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# Snapshot of Economic Conditions; Dawn of a Productivity Boom?

Federal Reserve Bank of Chicago

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*The views expressed here do not necessarily reflect the views of the Federal Reserve Bank of Chicago or the Federal Reserve System.*

# **“Steady-as-you-go” economic conditions**

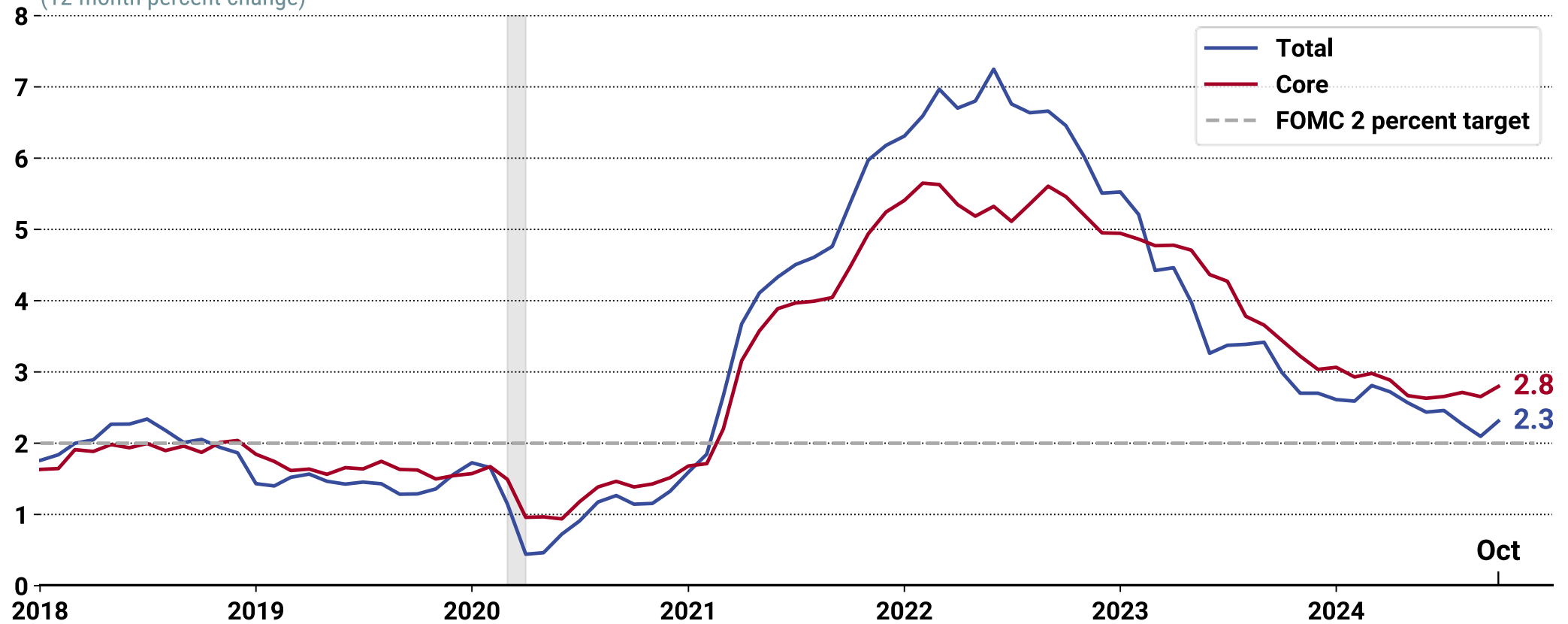
*Solid growth in activity, low unemployment, and inflation down,  
but with a couple of disappointing recent numbers*

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# Inflation down, but a couple of disappointing recent numbers

