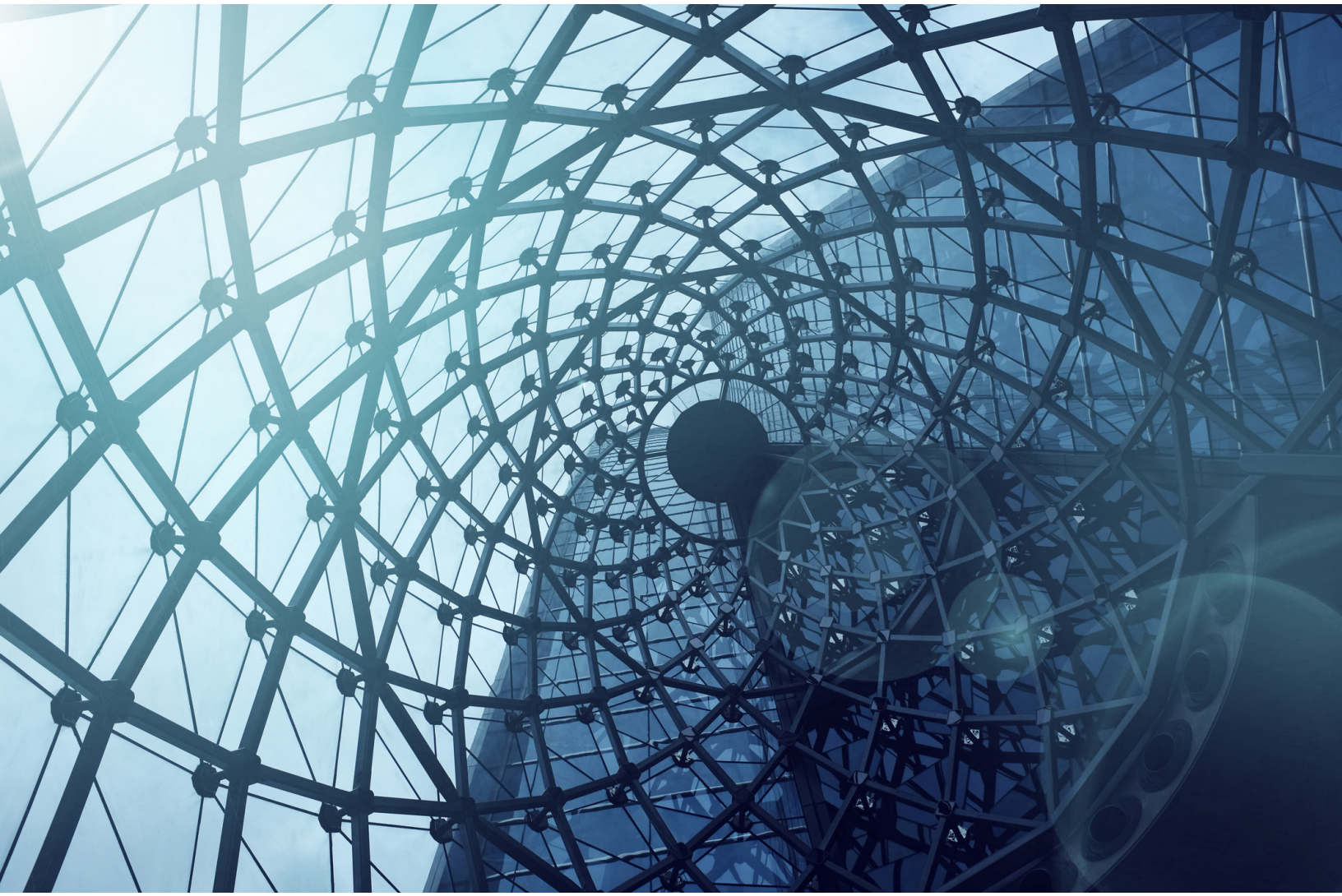
CIBC GLOBAL
ASSET MANAGEMENT

How AI-led growth could reshape markets

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Eric Morin, Global Head of Research



