporate AI investment takes the lead. More importantly, the question is whether this is just a temporary handoff—or the early signs of a new growth engine.