EUROPEAN CENTRAL BANK

EUROSYSTEM

ECB-PUBLIC

Christine LAGARDE
President

Mr Eero Heinäluoma
Mr Jonás Fernández
Members of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt am Main, 6 November 2026
L/CL/26/245

Re: Your letter (QZ-018)

Honourable Members of the European Parliament, dear Mr Heinäluoma, dear Mr Fernández,

Thank you for your letter, which was passed on to me by Ms Aurore Lalucq, Chair of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 29 September 2026.

The ECB is closely monitoring developments in AI-related financing, given the potential implications for monetary policy transmission and financial stability.

Rising AI-related capital expenditure by major technology firms, combined with high government borrowing globally, is increasing competition for AI funding. However, the evidence available so far does not indicate any significant spillover from euro-denominated bond issuance by technology companies known as hyperscalers to the funding rate of EU governments in the market. Large-scale bond issuance by hyperscalers has increased the borrowing costs of these companies in both US dollar and euro markets. Nevertheless, ECB analysis points to only small and temporary effects on the timing and pricing of similar corporate bond issuance so far and no significant impact on government bond yields.[1] Euro area investors have absorbed the new issuance smoothly, while their sovereign bond holdings have also increased recently. This may reflect the greater maturity and diversification of the euro-denominated corporate bond market, which has become a more reliable source for funding larger investment needs. Moreover, the presence of hyperscalers may also benefit the euro-

[1] Duquerroy, A., Furtuna, O., Rahmouni-Rousseau, I. and Vaz Cruz, L., "Big tech, big debt: when US tech giants tap the euro area bond market", *The ECB Blog*, ECB, 31 August 2026.

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denominated corporate bond market by offering new investment opportunities that attract a broader investor base, making it a competitive funding source for other companies too.

However, AI-related issuance is still at an early stage and is expected to grow substantially over the coming years, driven by a broader range of firms beyond hyperscalers. The impact of this additional supply on euro-denominated bond markets and yield levels remains uncertain and will need to be monitored closely.

The best protection against possible spillovers from AI-related financing to government borrowing costs is to ensure that EU Member States have sound public finances, credible medium-term fiscal strategies and sufficient fiscal buffers. These limit the risk of spillovers in the first place and, should borrowing costs still rise, allow Member States to absorb them without abrupt policy adjustments. Sound fiscal policies at the national level can be complemented by EU-level action to improve the functioning of European capital markets, making it easier for governments and firms to raise funds. Completing the savings and investments union, reducing barriers to cross-border investment and further integrating European capital markets would help channel Europe's large pool of savings towards productive investment.[2] This would support both private investment – including in AI infrastructure – and the financing of public investment.

The ECB also closely monitors the financing of the AI buildout and its implications for financial stability. The ECB has addressed this issue in its Financial Stability Review, in speeches and in research and analysis by staff.[3] Current and expected capital expenditure of firms in the AI supply chain has increased rapidly over the past few years and these firms now rely heavily on external financing. Aside from growth in traditional forms of debt, debt financing increasingly includes debt-like off-balance sheet commitments to lease or purchase AI infrastructure in the future. Rising debt levels are compounded by circular financing arrangements in the form of interlinked ownership structures and mutual commitments between firms in the AI ecosystem. Their financing structures are made even more complex by the involvement of private markets. Private equity and private credit have played a key role in financing innovation in large language models and are increasingly becoming a significant source of debt financing for AI-related infrastructure.

Global equity market developments and the very high levels of investment in the AI sector are increasingly underpinned by ambitious earnings expectations for AI-related firms.[4] Equity valuations and the sustainability of rising AI-related debt levels could therefore come under pressure if future revenues fall short of expectations, for instance owing to price competition from a cheaper open-source model or supply-side shocks, such as energy, chip or grid bottlenecks. The market reaction to recent disappointing earnings releases and capital expenditure announcements of large US tech firms has illustrated that markets continue to be sensitive to any

2 European households save around €1.4 trillion a year (European Commission, *Savings and Investments Union: A Strategy to Foster Citizens' Wealth and Economic Competitiveness in the EU*, 19 March 2025).

3 See ECB, *Financial Stability Review*, May 2026; Lagarde, C., "A new age of capital: growth, sovereignty and AI", speech at "Hofburg im Dialog – Economy, Europe, Resilience", Vienna, 14 September 2026; and Andersson, M., Breckenfelder, J., Corradin, S., Nikolov, K. and Viola, M.A., "The AI boom: rational enthusiasm or the next dot-com bubble?", *The ECB Blog*, ECB, 17 August 2026.

4 Market analysts expect earnings per share for the technology sub-index of the S&P500 to see annualised growth of around 45% over the next three-to-five years.

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reassessment of the returns on AI investment. In the event of an adverse shock, falling equity valuations and market contagion would likely be the main channels through which financial spillovers reach the euro area, as the exposure of euro area entities to AI-related debt remains low for now.

The ECB will continue to monitor these developments closely, with a particular focus on their implications for monetary policy transmission and financial stability.

Yours sincerely,

[signed]

Christine Lagarde

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