Catalogue no. 11-626-X — No. 048
ISSN 1927-503X
ISBN 978-0-660-02708-1

Economic Insights

Non-residential Capital Expenditures: 2014 Preliminary Actual Estimates and 2015 Intentions

by Valérie Gaudreault, Guy Gellatly and Cyndi Bloskie

Release date: July 6, 2015

Statistics Canada Statistique Canada

Canada

How to obtain more information

For information about this product or the wide range of services and data available from Statistics Canada, visit our website, www.statcan.gc.ca.

You can also contact us by

email at infostats@statcan.gc.ca

telephone, from Monday to Friday, 8:30 a.m. to 4:30 p.m., at the following toll-free numbers:

- Statistical Information Service 1-800-263-1136
- National telecommunications device for the hearing impaired 1-800-363-7629
- Fax line 1-877-287-4369

Depository Services Program

- Inquiries line 1-800-635-7943
- Fax line 1-800-565-7757

Standards of service to the public

Statistics Canada is committed to serving its clients in a prompt, reliable and courteous manner. To this end, Statistics Canada has developed standards of service that its employees observe. To obtain a copy of these service standards, please contact Statistics Canada toll-free at 1-800-263-1136. The service standards are also published on www.statcan.gc.ca under "About us" > "The agency" > "Providing services to Canadians."

Note of appreciation

Canada owes the success of its statistical system to a long-standing partnership between Statistics Canada, the citizens of Canada, its businesses, governments and other institutions. Accurate and timely statistical information could not be produced without their continued co-operation and goodwill.

Standard table symbols

The following symbols are used in Statistics Canada publications:

. not available for any reference period
.. not available for a specific reference period
... not applicable
0 true zero or a value rounded to zero
0s value rounded to 0 (zero) where there is a meaningful distinction between true zero and the value that was rounded
p preliminary
r revised
x suppressed to meet the confidentiality requirements of the *Statistics Act*
E use with caution
F too unreliable to be published
* significantly different from reference category ($p < 0.05$)

An HTML version is also available.

Cette publication est aussi disponible en français.

Non-residential Capital Expenditures: 2014 Preliminary Actual Estimates and 2015 Intentions

by Valérie Gaudreault, Guy Gellatly and Cyndi Bloskie
Investment, Science and Technology Division and Analytical Studies Branch

This article in the *Economic Insights* series reports on the capital expenditure estimates for 2014 and the expenditure intentions for 2015, released by Statistics Canada on July 6th 2015. The article examines changes in the pace and composition of non-residential capital spending, highlighting key movements in the data for these reference years.[1]

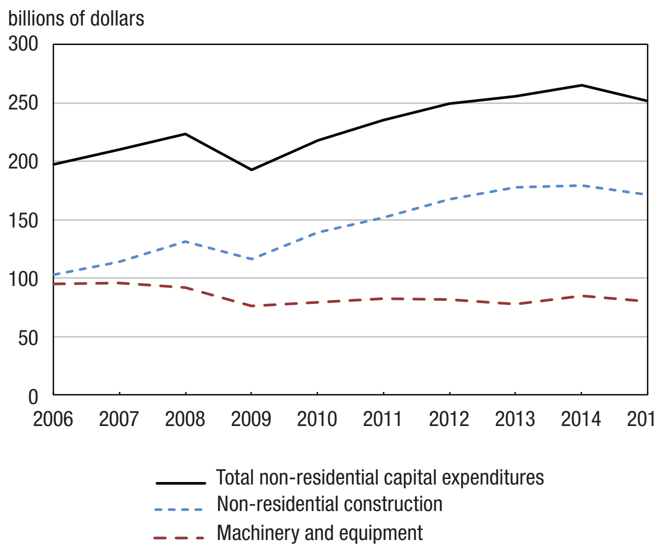
The results presented in this article are based on information collected from the Capital and Repair Expenditures Survey, a sample survey of approximately 25,000 private and public organizations that is used to produce current dollar estimates of capital spending on different construction and machinery and equipment assets.[2] The preliminary actual estimates for 2014 and the intentions data for 2015 that are discussed in this article were collected from October 2014 to late January 2015—a period characterized by sharp movements of crude oil prices and the Canadian dollar. Updates to the data for larger oil and gas businesses were conducted to ensure that the 2015 intentions were as accurate as possible. This article highlights key movements in the capital expenditures and intentions data collected during this period.

