



# REAL NON-RESIDENTIAL PRIVATE SECTOR INVESTMENT

STATUS:  NOT PROGRESSING

Current:

\$4,762

Baseline &

Goal:

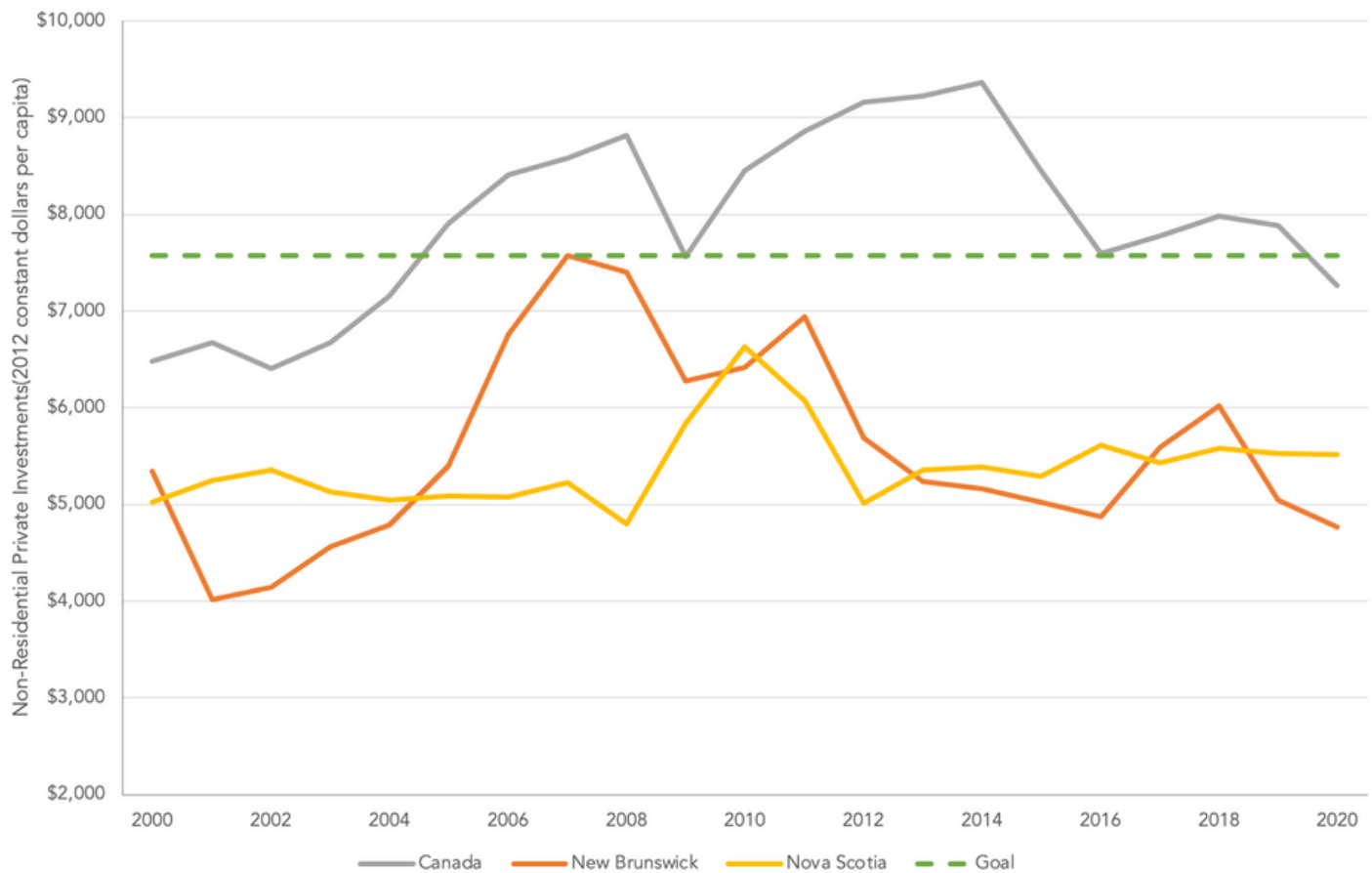
\$7,569



Peak(2007):  
\$7,569

By 2028, New Brunswick will reverse the negative trend in real non-residential private sector investment and return to 2007 levels.

Figure 1: Canada vs. New Brunswick Labour Force Participation Rate



(See full data in Appendix A)

## HIGHLIGHTS

- In 2020, the province's non-residential private investments were \$2,807 below the goal.
- Manufacturing had the highest non-residential private investments in the province in 2020.
- In 2020, 17.5% of Canadian GDP came from non-residential investments.
- New Brunswick's below average performance in business and consumer confidence levels negatively effects investment.

# 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 a 15% dip in the numbers from 2018 to 2019 and another dip of 5.6% in the numbers from 2019-2020. [CPI] 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.

could we update this to the 2019-2020 % [CPI] [CPI]

## 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

## Importance

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. After witnessing an increase in non-residential private sector investment in 2018, New Brunswick experienced a decrease of approximately \$1,200 in investments in 2020. 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 2.

