

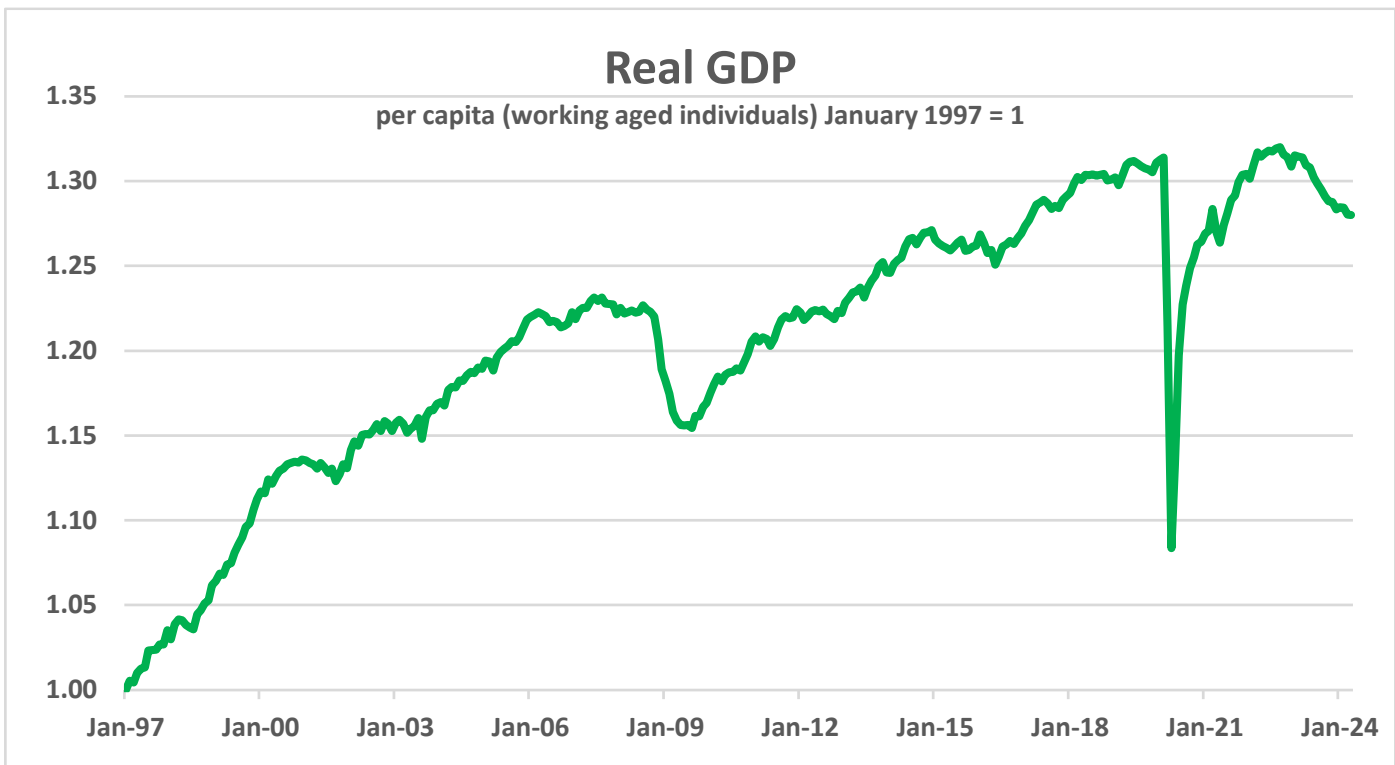
MONTHLY COMMENTARY

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Canadian standard of living falls further.



Source: Statistics Canada

MARKET FOCUS

Economy contracts on a per-person basis.

Statistics Canada announced that, on a monthly basis, real gross domestic product (GDP) by industry expanded by 0.3% in April. This follows a flat result for March. The economic output data has now been revised considerably over the last three reports, but the underlying trend remains clear. On a year-over-year basis, GDP growth stood with a marginal 1.1% advance. However, at the same time, GDP *per capita* (working-aged individuals) posted a monthly decline of less than 0.1% in April and contracted 2.2% on a

year-over-year basis. This was the 17th monthly contraction in per-capita GDP over the last 19 months. As can be seen in the accompanying chart, Canadians' standard of living has been in decline for some time. The OECD projected that between now and 2060, Canada would see per-capita GDP growth of just 0.7 per cent annually, making it the single worst-performing economy of all 38 OECD members. In 1981, Canada ranked sixth in the world for GDP per capita, behind only Switzerland, the United States, Norway, Denmark and the Netherlands. By 2021, all of those countries remained in the top five, but Canada had plunged to a distant 12th place. The average Canadian in 1981 enjoyed a standard of living that was \$3,000 higher than the rest of the Western developed world. "Forty years later, Canada was \$5,000 below that same average." ¹

U.S. inflation eases.

The Bureau of Labor Statistics reported that the consumer price index declined by 0.1% (seasonally adjusted basis) in June, following a flat result in May. Over the prior 12 months, the overall index has increased 3.0%, down from the 3.3% pace posted in the May report. While the move has been slow, overall inflation has eased considerably since hitting 9.1% in June 2022, which was its fastest annual pace since November 1981 (9.6%). The current data also revealed that core inflation (CPI ex food and energy) edged lower, moving to 3.3% (y/y) in June from the 3.4% figure in May. Even though inflation has moderated, it remains above the Fed's 2.0% target with core inflation still at a somewhat higher rate. These figures show continued but slowly easing price pressures within the U.S. economy. The market focus will remain squarely on the U.S. Federal Reserve and the probability of a sustained easing cycle of interest rate cuts.

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.

¹ *Tristan Hopper: The permanent decline of Canadian living standards. Financial Post. July 31, 2023. Retrieved October 24, 2023, from <https://nationalpost.com/opinion/permanent-decline-of-canadian-living-standards>*

THE PLAYBOOK



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