

Year 2021

GOAL 21: REAL NON-RESIDENTIAL PRIVATE SECTOR INVESTMENT

BY 2028, NEW BRUNSWICK WILL REVERSE THE
NEGATIVE TREND IN REAL NON-RESIDENTIAL
PRIVATE SECTOR INVESTMENT AND RETURN TO
2007 LEVELS.



STATUS: PROGRESSING BUT NOT ON TRACK

Overview

Importance

Non-residential investment from the private sector (also known as the commercial sector) refers to capital expenditures on plants, equipment, and other assets used in the production of goods and services. This does not include investments in the residential sector, such as expenditures on home renovations, or investments from government and non-profit organizations. Non-residential private sector investment is an important economic driver because it determines levels of labour productivity and labour demand.

Problem

In 2007, non-residential private sector investment per capita in New Brunswick reached an all-time high of \$7,569, after which it began to decline. In 2015 and 2016, investment was 34% and 36% lower than in 2007. In 2017 and 2018, there was an increase of 15% and 25%, respectively, from the 2016 value, but we saw a 15% dip in the numbers from 2018 to 2019. This fluctuation disrupted what was thought to indicate an end to a decade-long negative trend, as non-residential private sector investments per capita began to rise.

Cause

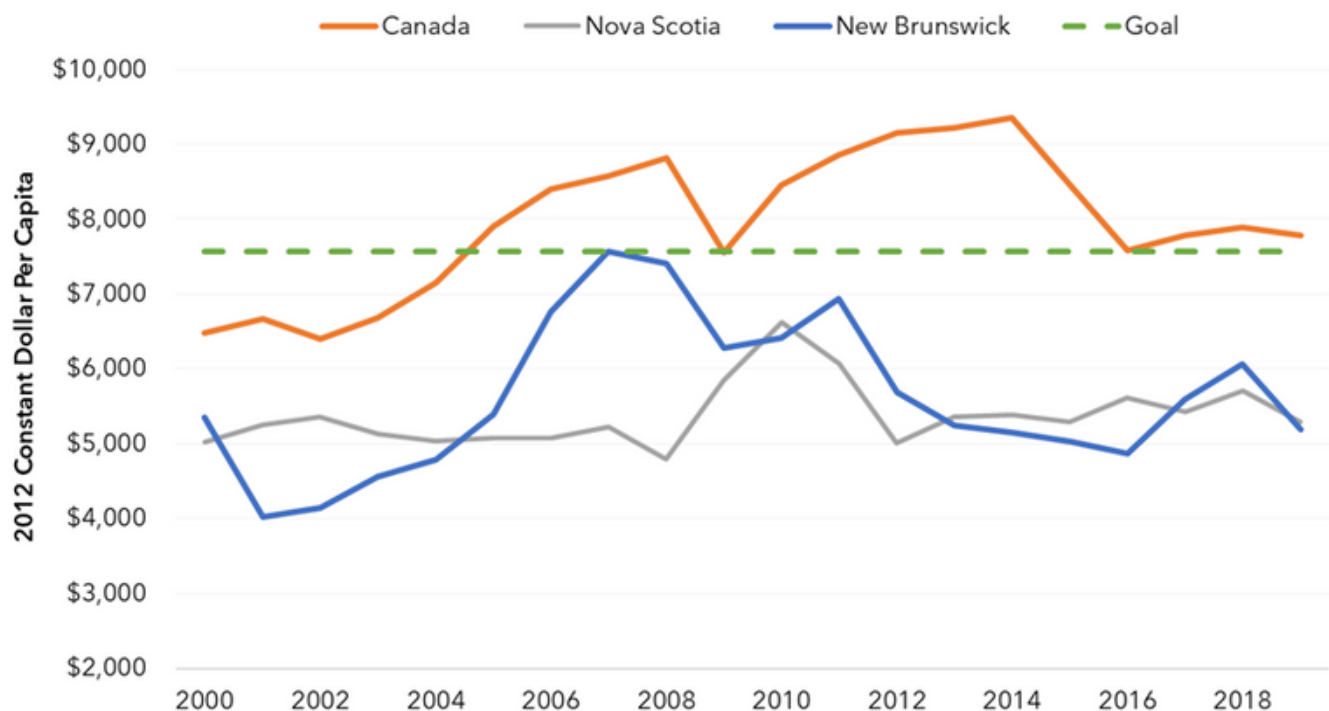
During the 2008 recession, non-residential capital investment declined across the globe. In Canada, investment further declined in 2015 and 2016 as oil prices fell. These trends also impacted New Brunswick.

