

Intangible Assets and Their Contribution to Productivity Growth in Ontario

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Recent empirical studies confirm that investment in intangible assets is a non-negligible component of business sector output. The contribution of intangible capital to total labour productivity growth is comparable to that of tangible capital for a wide range of the countries, including the US, UK, Canada, Germany, France etc. Following Corrado et al. (2005) and Baldwin et al. (2012), this paper focuses on an assessment of business sector investment in intangible assets and an analysis of the contribution of intangible capital to labour productivity growth at the provincial level in Canada, namely in Ontario. The findings indicate that the Ontario business investment in intangible assets accounts on average for 10 percent of revised business sector output in the 1998-2008 period. The growth rate of real investment in intangibles exceeds that of investment in tangible assets. Investment in economic competencies is as large as investment in innovative property and computerized information combined. The results of this growth accounting exercise demonstrate that intangible capital contributes significantly to the total labour productivity growth in Ontario. In 1998-2008 intangible capital contributed on average 26.2 percentage points to total labour productivity growth while tangible capital contributed 17.9 percentage points and labour composition contributed 8.7 percentage points. Innovative property contributed the most among all categories of intangible capital, followed by economic competencies and computerized information.