

AI and the US economy: Q&A

To what extent is AI driving the U.S. economy? Is the boom bigger than that of the “New Economy” of the 1990s? What will happen if the AI bubble bursts? Could that lead to a debt crisis? We answer frequently asked questions.

How much of US growth is powered by AI?

U.S. companies are investing enormous sums in building the infrastructure for artificial intelligence (AI). Since AI is not yet a separately reported component of the national accounts, corporate spending on AI must be estimated based on investments in computers, software, data centers, and similar AI-related expenditures. For example, real investment in IT rose at an average annualized rate of nearly 25% over the eight quarters through Q3 2026. These investments by U.S. companies increase the U.S. economy’s real gross domestic product (GDP). Over the past eight quarters, AI investments have made a significant contribution of 0.9 percentage points to the average economic growth rate of 2.3%.

However, many of the components needed to build the AI infrastructure are imported, primarily from Taiwan and South Korea. These imports increase the GDP of the exporting countries, not that of the United States. They must therefore be subtracted from U.S. GDP. Exports of AI components by U.S. companies, on the other hand, increase U.S. GDP. Any estimate of AI’s contribution to growth must therefore take both sides of the trade balance into account [1]. On balance, the massive import surge for AI-related products resulted in a negative contribution of net exports to GDP growth (-0.4 percentage points on average over the last eight quarters), which significantly dampens the AI-driven momentum of the U.S. economy.

Taking into account the negative external contribution, this leaves an average contribution to economic growth of about 0.5 percentage points over the eight quarters through Q3 2026, with overall economic growth of 2.3% (Chart 1; unless otherwise noted, U.S. growth rates are always seasonally-adjusted annualized quarter-over-quarter rates of increase).

This estimate likely represents the lower bound of the probable impact of AI investments. After all, AI has also spurred investment in research and development. In addition, spending on upgrading power grids and expanding electricity generation is expected to supply data centers with electricity.

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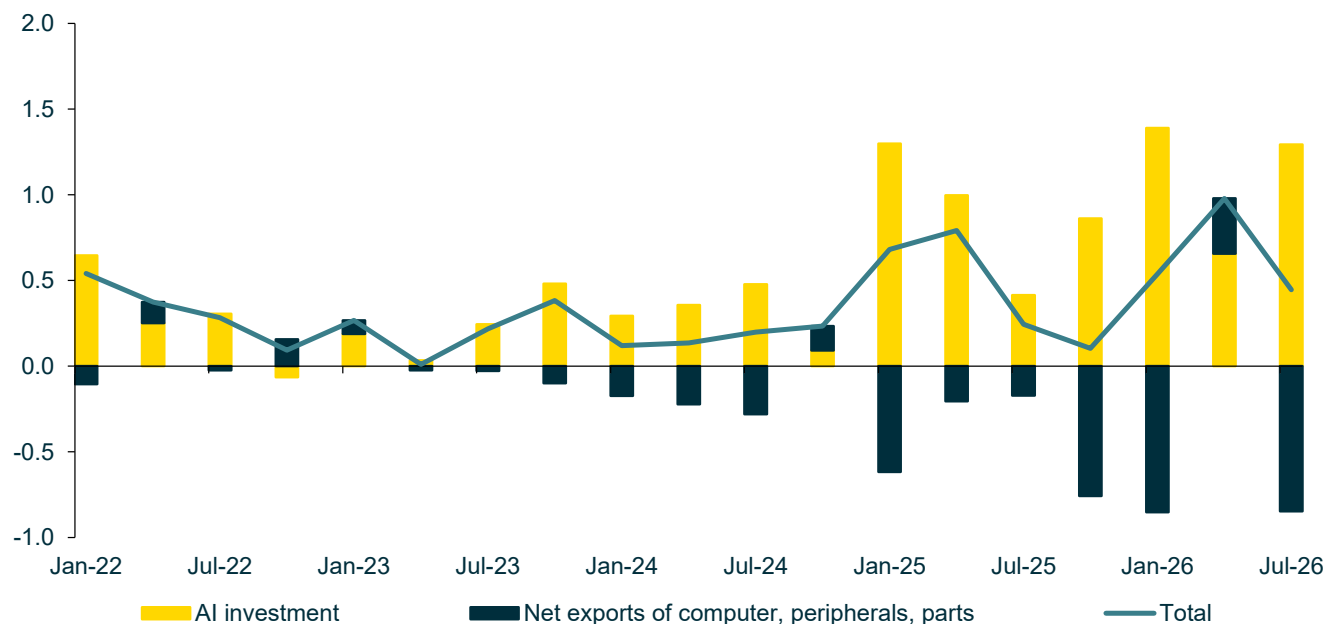
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Chart 1 - AI's contribution to GDP growth

