The AI divide: growth vs disruption

Global Equity Strategy

Equity Strategy
Global

- The AI debate this year has shifted to assessing the trade-off between growth opportunities and disruption
- We attempt to quantify the share of revenue that either benefits or is disrupted by AI across markets and sectors
- Korea, Taiwan, mainland China, and the US are net AI winners; India is more exposed to AI disruption, potentially Europe too

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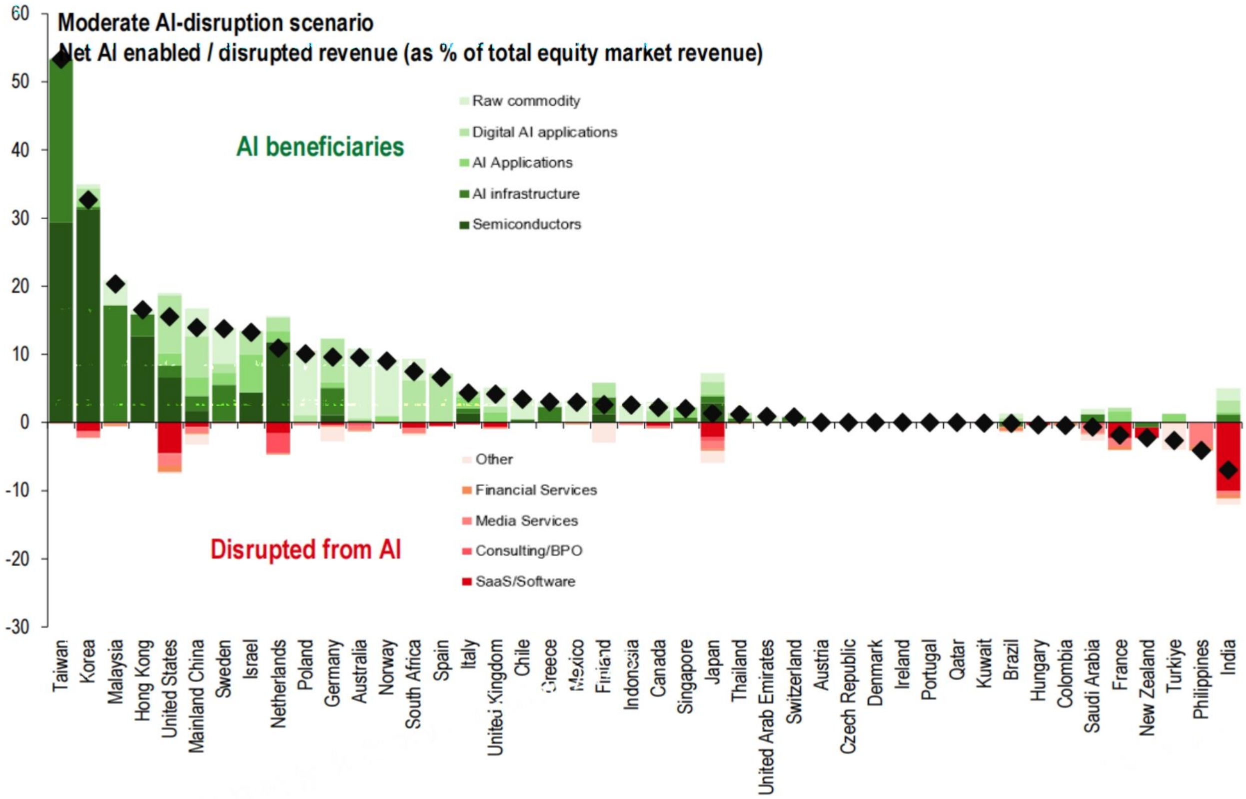
One of the major structural debates for equity markets this year is the extent to which AI will reshape the split between growth and disruption. That comes down to revenue mix – which markets have greater exposure to AI-driven growth and which are more exposed to displacement. Recent advances in generative AI have sharpened the focus on displacement risks, in particular, with increasing concerns about the number of tasks and jobs that could ultimately be automated.

We attempt to quantify this split on a bottom-up basis using FactSet's RBICS revenue exposure framework. The dataset estimates how much of a company's revenue is linked to nearly 2,000 business lines. To identify which of those lines could benefit from AI, we use our own GPT-5 AI model to review each RBICS business line description and assign a probability that it is tied to AI semiconductors, AI infrastructure, AI models, digital AI applications, physical AI applications, or AI-related commodities. On that basis, we identify 300 business lines as AI-related, giving us a measure of companies' underlying AI exposure. To identify revenue lines at risk of displacement from AI we use the same approach across the c2,000 categories and assign a score from 0-100 based on the likelihood of disruption, along with a supporting rationale.

