

One of the biggest concerns of the future is something simple.

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One of the biggest reasons that I'm concerned about the future is something simpler.

Which is that we're having fewer babies. The fertility rate peaked in 1965, it's been falling ever since. You can see in this chart, high income countries fell in the 1960s, but now even low-income countries, places like emerging markets are seeing their fertility rates fall.

And what's so striking about this is that it's really difficult to reverse. Countries have tried all over the world. They've tried in South Korea, in the Nordics, they've even tried in Quebec to raise fertility rates, and what they find is that they can get women to have their second child earlier, but not the economically important third child.

One time I wrote that on Twitter, and then somebody yelled at me for being like an insensitive woman calling it the "economically important third child", so I vowed to myself if I ever have a third child, I will name them "Economically Important".

Now, this trend is so striking that when we look at and we talk to demographers over the next 100 years, what we see is that 100 years from now, the world population will actually start to shrink. We will actually have year-over-year declines in the population rate. That is a tremendous economic force that weighs on our ability to grow, and it doesn't look reversible.

So, I can provide 100-year-from-now charts, but most of the time I'm talking to portfolio managers who want to know the value of the Canadian dollar next week. Why would they care about this development? Well, actually, we're focusing on how this is going to impact things right now, because as we look out at the United States, what we see is that the prime age working group, the people who make our metaphorical hamburgers behind the counter, that's actually heading towards what I call the demographic super trough. I'm trying to make it exciting. Super trough!

And if everyone in this room had three babies tomorrow, we still wouldn't be able to impact the 25-to-60-year-old cohort in the next 10 years. It takes 25 years for a baby born tomorrow to actually impact this cohort here in the United States. This, over the next five to 10 years is the most powerful economic force, and nobody talks about it. This is going to determine how fast our economies grow.

This isn't just happening in the United States, no matter where I look in the world, whether I'm looking at India, at Russia, at India or Japan, every single region in the world has worse demographics over the next 30 years than they

did in the past 30 years, with some very minor exceptions. So this is global in rank, and it is near-term in importance.

Now, I talked about, there's two ways... Where I'd said, you know, "this is happening globally." Your world population is going to start to shrink. And the reason I say "world" is because we can't bring in people from outside the world, unless we're discovering new planets that I don't know about. So the pie of the GDP-producing population is going to be getting smaller. There's just no way around that.

But some countries have said, "Fine, we accept that. The pie is getting smaller, but what if we could get a bigger share of that pie?" Now, I present these slides all over the world, I go to Hong Kong, to London, and I'm so proud to bring this next slide with me. I present it everywhere I go. Do you know what country has most capitalized on the concept of getting a bigger share of the pie? It's Canada.

In 2017, 2018 and 2019, Canada had the fastest population growth in the OECD. But you might notice, we didn't do this because we all had babies. We did this via immigration. If you hop on Google, if you go on Bloomberg, you will find a long list of articles growing that are contributed to by economists like myself and many bay streeters who have now labeled this Canada's human stimulus, and a lot of the work that we've done has shown that the amount of immigration flowing into Canada is as powerful, if not more powerful, than cutting interest rates or engaging in tax cuts.

It adds labour force productivity, it adds to the housing market, it helps lift asset prices. It allows our GDP potential to be higher than elsewhere, particularly higher than in the United States. So when I look in our portfolios over the next five to 10 years, I calculate where our potential GDP is going to be. This issue flows into our ability to look at the Canadian dollar long-term, where growth will be long-term, where bond yields will be long-term. This issue is actually becoming a huge importance to the way we think about Canadian assets, as well it should.

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