Key takeaways

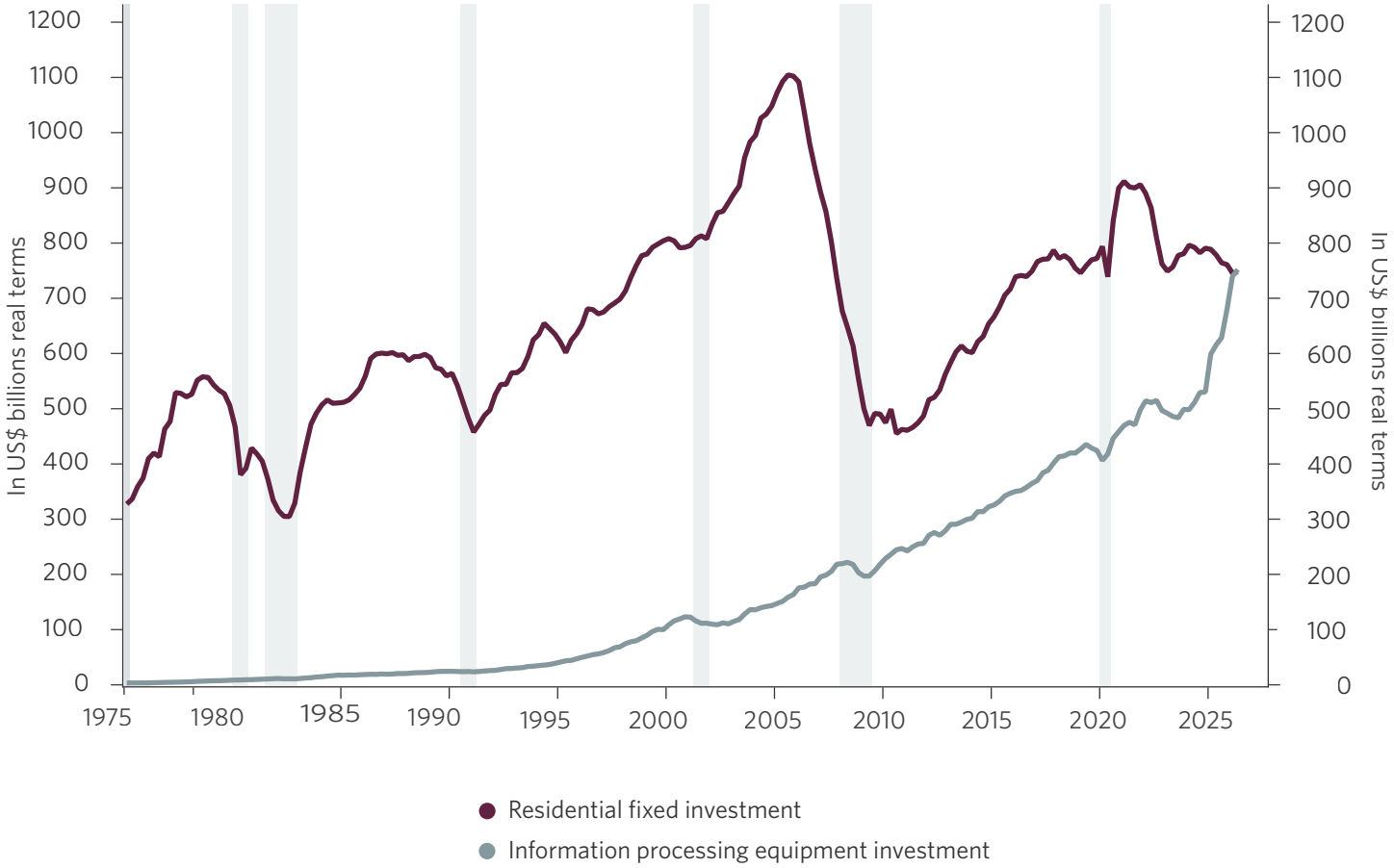
- AI and AI-related capex are multi-year forces that should raise US trend growth and support corporate earnings, while also keeping bond yields elevated.
- Broader AI adoption should extend market leadership beyond technology, support earnings and margins across sectors, and create greater return dispersion and richer stock-selection opportunities.
- Stronger US growth, higher yields, and capital inflows should support the US dollar, although this tailwind should fade as AI investment spillovers and adoption broaden globally.

