

Study: Intangible capital and productivity growth in Canada, 1976 to 2008

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Intangible capital—investment in assets such as scientific knowledge, advertising and a firm's organization—made a significant contribution to labour productivity growth in the Canadian business sector during the past three decades. The contribution of intangible capital to labour productivity growth was slightly lower than the contribution of tangible assets during this period.

Total investment in intangible assets has grown more rapidly than investment in tangibles over time. In 1976, investment in intangibles represented just under one-quarter (23%) of all tangible capital investment. By 2008, this proportion had increased to two-thirds (66%).

In 2008, investment in intangible capital in the business sector was estimated at \$150 billion.

The largest component of intangible investment in 2008 occurred in areas of economic competencies, followed by innovative property and software investment. Spending on research and development made up only a small portion of total intangible investment.

Economic competencies accounted for 56% to 58% of total intangible investment. These consist of advertising and investments made in the organizational capital, including scientific managerial capabilities needed to run modern organizations. Such spending improves the ability of firms to compete or modify production processes, thus improving efficiency and contributing to the knowledge that firms possess.

Between 1976 and 2008, intangible capital made a significant contribution to labour productivity growth, accounting for about 40% of total capital-deepening effects.

Investment in innovative property and investment in economic competencies each contributed about 0.2 to 0.3 percentage points to annual labour productivity growth in the business sector.

Investment in computerized information contributed 0.1 percentage points to annual labour productivity growth.

The growth of intangible capital declined after 2000 in the Canadian business sector, but this decline was not a main factor behind the overall decline in labour productivity growth.

Note to readers

The research paper "Intangible Capital and Productivity Growth in Canada" develops an experimental measure of intangible capital and examines the contribution of intangibles to labour productivity growth in the Canadian business sector. Intangible capital consists of investments that do not take on the solid, physical characteristics of machinery and equipment or buildings. Nevertheless, such investments have some of the properties of other types of investments in that they yield long-lasting benefits as a result of expenditures that are made today.



The research paper "Intangible Capital and Productivity Growth in Canada," part of the *Canadian Productivity Review* series (15-206-X2012029, free), is now available from the *Key resource* module of our website under *Publications*.

Similar studies from the Economic Analysis Division are available online (www.statcan.gc.ca/economicanalysis).

For more information, or to order data, contact Statistics Canada's National Contact Centre (toll-free 1-800-263-1136; 613-951-8116; infostats@statcan.gc.ca).

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