

LOOKING FORWARD: GROWTH WILL CONTINUE

As the economy begins to show signs of slowing, we may need a reminder to focus on the positives. Today, it appears that interest rates are steadying, and inflation is being kept under the watchful eyes of the central banks. It's also worth mentioning that many underlying factors continue to support future growth. Here are three anticipated drivers of growth:

Technology — By one account, due to technological innovation, we can expect to experience more progress in the next decade than in the past 100 years combined. Technology is set to reshape a wide range of industries. One driver will be generative artificial intelligence (AI), which has dominated the headlines with the unveiling of ChatGPT. While the era of generative AI is still in its early days, as the technology becomes more sophisticated and is more widely adopted, it is expected to contribute as much as \$4.4 trillion annually in economic value to the global economy. Consulting firm McKinsey believes the largest gains will be in retail and consumer-packaged goods, banking, pharmaceuticals and medical products, with significant changes in sales and marketing, customer operations, software engineering and research & development.¹

Another area in which AI has been making significant strides is biological science. Technology has been accelerating the next wave of genomics — as the cost of genome sequencing continues to decrease, sequencing data has exponentially increased. Last year, it was reported that AI had uncovered the structure of nearly every protein known to science: 220 million proteins. Before this time, only 17 percent of human proteins had known structures.² Scientists are now using AI to sift through genetic “haystacks” to find disease-causing variants, and it is expected that AI tools will help pharmaceutical companies develop new drugs to treat and cure disease.³

A Greener Economy — A greater focus towards creating a more sustainable world is expected to present significant opportunities for investment and create many new jobs — by some accounts, around 100 million jobs globally by 2030.⁴ While recent attention has focused on the “electrification” of vehicles, advances in renewable energy and the development of new and sustainable technologies are likely to be drivers of future growth. Stimulus incentives in Europe and North America, such as the “U.S. Inflation Reduction Act of 2022,” have earmarked at least \$1 trillion for green economy industries, which are expected to support innovation. Clean energy, storage, transportation and building have “strong economic tailwinds” set to take advantage of the accelerating transition.⁵

Demographic Changes — A key driver of economic growth is



increasing labour inputs, such as workers or hours worked. To start the year, we've seen how immigration has supported Canadian GDP to largely avert a recession, with our population growing by over a million people, to surpass 40 million, almost all due to immigration.⁶ In advanced economies, labour participation rates for those ages 55 to 64 have generally trended upward since the start of the millennium. In what has been termed the “Great Unretirement,” the OECD estimates that increasing labour participation due to greater longevity will support growth — potentially raising GDP per capita by 19 percent over the next three decades.⁷

Yet, it's not just immigration and a multi-generational workforce that will contribute. Today, we are seeing a more highly-educated younger population, with record numbers of women participating in the labour force.⁸ And, the millennials, second only to the baby boomers in terms of population, are now entering their peak earning years and expected to have greater earning power than generations before.

Growth Will Continue

With advances in technology, a move towards a more sustainable world and changes in demographics, one thing is certain: change is inevitable. These are just three trends that are expected to drive growth for the years ahead — and beyond — and investors can share meaningfully in the change yet to come. Continue looking forward.

1. <https://www.mckinsey.com/capabilities/mckinsey-digital/our-insights/the-economic-potential-of-generative-ai-the-next-productivity-frontier#key-insights>; 2. <https://fortune.com/2022/07/28/deepmind-alphafold-every-protein-in-the-universe-structure/>; 3. <https://www.washingtonpost.com/science/2023/06/01/primate-ai-genome-variants/>; 4. www.forbes.com/sites/quoora/2023/06/26/why-the-green-economy-is-booming-and-how-you-can-jump-on-board/; 5. www.forbes.com/sites/forbesfinancecouncil/2023/08/04/four-drivers-of-growth-in-the-green-economy/; 6. www.bbc.com/news/world-us-canada-65047436; 7. www.weforum.org/agenda/2022/10/great-unretirement-older-people-working-longer/; 8. www150.statcan.gc.ca/n1/daily-quotidien/221130/dq221130a-eng.htm; <https://www150.statcan.gc.ca/n1/pub/36-28-0001/2023002/article/00001-eng.htm>




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