Overview

Private and public organizations spent $264.9 billion on non-residential construction assets and machinery and equipment (M&E) in 2014, up 3.4% from 2013 (Chart 1). Higher outlays on machinery and equipment led growth in 2014, increasing 9.2% after a 4.9% decline in 2013. Capital spending on non-residential construction edged up 0.9% in 2014. The overall growth in capital spending in 2014 was supported by higher outlays in utilities, information and cultural industries, and manufacturing, as capital expenditures in mining, quarrying, and oil and gas extraction declined modestly from the previous year (-0.5%). Capital spending in Ontario, British Columbia, Newfoundland and Labrador, Manitoba and Alberta contributed to growth in 2014.

Private and public organizations anticipate spending $251.8 billion on non-residential capital assets in 2015, down 4.9% from 2014. Lower anticipated outlays on construction assets and machinery and equipment both contributed to the decline. Capital intentions in mining, quarrying and oil and gas extraction industries are down 18.7% from 2014 expenditure levels, while capital outlays in transportation and warehousing industries and manufacturing industries are expected to increase. Intentions are higher in Quebec, New Brunswick, Manitoba, Nova Scotia and Prince Edward Island.

Chart 1
Non-residential capital expenditures by major component



Notes: Data for 2014 are preliminary actual estimates; data for 2015 are intentions.
Source: Statistics Canada, CANSIM table 029-0045.

1. For an analysis of major changes in the distribution of capital outlays over the last decade, see Bloskie, Gaudreault and Gellatly (2013).
2. These capital expenditures estimates are not equivalent in concept or coverage to the estimates of gross fixed capital formation that are published by the Canadian System of National Accounts. For more information, see the report *Reconciliation of capital expenditure and gross fixed capital formation*, available in the Statistics Canada series *Latest Developments in The Canadian Economic Accounts*.

Higher outlays on machinery and equipment in 2014

Based on preliminary estimates, expenditures on M&E rose 9.2% in 2014, following two consecutive annual declines.[3] Capital outlays on M&E in 2014 accounted for 32% of total non-residential capital spending. Manufacturing industries led the overall growth in M&E during 2014, as capital expenditures in this sector increased 22.8%, following a 4.4% increase in 2013. At $12.5 billion, M&E expenditures in the manufacturing sector were at their highest level since reaching $14.4 billion in 2008. M&E expenditures in transportation and warehousing industries also expanded in 2014, the fifth consecutive annual increase. Annual M&E expenditures in this sector were 7.6% above 2007 levels. Spending in Ontario, Alberta and British Columbia led the overall increase in M&E outlays.

The pace of capital spending on construction assets slowed in 2014, edging up 0.9% after advancing by 6.5% in 2013. This follows an average annual increase of 13% during the previous three years. Higher construction outlays in utilities and information and cultural industries supported growth in 2014, as did an increase in mining, quarrying and oil and gas extraction. In 2014, capital expenditures on construction assets in mining, quarrying and oil and gas extraction were 65% higher than in 2008 and accounted for 40% of all spending on construction assets in the Canadian economy. Spending on construction in Newfoundland and Labrador, Ontario, Manitoba and British Columbia supported growth in 2014, while construction expenditures in Alberta declined.

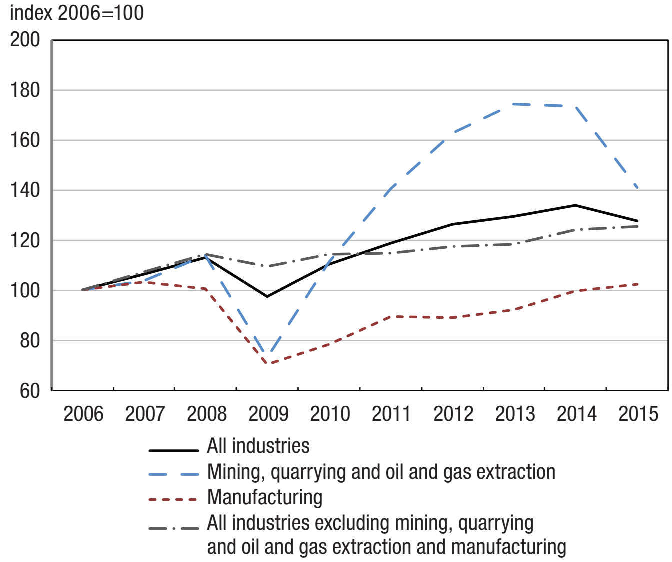
Lower anticipated capital spending in 2015 as intentions for non-residential construction and M&E both decline

