Flash Economics

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Why do the United States have strong growth but weak job creation?

Since the second quarter of 2025, real GDP growth in the United States has been strong (3.8% in Q2 2025, 4.4% in Q3, and only 0.5% in Q4; however, adjusting for the effects of the shutdown brings Q4 2025 growth to 1.5%). However, employment growth has been weak: over the course of 2025, total employment increased by only 24,700 jobs per month, whereas between January 2024 and December 2024 it rose by an average of 85,000 jobs per month. In the first quarter of 2026, total employment increased by 79,000 jobs per month, which remains a slow pace.

Why is there this decoupling between GDP growth and employment growth? GDP growth mainly stems from:

- Investment in intellectual property (software), which naturally creates few jobs;
- Consumption by higher-income Americans, particularly on healthcare services.

Moreover, the development of artificial intelligence may already be beginning to drive rapid productivity gains in retail, logistics, information, manufacturing, financial services, and business services, implying that employment in goods production, trade, and transport is stagnating or declining.

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Strong growth and weak job creation in the United States

Since the second quarter of 2025, US growth has been strong (Chart 1). To analyse fourth-quarter 2025 growth, it is necessary to adjust to the effects of the shutdown, which reduced it by 1 percentage point in annualised terms. However, over the same period, employment growth has been weak (Chart 2).

Chart 1
United States: Real GDP growth (Q/Q annualized, %)

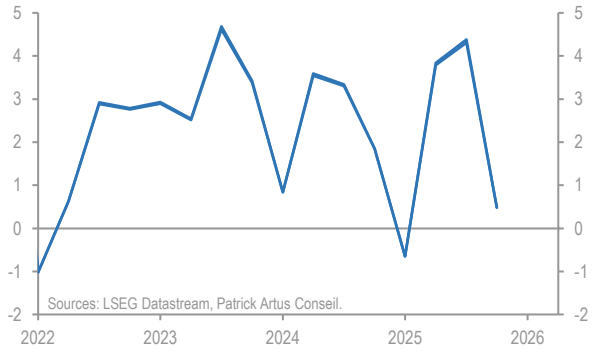
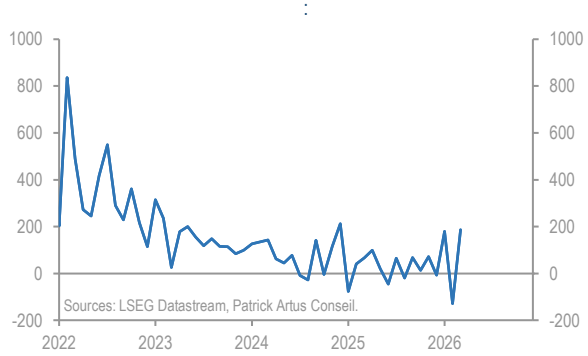


Chart 2
United States: Change in private payrolls (M/M, thousands of persons)



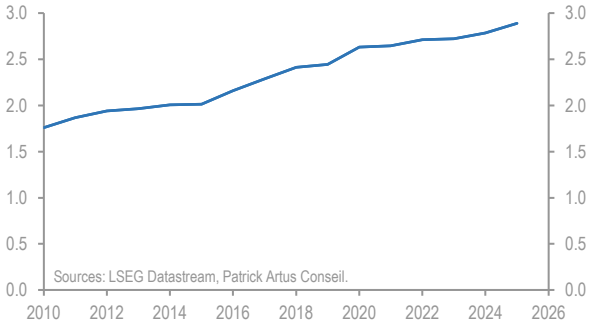
In 2025, GDP growth averaged 2% over the four quarters (or 2.25% after adjusting for the effects of the shutdown). Over the last three quarters, it averaged 2.9%, and 3.2% after adjustment for the shutdown. In 2025, total employment increased by only 24,700 jobs per month. Despite this weak employment growth, the unemployment rate remains low in the United States (4.3% in March 2026, compared with 4.0% in January 2025), due to a decline in the number of employed immigrants.
We seek to understand the reasons for this decoupling between GDP growth and employment growth.

