

Macro Roundup Article

Headline: [Are We on the Brink of an AI Investment Arms Race?](#)

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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.

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Primary Topic: Investment

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

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