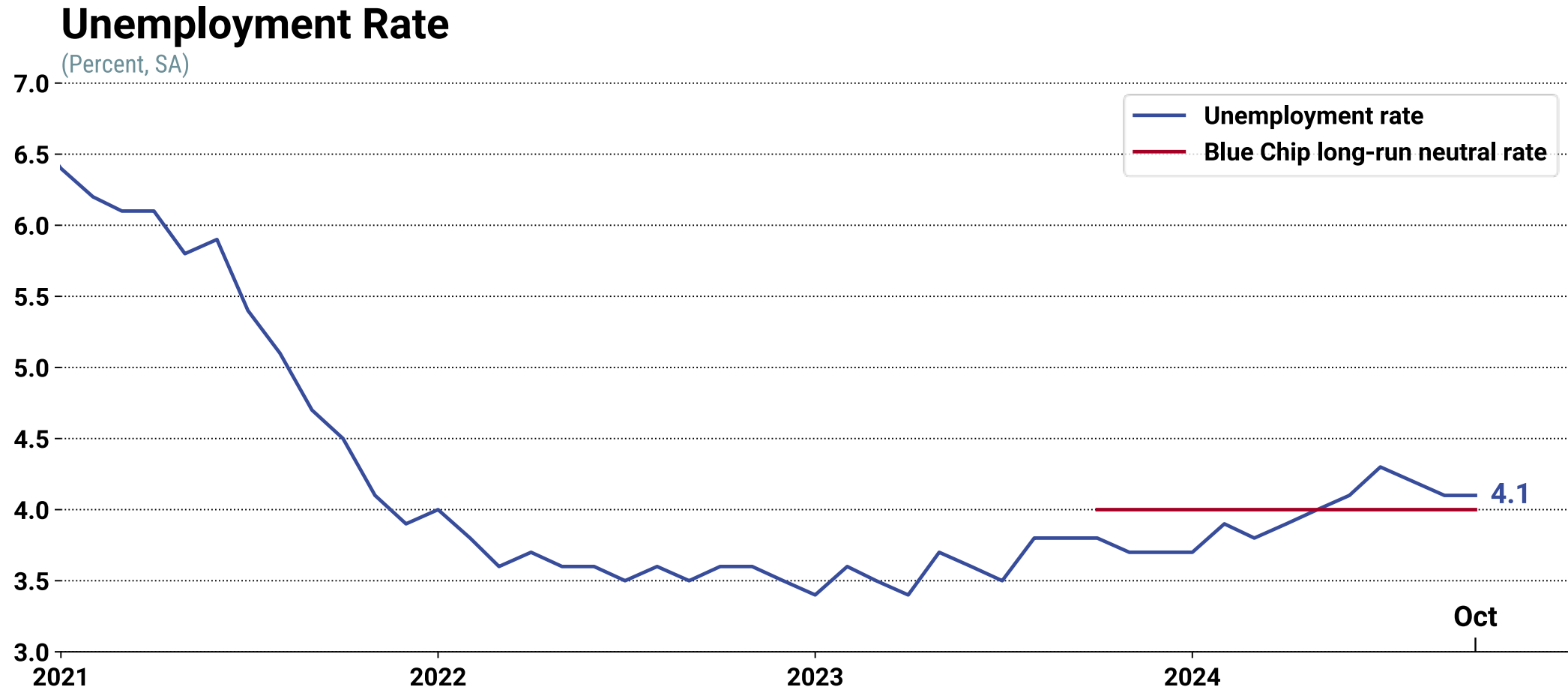
## Total and Core PCE Inflation

(12-month percent change)