In our analysis, we distinguish between a moderate and a large AI disruption scenario. In the moderate scenario, we focus only on revenue categories where our model assigns a high probability of disruption. These are concentrated in SaaS, consultancy, business process outsourcing, and media services. In the large disruption scenario, we expand the scope to include categories where the model assigns a more balanced probability of disruption. This brings in areas such as financial services, advisory, brokerage and insurance, as well as healthcare software and services.

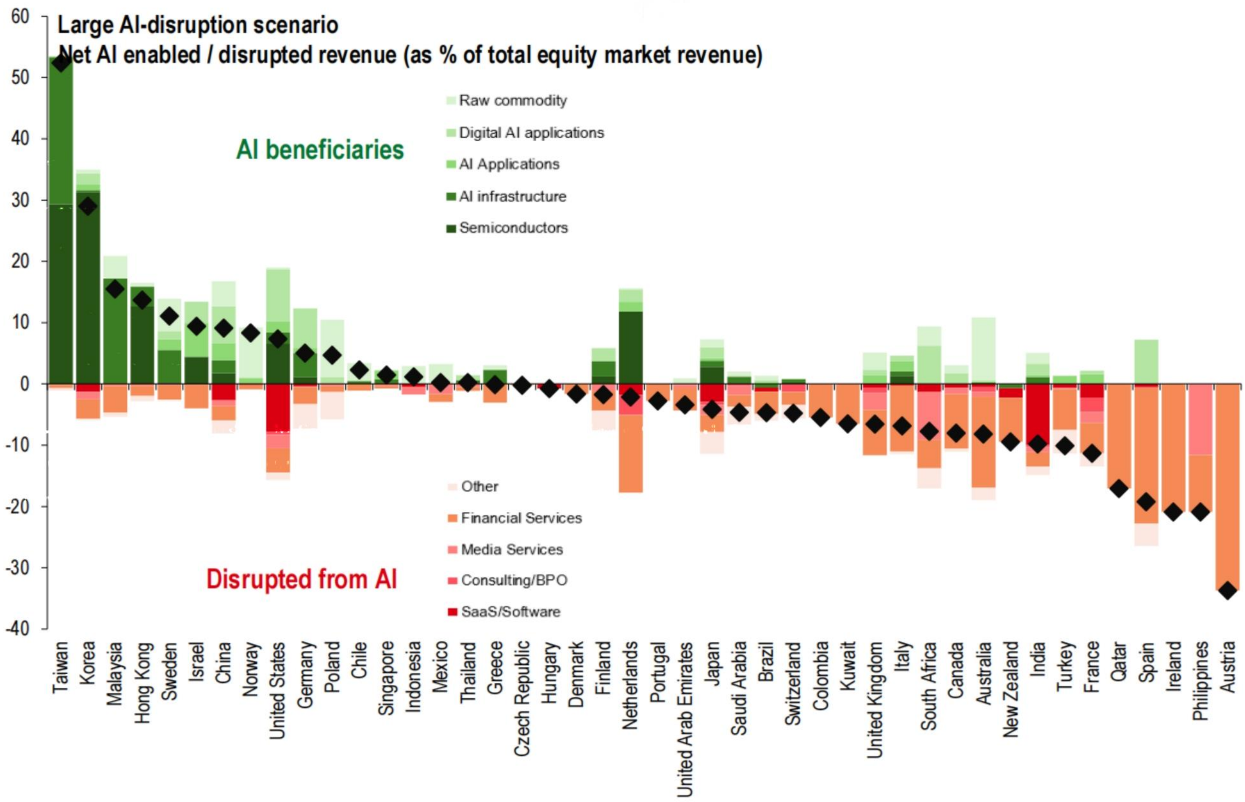
Under the moderate disruption scenario, Taiwan (53%), Korea (33%), Hong Kong (16%), mainland China (14%), and the US (15%) have the highest share of net AI-enabled revenue. In contrast, India stands out with the highest share of net AI-disrupted revenue at 7%. Under the large disruption scenario, where financials are more exposed, risks shift toward Europe. Austria (-30%), Spain (-20%), Ireland (-20%), and France (-11%%) stand out as markets where the net share of revenue at risk of disruption is relatively high. With so much uncertainty about the pace of development in AI over the next few years, we believe markets with low overall net AI exposure (both AI-enabled and AI-displacement) are attractive hedges to the theme – this includes markets such as LatAm and CEE and sectors such as Energy, Materials, and Utilities.