Contribution to annualized quarterly real GDP growth from capital expenditures on computers, peripherals, data centers, and software, as well as net exports of computers and peripherals, in percentage points



Source: BEA, Fed, Commerzbank Research

... but why isn't the U.S. economy growing faster?

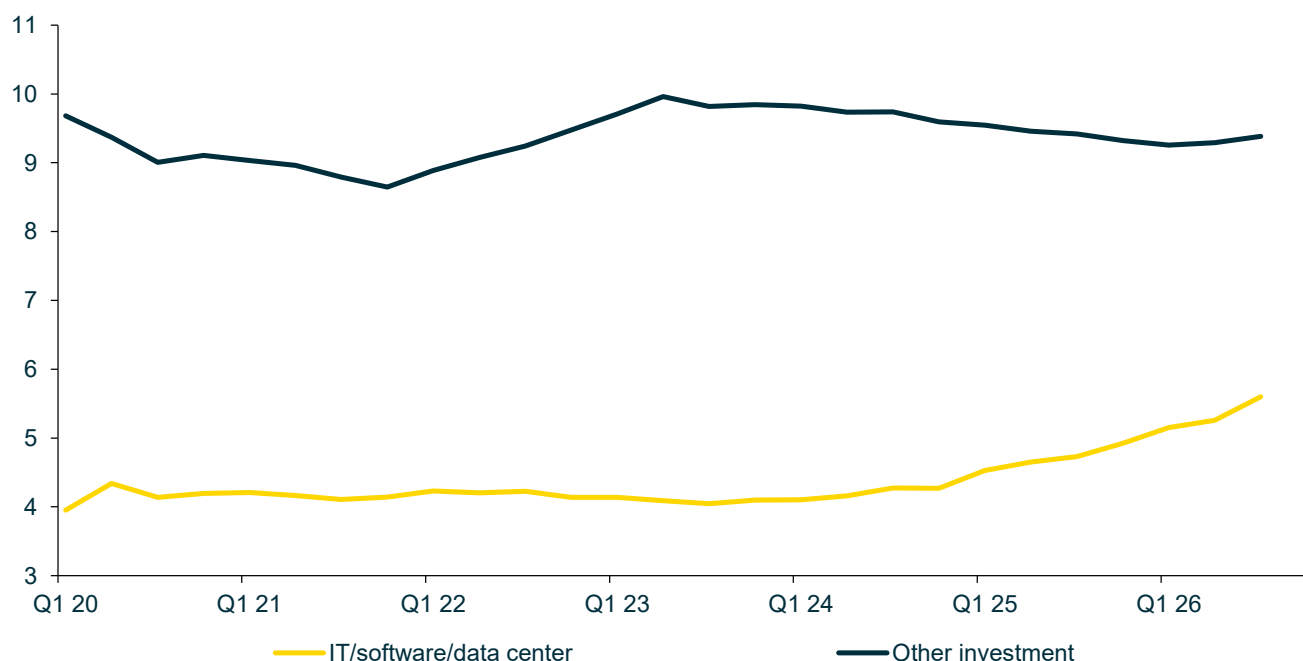
Despite investments in AI, the economy grew by just over 2.3% in the eight quarters through Q3 2026. This is not exactly exceptional when viewed over the long term and is even slightly below the growth rates seen in the ten years leading up to the 2020 COVID-19 crisis.

One plausible explanation is that numerous headwinds—such as higher tariffs, the war-induced energy price shock, and the waning impact of the Biden administration's industrial policy measures—have slowed the economy. These factors have curbed investment outside the AI sector. Their share of gross domestic product, most recently at 9.4%, is near the average of recent years (Chart 2). While AI investments have not yet triggered a boom in the overall economy, they have provided a floor for economic growth.