Non-residential capital spending intentions declined 4.9% in 2015, reflecting lower anticipated capital spending on machinery and equipment (-5.4%) and construction assets (-4.7%). Lower intentions in mining, quarrying, and oil and gas extraction industries contributed most to the expected decrease, as both anticipated spending on construction assets and machinery and equipment declined markedly (Chart 2). Lower expected expenditures were also reported for construction assets and M&E in utilities industries, while both transportation and warehousing and manufacturing anticipate higher expenditures for both asset types. Overall, lower construction intentions in 2015 largely reflect anticipated declines in Alberta and Saskatchewan, while lower M&E intentions largely reflect anticipated decreases in Alberta and Ontario.

Capital intentions in mining, quarrying and oil and gas extraction down 18.7%

Following a 0.5% decline in 2014, capital spending in mining, quarrying and oil and gas extraction industries is anticipated to fall by 18.7% in 2015, on both lower construction intentions (down 16.3% from 2014 levels) and M&E intentions (down 33.5%). Capital intentions in these industries amount to $67.9 billion in 2015, down $15.6 billion from the expenditure estimates for 2014 (Chart 3). Oil and gas extraction industries, with intentions of $55.6 billion in 2015, anticipate spending 18.9% less on capital assets than in 2014. Capital intentions for organizations that provide support services for mining and oil and gas extraction, which include rigging and drilling services, amount to $1.4 billion in 2015, down 62.9% from 2014 levels. With capital intentions of $10.9 billion, mining and quarrying industries, excluding oil and gas, anticipate a 1.7% decline in capital spending.

Chart 2
Capital expenditures by selected industry



Notes: Data for 2014 are preliminary actual estimates; data for 2015 are intentions.
Source: Statistics Canada, CANSIM table 029-0045.

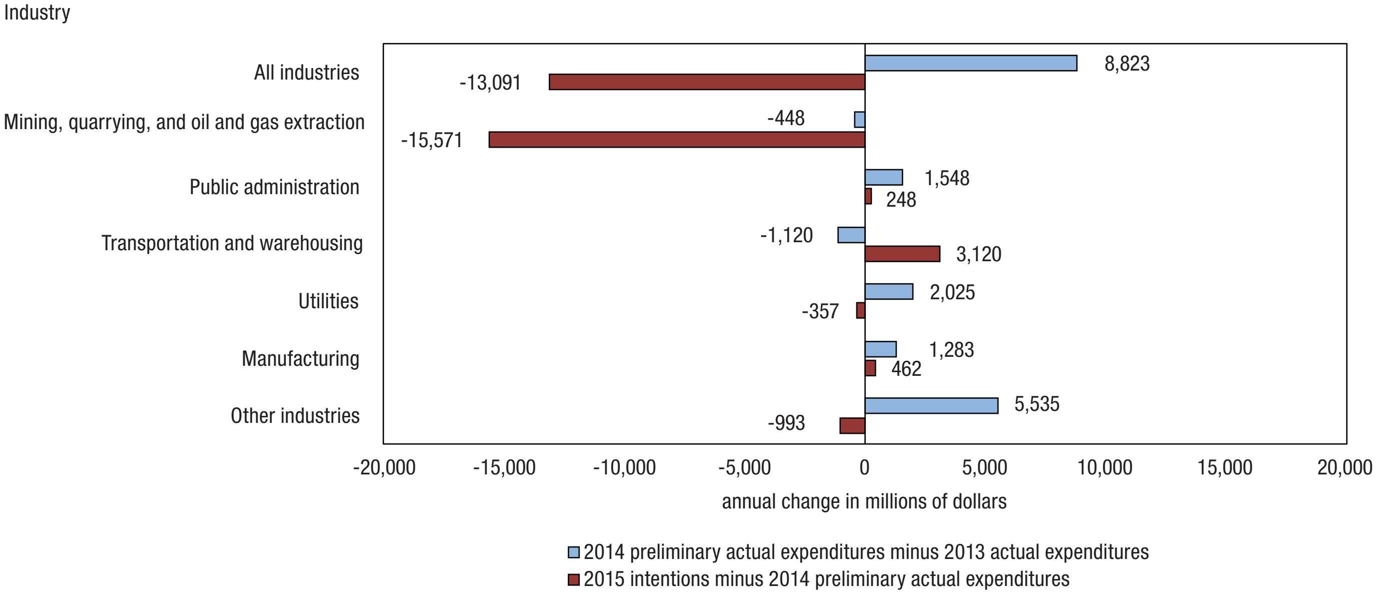
Manufacturers anticipate higher capital spending in 2015

