TECHNOLOGY STRATEGY

Warnings about AI valuations are a reason to test your own AI spending.

Published 18 November 2026 5 min read Figures checked 19 November 2026



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IN BRIEF

The Federal Reserve Board, the IMF, the European Central Bank, the Bank of England and the Bank of Canada each pointed to a risk that AI earnings or adoption fall short.

We read one question behind these statements, whether large AI spending will earn what is expected of it, and any organization that funds AI faces it too.

Fund each AI project on a return you state and test, with a written point to stop and a plan for relying on few suppliers.

What official bodies said

Between September and November 2026, five bodies that watch financial stability or the economy each described a risk that AI earnings or adoption fall short. We read each as a statement of risk. None of the passages quoted here says that a fall will happen or when.

In its November 2026 Financial Stability Report, the US Federal Reserve Board said equity valuations remained high, "partly driven by market enthusiasm for super intelligence". The same report summarizes a survey of 23 market contacts in September and October 2026. Of those contacts, 87% cited artificial intelligence as a risk to US financial stability, up from 50% of 20 contacts in spring 2026.

The report says that summary "should not be interpreted as representing the views of the Federal Reserve Board or the Federal Reserve Bank of New York". In our view, its respondents are also a small sample of market professionals.

The International Monetary Fund's October 2026 Global Financial Stability Report named "weaker or less durable investment and profitability in AI" as the first of three salient risks. It said this "could trigger a correction in AI-related asset prices". It added that these three risks "by themselves do not necessarily threaten financial stability, but they could become a systemic risk" if "amplified by financial vulnerabilities".

The European Central Bank (ECB) released its Financial Stability Review on 18 November 2026. It said that "financial market pricing rests on expectations of extraordinary earnings growth for AI firms". It added that markets "remain vulnerable to broader sentiment shifts should news on the rate and form of AI adoption disappoint".

The Bank of England's Financial Policy Committee wrote in September 2026 that the risk of a sharper correction "persists". It said this applies notably "if there is a more significant shock to earnings expectations reflecting concerns around the pace of AI development or adoption".

The Bank of Canada's October 2026 Monetary Policy Report lists among its risks that investors "could become less optimistic about earnings and productivity gains related to artificial intelligence".

The question behind the statements

The Bank of Canada also describes AI spending as a support to growth. It wrote in October 2026 that global growth "remains resilient, boosted by strong AI-related investment".

In the survey summarized in the Federal Reserve Board's report, respondents widely cited the risk of a sharp correction in AI-related equities, "driven by uncertain returns on large capital expenditures". We read that phrase as the common thread in all five statements. Large sums are being spent on AI in the expectation of returns that are still uncertain.

In our view, the same question faces any organization that funds an AI project, at its own scale. Each project's case can stand on its own figures, tested before approval and checked on set dates after it.

State and test your own return

UK central government appraises its spending under HM Treasury's Green Book (2026). In our view, a private organization may borrow its method without being bound by it. The guidance tells practitioners to "explicitly adjust their appraisals for optimism bias".

It defines optimism bias as "the proven tendency for appraisals to be over-optimistic about key assumptions". To correct for it, the guidance asks practitioners to increase "their estimates of social costs and project durations" and decrease "their estimates of social benefits". It also asks for sensitivity analysis, which tests how the result moves when a key assumption, such as cost, changes.

The Green Book asks for switching values, "the values that a key assumption would need to change to, in order to make an option no longer value for money".

In our view, that is the point to write down as your reason to stop. Suppose a case assumes that a set share of staff will use a new AI tool each week. Its switching value is how low that share can fall before the case no longer holds.

We would record that point before funding, with the dates on which it will be checked. A later decision to stop then rests on an agreed figure. Our article on measuring the return on AI covers how to set the measure and count the cost before you invest.

Plan for depending on few suppliers

Two of the same bodies also point to risks from dependence on third-party providers. The ECB's November 2026 review noted "the widespread reliance of financial and non-financial firms on a highly concentrated cluster of third-party providers".

For financial institutions, the Federal Reserve Board said in November 2026 that attacks on critical third-party service providers could affect multiple institutions. It said the effects would be "likely to be further amplified if substitutability for the affected services is limited". Substitutability is how easily another provider could take over the service.

Canada's Office of the Superintendent of Financial Institutions (OSFI) sets out its expectations for federally regulated financial institutions. Its 2023 Third-Party Risk Management Guideline defines institution-specific concentration risk as the risk of loss or harm resulting from "overreliance on a single third party, subcontractor or geography for multiple activities". It expects those institutions to assess concentration risk "both prior to entering a contract or agreement and on an ongoing basis".

The guideline also expects "contingency and exit plans proportionate to the level of risk and criticality" of each arrangement, reviewed regularly. We read these as useful checks for any organization that relies on one or two providers for its AI tools. Each AI budget can name the providers it depends on, how another could take over and what leaving would involve.

What this means for you

Five checks can come before the next AI budget is approved.

- Write down the return the project should deliver and the assumptions behind it.
- Adjust those assumptions for optimism, and test how the result moves when they change.
- Record the point at which you would stop, and the dates on which you will check it.
- Name each provider the project depends on and how easily another could take over.
- Keep an exit plan sized to how much the project matters to your operations.

The checks promise no return, but they set out in advance what result would justify carrying on and what would end the project.

Our technology strategy service describes how we help leaders build and test this kind of case. If you would like to start, request a briefing.

SOURCES

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