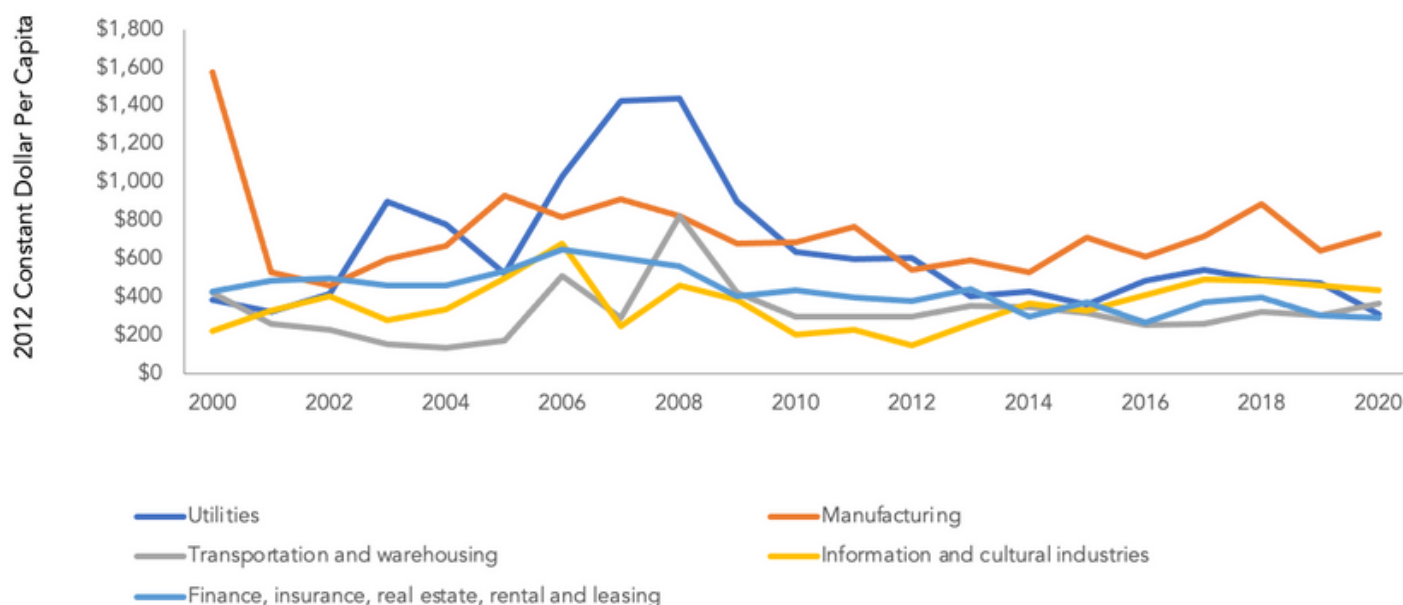
## A CLOSER LOOK

### Real Non-Residential Private Investment: Industries

The financial crisis of 2008 had a huge 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. There is a negative trend that has been ongoing since 2008, though showing signs of reverse since 2015, then returning to the negative trend under the influence of the pandemic. The figure shows that manufacturing has generally stood out with higher investments than other industries since 2012 and even surprised

surprised to see that, unlike other industries, manufacturing and transportation and warehousing have received more investment during the pandemic compared with 2019. This is presented in Figure 2.

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

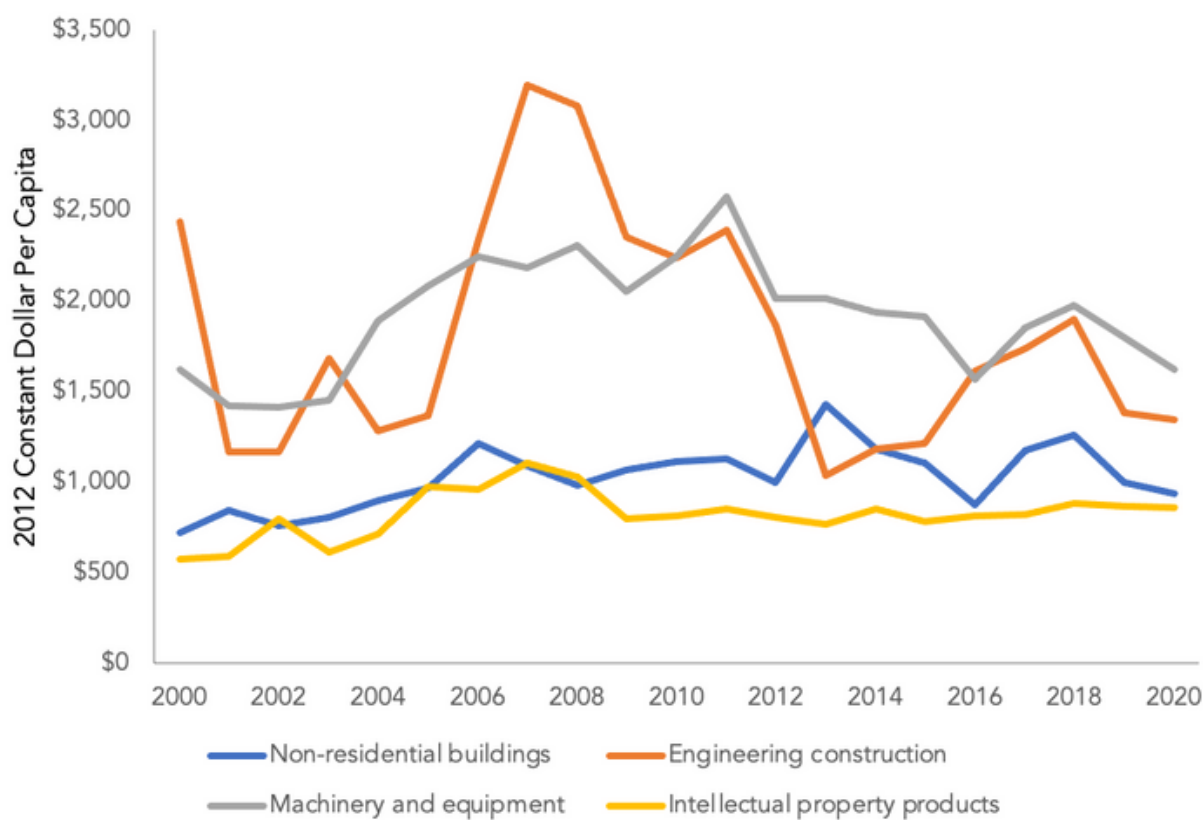


(See full data in Appendix B)