Capital spending in the manufacturing sector is expected to increase 2.7% in 2015 to $17.5 billion, up $462 million from 2014 levels (Chart 3). Manufacturers of wood products, petroleum and coal products, primary metals, non-metallic mineral products, and machinery equipment all anticipate higher capital expenditures in 2015, while manufacturers of chemicals, transportation equipment and food products anticipate lower spending. Transportation equipment manufacturers anticipate spending almost 30% less on capital assets, following a 56% increase in 2014. Anticipated capital spending by food manufacturers is down 7.9%, following a 7.2% increase in 2014.

Transportation and warehousing industries anticipate spending 13.4% more on capital assets in 2015. Intentions in this sector, at $26.4 billion, are $3.1 billion higher than 2014 expenditure

3. See Tables 1 and 2 for annual growth rates and percent shares of capital expenditures by asset type, ownership, industry and province and territories, 2007 to 2015.

Chart 3
Change in capital expenditures and anticipated capital spending, by selected industry



Source: Statistics Canada, CANSIM table 029-0045.

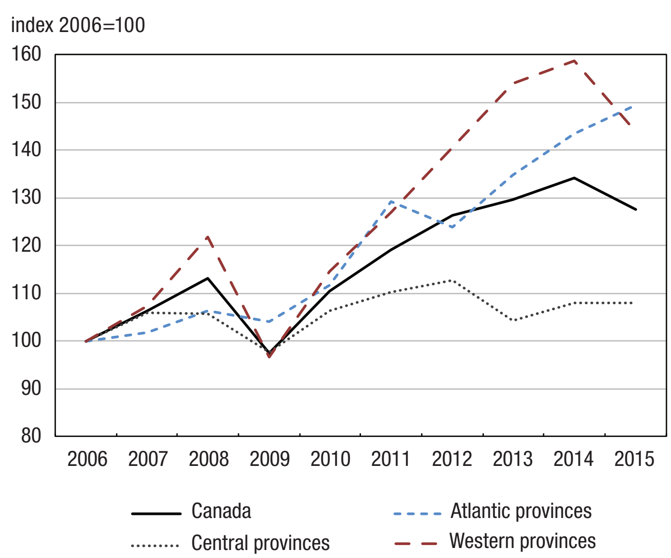
levels (Chart 3). Organizations that provide transit and ground passenger transportation, support activities for other transportation industries, and warehousing reported higher capital intentions. In particular, organizations that provide pipeline transportation services anticipate higher capital expenditures in 2015, up 21.8% to $8.3 billion. This follows lower capital spending in 2014 after gains in both 2012 and 2013.

Capital spending intentions down nearly 10% in western Canada

Public and private organizations in the Western provinces anticipate spending 9.3% less on non-residential capital assets in 2015 (Chart 4). This follows slower growth in 2014, as capital spending rose 3.0% on gains in Manitoba and British Columbia. From 2011 to 2013, capital expenditures in western Canada increased, on average, by 10% a year, led by higher spending on construction and M&E investments in Alberta and Saskatchewan. The four Western provinces accounted for 56% of all non-residential capital spending in 2014, and 65% of all capital expenditures on privately owned non-residential assets.

