

## IS THE PRODUCTIVITY CYCLE TURNING?

Long-run productivity has historically moved in waves, and the current one may be inflecting.

**Labor productivity** (output per hour) is the headline measure, while utilization-adjusted **total factor productivity (TFP)** clarifies **underlying efficiency**, to distinguish true efficiency gains from temporary effects.



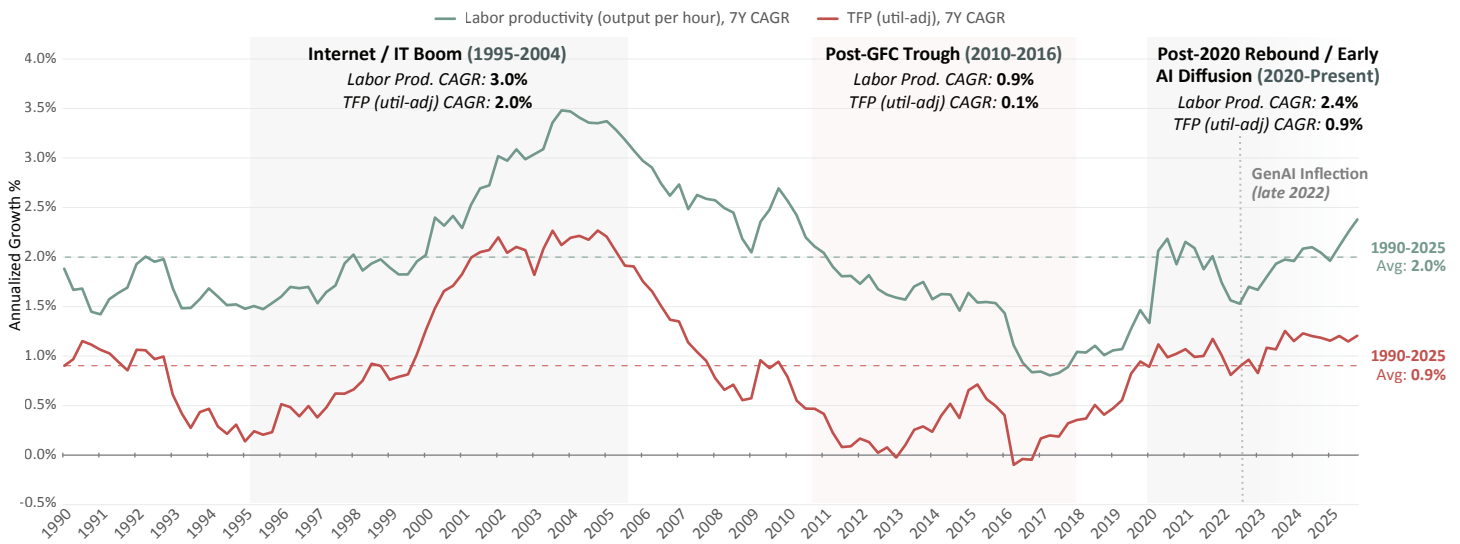
The 1995–2004 Internet and IT boom delivered broad-based gains, with **labor productivity** ~3.0% CAGR and utilization-adjusted TFP CAGR ~2.0%.

Since 1990, productivity has moved in **multi-year waves**, peaking in the early-2000s and bottoming in the mid-2010s post-GFC trough.



Since 2020, labor productivity has **reaccelerated** above its long-term average; TFP has improved but remains well below prior highs, suggesting **sustained TFP strength** is needed for a durable AI-led shift.

**Labor Productivity vs. TFP (7-year trailing CAGR): 1990-2025**



**Note:** Lines show 7-year trailing CAGR. Shaded figures show period CAGR of the underlying level series.

**Source:** U.S. Bureau of Labor Statistics (BLS), Labor Productivity and Costs (Nonfarm Business Sector output per hour); Fernald, Federal Reserve Bank of San Francisco (utilization-adjusted TFP); Aristotle Capital Management, author calculations. As of 2025Q4.

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