## 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 engineering construction, machinery and equipment is interchangeably higher than in other assets, whereas investment in intellectual property products is the lowest. Non-residential buildings, unlike other assets, are drawing more, steady investments in since the financial crisis of 2008.

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



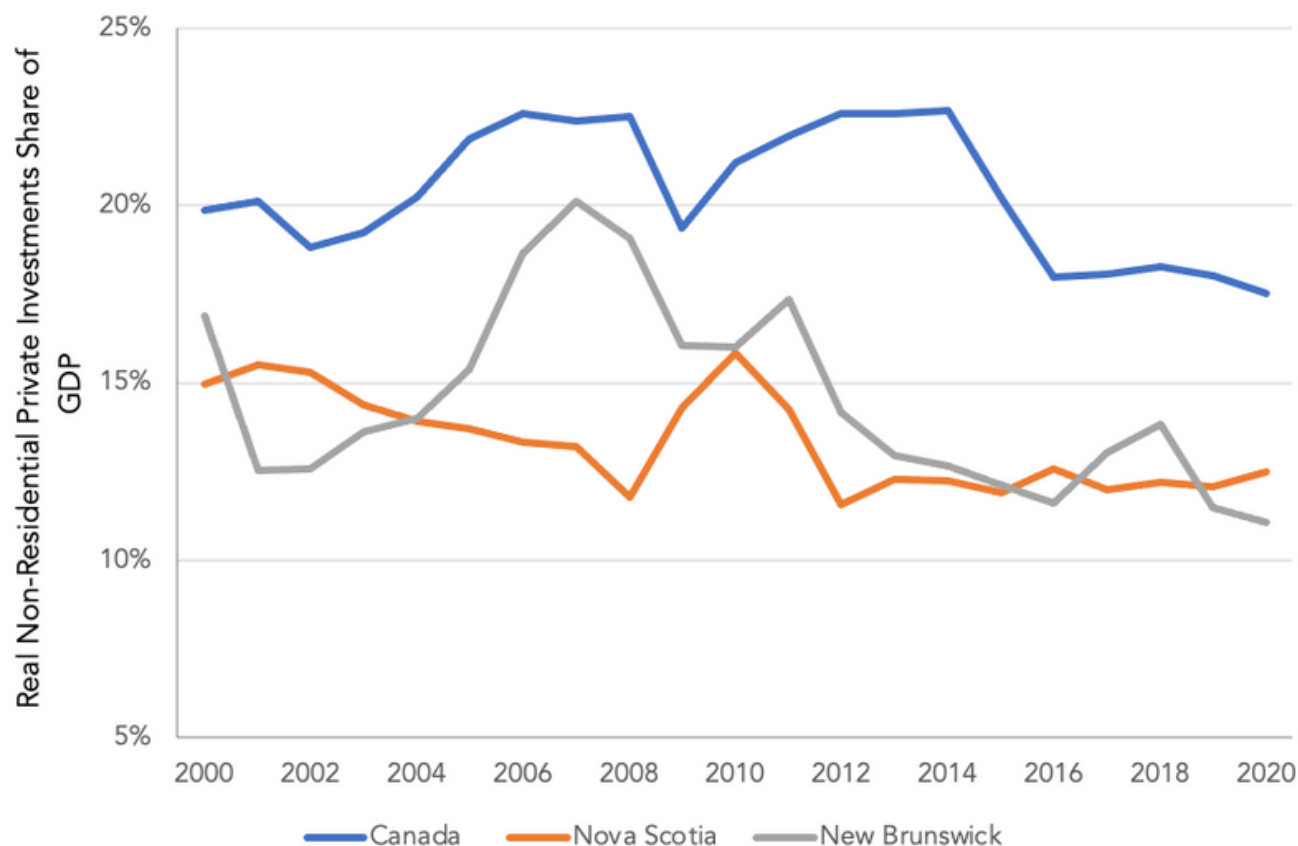
(See full data in Appendix C)

## 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 2000 to 2020. 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, followed by a negative trend reaching 11.6% in 2016, increasing to 13.9% in 2018, and further decreasing again to 11.1% in 2020.



