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SUMMARY

- So far, AI is boosting productivity and profits, not destroying jobs.
- Unit labor costs are moderating, supporting both earnings and lower inflation.
- Research finds no significant AI-driven harm to employment or wages yet.

Source: LSEG Datastream, RiverFront. Data quarterly as of Q1 2026. Chart right shown for illustrative purposes only. Past performance is no indication of future results.

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The AI 'Jobs Apocalypse' That Isn't

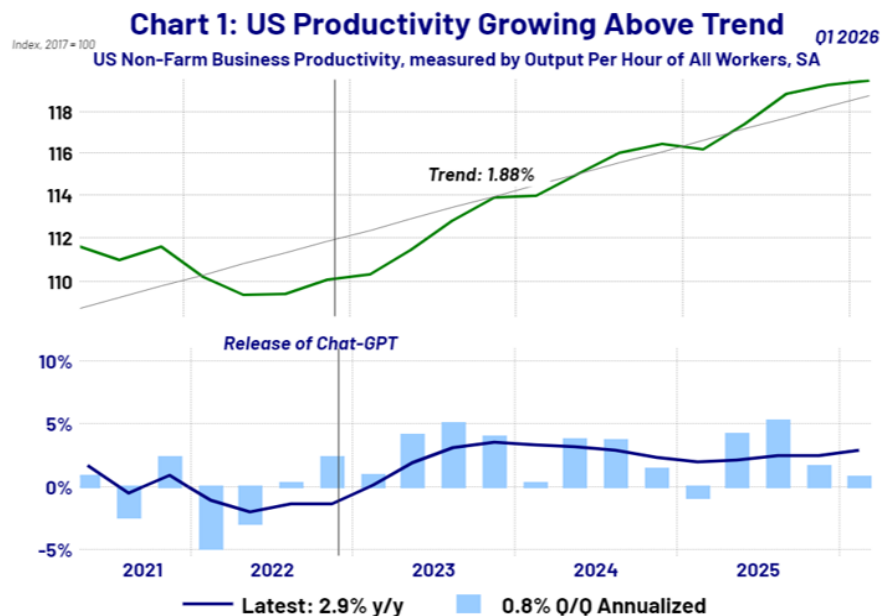
Productivity Surges While Employment Holds Steady

Talk of the 'AI jobs apocalypse' has reached a fever pitch. Some luminaries are predicting that AI is permanently impairing the jobs landscape – and judging by the jeers experienced by university commencement speakers brave enough to mention artificial intelligence, young workers are terrified.

While that may end up proving true – RiverFront's value of 'humility' is never more relevant than when trying to predict the future – **AI adoption has boosted economic output far more than it's disrupted the jobs market thus far.** The April employment report beat expectations, and US employment has increased by a net 304,000 jobs so far this year...well above last year's 169,000 through April. Meanwhile, job openings held steady, and both layoffs and quits were little changed per the most recent JOLTS data.

Importantly for corporate profits and the stock market, output per hour worked – a proxy for productivity – is skyrocketing. In Q1, non-farm business productivity rose 2.9% year-over-year, well above its long-term trend. Productivity has grown above trend since the release of ChatGPT in fall 2022 (see Chart 1, below), a dynamic we've been writing about for some time, with regard to our concept of ['US Economic Exceptionalism'](#).

Meanwhile, 'unit labor costs,' or an approximation for the hourly compensation required to produce the US' economic output, is growing less than 2% over the past year. Moderating unit labor costs mean lower pricing power for workers, but the flip side is a tailwind for corporate profits, since wages are one of Corporate America's largest input costs. This may be one key factor behind Q1's all-time high corporate profits and cash flow across both public and private companies (see Chart 3, page 2) – a trend visible in S&P 500 earnings as well, as we [discussed](#) in last week's commentary.



Moderating unit labor costs are also historically linked to lower core inflation, as measured by core PCE (dark blue line, Chart 2). This is particularly important for an economy – and a Federal Reserve – trying to manage through a large headline inflation spike caused by the ongoing war in Iran.

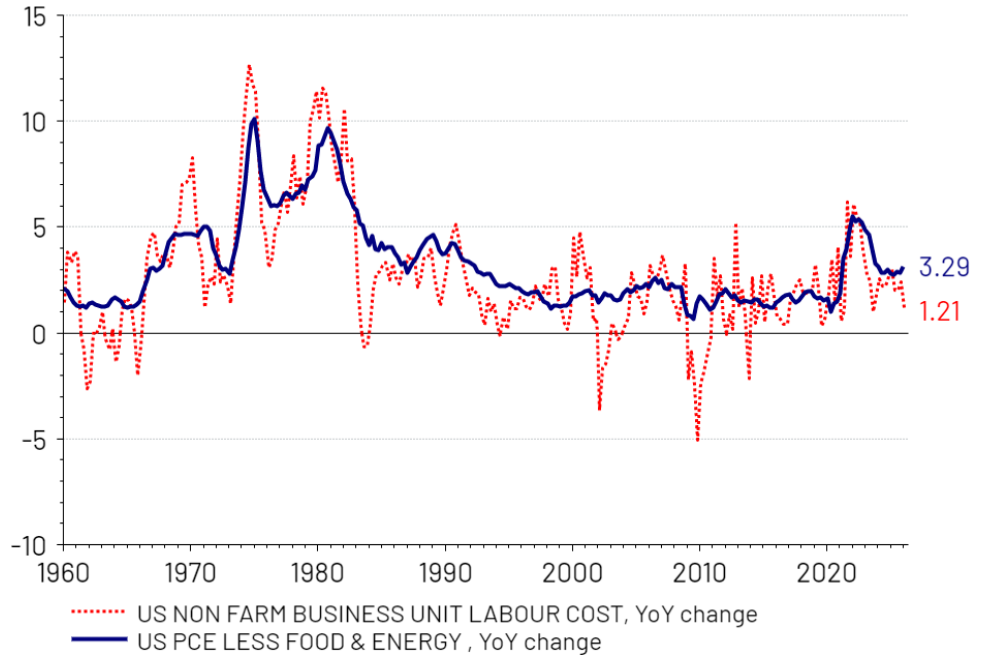
This is not to say AI isn't impacting jobs, particularly in tech – but thus far it looks more like a transition than a collapse, in our opinion. Challenger, Gray & Christmas counted nearly 50,000 AI-linked job cuts announced by US companies so far in 2026, roughly 17% of all announced layoffs. However, in our view, tech managers are likely using AI as a convenient excuse for needed headcount reductions after the sector's massive COVID-era hiring binge. Supporting this view, non-farm payrolls in the Information industry, while declining, appear to be simply normalizing back to pre-COVID levels.

