Macro Roundup Article

Headline: Are We on the Brink of an AI Investment Arms Race?

Article Link: https://www.bridgewater.com/research-and-insights/are-we-on-the-brink-of-an-ai-investment-arms-race

Author(s)	Greg Jensen and Josh Moriarty
Publication	Bridgewater Associates
Publication Date	May 30, 2024

Tweet: US AI-related capex was ~ $100B in 2023, about 0.4% of GDP. Bridgewater forecasts an investment arms race: “We see the makings of a surge in spending that could be large enough to shape the trajectory of the business cycle from here.”

Summary: Historically, major technological transitions have fueled investment increases that were large enough to shape the overall business cycle. Today, AI-related capex is still a small share of the economy: spending on AI chips and data centers was a bit below $100 billion in 2023 (around 0.4% of US GDP). While chip company revenues have spiked (driven by NVIDIA), the broader ecosystem of companies exposed to AI-related investments has yet to see a major jump in sales since AI enthusiasm took off following ChatGPT’s November 2022 launch. Notwithstanding some pockets of froth, the classic boom dynamic of abundant capital chasing far-out returns has yet to take off: affected firms’ equity prices are mostly moving in line with near-term expected profits at reasonable or only slightly stretched multiples. But when we look at the underlying dynamics, we see the makings of a surge in spending that could be large enough to shape the trajectory of the business cycle from here.

Related Articles: The AI Transition One Year Later: On Track, but Macro Impact Still Several Years Off and Measuring Trends in AI and Generational Growth AI, Data Centers and the Coming US Power Demand Surge

Primary Topic: Investment

Topics: Business Cycle, Database, GDP, Growth, Innovation/Research, Investment, Op-Ed/Blog Post, Productivity, Weekly

Permalink: https://www.edwardconard.com/macro-roundup/us-ai-related-capex-was-100b-in-2023-about-0-4-of-gdp-bridgewater-forecasts-an-investment-arms-race-we-see-the-makings-of-a-surge-in-spending-that-could-be-large-enough-to-shape-the-tra?view=detail

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/05/21171-are-we-on-the-brink-of-an-ai-investment-arms-race-featured-thumbnail-image.png