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



(See full data in Appendix D)

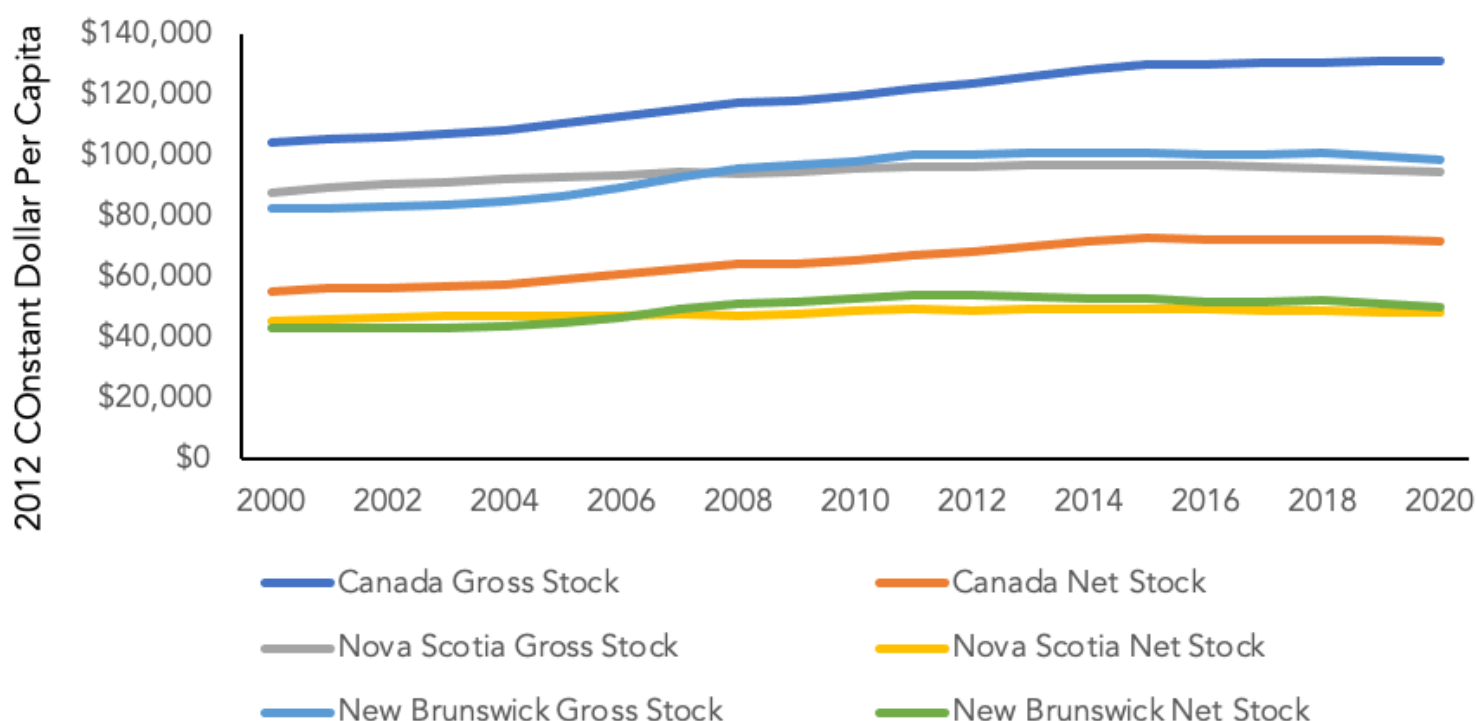
## Real Non-Residential Private Investment: Stock

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 in Appendix D)

## Business and Consumer Confidence

The CCI (Consumer Confidence Index) is a measure which takes into account how willing/unwilling a person (or “consumer”) is to spend money based on how they expect their finances, the general economy, and unemployment rates to be in the near future. On the other hand, the BB (Business Barometer) index is a measure of businesses’ confidence in the future of a business based on the current and near-future state of the economy. Both measures are estimates taken from a