Lower 2015 intentions in western Canada reflect anticipated declines in Alberta, Saskatchewan and British Columbia. Capital spending in Alberta is anticipated to decline by 11.0% in 2015, on both lower construction intentions (down 9.0% from 2014 levels) and M&E intentions (down 17.0%). Anticipated spending in Alberta is down $10.1 billion, to $82.0 billion. Capital spending on privately owned assets in Alberta is expected to decline 11.3% in 2015, while intentions on public assets are down 8.1%. Anticipated spending on assets under private ownership account for 89% of all capital intentions in Alberta.

Chart 4
Capital expenditures by region

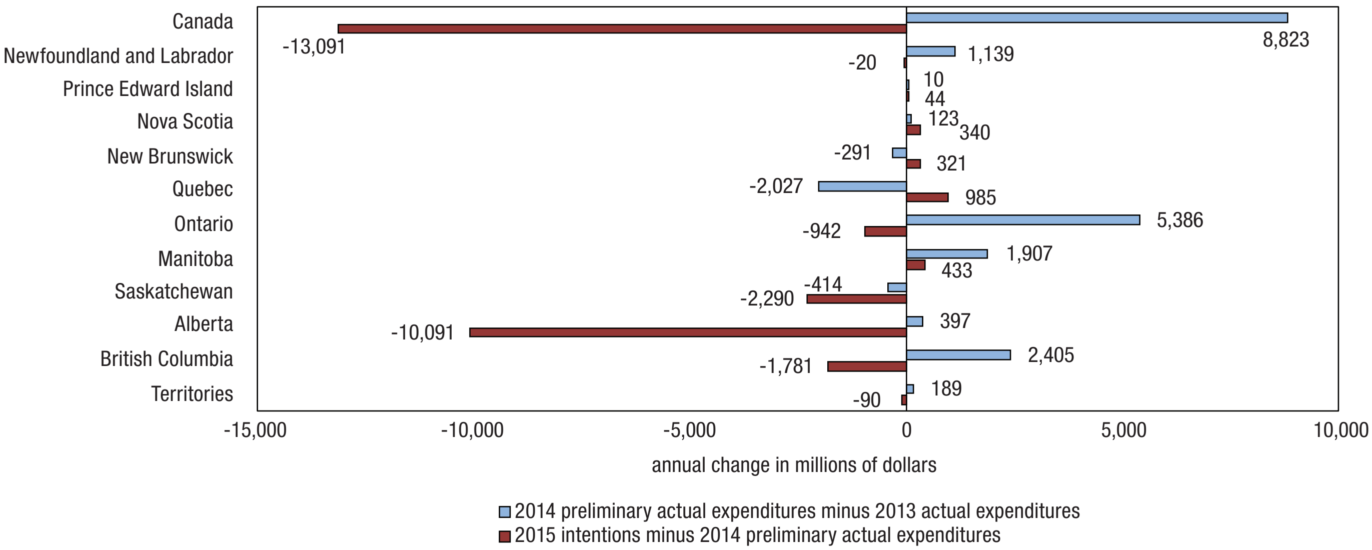


Notes: Data for 2014 are preliminary actual estimates; data for 2015 are intentions.
Source: Statistics Canada, CANSIM table 029-0045.

Total capital expenditures by oil and gas extraction industries in Alberta are expected to fall by 18.5% in 2015. Organizations in Alberta that provide support services to mining and oil and gas extraction industries anticipate spending 69.5% less on capital assets in 2015.

Total capital spending in Saskatchewan is anticipated to decline by $2.3 billion, to $15.5 billion. Capital spending by the oil and gas extraction industry in the province is anticipated to be

Chart 5
Change in capital expenditures and anticipated capital spending by province and territories



Source: Statistics Canada, CANSIM table 029-0045.

33% lower in 2015. Mining and quarrying intentions are down 12.3%. Anticipated spending on privately owned assets accounts for 77% of total intentions in Saskatchewan.

Higher intentions in Quebec and lower intentions in Ontario

Overall capital intentions in central Canada are flat, following a 3.5% increase in 2014 (Chart 4). Quebec and Ontario together accounted for 37% of all non-residential capital expenditures in 2014.

Capital intentions in Quebec rose 2.7% in 2015, after two consecutive years of lower spending. Expenditures on construction assets and M&E are both expected to rise in 2015. Manufacturing industries in Quebec anticipate spending 4.1% more on capital assets in 2015, after also reporting higher expenditures (+14.4%) in 2014. The growth in manufacturing intentions was supported by higher anticipated spending among primary metal manufacturers. In 2015, anticipated spending on public assets in Quebec increased 8% to $19.2 billion. Overall intentions on privately owned assets fell 2.4%, to $18.1 billion.