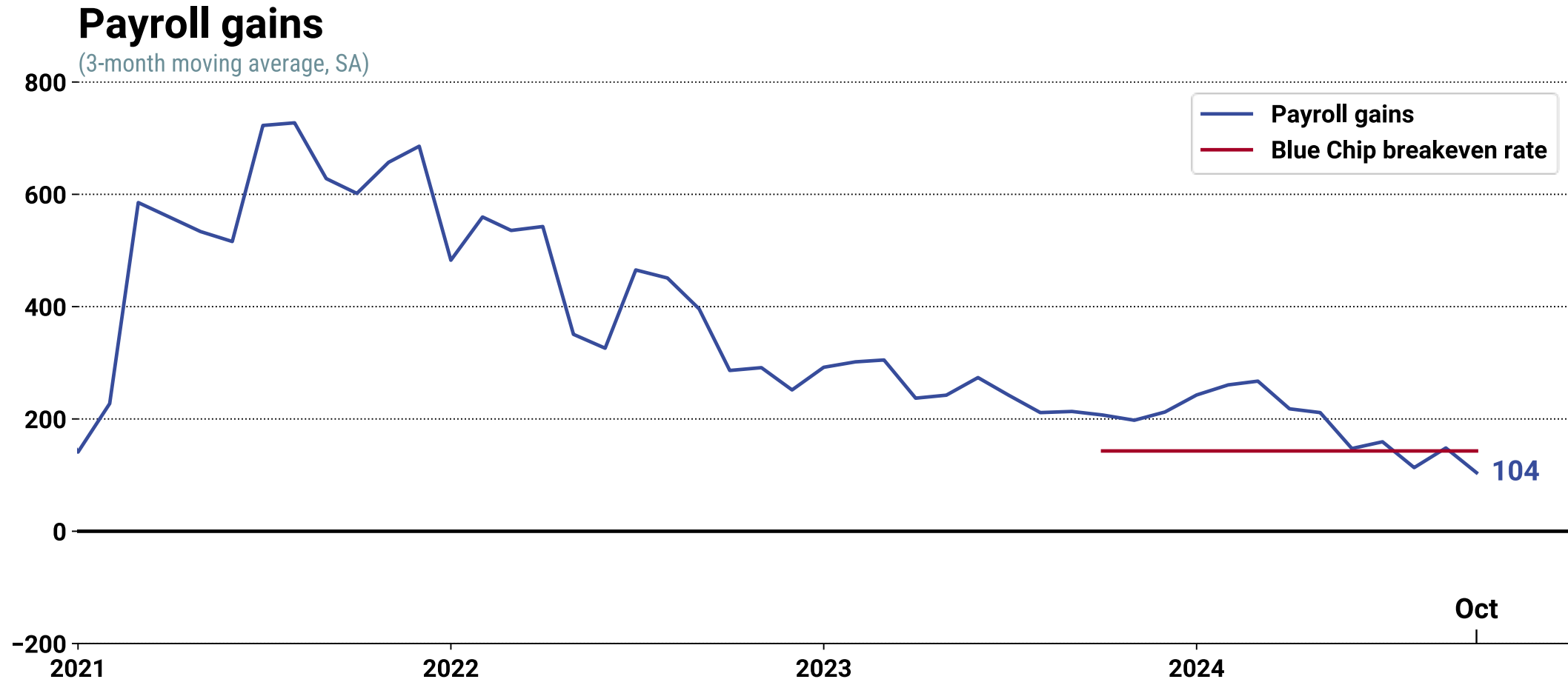
Source: Bureau of Economic Analysis

# Relatively steady unemployment rate in recent months



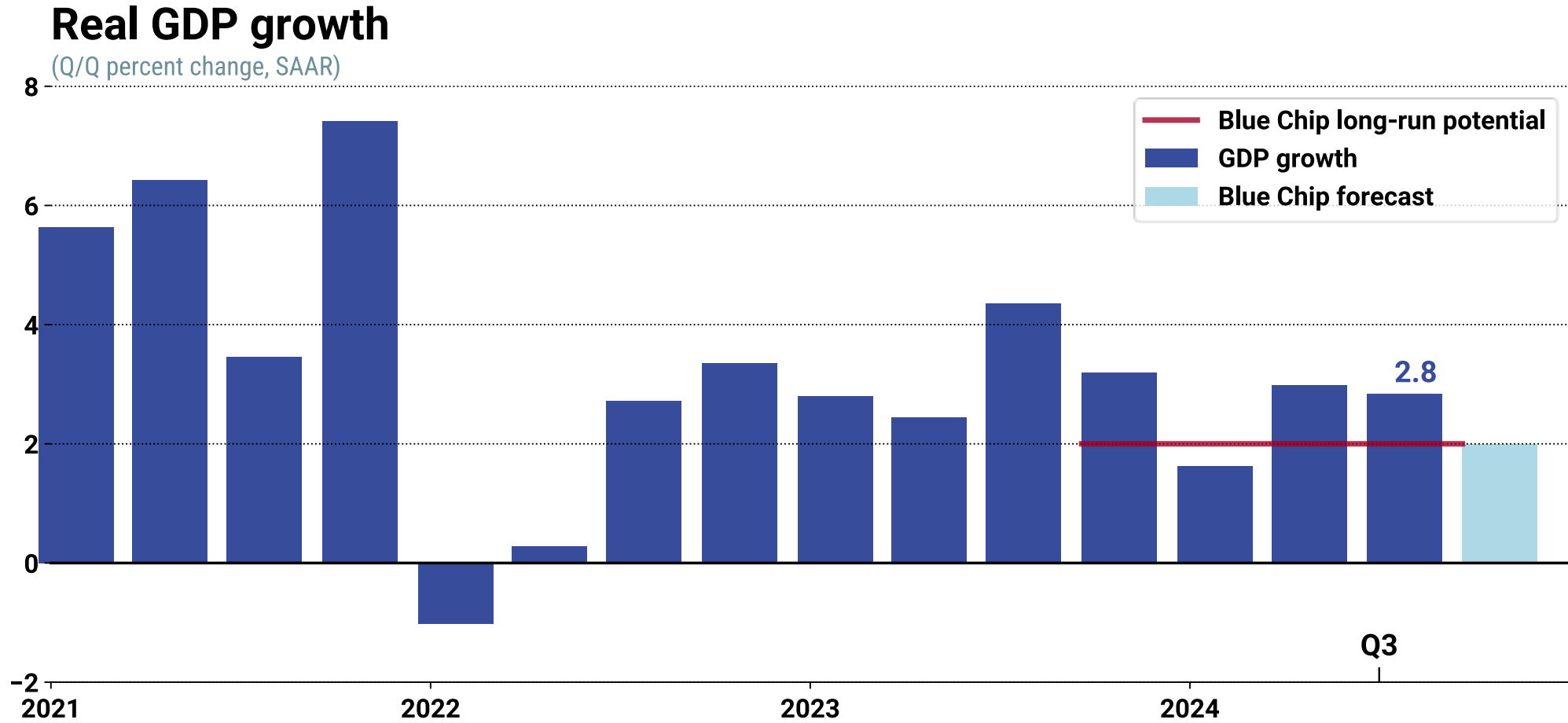
Source: Bureau of Labor Statistics and Blue Chip Consensus (Nov-2024)

