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YEAR 2020

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



Overview

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. However, in 2017 and 2018 there was an increase of 18% and 19% from the 2016 value respectively. This may indicate an end to the decade long negative trend as non-residential private sector investments per capita begins to rise.

Cause

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. 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.

Importance

Non-residential private sector investment is an important economic driver because it determines levels of labour productivity and labour demand.

Recommendation

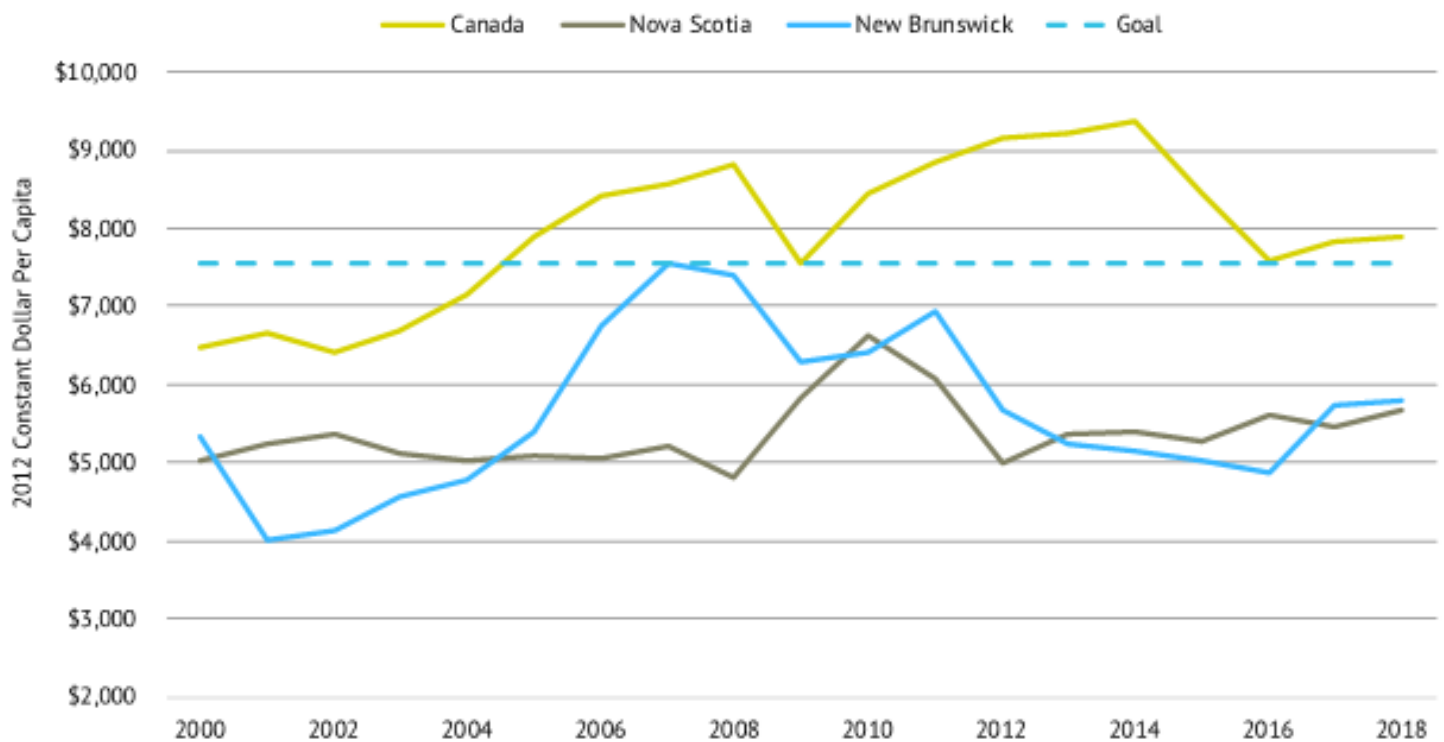
Non-residential private sector investment can be increased through higher production and exportation of goods and services.

