AI could increase corporate profits by $4.4 trillion a year, according to new research

McKinsey Global Institute, July 7, 2023
By Michael Chui and Lareina Yee

Generative AI technologies like ChatGPT have taken the world by storm, thanks to their stunning ability to parse natural language and make decisions that are remarkably human. This latest advance in artificial intelligence is speedily transforming business and work, leaving companies, governments, and individuals scrambling to assess its impact in real time.

5   Our latest research on generative AI and productivity from the McKinsey Global Institute finds that generative AI has the potential to generate value equivalent to $2.6 trillion to $4.4 trillion in global corporate profits annually. There were 63 use cases in which we estimate that generative AI will raise productivity, including providing support interactions with customers, generating creative content for marketing and sales, and drafting software code based on natural-language prompts,
10 among many other tasks. That would increase the value of productivity from artificial intelligence and analytics by 15% to 40% compared to previous generations of the technology—an amount that would roughly double as generative AI spreads more diffusely across the global workplace.

We estimate that generative AI is likely to deliver its biggest impact in banking, high tech, and life sciences as a percent of overall industry revenue. In banking, for example, the technology could
15 create value equal to an additional $200 to $340 billion a year if all use cases were implemented. That's not to say other industries won't realize big value from deploying generative AI. All told, for instance, retail and consumer packaged goods companies could see an additional $400 billion to $660 billion in operating profits annually from the use of generative AI.

Across all industries, about three-quarters of the value from generative AI would emerge from
20 four areas of business: customer operations, marketing and sales, software engineering, and research and development. In some use cases we studied, the technology would operate as a virtual expert, delivering information and making suggestions to, say, answer questions from a retail customer or develop creative content for marketing purposes. […]

Much of the value of generative AI will come from growth in productivity across the economy—so
25 long as employees affected by the technology shift to new work activities. We estimate that generative AI could increase labor productivity by 0.1% to 0.6% annually through 2040. Combined with other technologies, work automation could add an extra 0.2 to 3.3 percentage points to productivity growth.

Together with other technologies, the current capabilities of generative AI have the theoretical
30 potential to automate work activities, such as drafting emails or responding to customer inquiries, that currently occupy 60% to 70% of the time employees spend working. […]
Generative AI's ability to converse with a user and draw conclusions from that conversation also means that it will have a greater impact on the knowledge work that plays a bigger role in

occupations that have higher wages and educational requirements. That's a marked difference
35   from the effect of older artificial intelligence, which largely automated manual tasks.

Additionally, the pace of workforce transformation is likely to accelerate as a result of the higher
potential for technical automation. We have developed scenarios to estimate the pace of actual
adoption of these technologies across the global workforce, and, updated to account for the
effects of generative AI, those scenarios now suggest that half of today's work activities could be
40   automated between 2030 and 2060. […]

Employees will need support in learning new skills that help them work together with generative
AI and, in some cases, in changing roles. Corporate leaders can begin by reexamining core business
processes, and considering where best to apply generative AI and how employees can work with
it, as well as determining what new skills and capabilities they may need. Only by actively
45   managing the transition to generative AI—as well as evaluating the risks—can the significant
economic promise of generative AI be fully realized.