Business | Where credit's due

The AI industry's gigantic debts are making investors nervous

Who will be left to pick up the bill in the event of a crash?

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CREDIT MARKETS are coming for CoreWeave. The price of a five-year bond issued by the "neocloud", which rents out data-centre capacity for artificial-intelligence models, has fallen by 16% since July. The bond's yield is now 15%—a level associated with companies in financial distress—up from 10% in July. The price of credit-default swaps offering insurance against a CoreWeave default implies that the probability of the firm being unable to service its debts in the next five years has risen above 60% (see chart 1).

Investors increasingly worry that the companies at the heart of the AI boom will be unable to generate the cashflows necessary to service their vast debts. These concerns have spilled over from

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delayed or cancelled their own listings in the past month. These businesses live on debt. Of the ten listed neoclouds, only two are profitable. The combined borrowings of this group, at $100bn, are nine times its annual revenues. Of that debt, $57bn-worth has been issued this year.