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 Dollar Per Capita)**



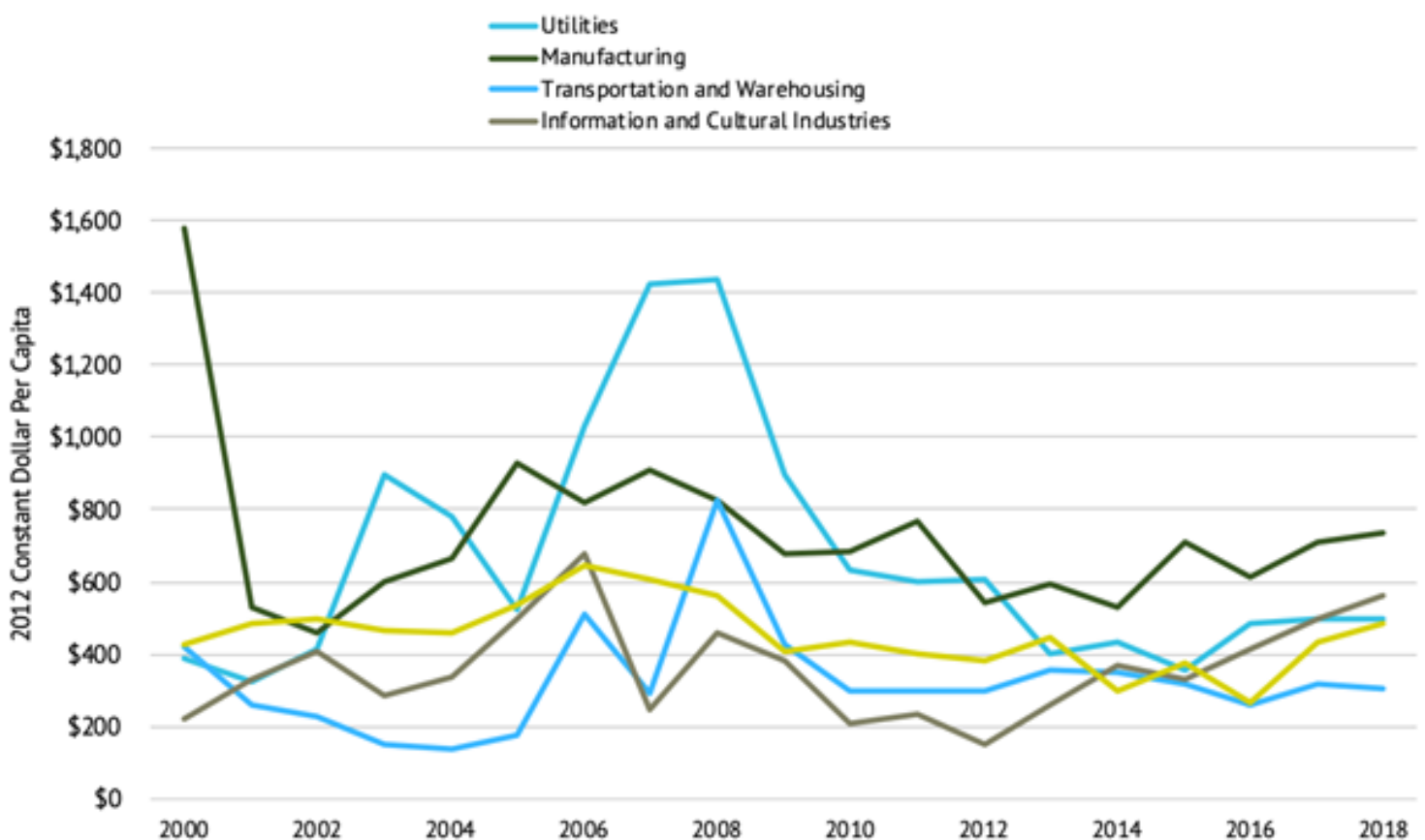
(See full data set in Appendix A)

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, however showing signs of reverse since the year 2015. This is presented in Figure 2.

