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Macro Roundup Article

Headline: The AI Transition One Year Later: On Track, but Macro Impact Still Several Years Off

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Tweet: Goldman Sachs forecasts an AI-driven investment cycle with $250B of annual hardware investment, equivalent to 9% of US business investment or roughly 1% of US GDP, through 2025. They expect this capex cycle to peak at 2-2.5% of US GDP by 2032.

Summary: Investment in AI [hardware] is likely to rise substantially as this investment is a precursor to the widespread integration of AI into business processes. We expect such an investment cycle (which we have estimated could peak at 2-2½% of GDP) to be the first measurable gauge of AI adoption. Early signs of such an investment boom are already visible among AI-enabling companies. This increased investment is not yet visible in official national accounts data that are relevant for GDP, but shipments for some AI-related components have recently picked up. The economic upside implied by our analysis is quite large. We estimate that generative AI could raise DM [developed market] labor productivity growth by 1½pp per year over a 10-year adoption period; implying a cumulative increase in labor productivity levels of around 15%; and forecast a net 0.4pp boost to DM potential GDP growth by the end of forecast horizon after accounting for the overlap with current technology-driven productivity gains and a slowing underlying productivity growth trend.

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Primary Topic: Innovation/Research

Topics: Database, GDP, Growth, Important!, Innovation/Research, Investment, Other Source, Productivity, Weekly

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