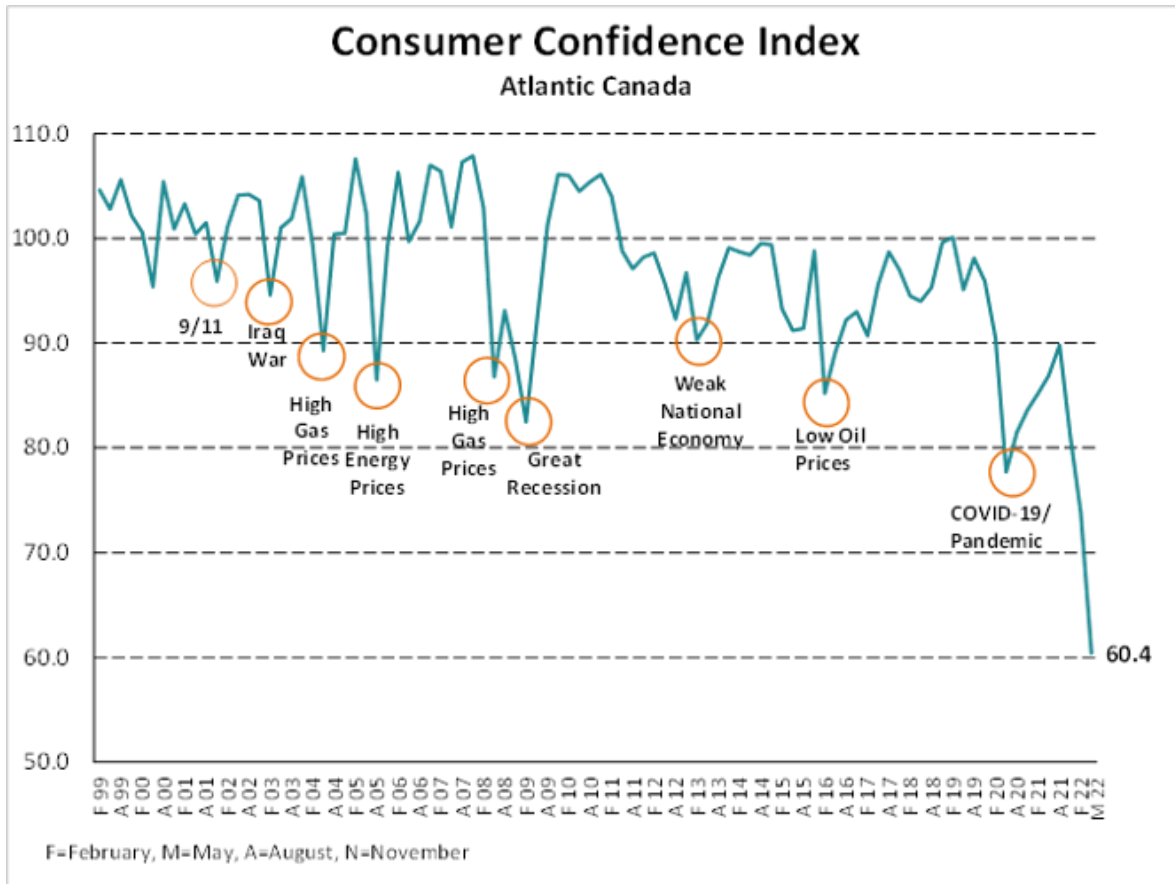


survey of random consumers and/or businesses. As these two indexes demonstrate both the supply and demand sides of an economy's confidence, both give a reasonable preview of how much consumption there will be in the future, and whether or not businesses are expecting demand (or lack thereof) from consumers. Having both trends moving in the same direction shows similar confidence in the economy from both consumers and businesses.

Consumer confidence and business confidence measures appeared much more favourable in New Brunswick before 2020. However, given the uncertainty surrounding the world economy due to the COVID-19 pandemic and recent inflationary pressures, recent data has shown a sharp decline. Keeping a close eye on the Consumer Confidence Index and the Business Barometer is of the upmost importance, as these will show if the supply and demand sides of the economy are confident about the future and therefore willing to invest.

Narrative Research, a Halifax based polling firm which publishes quarterly on consumer confidence, records that consumer confidence in Atlantic Canada has continued to fall into 2022, reaching new record lows. Narrative Research's chart is attached as Figure 6.

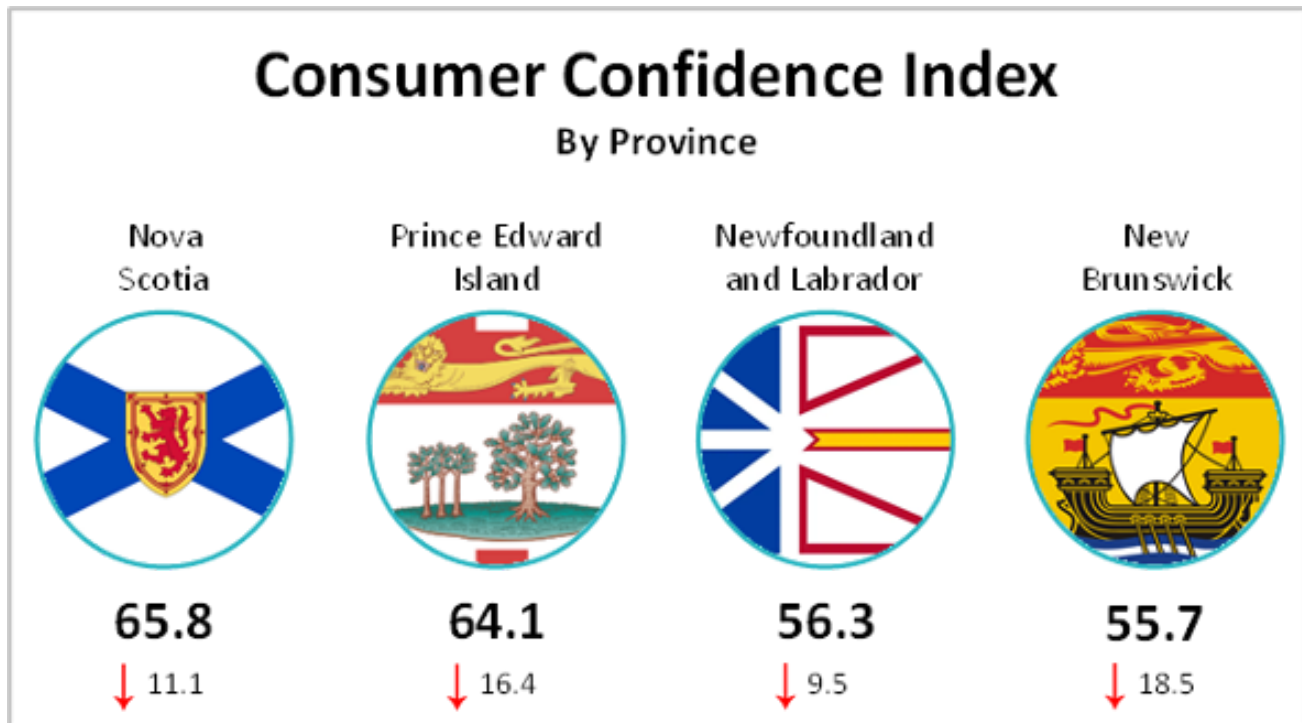
Figure 6: Consumer Confidence



Source: Narrative Research, <https://narrativeresearch.ca/consumer-confidence-levels-in-atlantic-canada-reach-record-lows/>.