Far-reaching macro spillovers from AI in the US

1. **Scale: AI is now a significant economic force.** Technology spending has grown at a robust pace and now exceeds residential investment in the US in level terms (**Figure 1**). As a general-purpose technology, AI is comparable to electricity and has the potential to transform how we work, think, collaborate, create, learn, and consume. To gauge the size of the opportunity, we measure AI's economic surplus—the value that consumers and businesses receive from AI products and services over and above what they pay for them. Put simply, it captures the welfare gains created by AI after accounting for users' direct costs; it is not equivalent to measured productivity, GDP, revenue, or profit. We estimate that this combined consumer and business surplus will reach around $900bn per year within the next one to two years (**Box 1**), equivalent in scale to approximately 3% of US GDP and cumulating to some $4–6tn over the next five years. The scale of the potential welfare gains—much of which has yet to be realized—together with persistent data-centre shortages, supports our view that the AI cycle remains in its early innings. We also see upside risk to the estimate from AI-powered general-purpose robots and rising military demand for AI capabilities.

Figure 1: Residential vs. Information Processing Equipment Investment

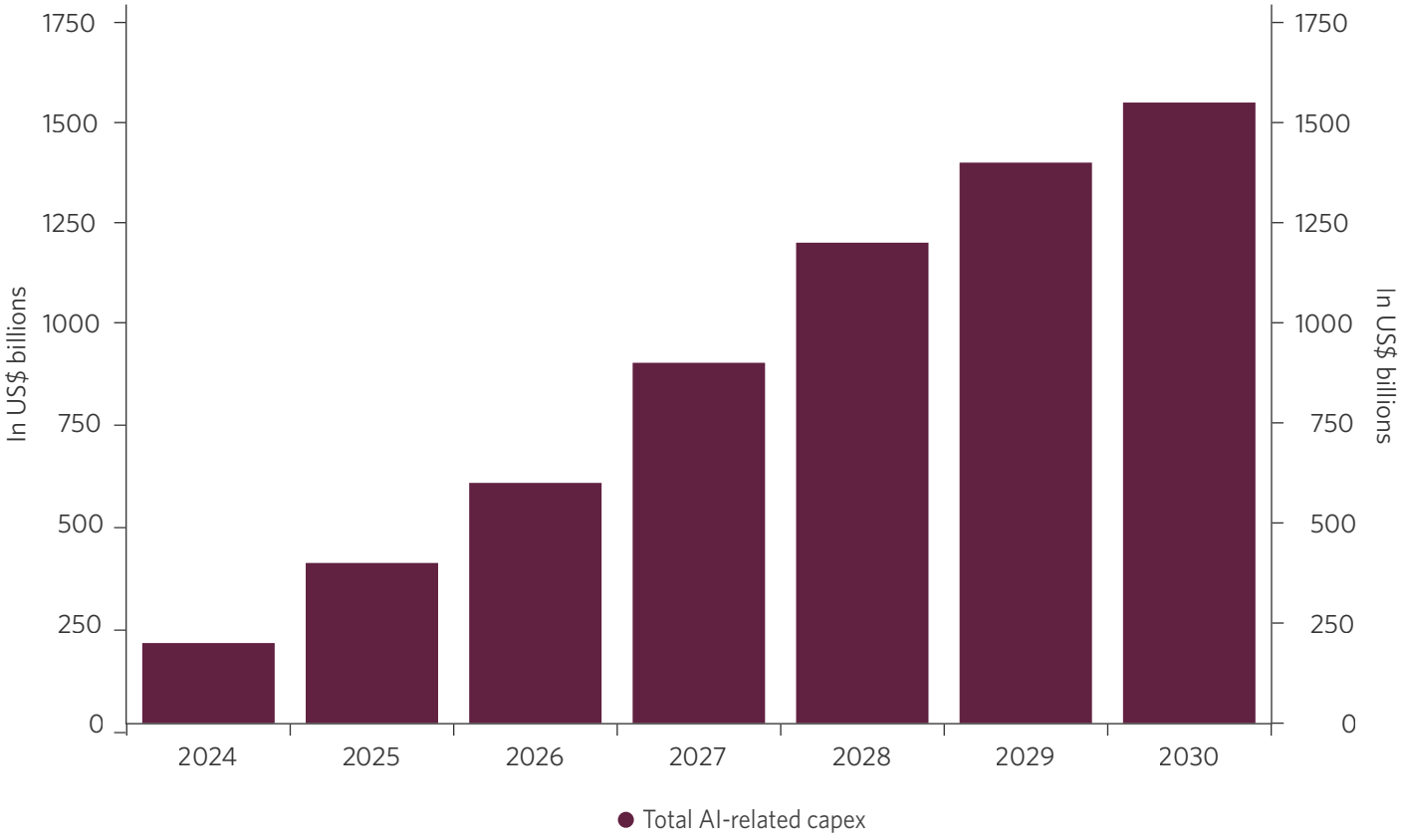
Base year = 2017



Source: Bloomberg Finance L.P. & CGAM. Grey bars indicate economic recessions. As at October 2026.

