A review of statistics on intangible assets

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Contents

• Introduction to intangible assets
• Definitions
• Overview of challenges
• Proposed development
What are intangible assets

Intangible assets are assets that are not physical; to be a true asset in the National Accounts, they must have an economic owner, be long-lasting, have associated risks, and be a store of value in its own right.

IPPs

The intangible assets that are formally recognised in the System of National Accounts 2008 are known as the Intellectual Property Products (IPPs).
### What are intangible assets

<table>
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<th>IPPs</th>
<th>Other intangibles</th>
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<td>• Entertainment, Literary and Artistic Originals</td>
<td>• Branding</td>
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<td>• Mineral Exploration and Evaluation</td>
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<td>• Research and Development</td>
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<td>• Training</td>
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Corrado, Hulten and Sichel (2005) - *Measuring Capital in the New Economy*
Intangible assets form a large part of investment

Investment in tangible and intangible assets, UK, 1997 to 2018, £bn

Office for National Statistics
Uncapitalised ‘assets’ make up the majority of intangible investment

Capitalised and Uncapitalised assets, UK, 1997 to 2018, £bn
Intangible investment in 2018, UK, £bn

Artistic Originals: 10
Mineral Exploration: 0
Research and Development: 20
Software: 35
Branding: 25
Design: 15
Financial Product Innovation: 5
Organisational Capital: 30
Training: 30
Definitions
Branding

- Advertising and Market research
- Product 73 in SUTs
- Sum-of-costs approach for own-account
Design

• Architectural and engineering design
• Product 71 in SUTs
• Turnover of Specialised Design industry
• Sum-of-costs approach for own-account
Financial Product Innovation

• “Non-scientific R&D”? 
• Innovation can encompass the implementation of knowledge or products that are not novel in general but may be new to the firm. 
• Sum-of-costs approach
Organisational Capital

- Management and Consultancy services
- Product 70 in SUTs
- “All firm-specific knowledge?”
- Sum-of-costs approach for own-account
Firm-specific Training

• Distinct from Human Capital
• Sum-of-costs approach: direct training costs and the cost of employees’ time spent on training
Challenges
Key challenges

- Conceptual overlaps
- Double-counting
- Assumptions
- Non-produced non-financial assets
  - Goodwill and Marketing Assets
  - Contracts, Leases and Licenses
- Data as an asset
Conceptual overlaps and double-counting

**Branding**
- Design
- Goodwill and Marketing assets

**Design**
- Branding
- R&D

**FPI**
- R&D
- Software and Databases

**Organisational Capital**
- Goodwill and Marketing assets
- Training

**Training**
- Organisational Capital
- Goodwill and Marketing assets
Development
Future opportunities

• Development of a formal satellite account
• Beyond GDP
• Revisions to the SNA
• Seeking user feedback and expert guidance
  • Value of good design to an asset
  • Demographics of intangibles
  • Better information on ownership
  • How do intangibles map to Intellectual Property Rights
We’d love to hear your thoughts!
nfa-development@ons.gov.uk
Annex
Data sources

Artistic Originals: Business Investment data (ONS)
Mineral Exploration: Business Investment data (ONS)
Software: Business Investment data (ONS)
R&D: Business Investment data (ONS)
Purchased Branding: Supply and Use Tables, Annual Business Survey (ONS)
Own-account Branding: Annual Survey of Hours and Earnings, Supply and Use Tables (ONS)
Purchased Design: Supply and Use Tables, Annual Business Survey (ONS)
Own-account Design: Annual Survey of Hours and Earnings, Supply and Use Tables (ONS)
Purchased Organisational Capital: Supply and Use Tables, Annual Business Survey (ONS), data from the Management Consultancy Association
Own-account Organisational Capital: Annual Survey of Hours and Earnings, Supply and Use Tables (ONS)
Financial Product Innovation: Annual Survey of Hours and Earnings (ONS)
Training: Employer Skills Survey (Department for Education)
Data sources for deflators (all ONS)

Artistic Originals: Volume index of UK capital services: Implied GFCF deflator
Mineral Exploration: Volume index of UK capital services: Implied GFCF deflator
Software: Business Volume index of UK capital services: Implied GFCF deflator
R&D: Volume index of UK capital services: Implied GFCF deflator
Purchased Branding: SPPIs for Advertising and Market Research Services, and Market Research and Public Opinion Polling Services
Own-account Branding: Created using hours worked by industry and current price estimates
Purchased Design: SPPIs for Architectural Services and Engineering Services, and Related Technical Consulting Services, as well as Experimental Industry Deflators for SIC 2007 codes 71 and 74
Own-account Design: Created using hours worked by industry and current price estimates
Purchased Organisational Capital: SPPIs for Services of Head Offices; Management Consulting Services and Business and Other Management Consulting Services, as well as Experimental Industry Deflator for SIC 2007 code 70
Own-account Organisational Capital: Created using hours worked by industry and current price estimates
Financial Product Innovation: Created using hours worked by industry and current price estimates
Training: Labour costs per hour excluding bonuses and arrears as well as Annual Survey of Hours and Earnings