Non-residential intentions for 2015 are down 1.5% in Ontario, following a 9.5% increase in capital spending in 2014. Lower intentions on M&E (down 4.3%) accounted for the decline. This follows an 18.3% rise in M&E spending in 2014. Ontario manufacturers anticipate spending 9.5% less on capital assets in 2015, led by lower spending in the transportation equipment industry.

Anticipated capital outlays in Ontario are below expenditure levels in recent years. Intentions for 2015 are $61.4 billion, down $941.7 million from expenditures in 2014 (Chart 5). In 2007, non-residential capital expenditures in Ontario were $63 billion, about 2.6% higher than current intentions. Intentions on public assets, which account for 45% of anticipated capital spending in Ontario, fell 5.6%, while intentions on private assets rose 2%.

Capital intentions increase in Atlantic Canada

Capital intentions in Atlantic Canada are up 4.2% in 2015. This follows increases of 6.4% in 2014 and 8.8% in 2013. New Brunswick contributed to higher intentions in 2015, as both spending on M&E and construction is anticipated to increase. Intentions for M&E and construction are also higher in Nova Scotia. Overall intentions for Newfoundland and Labrador edged down 0.2% on lower anticipated M&E spending.

Private sector capital intentions for 2015 were up in each province, led by a 7.2% increase in Nova Scotia. Anticipated public capital spending rose by double digits, with the exception of Newfoundland and Labrador where it dipped following a 30% gain the year before.

Table 1
Annual growth rates of capital expenditures on non-residential construction and machinery and equipment, by asset type, ownership, industry and province and territories, 2007 to 2015

	2007	2008	2009	2010	2011	2012	2013	2014	2015
					percentage change				
Total non-residential capital expenditures	6.3	6.4	-13.9	13.4	7.7	6.0	2.7	3.4	-4.9
Asset type									
Non-residential construction	11.3	15.2	-11.6	19.3	9.6	9.9	6.5	0.9	-4.7
Machinery and equipment	0.9	-4.1	-17.2	4.4	4.5	-1.1	-4.9	9.2	-5.4
Ownership									
Private	3.9	2.0	-21.1	14.0	13.1	7.7	5.0	0.7	-7.0
Public	14.1	19.2	4.1	12.3	-2.6	2.2	-2.5	10.5	-0.2
Industry									
Mining, quarrying, and oil and gas extraction	3.9	9.8	-35.9	52.5	26.3	15.6	7.1	-0.5	-18.7
Manufacturing	3.2	-2.6	-30.1	11.3	14.7	-0.9	3.9	8.1	2.7
Transportation and warehousing	21.7	15.8	-10.2	-13.6	12.5	24.2	33.9	-4.6	13.4
Utilities	14.8	9.1	17.1	0.6	10.2	6.8	13.9	6.8	-1.1
Other industries	4.9	4.7	-6.6	7.3	-2.6	-1.3	-8.2	6.9	-0.7
Province and territories									
Newfoundland and Labrador	-1.2	25.4	-3.1	14.1	43.1	27.7	22.5	14.0	-0.2
Prince Edward Island	17.1	-3.3	-3.9	-2.9	26.7	-25.2	7.2	1.7	7.6
Nova Scotia	0.6	-12.3	10.8	8.6	-2.1	-17.4	-0.6	3.4	9.2
New Brunswick	3.0	9.5	-11.9	2.0	8.9	-25.3	-8.4	-9.8	11.9
Quebec	6.7	5.8	-3.8	1.2	6.6	8.6	-4.5	-5.3	2.7
Ontario	5.3	-3.4	-9.7	13.5	2.2	-1.5	-9.4	9.5	-1.5
Manitoba	11.2	12.6	-2.2	13.7	-0.6	3.8	-2.3	25.0	4.5
Saskatchewan	8.6	23.0	11.8	20.1	10.5	7.4	12.4	-2.3	-12.9
Alberta	8.9	12.6	-29.2	23.7	15.0	11.7	16.6	0.4	-11.0
British Columbia	2.3	12.3	-14.8	7.9	3.5	12.2	-8.2	9.4	-6.3
Territories	4.4	-10.7	-17.4	32.7	-6.6	-9.1	42.7	8.2	-3.6

Note: Data for 2014 are preliminary actual estimates; data for 2015 are intentions.
Sources: Statistics Canada, CANSIM tables 029-0045 and 029-0047.