2. Investment: AI capex has become a multi-year growth engine. We project cumulative AI-related investment of about $6 trillion over 2026–30 (**Figure 2**)—spanning data centres, power infrastructure, semiconductors, and enterprise AI software. This is broadly comparable in scale to the ICT boom of the 1990s and early 2000s in today's dollars, but compressed into roughly half the time. After accounting for imports, the AI-capex cycle should add an average of about 0.4 percentage points to trend growth through 2030 and account for more than half of the projected increase in US capital formation over this period. Off-balance sheet commitments of big tech companies suggest that total AI capex could be $3tn larger than what is recorded on financial statements.

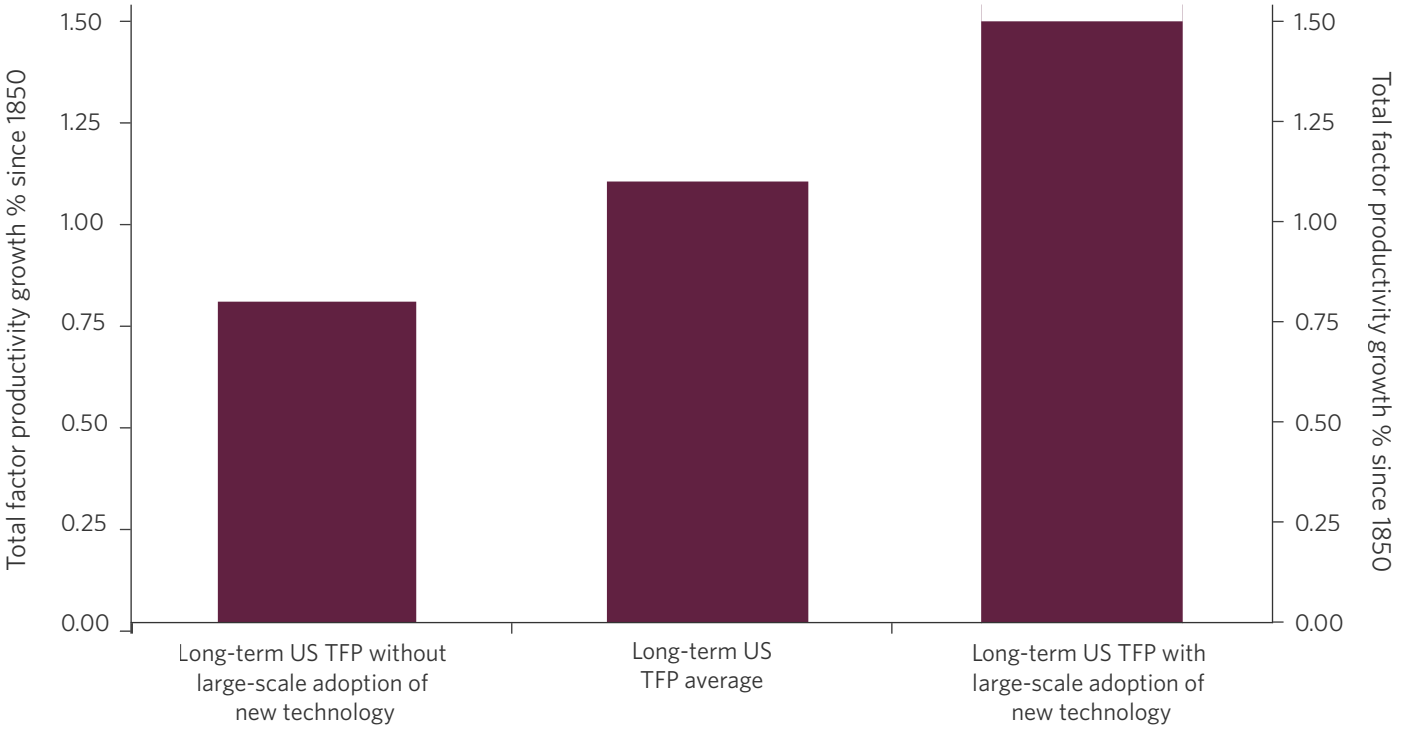
Figure 2: Cumulative AI-related Capex of about $6 trillion for 2026-30



Source: Bloomberg Finance L.P. & CGAM. As at October 2026. For illustrative purposes only.

