

Macro Roundup Article

Headline: [Generative AI and Firm Values](#)

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Tweet: A @NBERpubs study presents evidence on the market impact of LLMs. Firms with top quintile exposure to AI outperformed firms with lowest quintile exposure to AI by over 9% from Dec 1 to Mar 31. @andrea_eisfeldt @gregorschub @rainozhang

Summary: We measure the impact of a major event in the advancement and dissemination of Generative AI technology, namely, the public release of ChatGPT, on equity returns at the firm level. Our key finding is that the arrival of ChatGPT had a sizable positive effect on the value of firms whose labor forces are more exposed to Generative AI and related Large Language Models (LLMs). Firms with higher exposure to the release of ChatGPT, as measured by the exposure of their labor force to being made more productive by tools like ChatGPT, outperform firms with lower exposures by over 40 basis points in daily excess returns during the two weeks following its release. Notably, these return differences are not only due to differences in labor force exposures across industries. Returns of firms with high labor force exposures also outperform firms with low exposures by about 40 basis points daily in industry-neutral portfolios.

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