In the Numbers

Real Non-Residential Private Investment: An Overview

In 2008, New Brunswick saw a steep decline in non-residential private sector investment, which mirrored the national decline. However, only one year after the 2008 economic crisis, Canada's real non-residential private investments began to increase again, whereas New Brunswick's negative trend continued until 2017. The slow growth of GDP and employment levels that New Brunswick has been experiencing since 2008 are a result of falling private sector investment, and if the province is able to increase investment, it is likely that GDP and employment will increase as well. This is displayed in Figure 1.

**Figure 1: Real Non-Residential Private Investments
(2012 constant dollars per capita)**



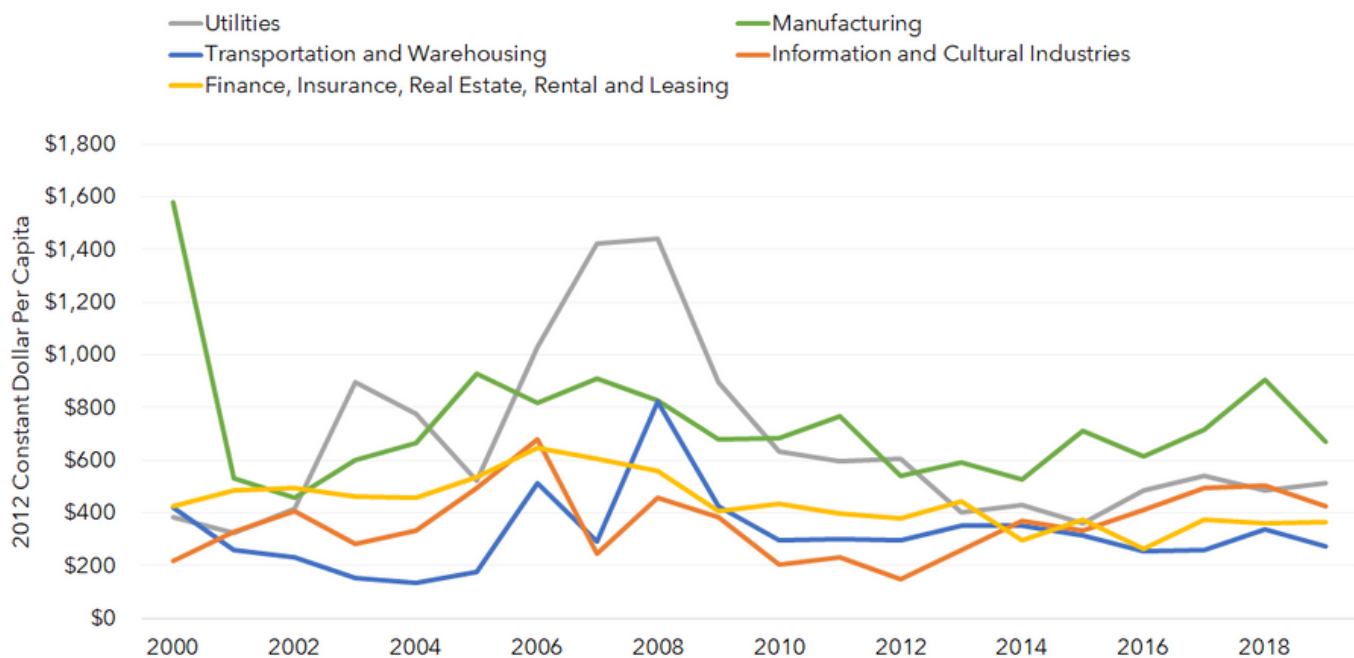
(See full data set in Appendix A)

A Closer Look

Real Non-Residential Private Investment: Industries

The financial crisis of 2008 had a large impact on investments in New Brunswick's private industries. Individually, each industry showed a developmental trend mirroring that of the province's total real non-residential private investment: a negative trend that has been ongoing since 2008, though showing signs of reverse since 2015. This is presented in Figure 2.

Figure 2: Real Non-Residential Private Investments in New Brunswick, by Select Industry (2012 constant dollars per capita)