# Job growth has cooled



Source: Bureau of Labor Statistics and Blue Chip Consensus (Nov-2024)

# GDP growing at a healthy clip



Source: Bureau of Economic Analysis and Blue Chip Consensus (Nov-2024)

# Dawn of a Productivity Boom?

*IT-related industries are driving large part of recent increase in productivity growth*

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*Based on forthcoming Economic Perspectives, joint with Marti Mestieri, Nicolas Werquin, and Jing Zhang  
AI-related research in our department also includes deSouza et. al. (FRBC-WP 2024-19)*

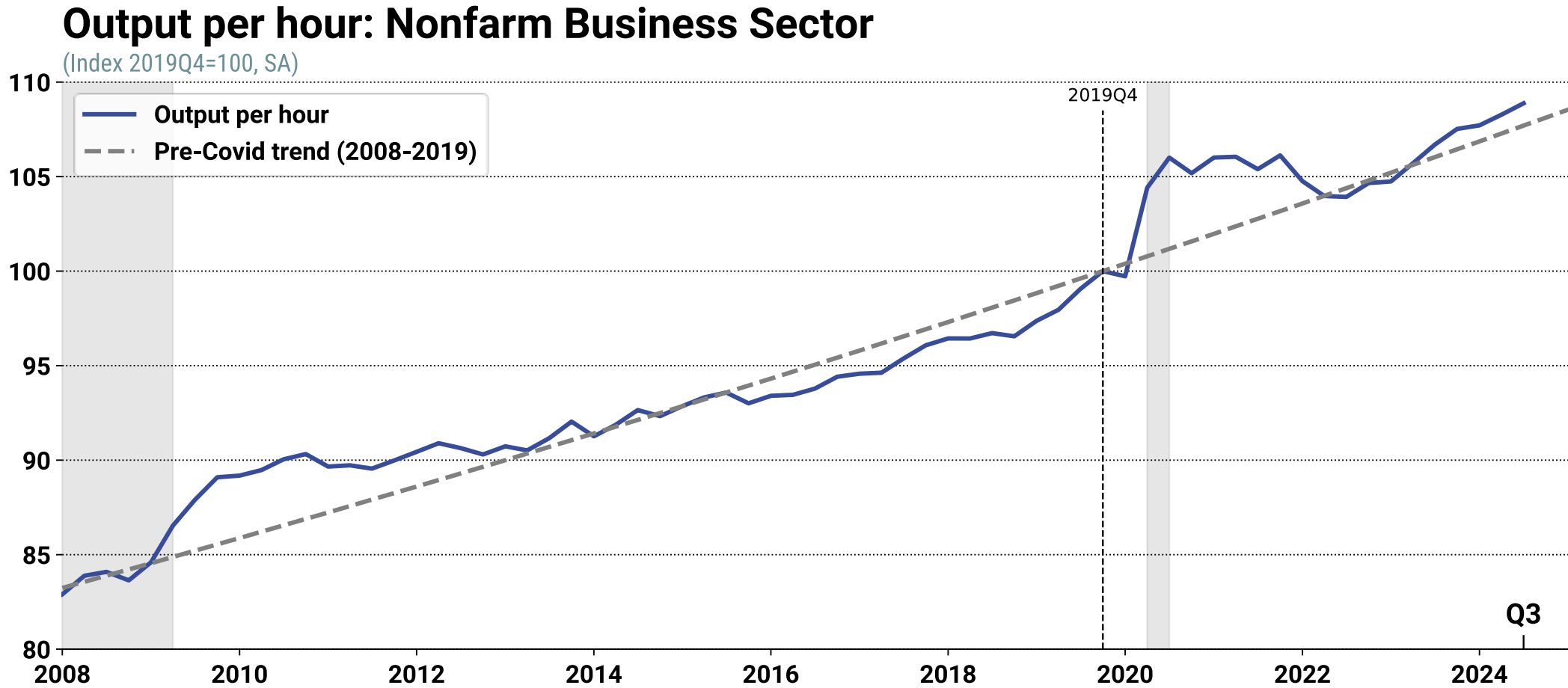
# Why we care about what will happen to productivity

