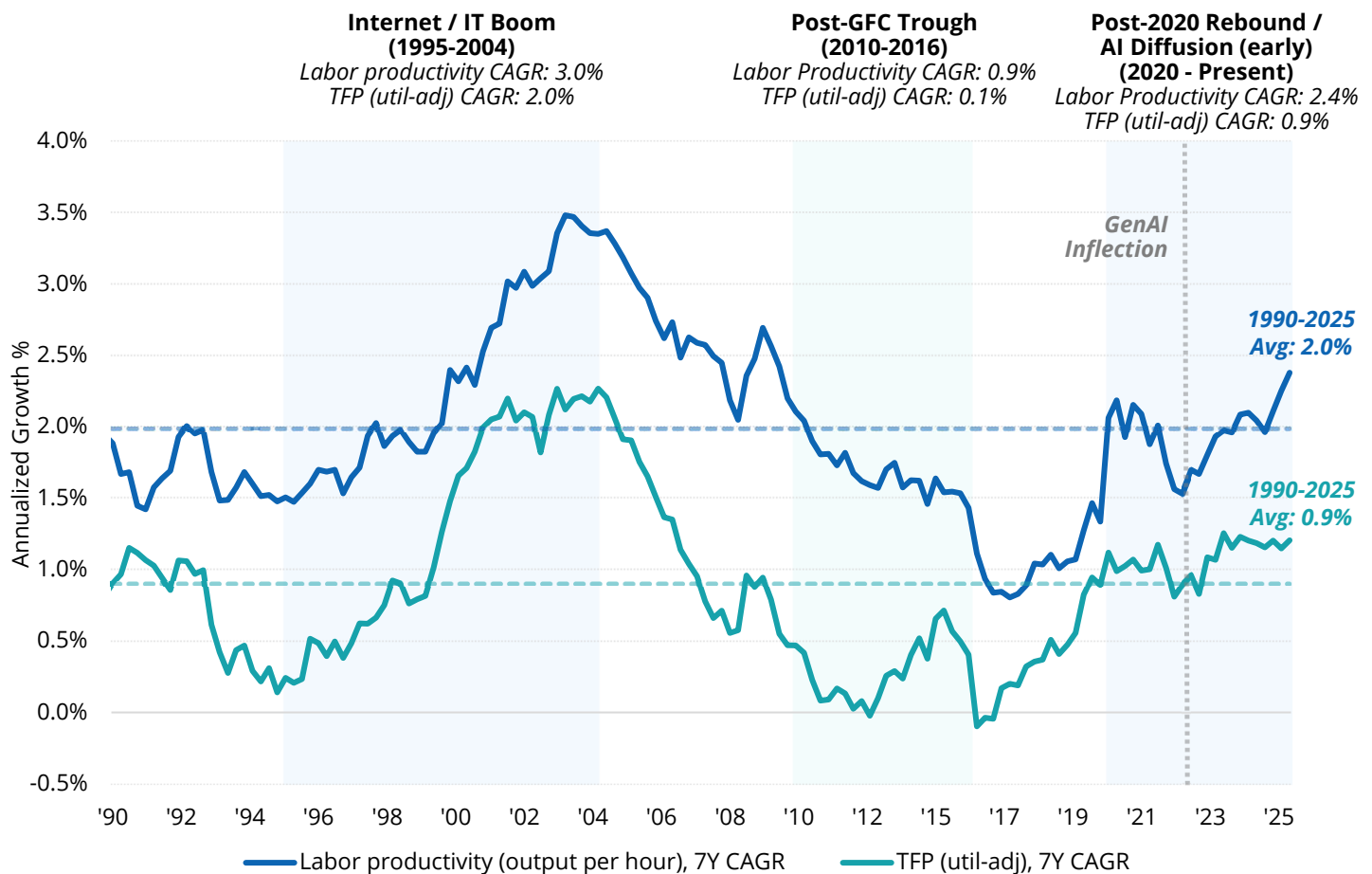


# IS THE PRODUCTIVITY CYCLE TURNING?

Productivity has historically advanced in long cycles, with major gains emerging during periods of technological innovation. The Internet and IT boom of the late 1990s and early 2000s drove a sustained surge in both labor productivity and underlying efficiency, while the post-GFC period marked a prolonged slowdown. Since 2020, labor productivity has reaccelerated above its long-term average, and recent advances in artificial intelligence (AI) have renewed optimism that a new productivity cycle may be emerging. However, total factor productivity (TFP)—often viewed as a cleaner measure of efficiency gains—remains below prior peaks, suggesting broader adoption and implementation will be necessary to confirm a durable AI-driven shift.

## Labor Productivity vs. TFP (7-year trailing Compound Annual Growth Rate (CAGR)) 1990–2025



**Past performance does not guarantee future results. Investing involves risk, including loss of principal.** 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 12/31/25. Total Factor Productivity (TFP) measures how efficiently an economy or business converts raw inputs into final output. CAGR measures the annualized rate of return between a beginning and ending value.

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