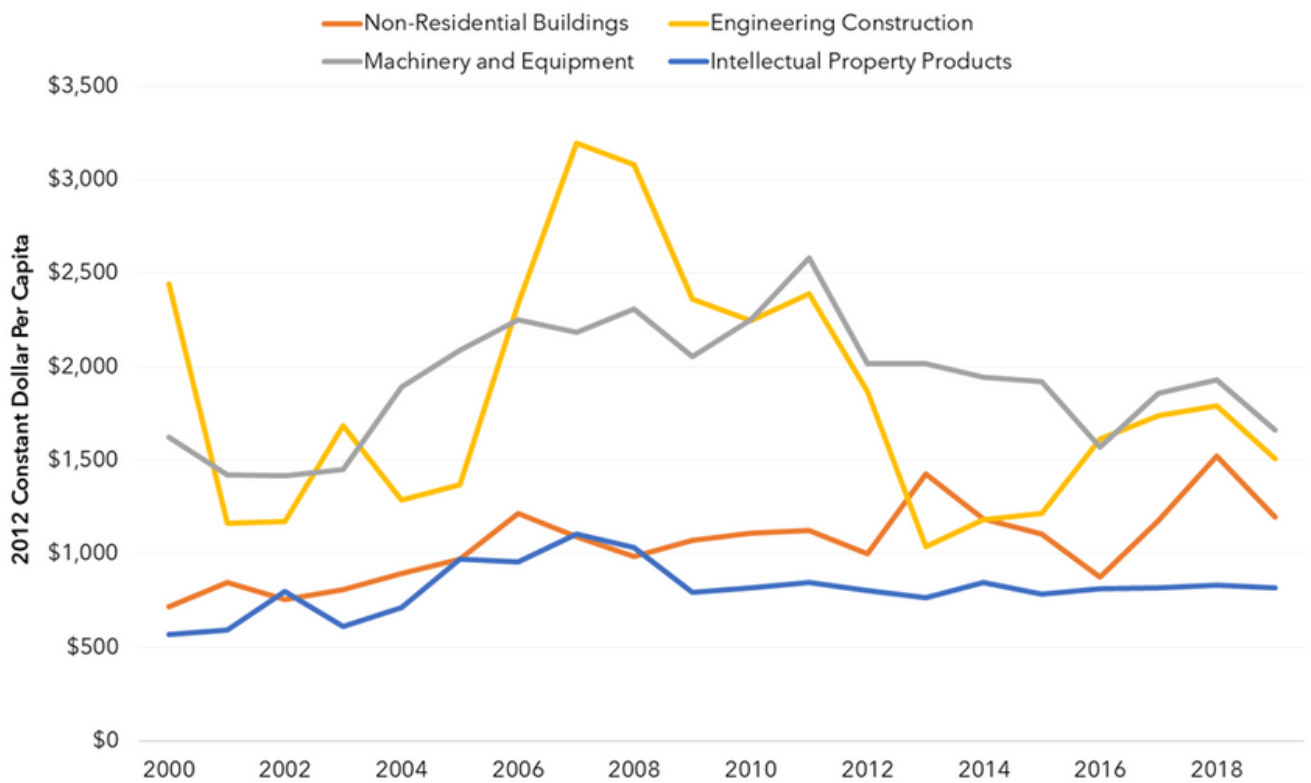


(See full data set in Appendix B)

Real Non-Residential Private Investment: Assets

Non-residential private sector investments include expenditures on four different types of assets: 1) non-residential buildings, 2) engineering construction, 3) machinery and equipment, and 4) intellectual property products. Figure 3 shows that investment in machinery and equipment is higher than in other assets, whereas investment in intellectual property products is the lowest.

Figure 3: Real Non-Residential Private Investments in New Brunswick, by Assets (2012 constant dollars per capita)