Chart 2 - Hi-Tech investment is booming

Nonresidential investment, in % of GDP, quarterly data



Source: BEA, Commerzbank Research

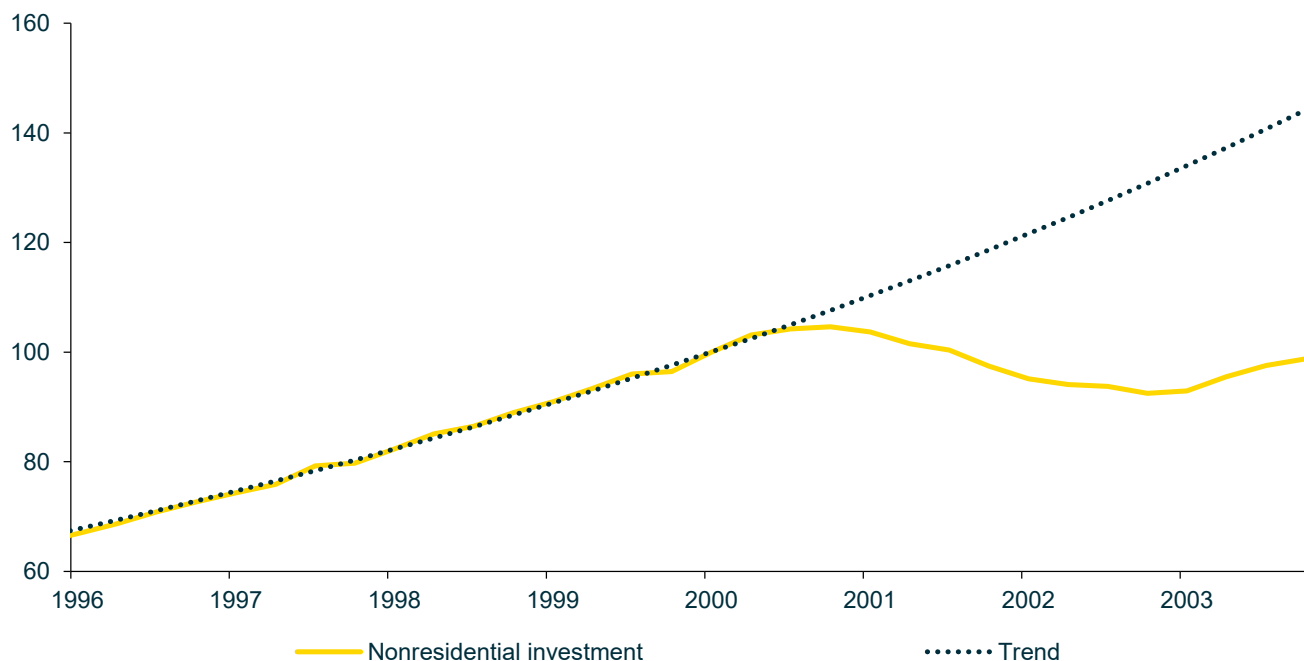
How severely would a slump in AI investment impact the economy, ...

Recently, fears have repeatedly surfaced that AI companies are overextending themselves with their enormous investments and that this could lead to a crisis involving painful cuts to this spending. To find out what a slump in AI would mean, let's take a look at the high-tech boom of the New Economy. That boom ended in the 1990s with the bursting of the bubble and a crisis. This development can serve as a blueprint for what might happen if a high-tech bubble were to burst. In the five years leading up to Q1 2001—the peak of the economic cycle at the end of the New Economy boom—real investment in IT and software rose by nearly 20% per year. In the year following the economic peak, they fell by over 8%, a sharp reversal. Total investment (excluding residential construction) also took a sharp turn, shifting from growth rates of 10% in the period leading up to the economic peak to a decline of 8% in the year following Q1 2001. After the downturn ended, investment did not rebound at the same pace as before the crisis. As a result, the gap relative to the pre-crisis trend widened steadily, and economic growth was noticeably weaker than during the boom years (Chart 3).