Figure 2: Real Non-Residential Private Investments in New Brunswick, by Select Industry (2012 Constant Dollar Per Capita)

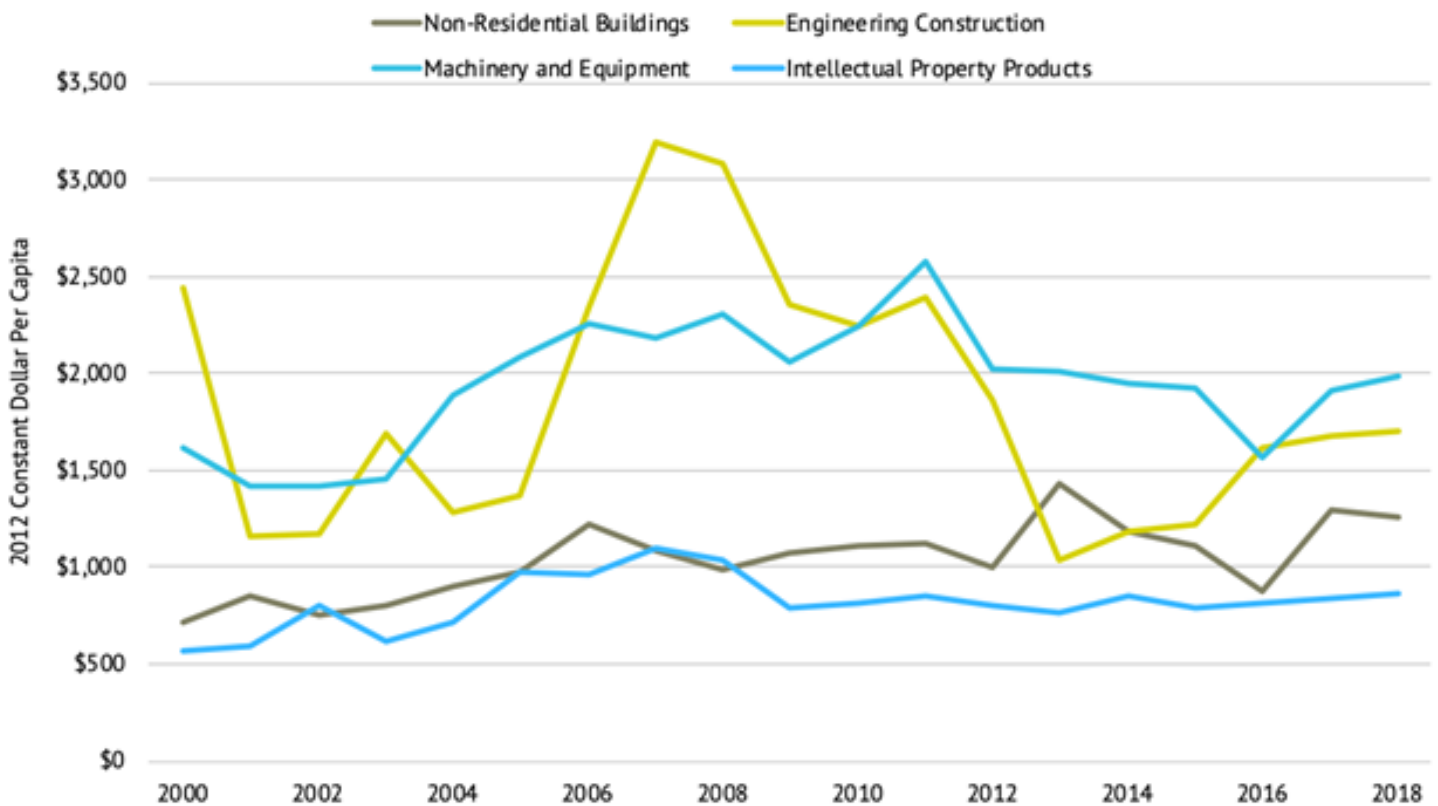


(See full data set in Appendix B)