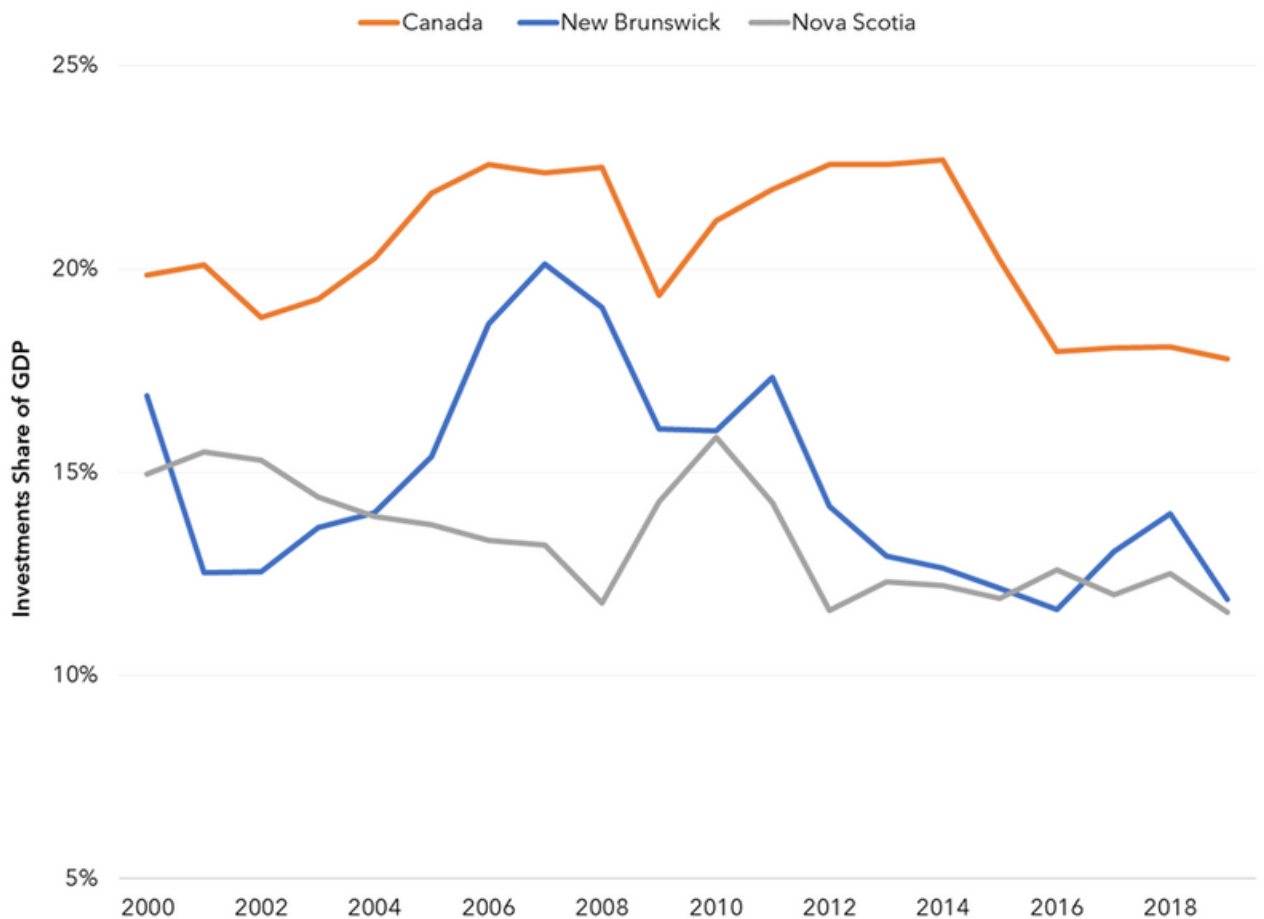


(See full data set in Appendix C)

Real Non-Residential Private Investment: GDP

As shown in Figure 4, the percentage of GDP going towards non-residential private investments has continued to fluctuate for New Brunswick, Nova Scotia, and for Canada in general, all showing an overall downward slope from 1990 to 2019. Over this period, Canada and Nova Scotia had almost equal amounts of volatility, while New Brunswick showed the most fluctuation. In 2007, 20.1% of New Brunswick's GDP went towards non-residential private investments, and this amount demonstrated a negative trend reaching 11.6% by 2016, increasing to 14% in 2018, and decreasing again to 11.9% in 2019.

Figure 4: Real Non-Residential Private Investments as a Share of GDP (%)



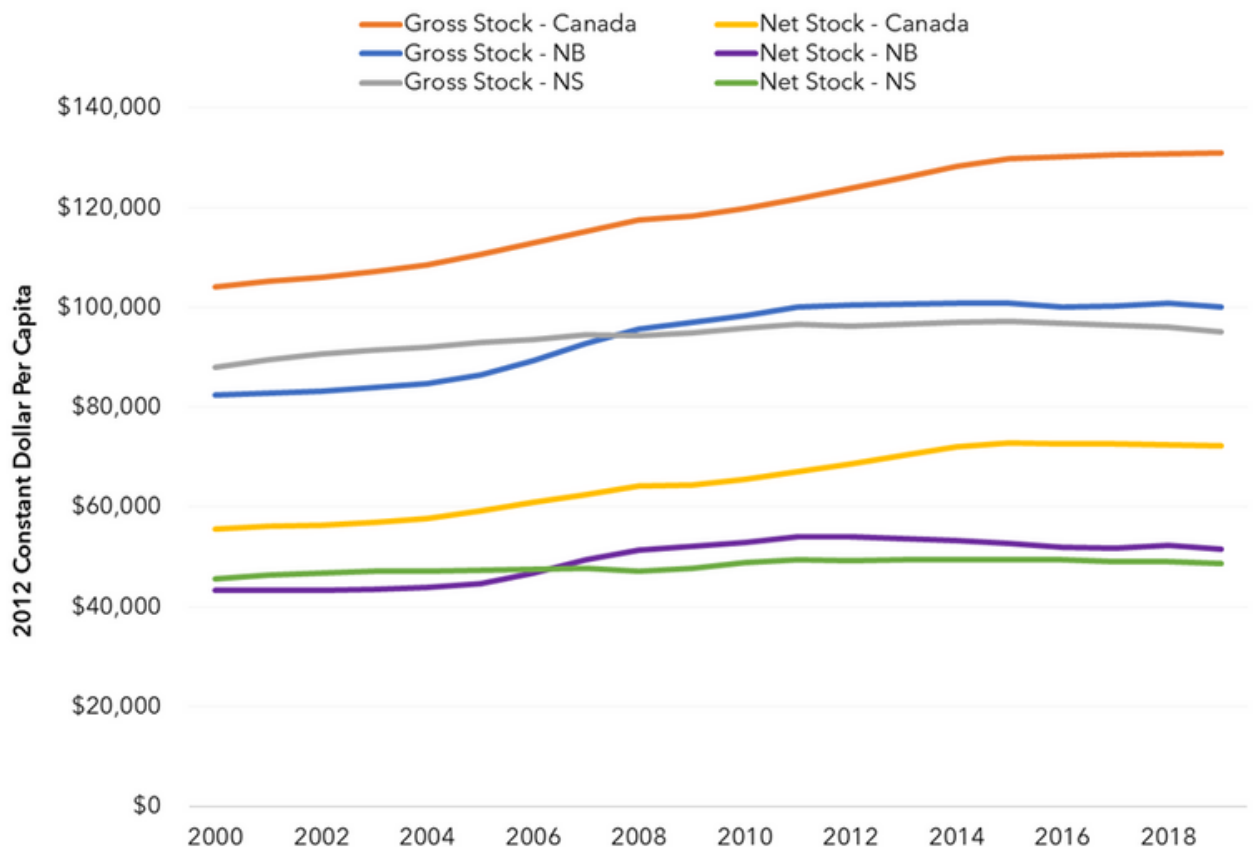
(See full data set in Appendix D)