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- **Productivity is a key indicator for monetary policy to consider**
  - Strong productivity growth is central to sustaining strong output growth without generating inflation pressures
- **Productivity is now running above its pre-2020 trend**
  - Contribution to productivity growth of AI-intensive industries has increased
  - But productivity growth in many other industries has slowed since 2020
- **What comes next?**



# Productivity above pre-2020 trend



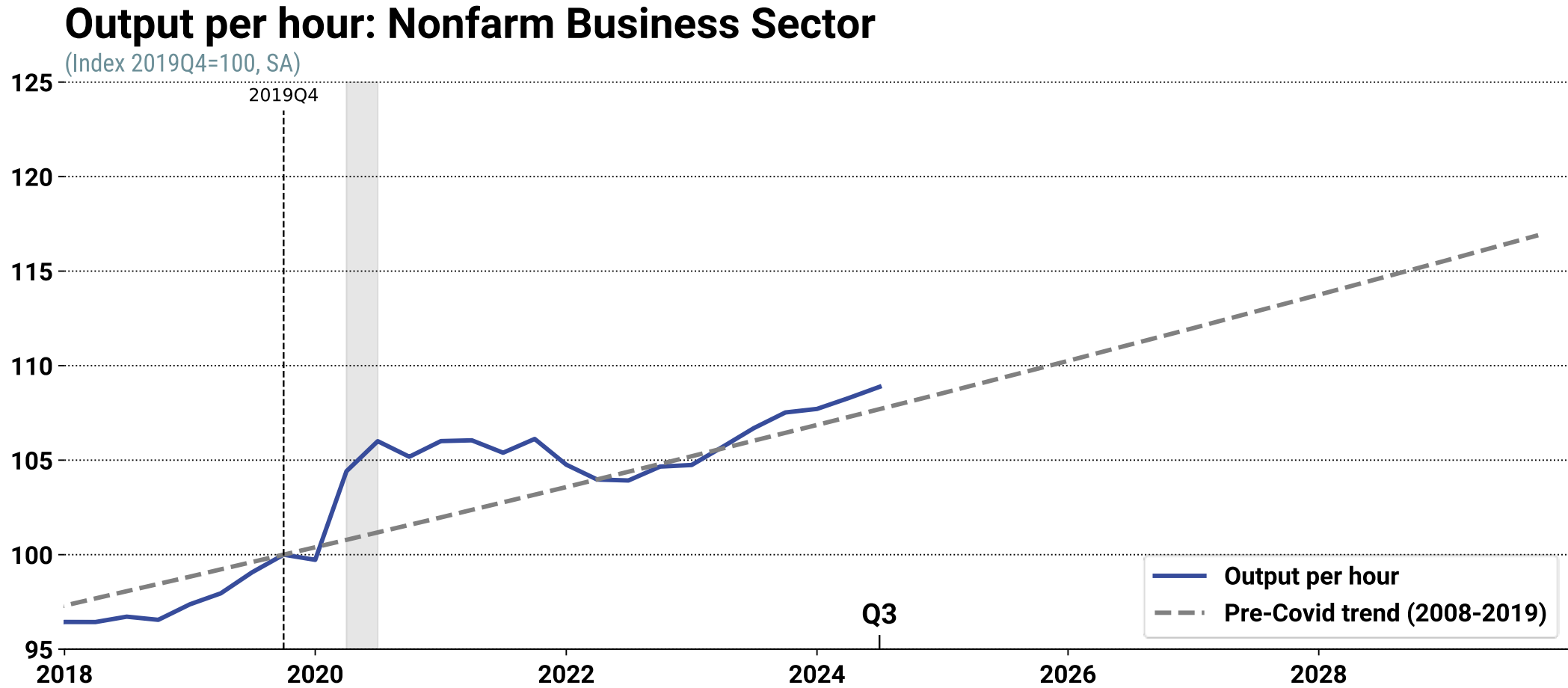
Source: Bureau of Labor Statistics and FRBC staff calculations