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 Dollar Per Capita)

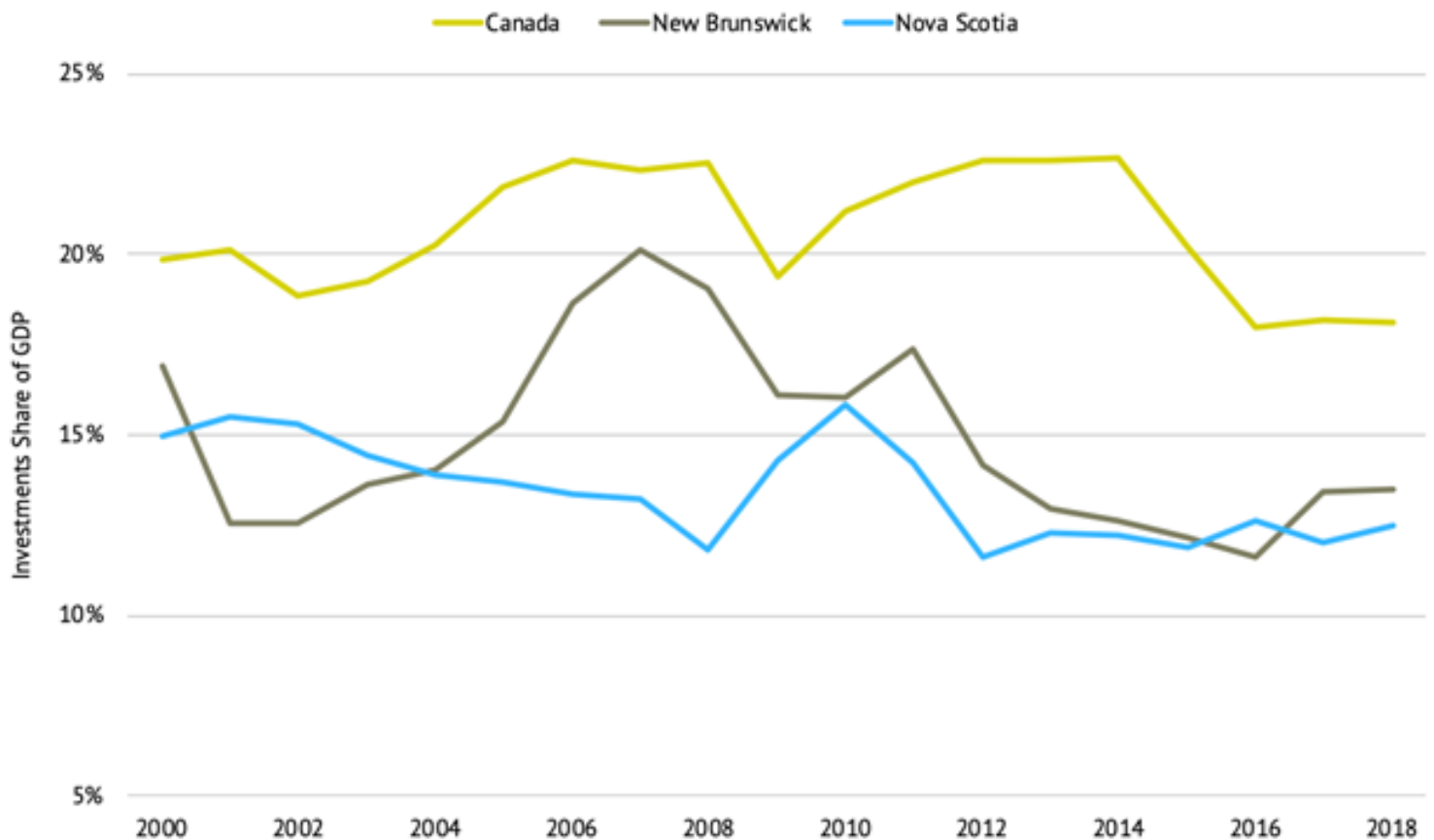


(See full data set in Appendix C)

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 1983 to 2017. Over this period, Canada had the smallest amount of fluctuation while Nova Scotia and New Brunswick showed equal amounts of volatility. 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, however increased to 13.5% in 2018.