Real Non-Residential Private Investment: Stock

The term “end-year gross stock” refers to the value of the previous year’s capital stock plus the value of new investments, minus the yearly deductions (called retirements or discards) of the value of the stock. Net stock attempts to measure the productive capacity of the capital stock. The value of the net stock in any given year is meant to reflect the market value or economic value of the investments comprising the stock.

As presented in Figure 5, the trends for end-year gross stock and linear end-year net stock for Canada are similar to those for Nova Scotia and New Brunswick. The two provinces are increasing but not keeping up with the nationwide average. New Brunswick has overtaken Nova Scotia’s end-year gross stock and linear end-year net stock; however, both have shown stability in recent years.

Figure 5: Non-Residential End-Year Gross Stock and Linear End-Year Net Stock (2012 constant dollars per capita)



(See full data set in Appendix E)

Summary

Non-residential private sector investment is an important economic driver because it determines levels of labour productivity and labour demand. During the 2008 recession, non-residential private sector investment declined across the globe. In Canada, investment further declined in 2015 and 2016. These trends impacted New Brunswick negatively. However, in 2018 there was an increase of 25 percentage points from 2016, and even though in 2019 there was only a 7% increase from 2016, this goal is still progressing, but not on track.

Appendix A

Real Non-Residential Private Investments (2012 Constant Dollars Per Capita)

| Year | Canada | Nova Scotia | New Brunswick | Goal |
|-------------|---------------|--------------------|----------------------|-------------|
| 1990 | \$5,829 | \$4,924 | \$4,280 | \$7,569 |
| 1991 | \$5,660 | \$4,750 | \$4,250 | \$7,569 |
| 1992 | \$5,092 | \$4,194 | \$3,704 | \$7,569 |
| 1993 | \$5,030 | \$4,031 | \$3,409 | \$7,569 |
| 1994 | \$5,383 | \$3,769 | \$3,357 | \$7,569 |
| 1995 | \$5,408 | \$3,671 | \$3,991 | \$7,569 |
| 1996 | \$5,461 | \$3,438 | \$4,178 | \$7,569 |
| 1997 | \$6,023 | \$4,254 | \$3,632 | \$7,569 |
| 1998 | \$6,119 | \$5,099 | \$4,314 | \$7,569 |
| 1999 | \$6,280 | \$5,983 | \$5,711 | \$7,569 |
| 2000 | \$6,482 | \$5,023 | \$5,348 | \$7,569 |
| 2001 | \$6,672 | \$5,253 | \$4,021 | \$7,569 |
| 2002 | \$6,405 | \$5,358 | \$4,142 | \$7,569 |
| 2003 | \$6,677 | \$5,135 | \$4,559 | \$7,569 |
| 2004 | \$7,157 | \$5,039 | \$4,785 | \$7,569 |
| 2005 | \$7,908 | \$5,084 | \$5,398 | \$7,569 |
| 2006 | \$8,404 | \$5,074 | \$6,762 | \$7,569 |
| 2007 | \$8,583 | \$5,222 | \$7,569 | \$7,569 |
| 2008 | \$8,820 | \$4,798 | \$7,406 | \$7,569 |
| 2009 | \$7,558 | \$5,842 | \$6,278 | \$7,569 |
| 2010 | \$8,455 | \$6,627 | \$6,419 | \$7,569 |
| 2011 | \$8,863 | \$6,069 | \$6,945 | \$7,569 |
| 2012 | \$9,157 | \$5,009 | \$5,686 | \$7,569 |
| 2013 | \$9,218 | \$5,355 | \$5,240 | \$7,569 |
| 2014 | \$9,360 | \$5,384 | \$5,157 | \$7,569 |
| 2015 | \$8,450 | \$5,290 | \$5,027 | \$7,569 |
| 2016 | \$7,589 | \$5,612 | \$4,869 | \$7,569 |
| 2017 | \$7,781 | \$5,425 | \$5,591 | \$7,569 |
| 2018 | \$7,892 | \$5,711 | \$6,072 | \$7,569 |
| 2019 | \$7,789 | \$5,288 | \$5,187 | \$7,569 |