# Four explanations for recent productivity gains

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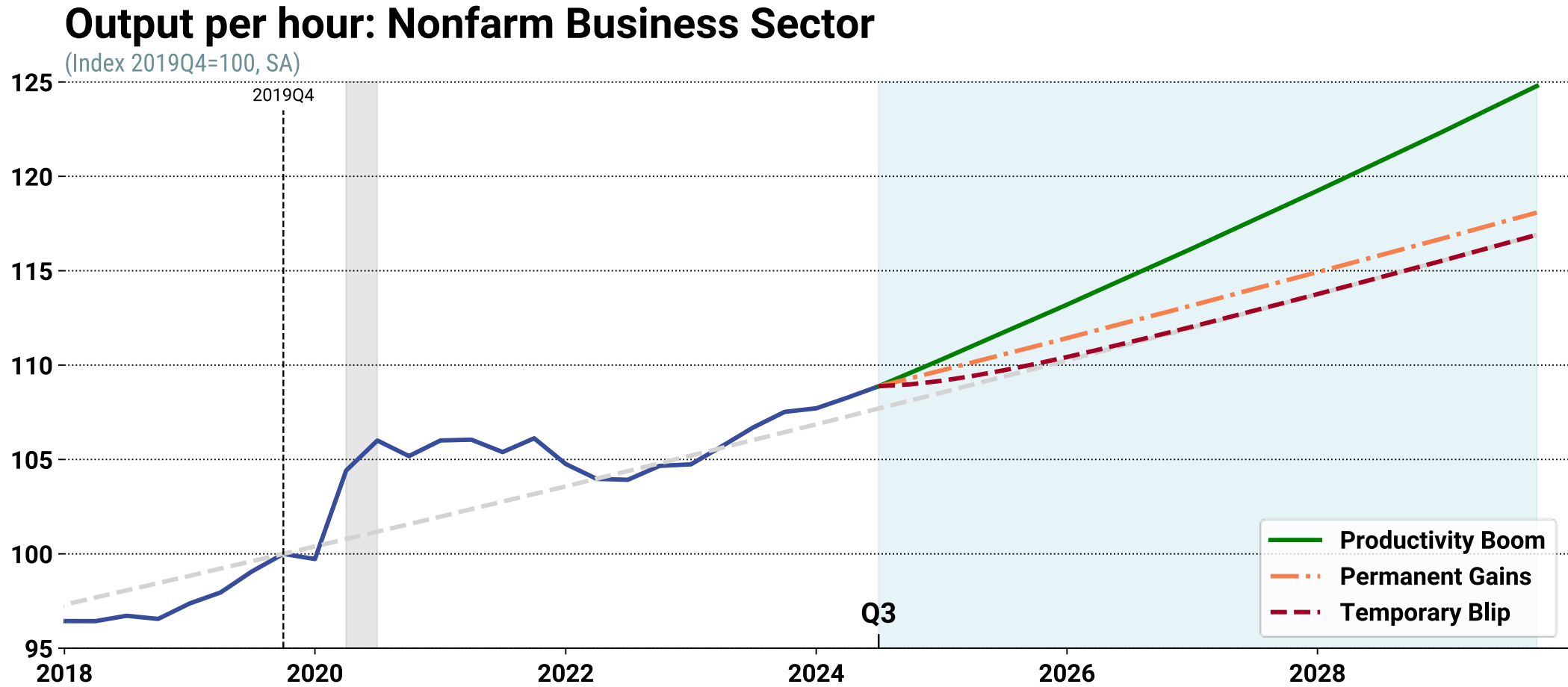
- **Increased hybrid work flexibility**
- **Labor reallocation to more productive uses**
- **New business dynamism**
- **AI adoption across industries**