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



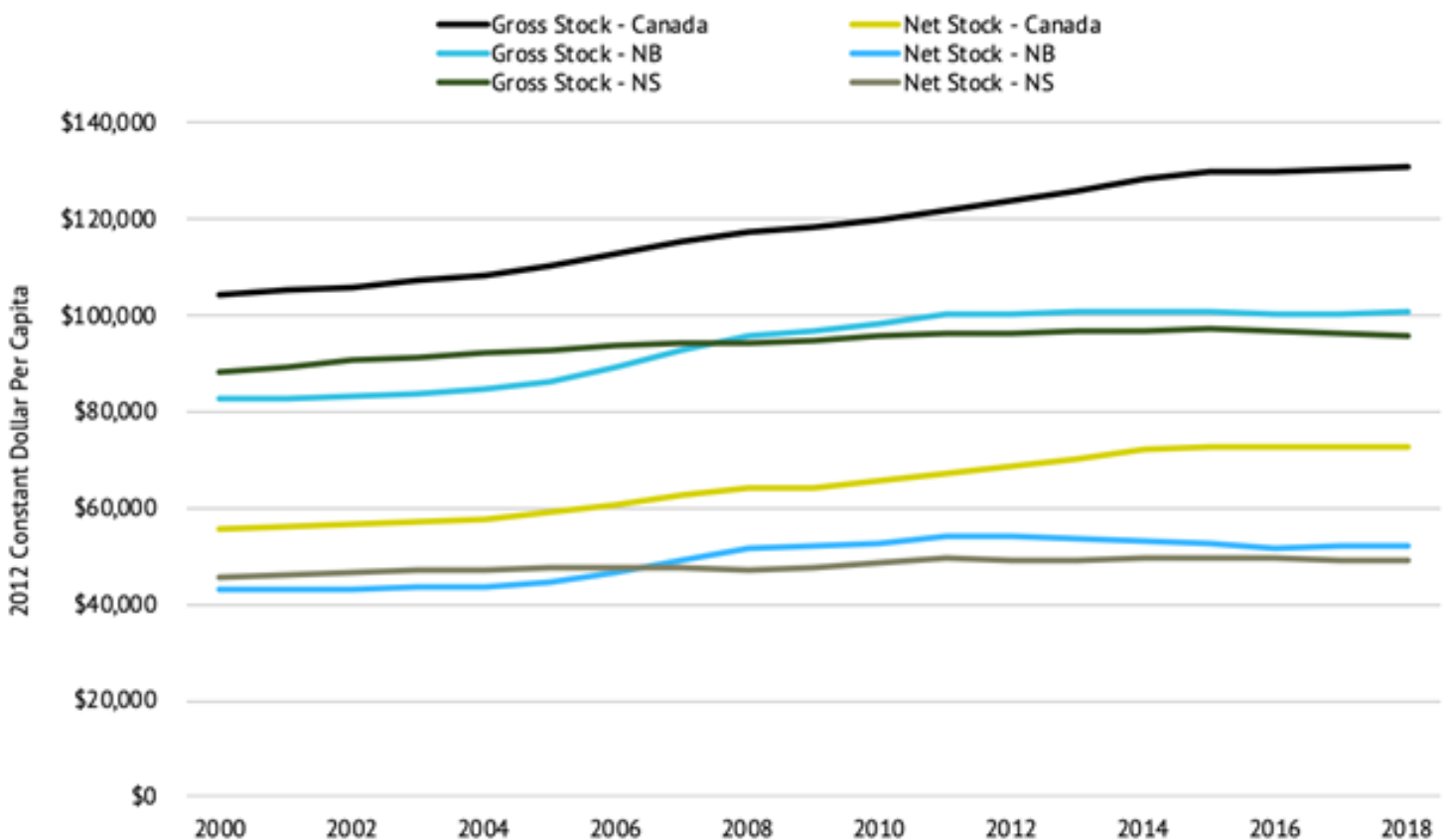
(See full data set in Appendix D)

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 (Dollar 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 19 percentage points from 2016, meaning this goal is progressing. The province of New Brunswick should boost its economy through the increased production and export of goods and services.