Recent academic research supports this thesis. The Yale Budget Lab's monthly econometric analysis comparing AI-exposed and AI-unexposed occupations found no statistically or economically significant impact on either employment or real hourly wages for AI-exposed workers. Similar findings from the Brookings Institution and the New York Fed point to the same conclusion: **so far, AI appears to be stabilizing and possibly cooling America's labor market – not destroying it.**

CONCLUSION: So Far, So Good...AI Boosting, Not Breaking the Economy

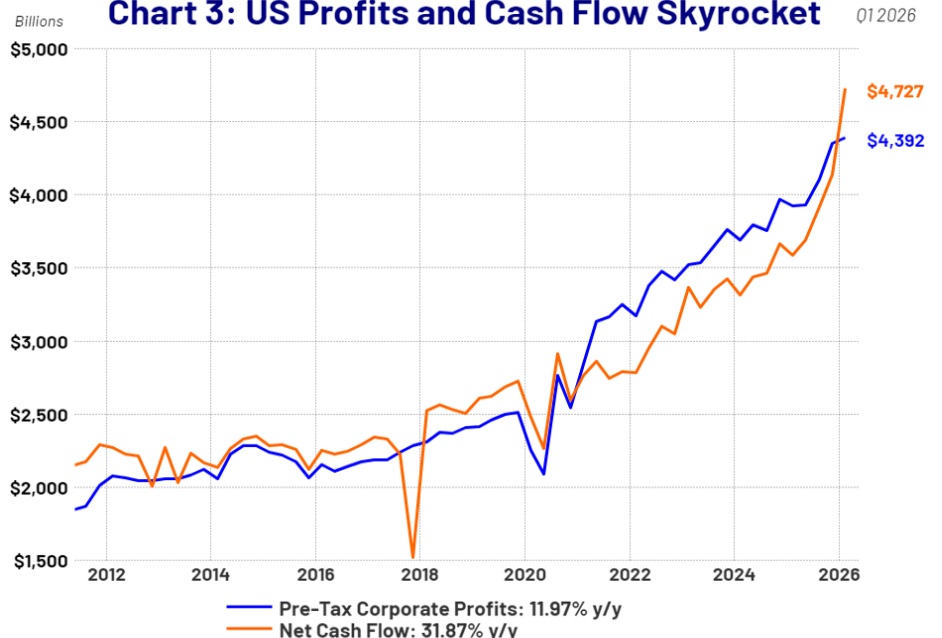
Despite widespread fears of AI 'hollowing out' the labor market, the US economy is experiencing something like the best of both worlds: rising productivity alongside a resilient jobs market. **AI adoption is clearly reshaping the economy – from labor to capital – but the net effect on GDP thus far appears positive, not negative.** This echoes the pattern of prior industrial revolutions, in which technological innovation ultimately created economic prosperity and opportunity, albeit unevenly – a dynamic we explored more extensively in our November 2025 [deep dive](#) into AI's macro and microeconomic effects also reinforces our continued belief in 'US Economic Exceptionalism' and our related conviction to remain invested in US assets.

Chart 2: Moderating Labor Costs Good for Inflation



Source: LSEG Datastream, NDR Research, RiverFront. Data quarterly as of Q1 2026. Chart shown for illustrative purposes only. Past performance is no indication of future results.

Chart 3: US Profits and Cash Flow Skyrocket



Source: LSEG Datastream, RiverFront. Data quarterly as of Q1 2026. Chart shown for illustrative purposes only. Past performance is no indication of future results.

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Technology and Internet-related stocks, especially of smaller, less-seasoned companies, tend to be more volatile than the overall market.

Artificial intelligence, or AI, refers to the simulation of human intelligence by software-coded heuristics. Nowadays this code is prevalent in everything from cloudbased, enterprise applications to consumer apps and even embedded firmware.

Index Definitions:

Standard & Poor's (S&P) 500 Index measures the performance of 500 large cap stocks, which together represent about 80% of the total US equities market.

Definitions:

Corporate Profits represents the US National Income Account, Without Inventory Valuation Adjustment and Capital Consumption Adjustment, Profits After Tax Total, Current Prices. Compiled by the Bureau of Economic Analysis, US Department of Commerce.

The term cash flow refers to the net amount of cash and cash equivalents being transferred in and out of a company. Cash received represents inflows, while money spent represents outflows.

Inflation is a gradual loss of purchasing power, reflected in a broad rise in prices for goods and services over time.

Gross domestic product (GDP) is a monetary measure of the market value of all final goods and services produced in a period (quarterly or yearly) of time.

Personal consumption expenditures (PCE) is the value of goods and services purchased by or for U.S. consumers.

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