3. **Productivity: faster adoption should bring the payoff forward.** We expect AI adoption and complementary investment spending to lift total factor productivity (TFP)—the principal driver of long-run economic growth. History suggests that productivity gains from general-purpose technologies typically accelerate only after adoption broadens and firms make the complementary investments needed to deploy them effectively. UK productivity accelerated as the railway network reached scale in the second half of the 19th century, rather than immediately after the technology's invention. A similar pattern emerged with electricity, whose productivity benefits became more visible following widespread adoption in the first half of the 20th century. More recently, the invention of the personal computer preceded the late-1990s productivity boom by more than two decades. The subsequent acceleration in productivity coincided with broader internet adoption and increased IT investment. AI should diffuse faster because firms can deploy software-based tools through existing digital infrastructure. We therefore expect US productivity growth to exceed widely used baseline forecasts. For example, the Congressional Budget Office (CBO) projects annual TFP growth of 1.1% over the next decade, which appears conservative relative to historical periods of rapid technological diffusion and broad adoption (**Figure 3**). By contrast, we estimate annual TFP growth of 1.4%, with roughly 0.3 percentage points attributable to AI.

Figure 3: US Total Factor Productivity Historically Boosted by Large-Scale Adoption of New Technology



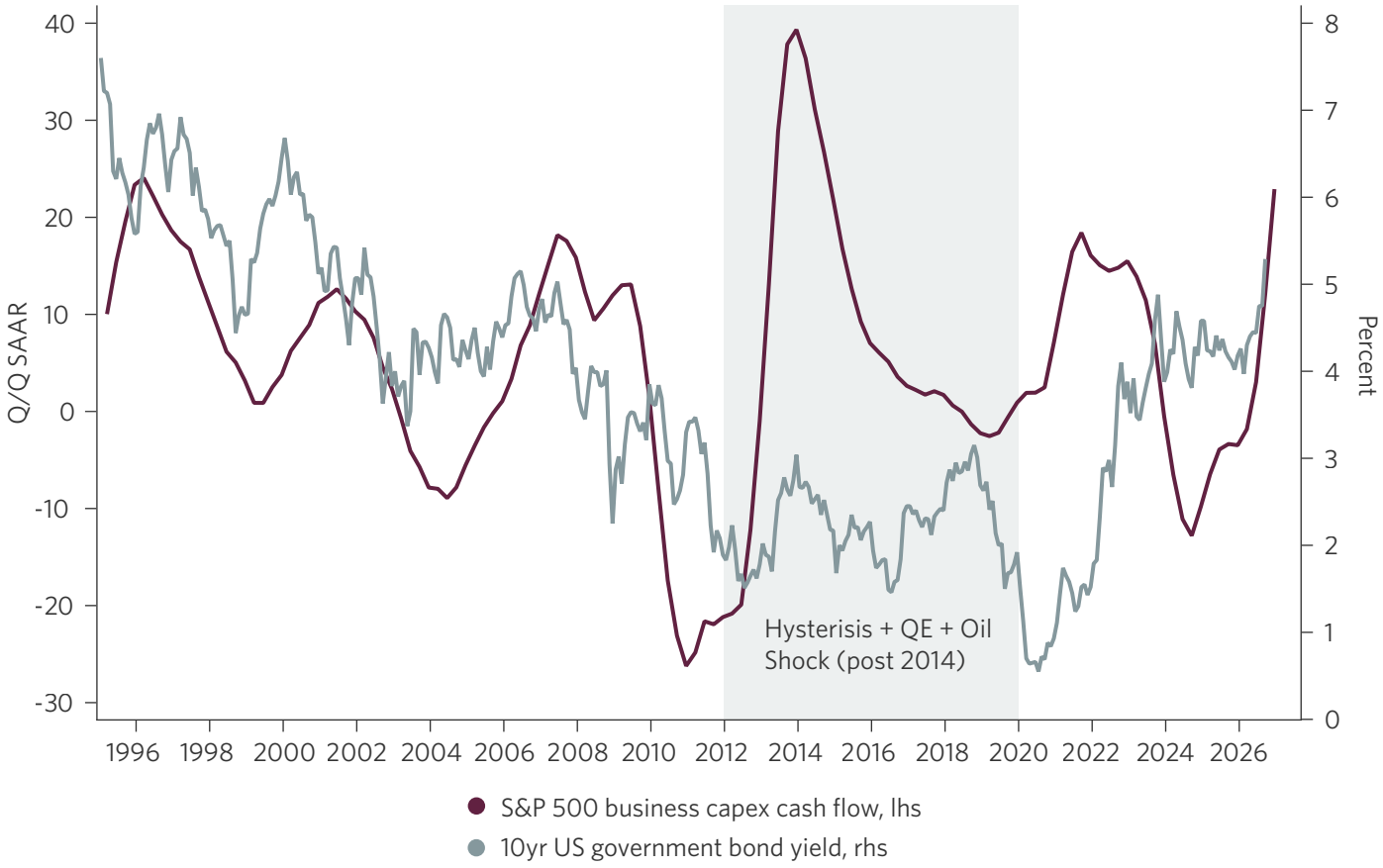
Source: CGAM. As at October 2026.