# What comes next for productivity?



Source: Bureau of Labor Statistics and FRBC staff calculations

# Three illustrative productivity scenarios going forward

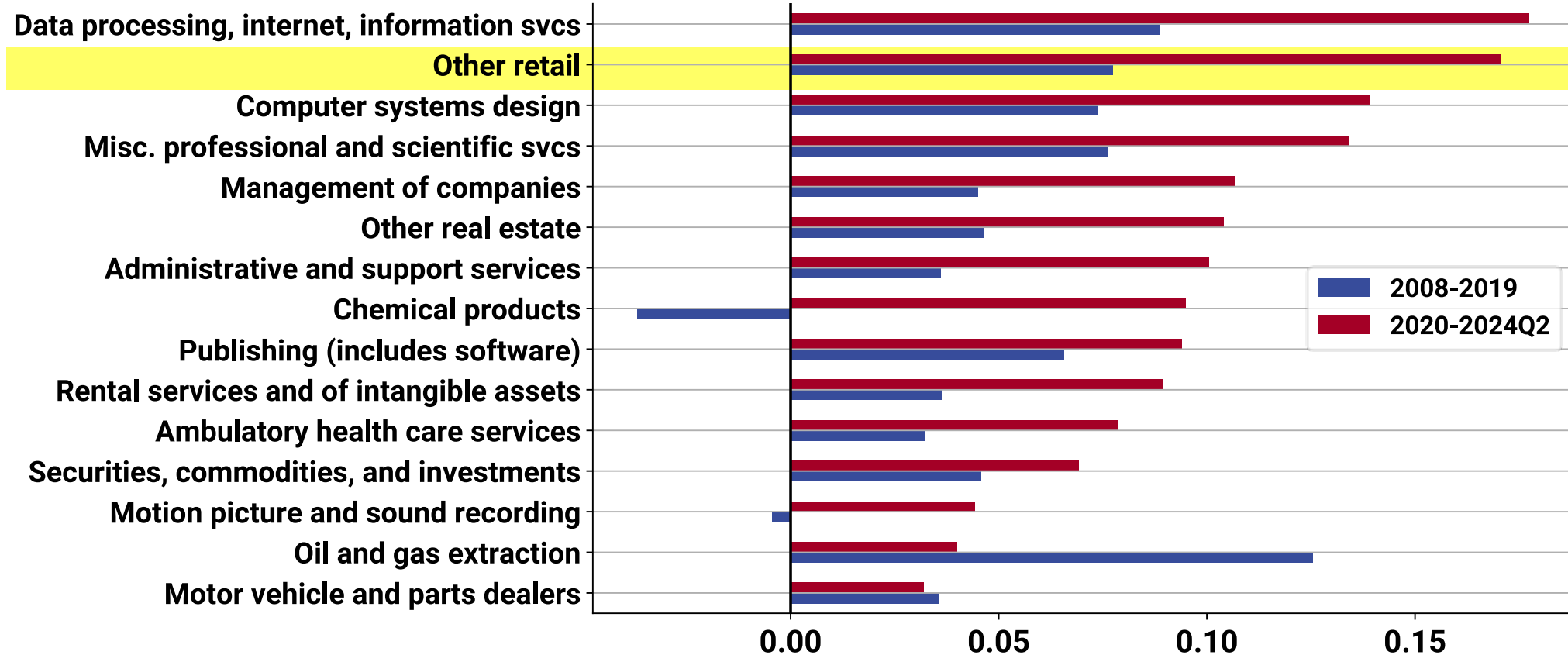


Source: Bureau of Labor Statistics and FRBC staf calculations

# Productivity is accelerating in some industries

## Contribution to Output per Hour Growth

(Percentage point average over period by industry)

