



The last voyage of the Temeraire. William Turner (1839). National Gallery. London.

HOUSE VIEW

DRIVEN BY
'CREATIVE DESTRUCTION'

DRIVEN BY 'CREATIVE DESTRUCTION'

There are moments in history that are so special that they truly reflect the changing of an era. At least that was what the painter J. M. W. Turner thought when, in 1838, he decided to immortalise *The Fighting Temeraire*, a spectacular ship with quite a pedigree that was being towed to dry dock to be scrapped. The British Navy had decided to sell its timber after 40 years of service, even after having fought alongside Admiral Nelson in the Battle of Trafalgar.

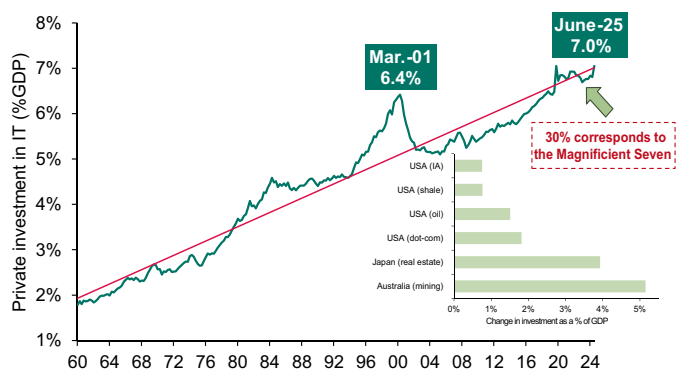
He painted that scene as a metaphor for the dawn of the industrial revolution, with a setting sun symbolising the end of a bygone era alongside the ultimate icon of the new age: a steam-powered tugboat that pushed the *Temeraire* to its demolition.

Although we are living in times marked by the reconfiguration of the international order and facing constant and aggressive commercial, strategic and military threats, the element that best defines the dawn of the new era we are experiencing is artificial intelligence. As in the past, technological innovation transforms everything. It changes the way we consume, create and educate; in short, it changes the way we live, and this has significant implications for the economy, generating great business opportunities to the detriment of others that will inevitably become obsolete quickly. Schumpeter called this engine of progress and dynamism that revolutionises the economy from within, making the old disappear to create the new and thus ensure the evolution of the system, "Creative Destruction" in the middle of the last century. A highly topical concept which, last year, earned Mokyr, Aghion and Howitt the Nobel Prize in Economics.

Technological advances are a source of disruption, but also the main driver of economic growth. This was the case during the industrial revolution, the electrification of the 1920s – reaching 68% of American households in just a decade – and the development of the internet, periods in which huge investment led to a significant boost in productivity.

1. USA: INVESTMENT IN COMPUTER EQUIPMENT, SOFTWARE AND R&D

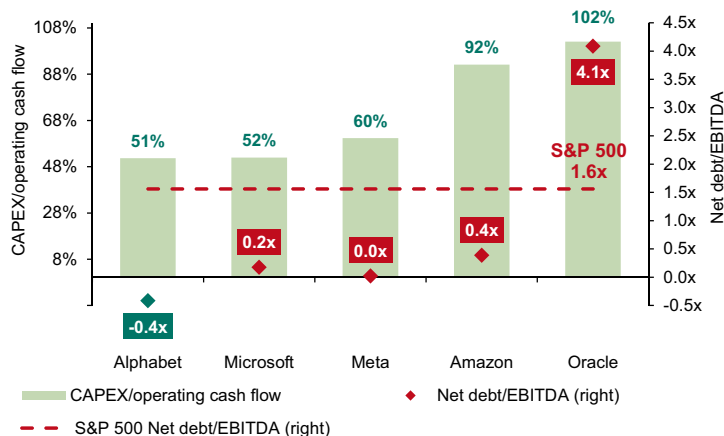
Sources: BIS, Bloomberg and Banca March



Despite the very large investments currently being made, equivalent to 7% of American GDP, we are not at disproportionate levels if we take into account the historical trend of investment in technology and R&D. In fact, the variation in investment as a percentage of GDP was much greater in previous cycles of technological progress, such as mining in Australia at the beginning of the millennium (+5.1 p.p. from 2005 to 2012), or in oil in the US in the 1970s (+1.5 p.p.).

2. HYPERSCALERS: LEVERAGE RATIOS AND CASH USAGE IN CAPEX

Sources: Bloomberg and Banca March.



Today, aggregate investment accounts for 27% of cash flow, whereas in 2000 it reached 90%. It is also essential to note that current investments are being undertaken with much less debt than in the past. Among the hyperscalers – large global providers of cloud computing and services – are companies like Alphabet that, although they are allocating half of their cash flow to investment, have no net debt. Others, such as Microsoft, Meta or Amazon, have net debt relative to their profits that is well below the 1.6x average of companies that make up the S&P 500.

In any case, even though investments in AI are going to expand and debt is contained, our vision for 2026 is that we must continue to “broaden the investment spectrum”. We shouldn’t limit ourselves exclusively to hyperscalers, code developers, or semiconductor companies, because the wave of creative destruction will generate additional winners in this technological revolution. For example, the data centres needed to provide more computing capacity will require large connecting networks, infrastructure companies, energy, and water. Just to give you an idea of the scale of change we are dealing with, the demand for electricity to supply data centres in the US in 2030 will account for 20% of the total US consumption and, globally, will reach consumption levels equivalent to those currently supported by India – the world’s third largest consumer with more than 1.5 billion inhabitants.

In conclusion, the evidence is clear: the investment associated with the technological wave, far from running out, is entering a deeper and more transversal phase with structural implications for a growing number of sectors.

Joan Bonet Majó
 Director of Market Strategy and Advice

IMPORTANT REMARK:

The contents of this document are merely illustrative and do not pretend, are not and cannot be considered under any circumstances as an investment recommendation towards the contracting of financial products. This document has only been prepared to help the customer make an independent and individual decision but does not intend to replace any type of advice needed for the contracting of such products. The terms and conditions described in this document are to be viewed as preliminary terms only, subject to discussion and negotiation as well as to the agreement and final drafting of the terms affecting the transaction, which will appear in the contract or certificate to be issued. Consequently, Banca March, S.A. and its customers are not bound by this document unless both parties decide to embark on a specific transaction and agree on the terms and conditions concerning the final documents to be approved. Banca March, S.A. does not offer any guarantee, expressly or implicitly, in relation with the information shown in this document. All terms, conditions and prices contained in this document are merely informative and subject to modifications depending on the market circumstances, changes in laws, jurisprudence, administrative procedures or any other issue which may affect them. The customer should be aware that the products mentioned in this document may not be appropriate for his/her specific investment targets, financial situation or risk profile. For this reason the customer must make his/her own decisions by taking into account such circumstances and by obtaining specialised advice in tax, legal, financial, regulatory, accounting issues or any other type of information required. Banca March, S.A. does not assume any responsibility for any direct or indirect costs or loss which may result from the use of this document or its contents. No part of this document can be copied, photocopied or duplicated in any way or through any means, redistributed or quoted without a previous written authorisation by Banca March, S.A.