4. **Growth: AI tailwinds point to stronger US trend growth.** We estimate that sustained AI-related capital spending and stronger productivity growth could lift US trend GDP growth by about 0.7 percentage points over the next five years—roughly 0.4 percentage points from investment and 0.3 percentage points from productivity. This would raise average trend growth to around 2.5%, above the US Federal Reserve's (Fed's) 2.2% projections for 2027–29. Without these AI tailwinds, trend growth would be closer to 1.8–1.9%, broadly in line with the Fed's pre-pandemic longer-run estimates.
5. **Adoption: AI's faster diffusion should reduce boom-bust risk.** AI adoption has so far proceeded about twice as fast as adoption of either the internet or the personal computer.[1] According to McKinsey (2026), 40% of respondents at large organizations report scaling AI agents, up from 27% in 2025[2]. This pace supports frontloaded productivity gains and reduces the risk that investment will run far ahead of realized returns. During Britain's railway mania of the 1840s, investment surged before the network achieved broad use and scale: "The boom was associated with a substantial increase in the promotion of new railway companies, with at least 1,000 new railway lines being projected at this time[3]". A similar pattern emerged in the US in the late 19th century, when railroad investment (often in unsettled territory) outpaced near-term demand and generated substantial financial losses following a panic. In both cases, railways ultimately delivered large economy-wide productivity gains, but only after utilization broadened. AI's faster diffusion should shorten this lag between investment and returns—though it does not eliminate the risk of overinvestment.
6. **Inflation: upward pressure now, structural disinflation later.** The AI infrastructure build-out should be modestly inflationary over the next two years. Rapid investment in data centres and power generation will intensify demand for electricity, skilled construction and electrical workers, semiconductors, and other scarce inputs. We estimate that these pressures could add around 0.3 percentage points to annualized core inflation. AI data centres alone could account for 6–8% of total US electricity consumption by 2028, up from roughly 4% today. Later in the decade, broader adoption could exert structural disinflationary pressure by automating routine cognitive tasks and lowering service sector costs in areas such as customer support, coding, legal review, and content production. On balance, we expect AI to raise inflation modestly through 2027–28 before becoming a mild structural drag, helping to offset cost pressures emanating from population ageing and bringing core consumer inflation closer to the Fed's 2% target.

Investment implications:

1. **Monetary policy: stronger trend growth implies a higher neutral interest rate.** By raising productivity, investment demand, and trend growth, AI should push the neutral policy rate—the rate consistent with stable growth and inflation—toward 4%, well above the 3.2% median longer-run rate projected by FOMC participants. If so, the Fed's current policy stance is less restrictive than conventional estimates suggest, limiting the scope for rate cuts even as inflation moderates.
2. **Bond yields: a higher neutral rate and heavier debt issuance point to a higher range.** A higher neutral policy rate, wider fiscal deficits, and greater rate uncertainty support an elevated range for the 10-year Treasury yield over the next year and the medium term. AI-related financing should add to this upward pressure: we expect debt issuance linked to hyperscalers, data centres, and power infrastructure to exceed 10% of investment-grade and high-yield indexes over the next few years, up from roughly 5% today. The resulting increase in bond supply reinforces the higher-for-longer yield environment.
3. **Upside yield risks: crowding out and fiscal pressures could push the 10-year above 5.5%.** Heavy private and public borrowing could intensify competition for capital, raise term premia, and push the 10-year Treasury yield above 5.5% (**Figure 4**). From a fiscal perspective, the 5% midpoint of our range is well above the CBO's 4.3% long-term projection, implying materially higher federal debt service costs and increasing the risk that fiscal concerns feed back into yields. A renewed debt ceiling confrontation in 2027 could add to this pressure by raising policy uncertainty and the risk premium on US government debt.