Chart 3 - New Economy: An investment boom gone bust

Real nonresidential investment, Q1.2000=100. Trend based on data for 1995-2000



Source: BEA, Commerzbank Research

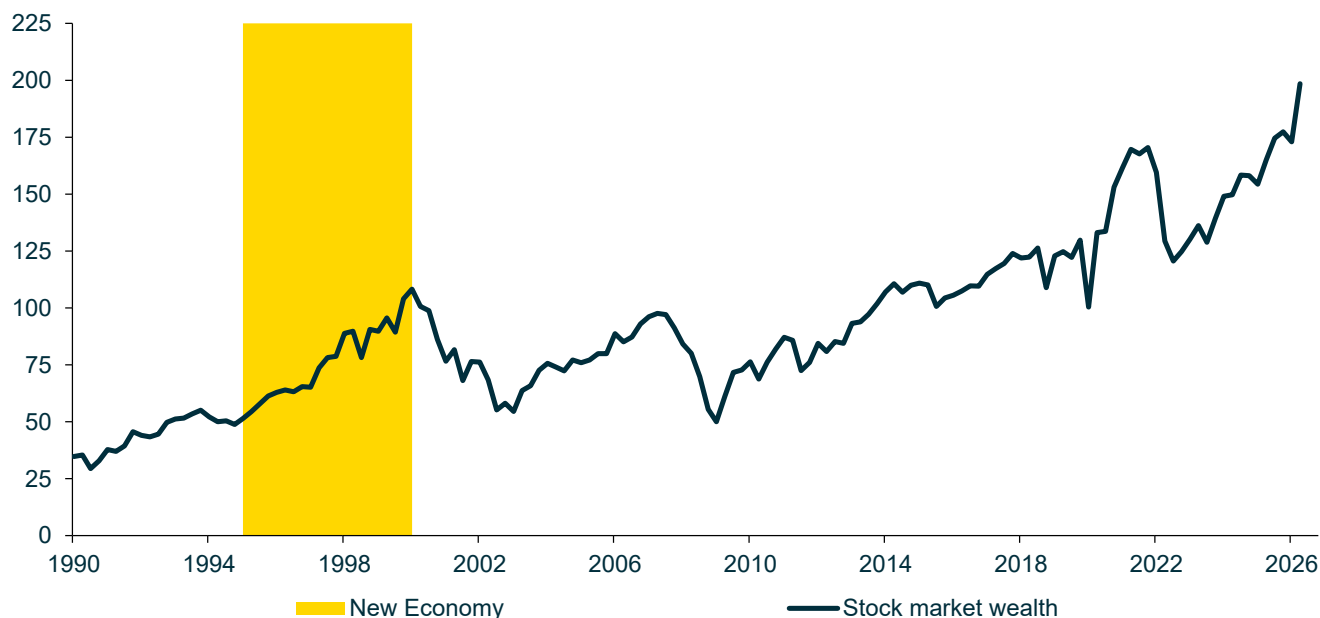
The contribution of nonresidential investment to growth was still 1.2 percentage points in 2000; in 2001, falling investment reduced economic growth by 1 percentage point—a swing of more than 2 percentage points. A burst of the AI bubble would likely have a roughly comparable effect; after all, investment in IT and software is currently growing at rates similar to those seen during the New Economy, and it even accounts for a slightly larger share of GDP.

... and a stock market crash consumer spending?

However, the end of the AI euphoria would not only weigh on investment but would also likely trigger a sharp correction in stock prices. Here, too, the New Economy can serve as a blueprint. Expectations of high profits have driven stock prices upward and brought U.S. households considerable gains in wealth. Household equity holdings totaled \$64 trillion in the second quarter, having nearly doubled in four years. As a percentage of gross domestic product, equity holdings have risen to 198%. At the peak of the New Economy bubble in early 2000, this ratio stood at 108% of GDP (Chart 4). [2]



Chart 4 - Private households' stock market wealth has reached dizzying highs
Market value of corporate equities held by US households in % of GDP, quarterly data