Table 2
Shares of total capital expenditures on non-residential construction and machinery and equipment, by asset type, ownership, industry and province and territories, 2007 to 2015

Total non-residential capital expenditures	2007	2008	2009	2010	2011	2012	2013	2014	2015
					percent				
Asset type									
Non-residential construction	54.4	58.9	60.5	63.7	64.7	67.1	69.5	67.9	68.0
Machinery and equipment	45.6	41.1	39.5	36.3	35.3	32.9	30.5	32.1	32.0
Ownership									
Private	74.5	71.4	65.4	65.8	69.0	70.1	71.6	69.7	68.2
Public	25.5	28.6	34.6	34.2	31.0	29.9	28.4	30.3	31.8
Industry									
Mining, quarrying, and oil and gas extraction	23.8	24.6	18.3	24.6	28.8	31.4	32.8	31.5	27.0
Manufacturing	8.4	7.7	6.2	6.1	6.5	6.1	6.2	6.4	7.0
Transportation and warehousing	6.9	7.5	7.8	6.0	6.2	7.3	9.5	8.8	10.5
Utilities	8.2	8.4	11.4	10.1	10.4	10.4	11.6	11.9	12.4
Other industries	52.7	51.8	56.2	53.2	48.1	44.7	40.0	41.3	43.2
Province and territories									
Newfoundland and Labrador	1.2	1.5	1.7	1.7	2.2	2.7	3.2	3.5	3.7
Prince Edward Island	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2
Nova Scotia	2.0	1.7	2.1	2.0	1.9	1.4	1.4	1.4	1.6
New Brunswick	1.9	2.0	2.0	1.8	1.9	1.3	1.2	1.0	1.2
Quebec	16.0	16.0	17.8	15.9	15.7	16.1	15.0	13.7	14.8
Ontario	30.0	27.3	28.6	28.6	27.1	25.2	22.3	23.5	24.4
Manitoba	2.9	3.0	3.5	3.5	3.2	3.1	3.0	3.6	4.0
Saskatchewan	3.9	4.5	5.9	6.2	6.4	6.5	7.1	6.7	6.1
Alberta	29.6	31.3	25.7	28.1	29.9	31.5	35.8	34.8	32.6
British Columbia	11.1	11.7	11.6	11.0	10.6	11.2	10.0	10.6	10.4
Territories	0.9	0.8	0.7	0.9	0.7	0.6	0.9	0.9	0.9

Note: Data for 2014 are preliminary actual estimates; data for 2015 are intentions.
Sources: Statistics Canada, CANSIM tables 029-0045 and 029-0047.

Capital intentions on exploration and evaluation down 25.1% to $6.8 billion

Capital expenditures on exploration and evaluation are comprised of oil and gas exploration drilling, geological, geophysical and other oil and gas exploration and evaluation costs, as well as mineral exploration.[4] Spending on these activities totalled $9.1 billion in 2014, led by expenditures of $3.7 billion in Alberta and $2.5 billion in British Columbia. With anticipated declines of 26% in Alberta and over 50% in British Columbia, overall exploration intentions fell 25.1% in 2015. The only provinces to anticipate notable increases in exploration spending are Quebec (+36.9%), and Newfoundland and Labrador (+66.3%).

4. Expenditures on exploration are not included in the non-residential capital estimates discussed in this article, and are examined separately.

References

Bloskie, C., V. Gaudreault, and G. Gellatly. 2013. *Changes in the Composition of Aggregate Investment*. Economic Insights, no. 22. Statistics Canada Catalogue no. 11-626-X. Ottawa: Statistics Canada.

Statistics Canada. 2015. *Reconciliation of capital expenditure and gross fixed capital formation*. Latest Developments in The Canadian Economic Accounts. Statistics Canada Catalogue no. 13-605-X. Ottawa: Statistics Canada.