Source: Statistics Canada, CANSIM Table 031-0005: Flows and stocks of fixed non-residential capital, by industry and asset, Canada, provinces and territories, annual (dollars x 1,000,000); Statistics Canada, CANSIM Table 051-0001: Estimates of population, by age group and sex for July 1, Canada, provinces and territories, annual (persons)

Appendix B

Real Non-Residential Private Investments in New Brunswick, by Select Industry (2012 Constant Dollars Per Capita)

| Year | Utilities | Manufacturing | Transportation and Warehousing | Information and Cultural Industries | Finance, Insurance, Real Estate, Rental and Leasing | Other |
|------|-----------|---------------|--------------------------------|-------------------------------------|---|---------|
| 1990 | \$948 | \$578 | \$111 | \$228 | \$415 | \$4,280 |
| 1991 | \$1,225 | \$554 | \$157 | \$212 | \$229 | \$4,250 |
| 1992 | \$961 | \$299 | \$146 | \$205 | \$183 | \$3,704 |
| 1993 | \$688 | \$303 | \$104 | \$179 | \$200 | \$3,409 |
| 1994 | \$364 | \$381 | \$244 | \$189 | \$132 | \$3,357 |
| 1995 | \$365 | \$647 | \$422 | \$154 | \$112 | \$3,991 |
| 1996 | \$218 | \$836 | \$485 | \$255 | \$202 | \$4,178 |
| 1997 | \$130 | \$641 | \$145 | \$303 | \$186 | \$3,632 |
| 1998 | \$148 | \$825 | \$618 | \$220 | \$300 | \$4,314 |
| 1999 | \$277 | \$1,382 | \$1,033 | \$249 | \$442 | \$5,711 |
| 2000 | \$385 | \$1,578 | \$422 | \$220 | \$426 | \$5,348 |
| 2001 | \$323 | \$529 | \$257 | \$327 | \$487 | \$4,021 |
| 2002 | \$415 | \$458 | \$230 | \$407 | \$496 | \$4,142 |
| 2003 | \$897 | \$600 | \$151 | \$282 | \$462 | \$4,559 |
| 2004 | \$778 | \$665 | \$135 | \$335 | \$459 | \$4,785 |
| 2005 | \$521 | \$930 | \$174 | \$496 | \$536 | \$5,398 |
| 2006 | \$1,030 | \$818 | \$512 | \$680 | \$646 | \$6,762 |
| 2007 | \$1,423 | \$911 | \$292 | \$247 | \$605 | \$7,569 |
| 2008 | \$1,439 | \$825 | \$823 | \$459 | \$561 | \$7,406 |
| 2009 | \$897 | \$680 | \$425 | \$384 | \$405 | \$6,278 |
| 2010 | \$633 | \$684 | \$296 | \$205 | \$433 | \$6,419 |
| 2011 | \$598 | \$765 | \$300 | \$232 | \$400 | \$6,945 |
| 2012 | \$607 | \$541 | \$298 | \$149 | \$381 | \$5,686 |
| 2013 | \$403 | \$591 | \$353 | \$261 | \$444 | \$5,240 |
| 2014 | \$431 | \$528 | \$349 | \$369 | \$298 | \$5,157 |
| 2015 | \$358 | \$710 | \$314 | \$332 | \$373 | \$5,027 |
| 2016 | \$487 | \$613 | \$257 | \$413 | \$263 | \$4,869 |
| 2017 | \$543 | \$717 | \$260 | \$494 | \$373 | \$5,591 |
| 2018 | \$487 | \$906 | \$336 | \$502 | \$361 | \$6,072 |
| 2019 | \$511 | \$671 | \$273 | \$426 | \$363 | \$5,187 |

Source: Statistics Canada, CANSIM Table 031-0005: Flows and stocks of fixed non-residential capital, by industry and asset, Canada, provinces and territories, annual (dollars x 1,000,000)