Narrative also notes that New Brunswick has recorded the lowest consumer confidence among Atlantic provinces and is well below the Atlantic average. This is shown in Figure 7. Figure 7 also shows the change over a three-month period ending in May 2022, a point where New Brunswick showed both the lowest CCI and the largest drop in CCI.

Figure 7: Consumer Confidence by Province



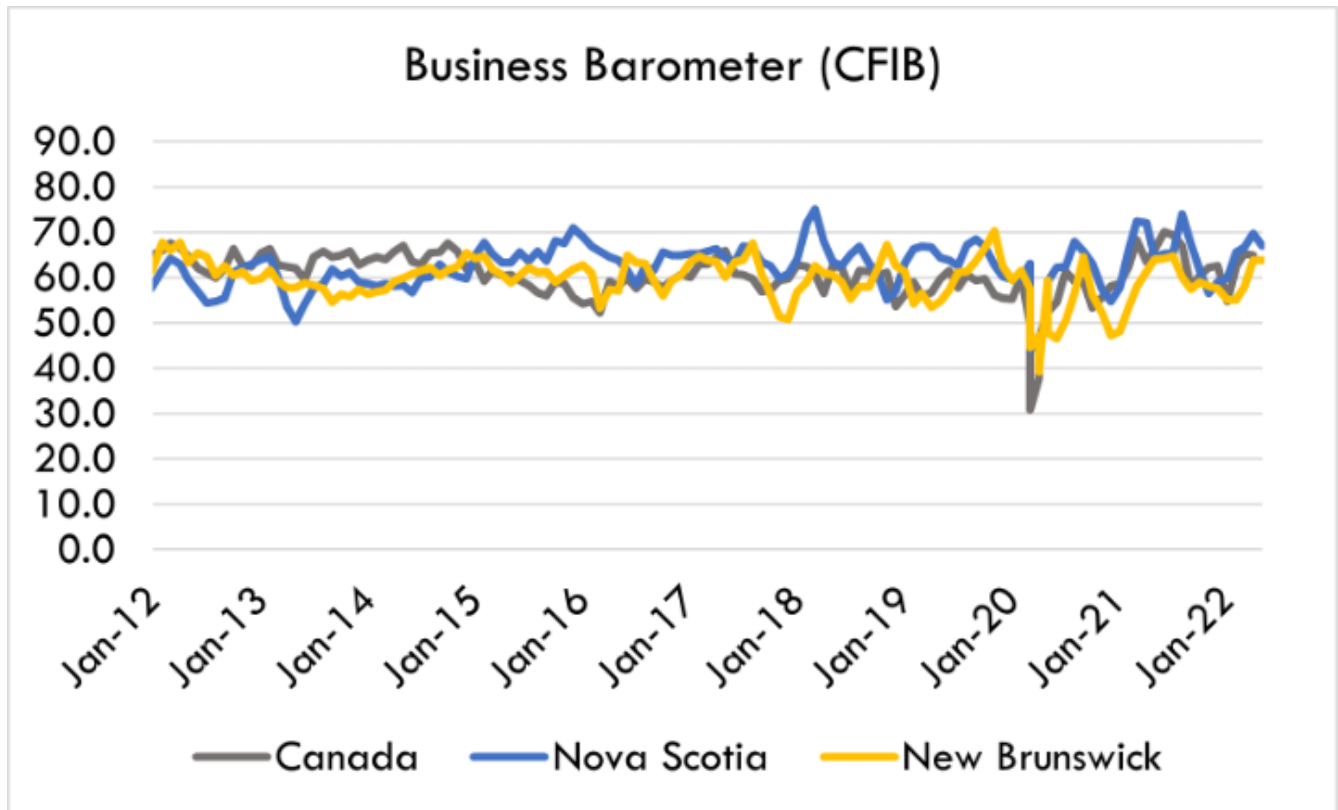
Source: Narrative Research, <https://narrativeresearch.ca/consumer-confidence-levels-in-atlantic-canada-reach-record-lows/>.

## Business Confidence

The Business Barometer Published by the Canadian Federation of Independent Business indicates the future expectations of small businesses. This figure tends to fluctuate less. The last ten years of monthly data is shown in Figure 8. For reference, CFIB suggests that a level of 65 indicates healthy levels of growth. New Brunswick scored a 63.9 in May 2022.

