

Latest Developments in the Canadian Economic Accounts

Adjustments applied to capital expenditure estimates to achieve gross fixed capital formation



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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 |
| 0 ^s | 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 <i>Statistics Act</i> |
| ^E | use with caution |
| F | too unreliable to be published |
| * | significantly different from reference category ($p < 0.05$) |

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The Capital and repair expenditure survey (CAPEX) program releases estimates of capital expenditure on non-residential buildings and engineering and machinery and equipment. The Canadian system of macroeconomic accounts (CSMA) produces estimates of gross fixed capital formation (GFCF) on those assets as well. Although the two concepts are very similar and each is an important indicator that provides different perspectives, the concept of GFCF is broader in scope with a larger asset boundary. This note will provide the adjustments applied to the CAPEX estimate to achieve an estimate of GFCF.

Adjustments applied to capital expenditure to produce the CSMA concept of GFCF

- Capital items charged to operating expense: a positive adjustment related to items that businesses treat as current expenditure, yet, according to SNA 2008¹, must be capitalized;
- Vehicle coherence: coherence analysis specifically for cars, trucks and aircrafts between production, trade, inventories and investment;
- Vehicles to personal expenditures lease: a deduction to remove the value of vehicles leased for personal use;
- Business use of personal purchase and personal use of business purchase: adjustment to correctly capture which sector utilizes the purchase, business use is an addition, personal use is a subtraction;
- Government sector adjustment: is usually a positive adjustment and represents the difference between the government estimates of investment from CAPEX versus the CSMA estimates derived using government finance statistics;
- Used motor vehicles, aircraft, and scrap and salvage: a negative adjustment to account for dis-investment and for the fact that used machinery and equipment were already included in GDP when first produced;
- Balancing, sectoring: balancing relates to secondary data sources that are used to ensure coherence between supply and use, and with other accounts within the CSMA; sectoring is related to survey data that are reclassified to business, government or non-profit institutions serving households sectors based on CSMA definitions;
- Transfer costs: an addition to include costs associated with the purchase of existing fixed assets.

The following table includes the adjustments, by province and territory. The adjustments are split between those applied to machinery and equipment and those applied to non-residential construction. The starting point is the capital expenditure estimate from the CAPEX program, and the end point is the resulting GFCF estimate within the CSMA.

For more information on the concepts of capital expenditure and gross fixed capital formation, please see *Reconciliation of capital expenditure and gross fixed capital formation* (www.statcan.gc.ca/pub/13-605-x/2015005/article/14171-eng.htm) .

Notes

¹ System of National Accounts 2008, United Nations, the European Commission, the Organisation for Economic Co-operation and Development, the International Monetary Fund and the World Bank, New York, 2009.

→ Adjustments applied to capital expenditure estimates to achieve gross fixed capital formation

Table 1 Reconciliation table, Capital and Repair Expenditure Survey to gross fixed capital formation

	Canada	Newfoundland and Labrador	Prince Edward Island	Nova Scotia	New Brunswick	Quebec	Ontario	Manitoba	Saskatchewan	Alberta	British Columbia	Yukon	Northwest Territories	Nunavut	Outside Canada
	millions of dollars														
	2013														
Machinery and equipment															
Capital expenditures: machinery and equipment ¹	77,967	1,469	239	1,627	1,276	12,956	22,716	2,957	5,590	20,827	7,701	176	259	175	0
Capital items charged to operating expense	4,292	56	11	69	50	812	1,584	135	162	840	551	4	9	9	0
Vehicle coherence	5,781	-138	6	282	223	1,549	1,436	197	112	1,559	497	33	22	3	0
Vehicles to personal expenditures lease	-8,417	-106	-21	-148	-146	-2,534	-3,626	-143	-106	-713	-870	-1	-3	0	0
Business use of personal purchase	2,312	24	6	67	47	455	789	76	77	521	241	5	3	1	0
Personal use of business purchase	-1,108	-11	-3	-32	-23	-218	-378	-37	-37	-250	-116	-3	-1	0	0
Government sector	63	-2	1	0	3	27	26	1	-6	10	3	1	2	0	0
Used vehicles and scrap and salvage	-9,657	-92	-22	-211	-180	-2,051	-4,026	-298	-335	-1,359	-1,058	-8	-15	-3	0
Balancing, sectoring	8,373	71	61	267	218	1,351	2,763	353	894	1,815	498	21	16	27	17
Gross fixed capital formation: machinery and equipment	79,606	1,271	278	1,921	1,468	12,347	21,284	3,240	6,351	23,250	7,447	228	292	212	17
Non- residential construction															
Capital expenditures: construction ¹	178,075	6,673	330	1,948	1,705	25,409	34,264	4,663	12,594	70,855	17,958	258	776	641	0
Transfer costs	2,541	9	2	41	28	580	1,113	74	93	303	298	0	0	0	0
Government sector	5,301	127	-30	7	31	666	-435	343	220	3,858	392	15	13	7	87
Balancing, sectoring	277	-1	-3	6	-2	285	109	-84	36	-92	-1	14	10	1	0

Gross fixed capital formation: non-residential construction	186,194	6,808	299	2,002	1,762	26,940	35,051	4,996	12,943	74,924	18,647	287	799	649	87
	2014														
Machinery and equipment															
Capital expenditures: machinery and equipment ¹	85,128	1,310	271	1,967	1,287	13,086	26,874	3,311	5,299	22,232	9,002	145	226	121	0
Capital items charged to operating expense	4,513	59	12	73	52	854	1,665	142	170	884	579	4	10	9	0
Vehicle coherence	5,708	-138	6	280	223	1,537	1,410	194	112	1,546	481	33	21	3	0
Vehicles to personal expenditures lease	-10,869	-146	-29	-195	-200	-3,273	-4,762	-200	-135	-849	-1,073	-2	-5	0	0
Business use of personal purchase	2,533	26	6	74	51	499	865	83	85	571	264	6	3	1	0
Personal use of business purchase	-1,156	-12	-3	-34	-23	-227	-395	-38	-39	-260	-121	-3	-1	0	0
Government sector	63	-2	1	0	3	27	26	1	-6	10	3	1	2	0	0
Used vehicles and scrap and salvage	-10,065	-92	-23	-214	-183	-2,060	-4,287	-303	-331	-1,437	-1,107	-8	-16	-3	0
Balancing, sectoring	7,356	42	44	157	217	1,531	1,785	358	876	1,974	307	17	13	12	16
Gross fixed capital formation: machinery and equipment	83,211	1,047	285	2,108	1,427	11,974	23,181	3,548	6,030	24,671	8,335	193	253	143	16
Non-residential construction															
Capital expenditures: construction ¹	179,737	7,972	308	1,732	1,404	23,252	35,493	6,216	12,471	69,846	19,062	265	874	844	0
Transfer costs	2,658	10	2	39	25	603	1,148	74	88	313	354	1	1	0	0
Government sector	7,137	115	-36	38	107	1,214	523	468	266	3,723	563	35	16	18	87
Balancing, sectoring	3,652	7	0	17	14	57	134	88	817	2,503	3	0	10	0	0
Gross fixed capital formation: non-residential construction	193,184	8,104	274	1,826	1,550	25,126	37,298	6,846	13,642	76,385	19,982	301	901	862	87
1 Table 029-0045															
Source: Statistics Canada															