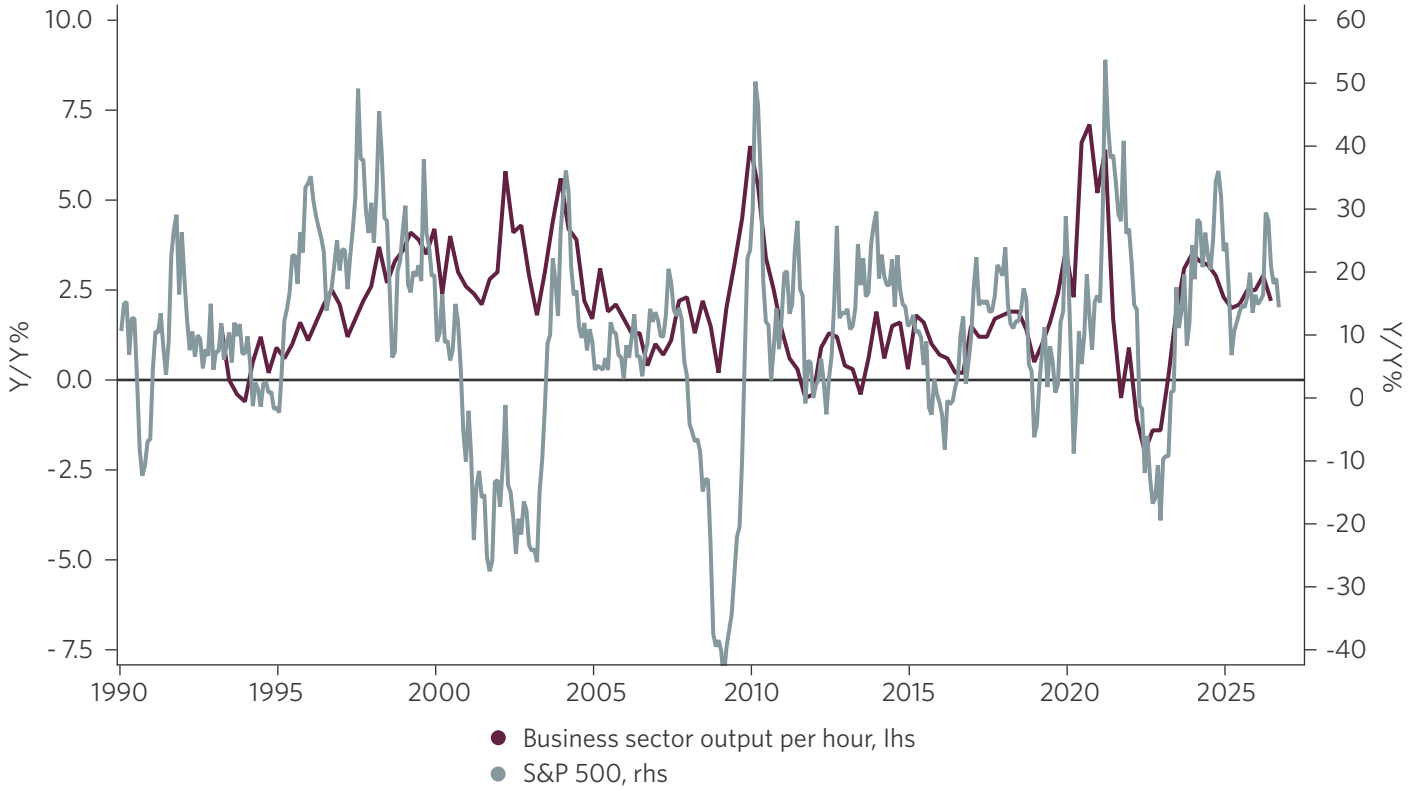
Figure 4: Crowding Out Effects - Upside Risks to US Yields



Source: Bloomberg Finance L.P. & CGAM. As at October 2026.

4. **Equities: productivity and capex spillovers should power the next leg higher.** Higher productivity growth has historically supported equity returns (**Figure 5**). Stronger trend growth should expand the corporate revenue pool beyond technology, while the projected $6 trillion in AI-related investment should generate sustained demand for construction, electrical equipment, power infrastructure, semiconductors, and professional services. These spillovers should support earnings across industrials, utilities, materials, and other sectors, while broader AI adoption could lift margins through lower costs and greater efficiency. The resulting multi-year private investment boom should provide a macroeconomic impulse comparable in scale to a major fiscal stimulus.