Source: Fed, BEA, Commerzbank Research

What would be the potential consequences of a massive stock market correction? One channel through which this affects the economy is the wealth effect. Common estimates of the wealth effect for stocks range from 2 to 4 cents per dollar of change in wealth. In the following, we assume a value of 3 cents—the midpoint of this range. A \$100 decline in stock wealth would therefore reduce consumption by \$3. If household stock wealth were to decline by 44%, as it did in the three years following Q1 2000, this would result in a loss of more than \$28 trillion in wealth (Table 1). If consumption reacts to such wealth losses as assumed above, it would be reduced by a good \$850 billion, or 2.6%. After 2000, the decline in stock wealth occurred over three years before the stock market hit bottom, which is why the effect on consumption likely spread out over a longer period. A similar outcome would also be expected in the event of a new market crash. However, provided that stock prices recover once the situation stabilizes, a lasting dampening of consumption is not to be expected.

Both effects—the slump in investment and the dampening of consumption—would likely be sufficient to push the economy into a recession.

Table 1 - Wealth effect of a stock market crash

Assumption for the 2026 scenario: A 44% decline in stock wealth (corresponding to the loss between Q1 2000 and Q1 2003). Impact of wealth on consumption: 3 cents per dollar

	2000	2026 Scenario
Stock market wealth (billion \$)	10830	64630
Share of total wealth	22.3%	31.4%
Loss of stock market wealth (billion \$)	-4740	-28437
Effect on personal consumption (billion \$)	-142.2	-853.1
in relation to GDP	-1.4%	-2.6%

Source: Fed, BEA, Commerzbank Research

Are AI companies to blame for rising interest rates?

Since investments in AI infrastructure are increasingly being financed with debt, many see this as a major cause of rising interest rates. But has the U.S. corporate sector's debt actually increased enough to substantiate these claims?