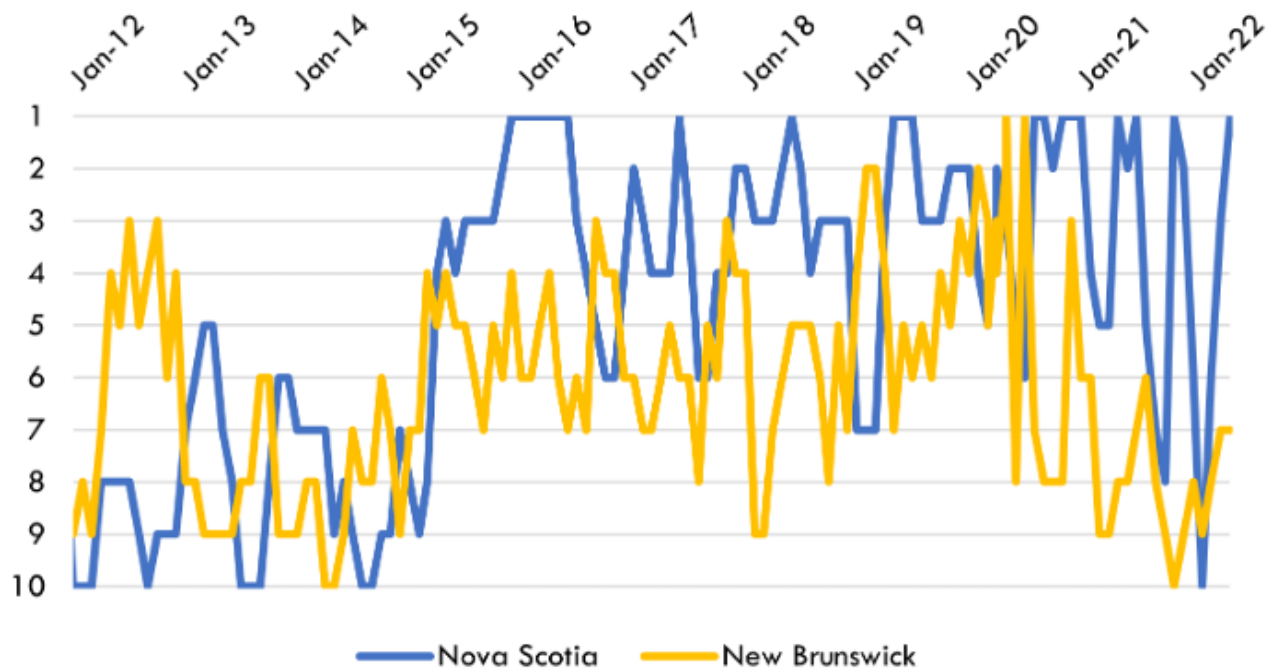
The province's rank within Canada is shown in Figure 9, with 1 representing the highest BB index and 10 representing the lowest among all provinces and therefore the least confident.

Figure 8: Business Barometer



Source: CFIB, Business Barometer, May 2022. <https://www.cfib-fcei.ca/en/research/economic-indicators/business-barometer-may-2022>.

Figure 9: Business Barometer Rank  
Business Barometer - Rank



Source: CFIB, Business Barometer, May 2022. <https://www.cfib-fcei.ca/en/research/economic-indicators/business-barometer-may-2022>.

As shown, New Brunswick is fairing worse in terms of business confidence in the recovery stage of the pandemic than its closest Atlantic neighbour. Improving business confidence is sure to encourage investment.

## CONCLUSION

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. New Brunswick experienced an increase in 2017 after experiencing a six-year decline since 2011 followed by another decline from 2018 to 2020. To increase investment New Brunswick will need to maintain consistently high levels of business and consumer confidence to create an inviting business environment. As business investment has not been increasing, this goal is not progressing.

## SUMMARY

- In 2020, the province's non-residential private investments were \$2,807 below the goal.
- Manufacturing had the highest non-residential private investments in the province in 2020.
- In 2020, 17.5% of Canadian GDP came from non-residential investments.
- New Brunswick's below average performance in business and consumer confidence levels negatively effects investment.

# APPENDIX A

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

Year	Canada	New Brunswick	Nova Scotia	Goal
2000	\$6,482	\$5,348	\$5,023	\$7,569
2001	\$6,672	\$4,021	\$5,253	\$7,569
2002	\$6,405	\$4,142	\$5,358	\$7,569
2003	\$6,677	\$4,559	\$5,135	\$7,569
2004	\$7,157	\$4,785	\$5,039	\$7,569
2005	\$7,908	\$5,398	\$5,084	\$7,569
2006	\$8,404	\$6,762	\$5,074	\$7,569
2007	\$8,583	\$7,569	\$5,222	\$7,569
2008	\$8,820	\$7,406	\$4,798	\$7,569
2009	\$7,558	\$6,278	\$5,842	\$7,569
2010	\$8,455	\$6,419	\$6,627	\$7,569
2011	\$8,863	\$6,945	\$6,069	\$7,569
2012	\$9,157	\$5,686	\$5,009	\$7,569
2013	\$9,218	\$5,240	\$5,355	\$7,569
2014	\$9,360	\$5,157	\$5,384	\$7,569
2015	\$8,450	\$5,027	\$5,290	\$7,569
2016	\$7,589	\$4,869	\$5,612	\$7,569
2017	\$7,781	\$5,591	\$5,425	\$7,569
2018	\$7,983	\$6,016	\$5,582	\$7,569
2019	\$7,883	\$5,047	\$5,529	\$7,569
2020	\$7,259	\$4,762	\$5,516	\$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
2000	\$385	\$1,577.58	\$422.38	\$219.85	\$426.37	\$2,317.07
2001	\$323	\$529.46	\$257.40	\$326.75	\$486.78	\$2,097.84
2002	\$415	\$457.72	\$229.53	\$407.01	\$496.42	\$2,136.46
2003	\$897	\$600.45	\$150.78	\$281.54	\$461.68	\$2,168.28
2004	\$778	\$664.51	\$134.77	\$334.93	\$459.02	\$2,413.87
2005	\$521	\$930.41	\$173.78	\$495.95	\$536.06	\$2,740.43
2006	\$1,030	\$818.11	\$512.32	\$679.97	\$646.44	\$3,075.29
2007	\$1,423	\$910.88	\$292.45	\$246.84	\$605.02	\$4,090.24
2008	\$1,439	\$824.77	\$823.43	\$459.25	\$561.00	\$3,297.73
2009	\$897	\$680.04	\$425.36	\$384.02	\$405.36	\$3,485.54
2010	\$633	\$683.90	\$296.13	\$204.51	\$432.91	\$4,168.46
2011	\$598	\$764.85	\$300.38	\$231.57	\$399.63	\$4,649.96
2012	\$607	\$540.63	\$298.00	\$149.00	\$381.08	\$3,710.55
2013	\$403	\$590.61	\$353.31	\$261.03	\$444.27	\$3,187.69
2014	\$431	\$528.34	\$349.15	\$368.92	\$297.77	\$3,181.92
2015	\$358	\$710.29	\$313.64	\$332.08	\$372.94	\$2,940.01
2016	\$487	\$613.09	\$256.76	\$412.65	\$263.31	\$2,836.18
2017	\$543	\$717.43	\$259.58	\$494.38	\$373.07	\$3,203.67
2018	\$493	\$889.26	\$321.95	\$482.93	\$401.14	\$3,427.23
2019	\$471	\$640.82	\$301.11	\$460.67	\$302.40	\$2,870.83
2020	\$308	\$730.33	\$366.44	\$432.84	\$288.56	\$2,636.61