Appendix C

Real Non-Residential Private Investments in New Brunswick, by Assets (2012 Constant Dollars Per Capita)

| Year | Non-Residential Buildings | Engineering Construction | Machinery and Equipment | Intellectual Property Products |
|-------------|----------------------------------|---------------------------------|--------------------------------|---------------------------------------|
| 1990 | \$1,070 | \$1,432 | \$1,397 | \$381 |
| 1991 | \$900 | \$1,711 | \$1,276 | \$363 |
| 1992 | \$710 | \$1,127 | \$1,493 | \$374 |
| 1993 | \$700 | \$1,206 | \$1,043 | \$461 |
| 1994 | \$692 | \$1,198 | \$1,069 | \$396 |
| 1995 | \$802 | \$1,534 | \$1,218 | \$437 |
| 1996 | \$836 | \$1,562 | \$1,325 | \$455 |
| 1997 | \$916 | \$1,015 | \$1,262 | \$439 |
| 1998 | \$1,009 | \$1,316 | \$1,455 | \$533 |
| 1999 | \$994 | \$2,605 | \$1,485 | \$627 |
| 2000 | \$718 | \$2,440 | \$1,622 | \$570 |
| 2001 | \$846 | \$1,164 | \$1,419 | \$592 |
| 2002 | \$757 | \$1,170 | \$1,417 | \$798 |
| 2003 | \$807 | \$1,685 | \$1,452 | \$614 |
| 2004 | \$895 | \$1,286 | \$1,892 | \$711 |
| 2005 | \$969 | \$1,369 | \$2,088 | \$972 |
| 2006 | \$1,216 | \$2,336 | \$2,250 | \$958 |
| 2007 | \$1,089 | \$3,193 | \$2,184 | \$1,103 |
| 2008 | \$985 | \$3,081 | \$2,307 | \$1,032 |
| 2009 | \$1,069 | \$2,359 | \$2,055 | \$795 |
| 2010 | \$1,110 | \$2,243 | \$2,250 | \$815 |
| 2011 | \$1,126 | \$2,390 | \$2,582 | \$848 |
| 2012 | \$1,001 | \$1,866 | \$2,017 | \$802 |
| 2013 | \$1,426 | \$1,039 | \$2,013 | \$763 |
| 2014 | \$1,184 | \$1,182 | \$1,942 | \$849 |
| 2015 | \$1,107 | \$1,216 | \$1,917 | \$785 |
| 2016 | \$875 | \$1,614 | \$1,568 | \$814 |
| 2017 | \$1,178 | \$1,737 | \$1,858 | \$818 |
| 2018 | \$1,521 | \$1,789 | \$1,928 | \$832 |
| 2019 | \$1,198 | \$1,509 | \$1,662 | \$819 |

Source: Statistics Canada, CANSIM Table 031-0005: Flows and stocks of fixed non-residential capital, by industry and asset, Canada, provinces and territories, annual (dollars x 1,000,000)

Appendix D

Real Non-Residential Private Investments as a Share of GDP (%)

| Year | Canada | New Brunswick | Nova Scotia |
|-------------|---------------|----------------------|--------------------|
| 1990 | 19.79% | 15.88% | 16.10% |
| 1991 | 19.45% | 15.76% | 15.85% |
| 1992 | 17.46% | 13.60% | 13.88% |
| 1993 | 17.22% | 12.21% | 13.17% |
| 1994 | 18.30% | 12.01% | 12.30% |
| 1995 | 18.32% | 14.15% | 11.95% |
| 1996 | 18.41% | 14.68% | 11.20% |
| 1997 | 19.84% | 12.57% | 13.68% |
| 1998 | 19.82% | 14.36% | 15.89% |
| 1999 | 19.80% | 18.36% | 18.10% |
| 2000 | 19.85% | 16.87% | 14.95% |
| 2001 | 20.10% | 12.54% | 15.50% |
| 2002 | 18.82% | 12.56% | 15.29% |
| 2003 | 19.26% | 13.64% | 14.40% |
| 2004 | 20.26% | 14.00% | 13.92% |
| 2005 | 21.88% | 15.39% | 13.71% |
| 2006 | 22.57% | 18.66% | 13.32% |
| 2007 | 22.36% | 20.12% | 13.21% |
| 2008 | 22.50% | 19.06% | 11.80% |
| 2009 | 19.35% | 16.07% | 14.28% |
| 2010 | 21.19% | 16.02% | 15.86% |
| 2011 | 21.97% | 17.34% | 14.25% |
| 2012 | 22.57% | 14.17% | 11.59% |
| 2013 | 22.57% | 12.95% | 12.30% |
| 2014 | 22.68% | 12.65% | 12.22% |
| 2015 | 20.20% | 12.14% | 11.90% |
| 2016 | 17.98% | 11.62% | 12.59% |
| 2017 | 18.06% | 13.05% | 11.98% |
| 2018 | 18.09% | 13.99% | 12.52% |
| 2019 | 17.79% | 11.88% | 11.55% |