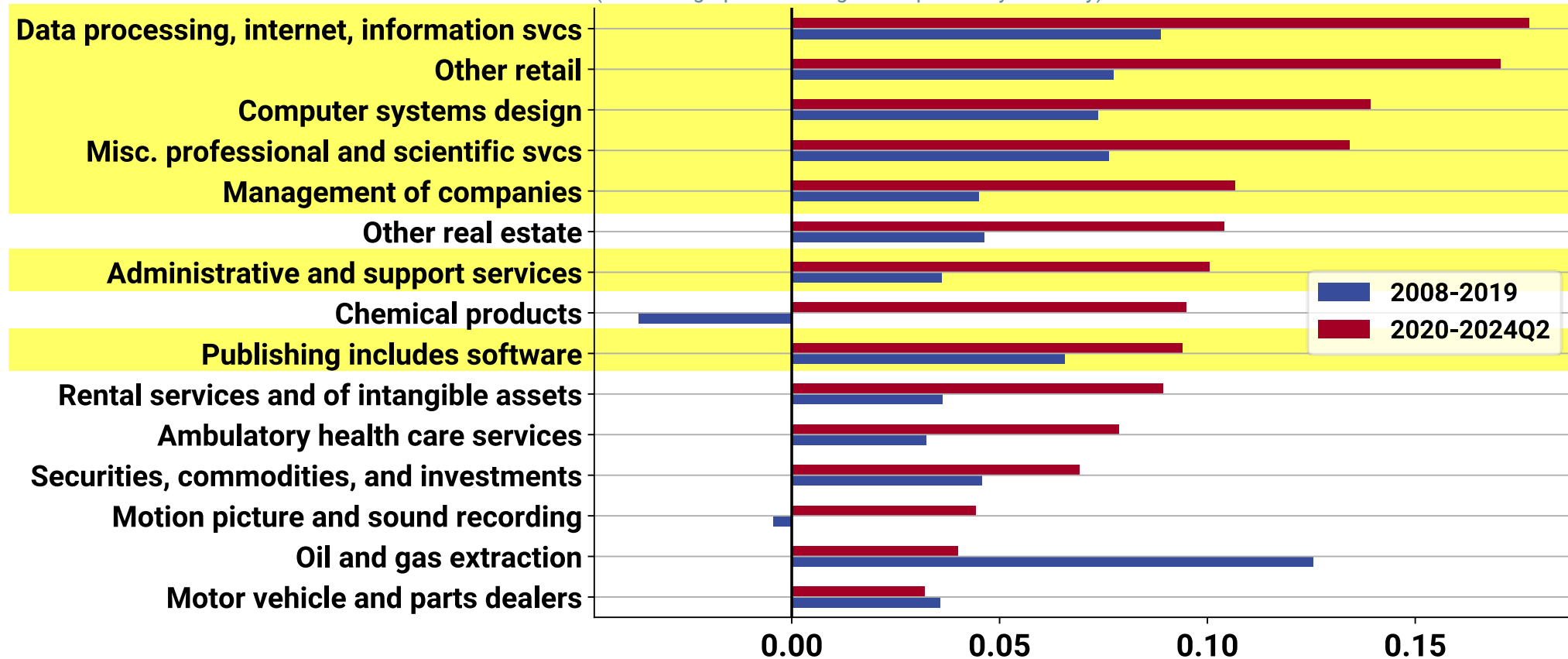


Source: Bureau of Labor Statistics, Bureau of Economic Analysis, and FRBC staff calculations

# Gains seem to be partially driven by AI adoption

## Contribution to Output per Hour Growth

(Percentage point average over period by industry)

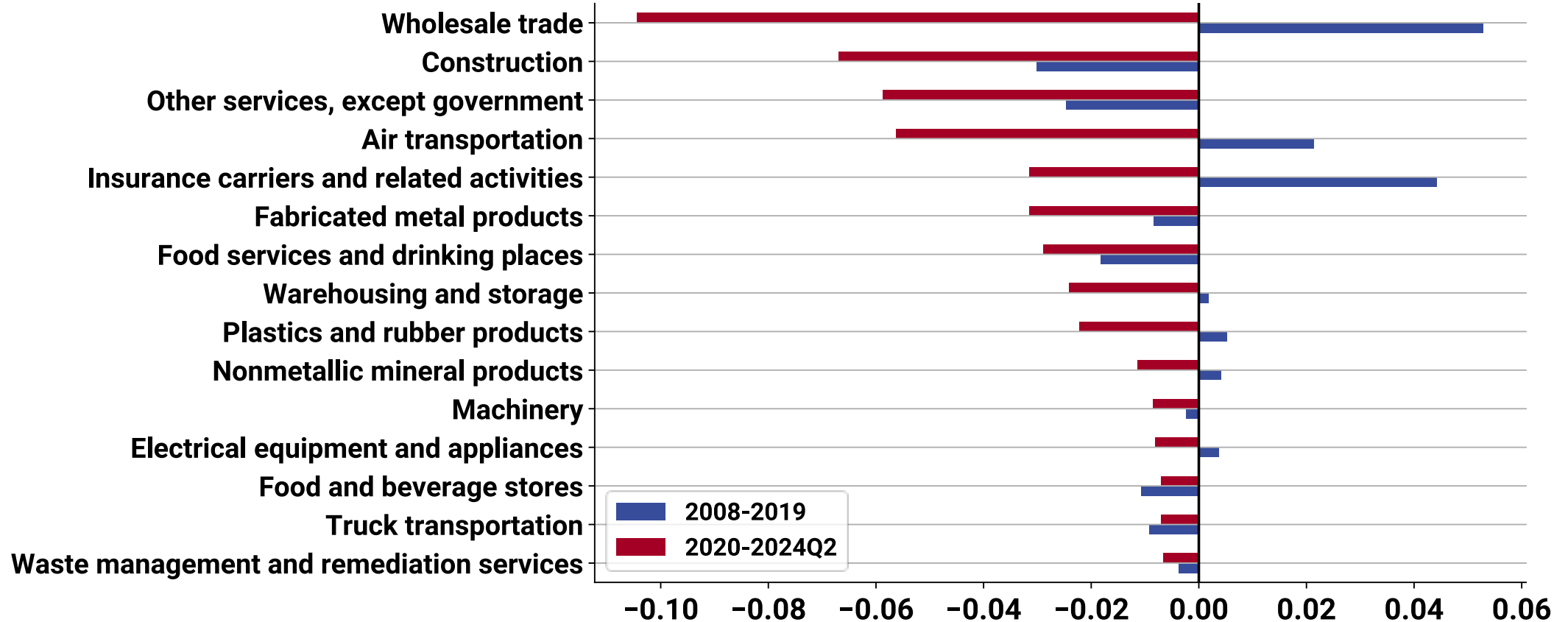


Source: Bureau of Labor Statistics, Bureau of Economic Analysis, and FRBC staff calculations

# But productivity growth in other industries slowed

## Contribution to Output per Hour Growth

(Percentage point average over period by industry)



Source: Bureau of Labor Statistics, Bureau of Economic Analysis, and FRBC staff calculations



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