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
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	\$1,257	\$1,897	\$1,977	\$885
2019	\$996	\$1,386	\$1,800	\$865
2020	\$938	\$1,342	\$1,619	\$862

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	Nova Scotia	New Brunswick
2000	19.85%	14.95%	16.87%
2001	20.10%	15.50%	12.54%
2002	18.82%	15.29%	12.56%
2003	19.26%	14.40%	13.64%
2004	20.26%	13.92%	14.00%
2005	21.88%	13.71%	15.39%
2006	22.57%	13.32%	18.66%
2007	22.36%	13.21%	20.12%
2008	22.50%	11.80%	19.06%
2009	19.35%	14.28%	16.07%
2010	21.19%	15.86%	16.02%
2011	21.97%	14.25%	17.34%
2012	22.57%	11.59%	14.17%
2013	22.57%	12.30%	12.95%
2014	22.68%	12.22%	12.65%
2015	20.20%	11.90%	12.14%
2016	17.98%	12.59%	11.62%
2017	18.06%	11.98%	13.05%
2018	18.28%	12.21%	13.85%
2019	18.03%	12.08%	11.51%
2020	17.51%	12.48%	11.06%

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)

	Canada	Canada	Nova Scotia	Nova Scotia	New Brunswick	New Brunswick
Year	Gross Stock	Net Stock	Gross Stock	Net Stock	Gross Stock	Net Stock
2000	\$104,164.18	\$55,515.84	\$88,047.92	\$45,554.77	\$82,507.13	\$43,346.12
2001	\$105,306.54	\$56,163.10	\$89,528.73	\$46,287.70	\$82,826.55	\$43,271.72
2002	\$106,085.86	\$56,412.10	\$90,645.75	\$46,828.47	\$83,224.35	\$43,212.18
2003	\$107,160.79	\$56,913.77	\$91,416.71	\$47,063.24	\$83,909.21	\$43,444.38
2004	\$108,564.87	\$57,761.93	\$92,083.98	\$47,178.57	\$84,795.02	\$43,824.62
2005	\$110,568.70	\$59,189.92	\$93,021.20	\$47,416.32	\$86,402.51	\$44,734.56
2006	\$112,835.72	\$60,871.95	\$93,606.66	\$47,449.47	\$89,383.21	\$46,837.47
2007	\$115,154.25	\$62,538.13	\$94,418.33	\$47,645.48	\$92,762.19	\$49,365.94
2008	\$117,423.23	\$64,174.65	\$94,282.81	\$47,179.34	\$95,646.27	\$51,404.72
2009	\$118,192.70	\$64,396.53	\$94,875.55	\$47,674.93	\$97,011.02	\$52,071.05
2010	\$119,746.19	\$65,491.23	\$95,937.09	\$48,850.08	\$98,330.09	\$52,822.25
2011	\$121,745.07	\$67,000.26	\$96,533.42	\$49,494.11	\$100,081.38	\$54,051.51
2012	\$123,833.66	\$68,642.96	\$96,316.90	\$49,193.81	\$100,478.92	\$53,971.77
2013	\$125,962.63	\$70,274.93	\$96,668.13	\$49,360.19	\$100,700.82	\$53,635.65
2014	\$128,245.65	\$71,987.43	\$96,918.10	\$49,469.13	\$100,795.02	\$53,225.66
2015	\$129,873.12	\$72,879.44	\$97,112.20	\$49,463.71	\$100,849.72	\$52,746.16
2016	\$130,128.74	\$72,647.34	\$96,847.65	\$49,378.97	\$100,148.03	\$51,855.64
2017	\$130,503.58	\$72,590.15	\$96,345.89	\$49,102.84	\$100,298.58	\$51,810.48
2018	\$130,837.83	\$72,583.51	\$95,957.25	\$48,994.89	\$100,795.66	\$52,164.02
2019	\$131,054.46	\$72,434.49	\$95,214.29	\$48,711.51	\$99,914.04	\$51,351.90
2020	\$130,993.33	\$71,852.60	\$94,544.29	\$48,491.22	\$98,826.10	\$50,355.97

Source: 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 E

## Business Barometer

CFIB, Business Barometer, May 2022 Data Table. <https://content.cfib-fcei.ca/sites/default/files/2022-05/business-barometer-data-donnees.xlsx>.