Figure 5: Productivity - Historically a tailwind for stocks



Source: Bloomberg Finance L.P. & CGAM. As at October 2026.

5. **Valuation: partial AI monetization makes tech valuations more defensible.** At first glance, elevated valuations appear likely to constrain future equity returns, with the technology sector's P/E currently close to 40x. Yet even partial capture of the estimated $900bn annual AI surplus by technology providers could materially expand the sector's earnings base and lower its effective multiple. Illustratively, if technology providers converted one third of the estimated surplus into incremental earnings, the sector's effective P/E would fall below 30x; converting two thirds would lower it to roughly 20x. These are sensitivity scenarios rather than forecasts, but they show that full capture of the surplus is not required to make current valuations more defensible.
6. **Greater return dispersion: more opportunities for active management.** Narrow leadership by a small group of mega-cap technology stocks has made active management more challenging. As AI adoption broadens, company outcomes should increasingly depend on execution—particularly the ability to translate AI into lower costs and stronger margins. Banks could benefit from workforce automation, insurers from automated claims processing, and consumer businesses from AI-enabled content creation and customer engagement. The benefits should extend to less obvious areas, such as industrial firms deploying predictive maintenance and healthcare firms accelerating drug discovery. This should widen return dispersion within and across sectors, creating richer stock selection opportunities both within and beyond technology for active managers able to distinguish genuine AI adopters from laggards.
7. **US dollar: AI should provide near-term support, but the advantage will fade.** US-led AI investment, stronger trend growth, higher yields, and capital inflows into AI-related assets should keep the dollar firmer than it otherwise would be. Over time, however, this support should weaken as AI investment spreads globally and US capex generates positive spillovers in other economies through semiconductor production, power infrastructure, and international supply chains. Broader global investment in defence, energy, and economic resilience should reinforce this convergence. As AI adoption becomes more widespread, US growth and yield differentials versus other major economies should narrow, reducing structural support for the dollar.

Box 1. AI's $900bn economic surplus

To gauge the size of the opportunity, we estimate AI's economic surplus: the value consumers and businesses receive from AI products and services over and above what they pay for them. Put simply, it is the economy-wide benefit AI creates after accounting for users' direct costs.

We estimate that this surplus could reach roughly $900bn annually within the next one to two years—equivalent in scale to approximately 3% of US GDP and cumulating to some $4–6tn over five years. This is an illustrative welfare estimate, not a forecast of GDP, revenue, cash flow, or corporate profit.

The starting point is a recent Stanford Digital Economy Lab study, which estimates the annual US consumer surplus from generative AI at approximately $172bn. Using online choice experiments, the study measures the compensation users would require to give up access to generative AI tools for one month, rather than what they would pay at prevailing market prices.

We estimate that consumer surplus could reach approximately $450bn within two years, driven by two factors. First, an increase in AI adoption from 55% at the time of the study to 90% would lift the estimate to nearly $300bn. Second, the mean monthly surplus per user rose by about 27% between the study's July 2025 and March 2026 survey waves. Extrapolating this trend, we assume roughly 25% annual growth in surplus per user over the next two years, which would raise the total to about $450bn.

Adding a comparable $450bn for the corporate sector—which is roughly equal in size to the consumer economy in the national accounts—brings the total annual surplus to approximately $900bn.

Relative to the estimated $900bn annual surplus, estimated cumulative AI investment to date is equivalent to roughly two years of welfare gains, while the projected $6tn investment cycle corresponds to about seven years. Lower realized surplus, a slower ramp-up, or additional investment could extend this illustrative period toward 10 years. This is a welfare-equivalent comparison, not a financial payback calculation. Government and military applications are excluded, creating potential upside to the surplus estimate.

Paper: https://digitaleconomy.stanford.edu/publication/what-is-generative-ai-worth/



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[1] https://hai.stanford.edu/ai-index/2026-ai-index-report/economy

[2] https://www.mckinsey.com/capabilities/quantumblack/our-insights/the-state-of-ai

[3] Gareth Campbell, Deriving the Railway Mania, Financial History Review, Cambridge University Press, 2013

[4] CIBC Global Asset Management (previously known as TAL Global Asset Management Inc.) was founded in 1972 as a privately-owned investment manager. CIBC took an ownership stake in 1994, eventually assuming 100% in 2001.

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