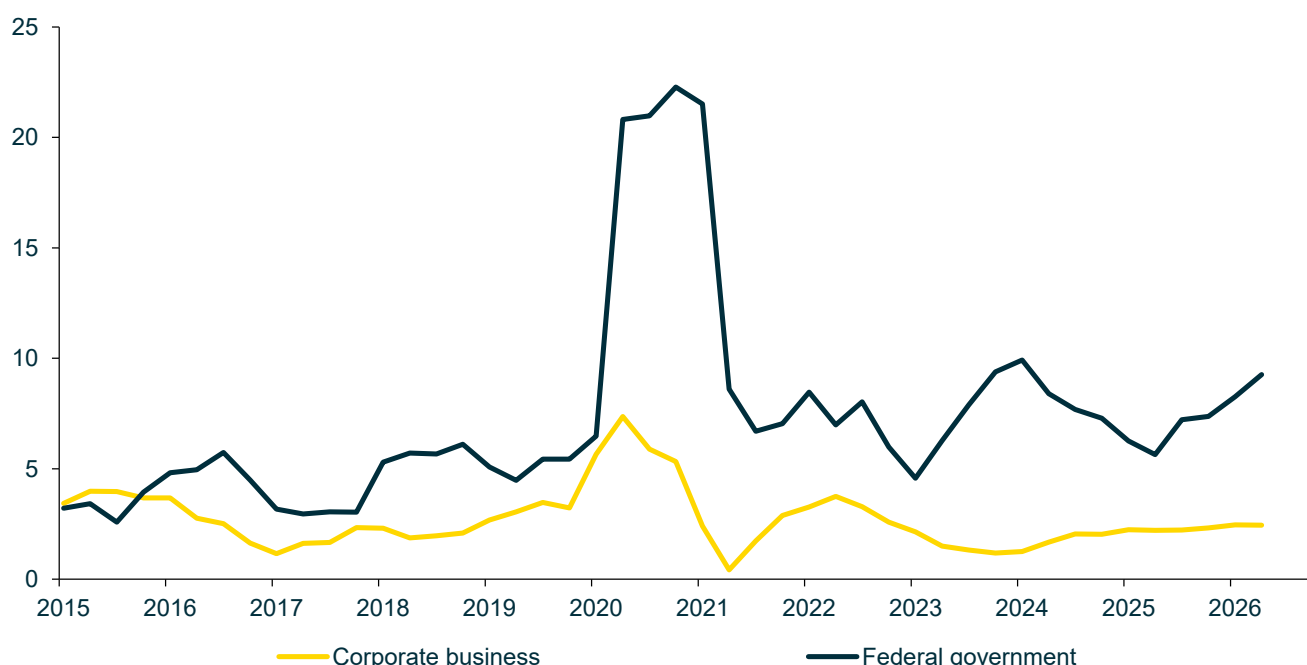


U.S. corporations have taken out loans and issued bonds totaling approximately \$780 billion (2.4% of GDP) over the past four quarters. This means that companies have not increased their debt any more than in previous years. In contrast, the government's appetite for borrowing is significantly greater than that of corporations. In the four quarters through Q2 2026—the most recent data available—the U.S. federal government increased its debt in the credit market nearly four times as much as corporations did, namely by over \$2,900 billion (9.3% of GDP). This means that the government, in particular, has drawn on the credit market—and thus bears a much greater responsibility for the rise in yields than corporations (Chart 5) [3].

Furthermore, AI investments—which didn't really take off until after 2023—don't fit well with the pattern of rising interest rates: The rise in yields occurred primarily through the end of 2022, which aligns with the massive surge in inflation during that period and the Fed's subsequent restrictive monetary policy. The next surge in interest rates coincides with Donald Trump's war against Iran.

Chart 5 - The government, not business, is driving up yields

Borrowing (debt securities and loans) by the federal government and by nonfinancial corporate business, 4-quarter averages in % of GDP



Source: Fed: Financial Accounts Table D3.t, BEA, Commerzbank Research

Is a debt crisis looming if the AI bubble bursts?

A burst in the AI bubble would likely lead to a significant reduction in AI investments. At the same time, it would likely result in a massive need for write-downs on the AI investments already made. This would likely also weigh on the large and profitable companies in this sector and lead to a painful shakeout across the entire sector.

What does this mean for corporate debt? Is a debt crisis looming? The corporate sector as a whole is certainly not over-indebted. As of the end of Q2 2026, loans and bonds issued by non-financial corporations amounted to 48.2% of GDP—the same level as ten years earlier. However, the structure of the debt has changed: Debt securities now account for 70% of credit market debt; ten years ago, that figure was only 50%. Private credit (loans to companies extended by non-banks such as certain investment vehicles)—which plays a major role in AI financing—has significantly increased its share since 2016, from 1.6% to 7.1%.

If AI companies were no longer able to service their debt, it would primarily affect bondholders and private credit lenders. Given this debt structure, a banking crisis like the one in 2008—which led to a sweeping correction in bank balance sheets—is not to be expected.

How many arrows does economic policy still have in its quiver?

The severity of any potential crisis will also depend on the response of economic policymakers. However, the scope for expansionary measures is likely to be significantly narrower now than it was 25 years ago. After all, the government entered the 2001 recession with an extremely sound fiscal position: The federal budget showed a surplus of 2.3% of GDP in 2000. In fiscal year 2026, which ended on



September 30, the budget was in deficit at 6.2% of GDP. The debt-to-GDP ratio was only 34% in 2000; now it stands at over 100% (Table 2).

In addition to fiscal policy, the Fed also had greater leeway at that time. After all, the core inflation rate in the years leading up to the bursting of the “New Economy” bubble was only 1.6%. Consequently, there was virtually nothing standing in the way of drastic interest rate cuts from the peak rate (6.50%). Currently, the picture is less favorable: Inflation has been noticeably above the Fed’s target for more than five years.

Especially given the experience with extremely loose monetary and fiscal policies during and after the COVID-19 crisis, it is therefore questionable whether the capital markets would once again accept an aggressive economic policy response without batting an eye.

Table 2 - New Economy vs. AI

Economic growth, investment growth, productivity growth, core inflation: year-over-year change for the respective period. (*) In % of GDP, data for fiscal year 2000 and 2026. (**) Key interest rate at the end of fiscal year 2000 and 2026.

	1996-2000	2022-26
Real GDP growth	4.6%	2.2%
Nonresidential investment	10.6%	5.8%
Labor productivity growth	2.8%	2.1%
Core inflation (PCE deflator)	1.6%	3.5%
Federal government budget balance (*)	+2.3%	-6.2%
Federal government debt held by the public (*)	34%	101%
Federal funds target rate (**)	6.50%	4.00%

Source: Fed, BEA, BLS, Commerzbank Research

What if AI actually lives up to the high expectations?

