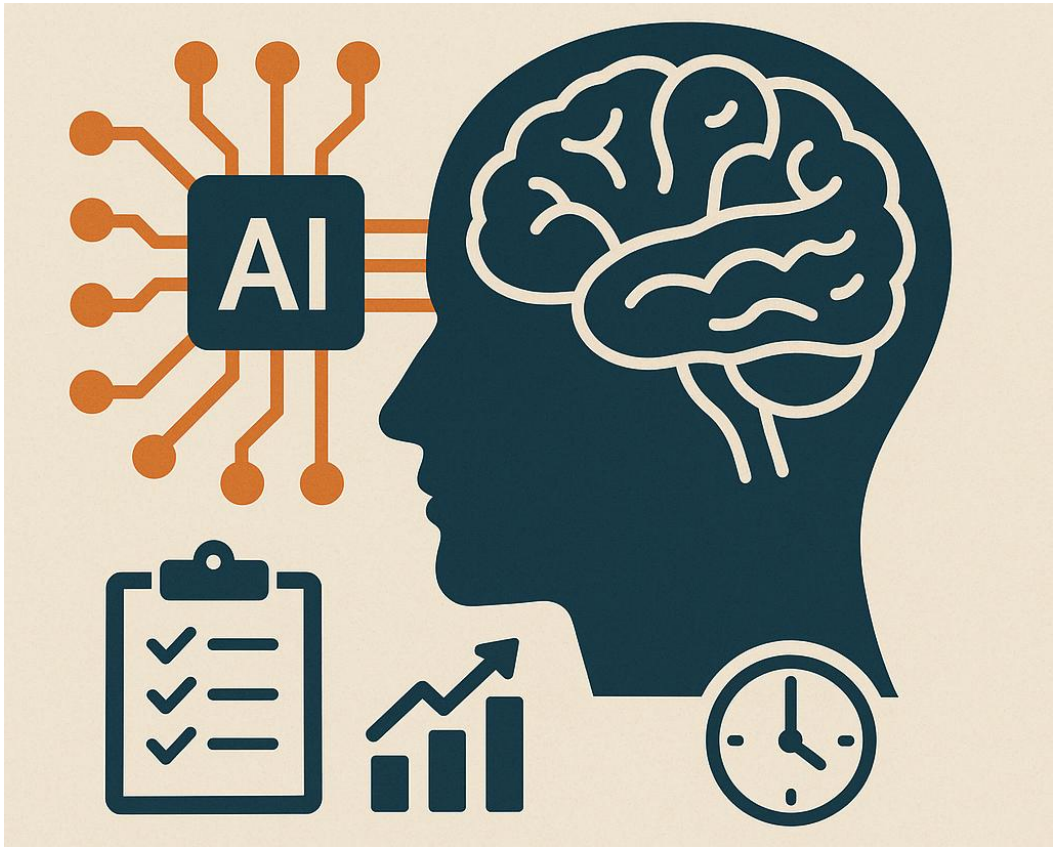
How is AI showing up in the productivity statistics?