First explanation: the structure of demand

US growth is driven mainly by two components of aggregate demand:

- Investment in intellectual property, particularly software (Chart 3);

Chart 3
United States: Investment in software (as % of nominal GDP)



- Consumption by the highest-income Americans, whose incomes are rising faster than those of the rest of the population (Table 1).

Table 1: United States: Changes in mean household income by quintile (2016 constant USD)

	Lowest quintile	Second quintile	Middle quintile	Fourth quintile	Highest quintile	Top 5%
Percentage change, 2010–2024 (%)	60.7	66.3	64.9	66.6	73.8	76.0
Percentage change, 2023–2024 (%)	4.6	3.8	4.5	5.7	6.3	6.4

Sources : LSEG Datastream, Patrick Artus Conseil

Investment in intellectual property is very low in **labour content**. **The wealthiest American households consume a large amount of healthcare services**. These two developments are distorting the sectoral composition of employment (**Charts 4A/B**).

Chart 4A
United States: Employment change by sector (M/M, thousands of persons)

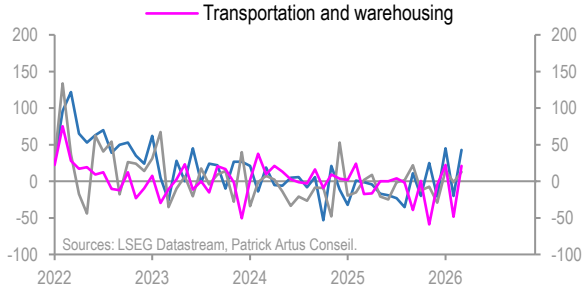
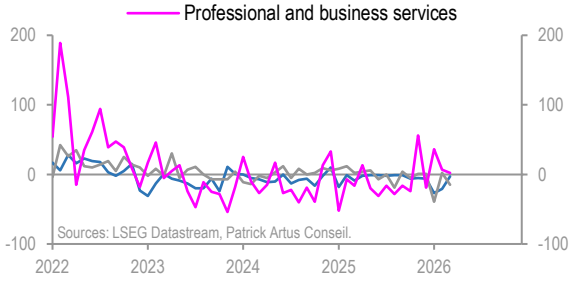


Chart 4B
United States: Employment change by sector (M/M, thousands of persons)



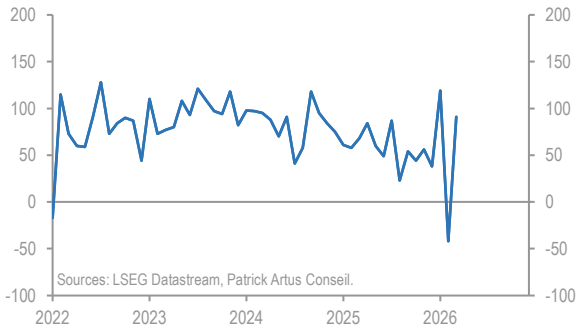
Second explanation: the diffusion of artificial intelligence

Research papers on the effects of artificial intelligence on employment show:

- A positive effect on the employment of people skilled in using artificial intelligence, and a negative effect on the employment of others;
- Difficulties for young people entering the labour market, and for moderately skilled workers;
- A substitution effect of artificial intelligence for labour in finance, retail, transport and logistics, information, and manufacturing;
- Job creation in healthcare and education sectors in which artificial intelligence is complementary to employment.

Charts 4A/B and **5** show job losses in 2025 in goods production, transport and logistics, retail, information, and finance. **This evolution in employment is consistent with analyses of the effects of artificial intelligence on the structure of jobs**.

Chart 5
United States: Employment change in education and health services (M/M, thousands of persons)



Summary: possible explanations for the slowdown in US employment growth despite strong GDP growth

We put forward two explanations for the apparent contradiction between strong GDP growth and weak employment growth in the United States in 2025:

- The drivers of strong growth (investment in software and intellectual property, and rising consumption by high-income households) are not sufficient to offset weak job creation in goods production, retail, transport, and construction;
- Artificial intelligence has begun to destroy jobs (or generate large productivity gains) in business services, retail, goods production, and finance.

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