Many of the questions we’re asked focus more on the risks of AI. But what could we expect if AI truly sparked a new economic revolution? What would a very optimistic scenario look like?

A historical review can help put potential growth rates into perspective. The U.S. economy has gone through several waves of fundamental innovation, such as the construction of railroads, electrification, the automobile, and the Internet. In some cases, these phases were accompanied by strong population growth, which further fueled economic growth. In the last quarter of the 19th century, growth rates of 5-6% were sustained over an extended period – i.e. over at least 10 years (Chart 6). Otherwise, apart from exceptional situations such as the recovery following the Great Depression and World War II, rates of at most 4% (in the 1920s, also a period of extreme technological change) or 3% (during the “New Economy” of the 1990s) were achievable.

AI-driven growth of 4% per annum over an extended period would be an extraordinarily strong result, especially since this would occur during a time of negligible population growth and would therefore eclipse the 1920s and 1990s. Much higher growth rates over an extended period do not seem plausible to us, as we do not expect AI to have a more revolutionary effect than earlier foundational innovations.

What would be the consequences of such a boom?

- Interestingly, even this rosy scenario carries risks, particularly for politics and social cohesion. The U.S. wage share has already fallen, with an increasing portion of national income going to profits (and thus benefiting capital owners). Should this trend intensify during the AI boom, the debate over income distribution is likely to gain even more momentum. Calls for government intervention to correct the situation would increase, and low corporate tax rates would likely be unsustainable. Historically, similar phases have been accompanied by major political turmoil and a rise in populist movements [\[4\]](#)
- The impact on the labor market is also frequently cited. Will AI render human labor obsolete? Would we then have to expect high unemployment despite strong growth, which would significantly exacerbate the political repercussions? This is a fear that arises with every wave of innovation. So far, however, these Cassandra-like warnings have never come true, even if the transition has at