Source: Statistics Canada, CANSIM Table 031-0005: Flows and stocks of fixed non-residential capital, by industry and asset, Canada, provinces and territories, annual (dollars x 1,000,000); Statistics Canada, CANSIM Table 36-10-0222-01: Gross domestic product, expenditure-based, provincial and territorial, annual (x 1,000,000)

Appendix E

Non-Residential End-Year Gross Stock and Linear End-Year Net Stock (2012 Constant Dollars Per Capita)

| Year | Canada | | New Brunswick | | Nova Scotia | |
|-------------|-------------|-----------|---------------|-----------|-------------|-----------|
| | Gross Stock | Net Stock | Gross Stock | Net Stock | Gross Stock | Net Stock |
| 1990 | \$96,303 | \$53,580 | \$75,875 | \$40,042 | \$79,599 | \$44,714 |
| 1991 | \$97,292 | \$53,854 | \$76,649 | \$40,301 | \$81,055 | \$45,198 |
| 1992 | \$97,680 | \$53,547 | \$77,042 | \$40,147 | \$81,854 | \$45,073 |
| 1993 | \$97,997 | \$53,197 | \$77,200 | \$39,782 | \$82,383 | \$44,755 |
| 1994 | \$98,571 | \$53,169 | \$77,114 | \$39,328 | \$82,667 | \$44,214 |
| 1995 | \$99,116 | \$53,148 | \$77,616 | \$39,530 | \$82,889 | \$43,638 |
| 1996 | \$99,597 | \$53,126 | \$78,140 | \$39,862 | \$82,606 | \$42,737 |
| 1997 | \$100,592 | \$53,626 | \$78,136 | \$39,683 | \$83,229 | \$42,710 |
| 1998 | \$101,740 | \$54,211 | \$78,959 | \$40,262 | \$84,742 | \$43,525 |
| 1999 | \$102,959 | \$54,854 | \$80,916 | \$42,041 | \$86,830 | \$45,025 |
| 2000 | \$104,164 | \$55,516 | \$82,507 | \$43,346 | \$88,048 | \$45,555 |
| 2001 | \$105,307 | \$56,163 | \$82,827 | \$43,272 | \$89,529 | \$46,288 |
| 2002 | \$106,086 | \$56,412 | \$83,224 | \$43,212 | \$90,646 | \$46,828 |
| 2003 | \$107,161 | \$56,914 | \$83,909 | \$43,444 | \$91,417 | \$47,063 |
| 2004 | \$108,565 | \$57,762 | \$84,795 | \$43,825 | \$92,084 | \$47,179 |
| 2005 | \$110,569 | \$59,190 | \$86,403 | \$44,735 | \$93,021 | \$47,416 |
| 2006 | \$112,836 | \$60,872 | \$89,383 | \$46,837 | \$93,607 | \$47,449 |
| 2007 | \$115,154 | \$62,538 | \$92,762 | \$49,366 | \$94,418 | \$47,645 |
| 2008 | \$117,423 | \$64,175 | \$95,646 | \$51,405 | \$94,283 | \$47,179 |
| 2009 | \$118,193 | \$64,397 | \$97,011 | \$52,071 | \$94,876 | \$47,675 |
| 2010 | \$119,746 | \$65,491 | \$98,330 | \$52,822 | \$95,937 | \$48,850 |
| 2011 | \$121,745 | \$67,000 | \$100,081 | \$54,052 | \$96,533 | \$49,494 |
| 2012 | \$123,834 | \$68,643 | \$100,479 | \$53,972 | \$96,317 | \$49,194 |
| 2013 | \$125,963 | \$70,275 | \$100,701 | \$53,636 | \$96,668 | \$49,360 |
| 2014 | \$128,246 | \$71,987 | \$100,795 | \$53,226 | \$96,918 | \$49,469 |
| 2015 | \$129,873 | \$72,879 | \$100,850 | \$52,746 | \$97,112 | \$49,464 |
| 2016 | \$130,129 | \$72,647 | \$100,148 | \$51,856 | \$96,848 | \$49,379 |
| 2017 | \$130,503 | \$72,590 | \$100,299 | \$51,810 | \$96,346 | \$49,103 |
| 2018 | \$130,747 | \$72,511 | \$100,851 | \$52,226 | \$96,088 | \$49,122 |
| 2019 | \$130,899 | \$72,330 | \$100,142 | \$51,596 | \$95,150 | \$48,631 |

Source: Statistics Canada, CANSIM Table 031-0005: Flows and stocks of fixed non-residential capital, by industry and asset, Canada, provinces and territories, annual (dollars x 1,000,000)