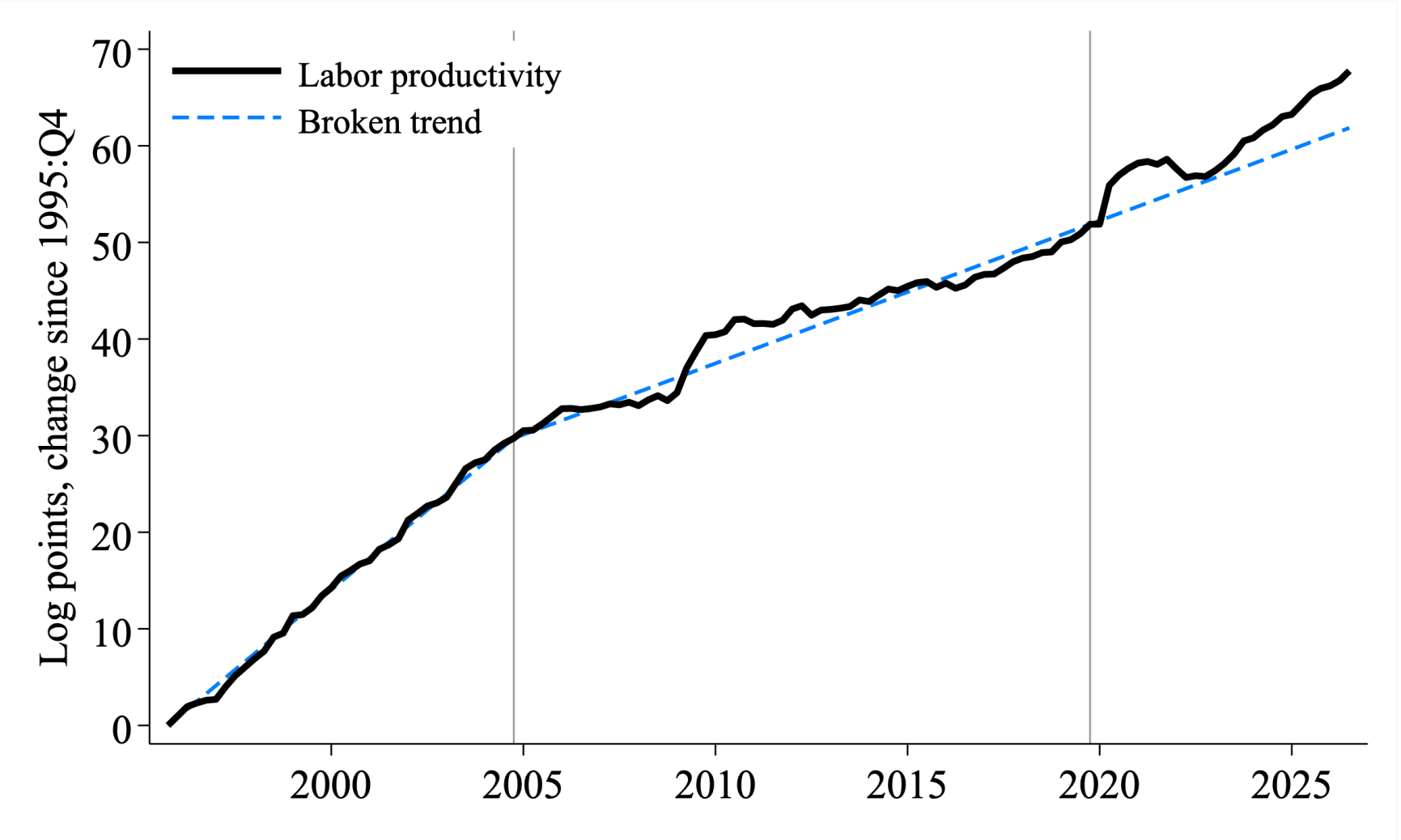


INSEAD

Federal Reserve Bank of Cleveland, November 2026

Labor productivity is well above its pre-pandemic trend

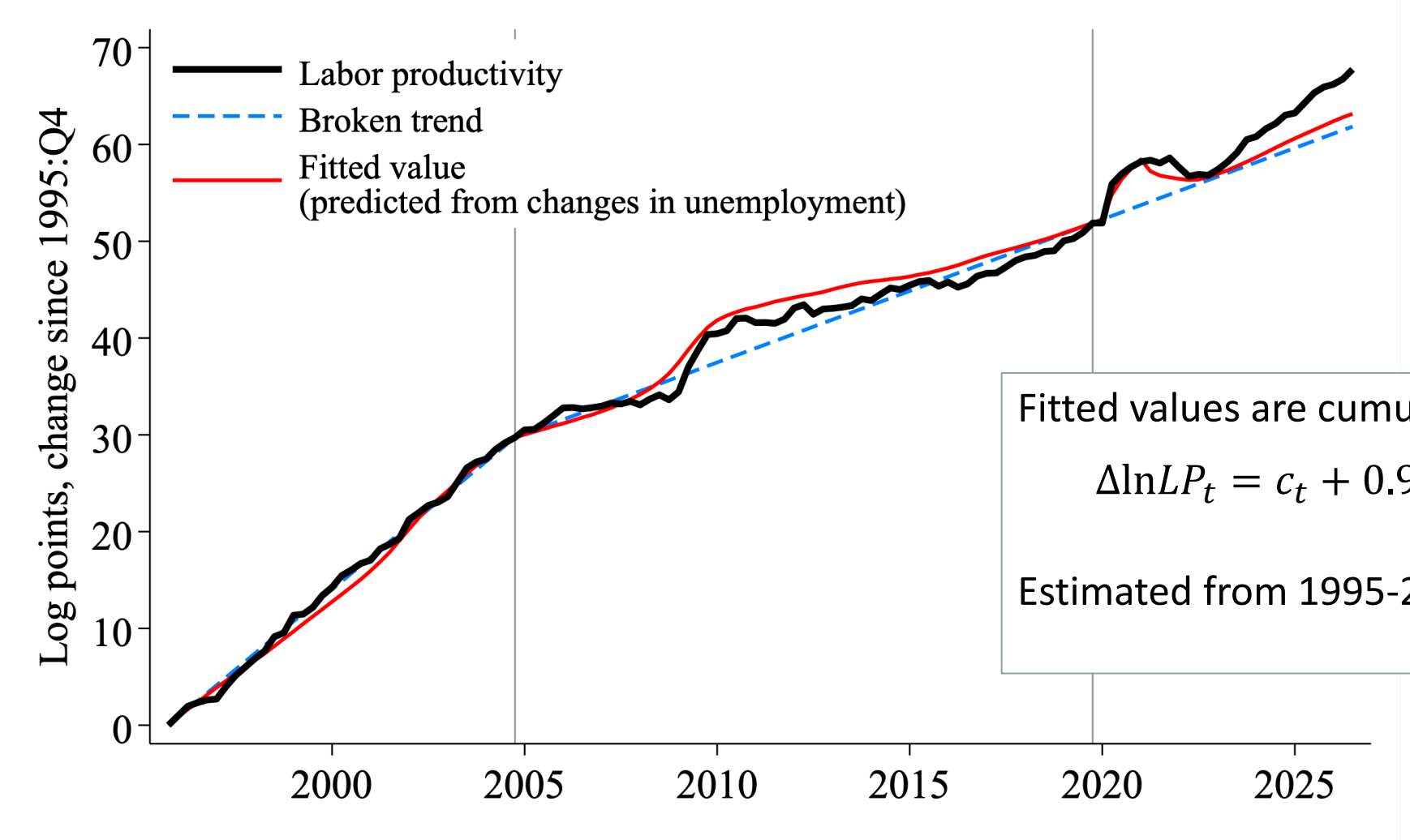
U.S. business sector output per hour (log level, change since 1995:Q4)



Source: Fernald (2014),quarterly, updated through 2026:Q3. Vertical lines mark 2004:Q4 and 2019:Q4. The trend is average growth in 1996-2004 and in 2005-2019.

Labor productivity is well above its pre-pandemic trend

U.S. business sector output per hour (log level, change since 1995:Q4)



Fitted values are cumulated from:

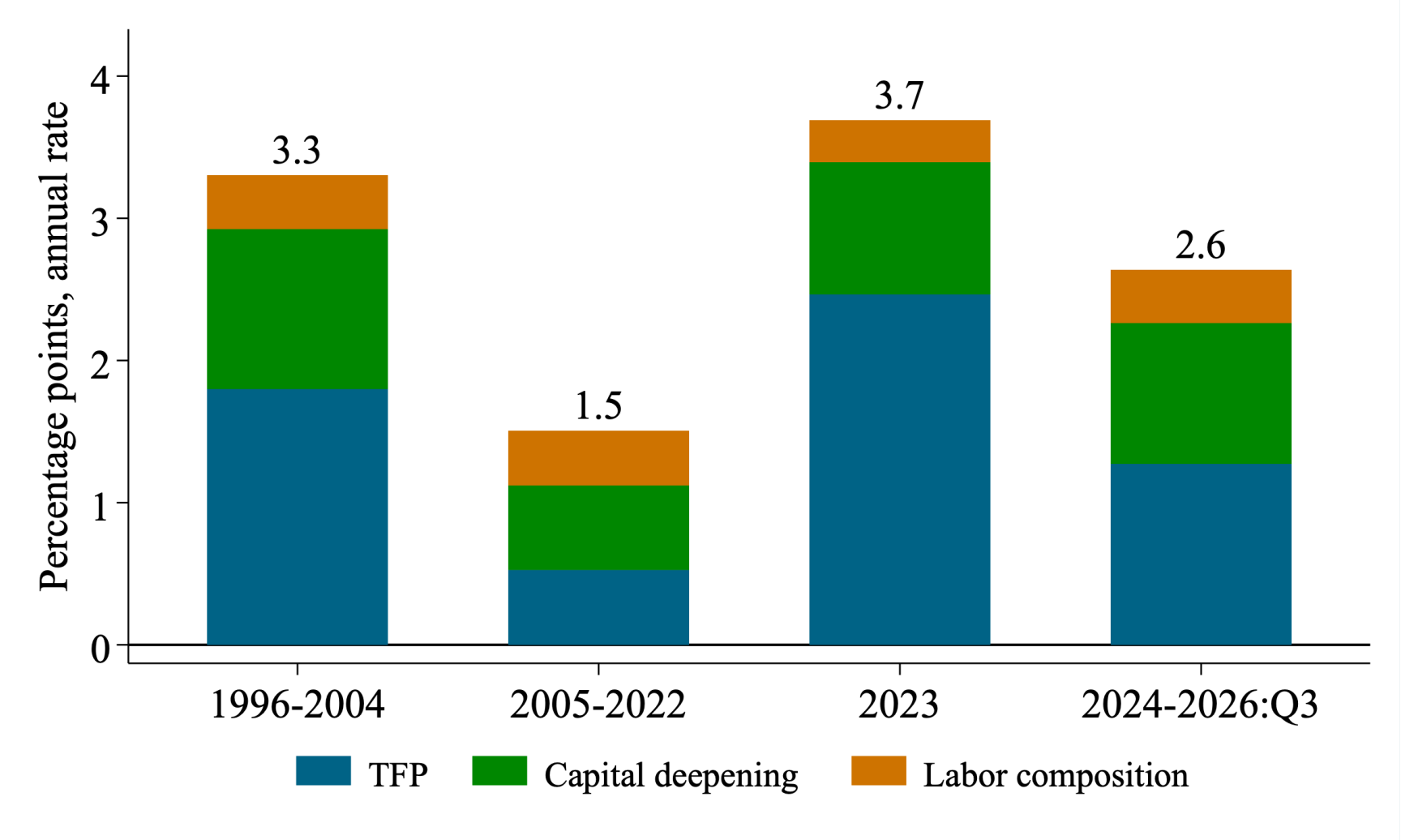
$$\Delta \ln LP_t = c_t + 0.91\ \Delta^4 U_t$$

Estimated from 1995-2019

Source: Fernald (2014), updated. Fitted value adds the estimated effect of four-quarter changes in unemployment, 1996-2019 (Fernald and Li 2022).