1. Global markets net AI beneficiary/disruption revenue exposure – Moderate AI disruption scenario



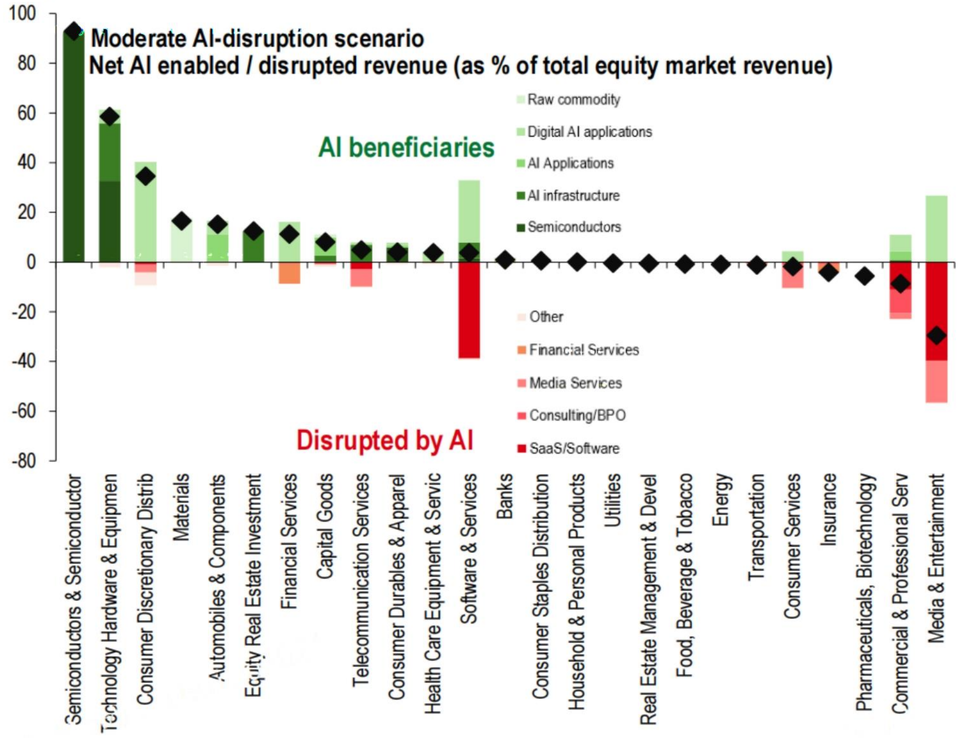
Source: FTSE Russell, Factset, HSBC

2. Global markets net AI beneficiary/disruption revenue exposure – Large AI disruption scenario



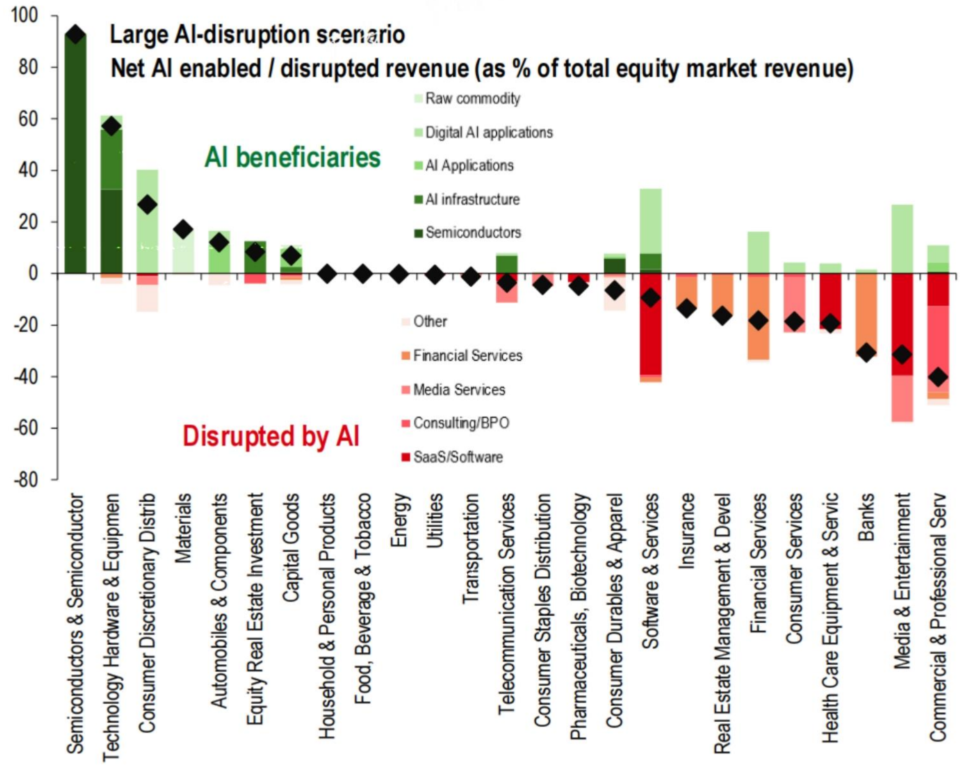
Source: FTSE Russell, Factset, HSBC

3. Global industry group net AI beneficiary/disruption revenue exposure – Moderate AI disruption scenario



Source: FTSE Russell, Factset, HSBC

4. Global markets net AI beneficiary/disruption revenue exposure – Large AI disruption scenario



Source: FTSE Russell, Factset, HSBC

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