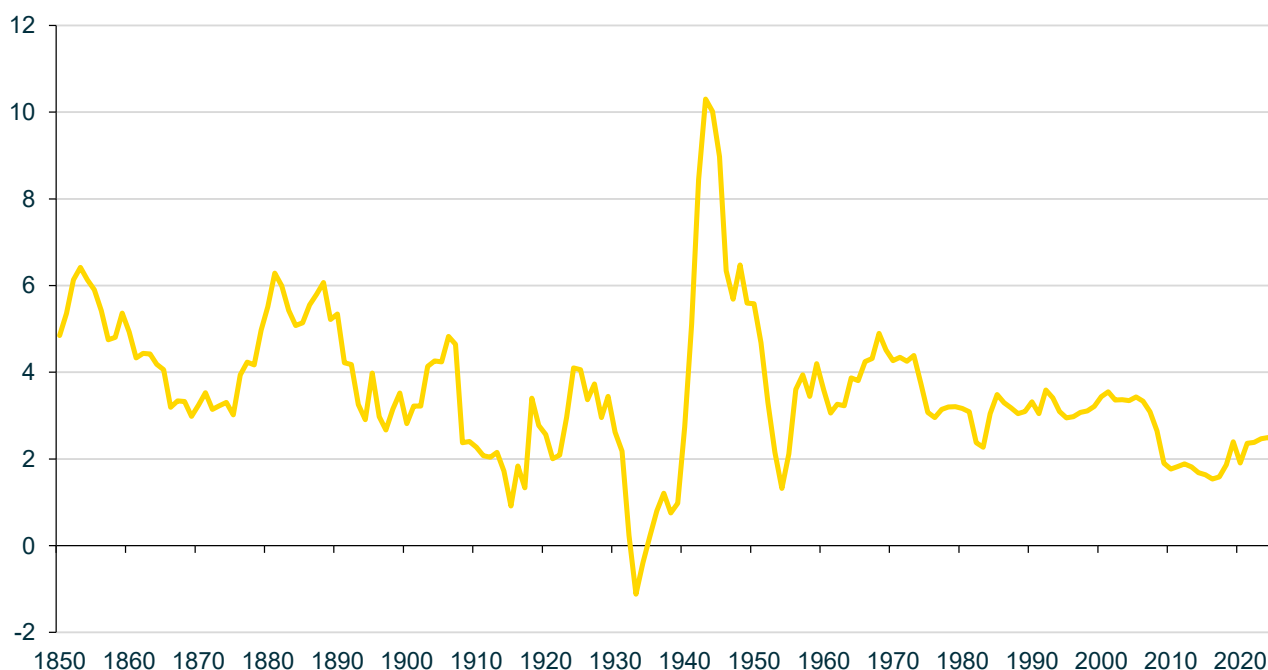


times been very painful. In the past, higher productivity growth has gone hand in hand with higher employment. It seems more likely to us that AI will not replace human labor, but rather complement it.

- The higher productivity gains would, in and of themselves, dampen inflation. However, one should not necessarily expect a decline in long-term returns; after all, higher real growth is also reflected in returns.
- The problem with government debt would resolve itself; the economy would outgrow it. A few years of the “New Economy” boom were enough to turn the budget into a surplus in the late 1990s. Admittedly, the starting point may be less favorable now, and reducing the deficit may be more difficult. Nevertheless, the debt-to-GDP ratio would decline.

Chart 6 - How fast can the US economy grow?

Real GDP, annual rate of change in %, moving 10-year averages. Data before 1929 from Measuring Worth, 1929 and after from BEA



Source: BEA, Measuring Worth, Commerzbank Research

What is realistic?

The introduction of fundamental innovations into the economy has always been a lengthy process in the past, and this will likely be the case with AI as well. Companies and their employees must first learn how to use the new tools effectively. Significant organizational changes are usually necessary as well, and these take time. An ever-increasing portion of the economy consists of services that often yield only modest productivity gains, a situation that the use of AI is unlikely to change significantly (think of nursing staff). As a result, the potential growth of the U.S. economy is likely to increase by well under 1 percentage point per year over the next decade. Longer-term growth of a good $2\frac{1}{2}\%$ to $2\frac{3}{4}\%$ per year appears possible (currently, most estimates put potential growth at around 2%, as do Fed members, for example, in their assessment of “long-term” growth). However, it will likely take some time before this new trend is achieved. The growth boost from AI could thus fall short of the high expectations, which also raises questions about the valuations of many AI companies

It also seems unlikely to us that any AI-driven productivity gains will fully offset the factors that will exert upward pressure on inflation in the coming years and decades:

- Demographic change. The decline in the working-age population reduces production potential, but demand does not fall to the same extent, as retirees continue to consume. This exerts upward pressure on prices—that is, the aging of society. Incidentally, the foreseeable population decline in many—and, in the long term, virtually all—countries marks a turning point in history that is in no way inferior to AI, and whose effects are only beginning to be understood.
- Deficits: The government’s claim on the resources of national economies is increasing. Higher defense spending, increased age-related benefits, and expenditures related to climate change cannot be covered even remotely by current revenues and are leading to rising deficits. The expansion of government activity is likely linked to rising inflationary pressure.



- The current trend toward protectionism is also unlikely to curb inflation. Finally, the regionalization of supply chains runs the risk of leading to less efficient solutions.

AI may curb inflationary pressures, but we still expect central banks to face persistent difficulties in meeting their inflation targets.

[1] To calculate the growth contribution of AI-related net exports, we follow Soto, Paul E., Mason Thieu, and Jeffrey S. Allen (2026). "The AI Buildout and the Economy: Publicly Available Data to Assess AI's Impact," FEDS Notes. Washington: Board of Governors of the Federal Reserve System, July 17, 2026. ([back to text](#))

[2] We rely on data from the Fed's Distributional Financial Accounts, specifically the "Stocks and Funds" category. This represents the lower bound of equity assets, as it does not include the stock holdings of pension plans. ([back to text](#))

[3] This finding does not change even when the "Maastricht ratio" (net lending/borrowing)—which is a more comprehensive measure of the use of the credit market—is calculated for the government and corporations. ([back to text](#))

[4] "Populism" does not necessarily have negative connotations in the United States. The emergence of the "Populist Party" in the late 19th century ultimately led to sweeping reforms, including the curbing of economic power—the breakup of the Standard Oil Company being a case in point. ([back to text](#))



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