

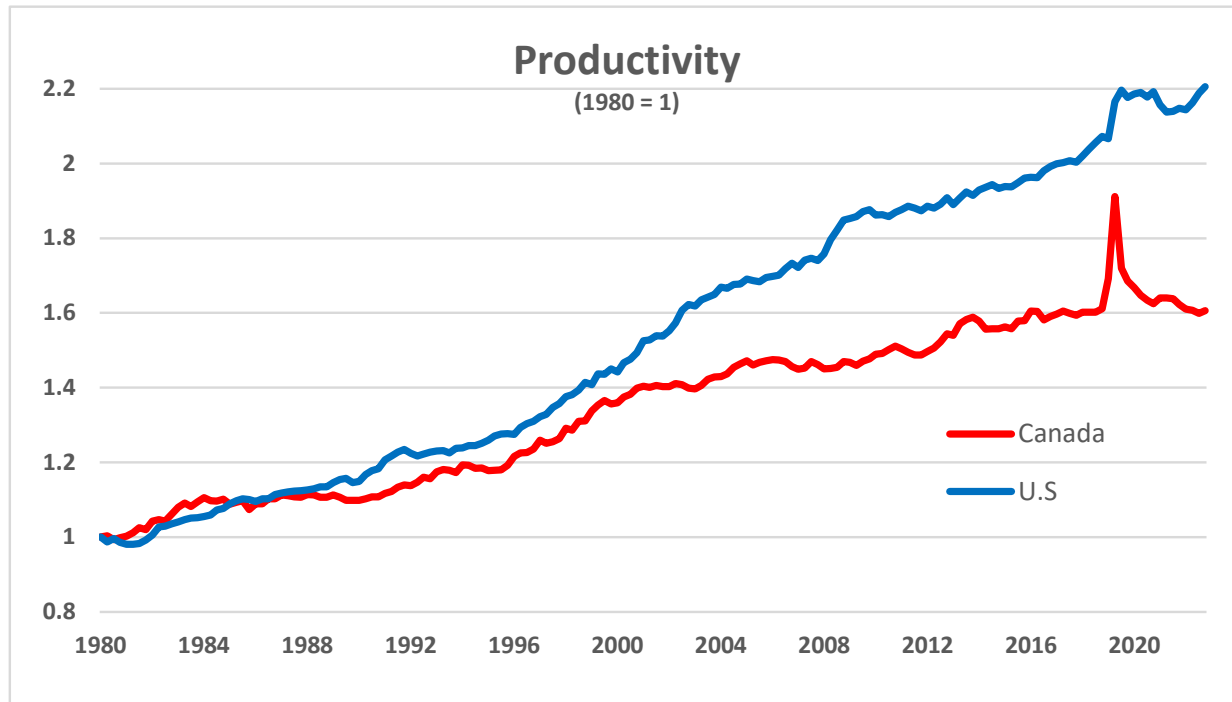
MONTHLY COMMENTARY

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Alfred Lam, MBA, CFA
Senior Vice-President & Chief Investment Officer
CI GAM | Multi-Asset Management

Richard J. Wylie, MA, CFA
Vice-President, Investment Strategy
CI Assante Wealth Management

Canada falls further behind.



Source: Statistics Canada; U.S. Bureau of Labor Statistics

MARKET FOCUS

Canada's productivity trails the U.S.

Statistics Canada reported that labour productivity of Canadian businesses rose 0.4% in the final quarter of 2023, as both hours worked and business output increased. As can be seen in the accompanying graph, this was the first increase in labour productivity since the first quarter of 2022. That Q1/2022 increase was heavily biased by pandemic-induced anomalies and was rapidly reversed. The most recent report included a major revision of data going back to 1981. The revised data show that productivity has thus far failed to recover to the high reported in the first quarter of 2020. More importantly, the new figures compare very poorly with the United States. Productivity growth is important for longer-term economic stability as it reflects the



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country's competitiveness. It also allows for higher wages, faster economic growth without inflationary pressures and a higher standard of living. The U.S. Bureau of Labor Statistics announced that non-farm labour productivity grew by 3.2% (annualized) during the fourth quarter of 2023, en route to a new all-time high. More recently, the widening gap between Canadian and U.S. productivity has been accompanied by declines in both Canadian business investment and per capita output. This weakening suggests that an improvement in productivity remains on the horizon.

U.S. job market remains resilient.

The U.S. Bureau of Labor Statistics announced that non-farm payroll gains were reported as 275,000 during the month of February, adding to the revised 229,000 advance posted for January. It was the 38th consecutive monthly gain in jobs. At the same time, the unemployment rate edged higher, moving from 3.7% in January to 3.9% in February. Nevertheless, it was the 25th consecutive monthly reading below 4%. This is the longest stretch of a sub-4% unemployment rate since November 1967 to

January 1970 (27 months). During February, average hourly earnings climbed 0.1% to stand with a year-over-year advance of 4.3%, well above headline inflation (3.2% also in February). In addition, the number of unfilled jobs totalled 8.9 million in January, well above the number of unemployed individuals (6.1 million). The strength of the U.S. labour market points to continued support for consumer spending and the broader economy.

LONGER VIEW

Many investors are obsessed about short-term issues such as near term inflation, interest rates and economies; they are ignoring the opportunity of a multi-year trend which is the growth of Artificial Intelligence in business and our every day lives. We have seen dramatic demand for GPUs that power data centres and enable AI into the gadgets and software that we use. Reality is we will see much more usage and growing the market capitalization of the companies that enable and use AI. It is possibly a \$15-20 trillion investment opportunity.

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