Appendix A

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

Year	Canada	Nova Scotia	New Brunswick	Goal
1990	5,828.65	4,923.93	4,280.18	7,568.76
1991	5,659.65	4,749.89	4,250.46	7,568.76
1992	5,092.09	4,193.81	3,703.95	7,568.76
1993	5,029.95	4,030.63	3,409.40	7,568.76
1994	5,383.22	3,768.59	3,356.51	7,568.76
1995	5,408.17	3,670.86	3,990.98	7,568.76
1996	5,460.51	3,438.10	4,178.03	7,568.76
1997	6,023.38	4,253.53	3,631.84	7,568.76
1998	6,119.08	5,098.54	4,314.28	7,568.76
1999	6,279.57	5,983.18	5,711.42	7,568.76
2000	6,482.39	5,023.45	5,348.31	7,568.76
2001	6,671.50	5,252.58	4,020.97	7,568.76
2002	6,404.96	5,358.33	4,142.14	7,568.76
2003	6,676.68	5,134.81	4,559.40	7,568.76
2004	7,156.93	5,039.04	4,785.04	7,568.76
2005	7,907.70	5,083.56	5,397.98	7,568.76
2006	8,404.36	5,074.20	6,762.15	7,568.76
2007	8,583.35	5,221.82	7,568.76	7,568.76
2008	8,820.34	4,797.54	7,405.50	7,568.76
2009	7,558.20	5,841.99	6,277.70	7,568.76
2010	8,455.49	6,626.64	6,419.36	7,568.76
2011	8,863.04	6,069.21	6,944.51	7,568.76
2012	9,156.71	5,009.35	5,685.82	7,568.76
2013	9,218.29	5,354.97	5,240.30	7,568.76
2014	9,359.96	5,383.87	5,156.95	7,568.76
2015	8,449.96	5,289.77	5,027.40	7,568.76
2016	7,589.47	5,612.07	4,869.33	7,568.76
2017	7,829.53	5,445.07	5,733.20	7,568.76
2018	7,881.99	5,681.08	5,809.93	7,568.76

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 Dollar Per Capita)

Year	Utilities	Manufacturing	Transportation and Warehousing	Information and Cultural Industries	Finance, Insurance, Real Estate, Rental and Leasing
1990	948	578	111	228	415
1991	1,225	554	157	212	229
1992	961	299	146	205	183
1993	688	303	104	179	200
1994	364	381	244	189	132
1995	365	647	422	154	112
1996	218	836	485	255	202
1997	130	641	145	303	186
1998	148	825	618	220	300
1999	277	1,382	1,033	249	442
2000	385	1,578	422	220	426
2001	323	529	257	327	487
2002	415	458	230	407	496
2003	897	600	151	282	462
2004	778	665	135	335	459
2005	521	930	174	496	536
2006	1,030	818	512	680	646
2007	1,423	911	292	247	605
2008	1,439	825	823	459	561
2009	897	680	425	384	405
2010	633	684	296	205	433
2011	598	765	300	232	400
2012	607	541	298	149	381
2013	403	591	353	261	444
2014	431	528	349	369	298
2015	358	710	314	332	373
2016	487	613	257	413	263
2017	500	712	320	494	434
2018	499	733	302	559	485

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 Dollar 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	1,296	1,681	1,917	839
2018	1,262	1,699	1,987	861

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	18.18%	13.41%	12.00%
2018	18.12%	13.47%	12.48%

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 (Dollar 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	130,559	72,644	100,425	51,948	96,337	49,101
2018	130,810	72,564	100,672	52,077	95,983	49,022

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)