The pickup in labor productivity growth is mostly in TFP

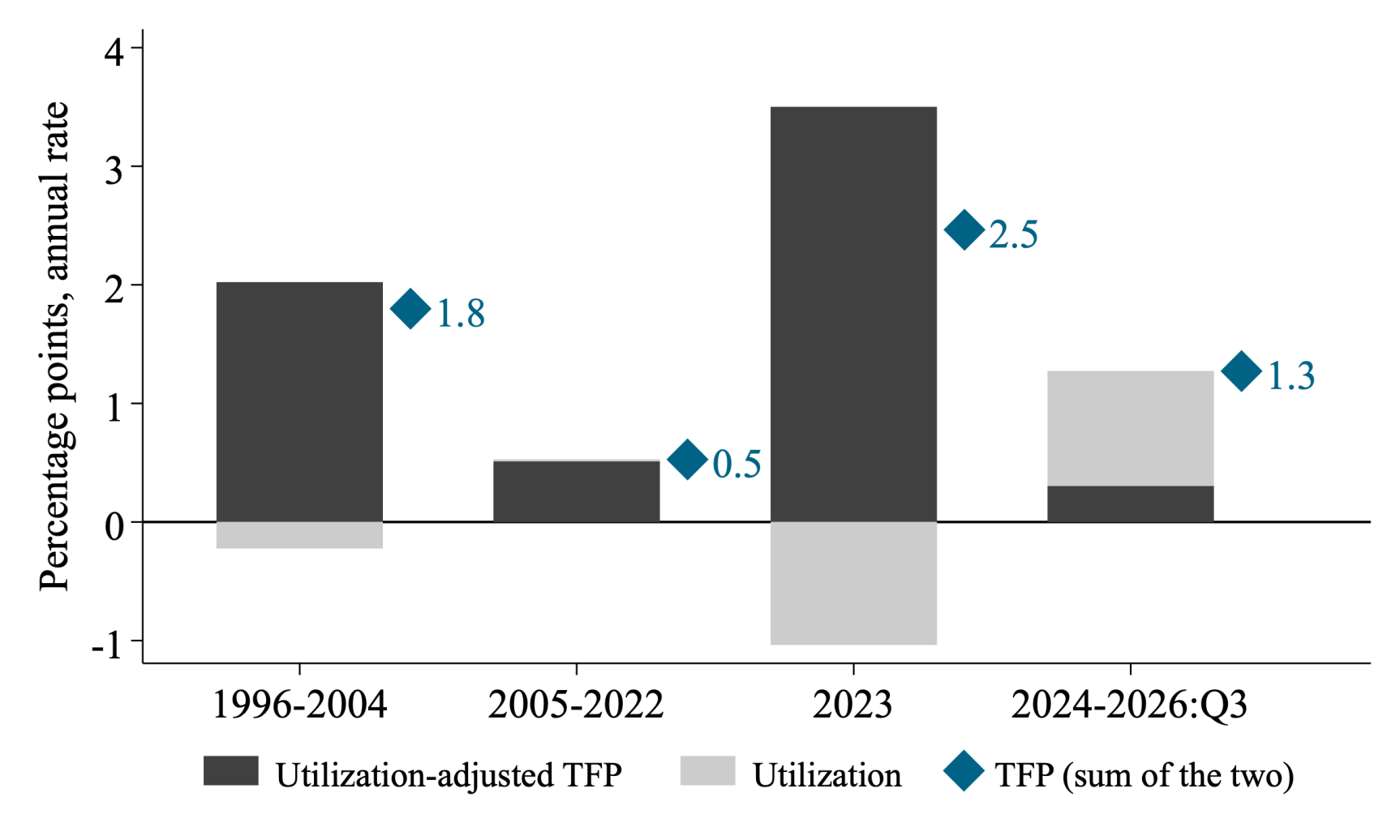
Contributions to growth in U.S. business sector output per hour



Source: Fernald (2014), updated. Averages of quarterly growth at an annual rate over the periods shown. Numbers above the bars are labor productivity growth.

Recent pickup in measured TFP explained by rising factor utilization (labor effort/workweek of capital)

Utilization and utilization-adjusted TFP growth, U.S. business sector



Source: Fernald (2014), updated. Utilization follows Basu, Fernald, and Kimball (2006). Diamonds show TFP growth.

Fed Chairman Highlights Economic Uncertainty of A.I. Boom

Kevin M. Warsh, chairman of the Federal Reserve, has assigned a task force to explore how productivity gains tied to new technologies could impact the labor market.

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Kevin M. Warsh, the Fed chairman, said there was vast uncertainty surrounding the economic impact of the artificial intelligence boom. Julia Demaree Nikhinson/Associated Press

It's the strangest job market the U.S. has ever seen. The low-hire, low-fire economy turns 3 years old.

merica has always been a job-creating machine. It has broken down for three straight years, and the implications could be with us for a long time.

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Cautious optimism about the future

- Efficiency gains from AI may well come. But caveats:
  - Bottlenecks: Growth constrained by the weakest links (those hardest to improve)
    - Aghion, Jones, and Jones 2018; Jones and Tonetti 2026
  - AI may create market power for AI firms or AI users that weakens innovation incentives
    - Aghion, Bergeaud, Boppart, Klenow, and Li, 2023
  - Cybercrime, scams, and misinformation