

The measurement of artistic originals in the UK

1. Introduction

This article summarises improvements to the estimation of investment in the creation of entertainment, literary and artistic original assets ('artistic originals'). This is classified in the National Accounts as gross fixed capital formation (GFCF), a component of the expenditure measure of gross domestic product (GDP). GFCF is published in the UK [Quarterly](#) and [Annual](#) National Accounts, and lower level series are published in the [Business Investment Statistical Bulletin](#).

In recent years, the Office for National statistics (ONS) has largely used imputed estimates for artistic originals, based on past values. However, Eurostat, the statistical office of the European Union, requested that the UK, in line with other European countries, seek to improve estimates of investment in cinematographic originals, and ONS has taken the opportunity to improve estimates of other artistic originals at the same time, as part of the programme of continuous improvement to GDP. Improvements have been made to both data sources and methodology.

The first publications that adopted these developments are the Quarterly National Accounts Q1 2013 and the Business Investment Statistical Release, both published on 27 June 2013. Data have been revised back to 1997. In 2012, the impact of the improved estimation was to add around £2 billion to total GFCF.

In Section 2, the new methodological approach and data sources are summarised. Section 3 lists the statistical releases affected by the changes. Details of how to offer feedback, and other useful sources of information are provided in Section 4.

2. Summary of improvements

2.1 The approach to measurement of artistic originals prior to 2013

Previously, UK estimates for the contribution to GFCF from artistic originals included three components: broadcasting and recording by the private sector; entertainment, literary and artistic originals by public corporations; and artistic originals in the publishing industry. The costs of production were estimated for public service broadcasting. Data were originally sourced from their company accounts, but have been forecast in recent years. Only films produced by FilmFour were included in the estimates. For estimates of publishing and private sector recording investment, an estimate based on approximating the return on capital as a fraction of sales was made. Data for broadcasting and recording by the private sector were sourced from the ITV Annual Report and from the British Phonographic Industry, and publishing data were originally from the Publishers Association, but were forecast in recent years. Previous estimates included no component for 'miscellaneous art', which includes assets such as photography and images, fine art, greetings cards, choreographed routines and theatrical performances.

2.2 Improvements to the measurement of artistic originals

In the improved methodology, ONS has replaced the three existing components based on industry sector with five new components, based on asset classification. These are:

- film;
- TV and radio;
- books;
- music; and
- miscellaneous artwork, which includes categories such as photography, choreography, artwork and greetings cards.

The approach is based on estimating the costs of production, in line with the sum of costs approach recommended by Eurostat and the OECD:

investment in the innovation sector = sum of input costs for creating a unique asset,

where the input costs are the costs of labour, capital, materials etc..

The new approach to estimation of investment in film originals is based on a complete universe of UK-certified films. The data sources are the UK Film Council, the British Film Institute (BFI), and a dataset from the-numbers.com, who provide financial information on films, including those not certified. Data from BFI and the-numbers.com provide total costs for over half of all the films produced in the UK. For the remaining films, data on production costs are imputed from US or box office revenues.

Virtually all investment in TV and radio originals in the UK is undertaken by the Public Service Broadcasters (BBC, Chanel 4, S4C). The exception is Sky, for which data are not available.

GFCF estimates for investment in TV and radio originals are limited to stock programmes, in line with Eurostat / OECD recommendations. These are: arts and classical music; religion; education; factual; drama / soap; entertainment; and children's programmes. News, current affairs, weather and sport are excluded, as their value is generally short-lived.

Data from OFCOM, the independent regulator and competition authority for the UK communications industries, replace the imputed values used by ONS for Channel 4, the BBC and S4C since 2004, and also replace the ITV estimate, which currently includes a mark up for monopoly power.

For books, music, and miscellaneous artwork, input costs are estimated using data from the [Annual Business Survey](#) (ABS) and the [Annual Survey of Hours and Earnings](#) (ASHE). ABS data are used to calculate the average ratio of employment to non-employment costs in the creative industries. This ratio is then applied to the earnings of those in the relevant creative occupations reported by ASHE, to estimate total input costs.

All these improvements have been adopted in the UK National Accounts production systems. New official estimates of GFCF which include these developments are available in the statistical releases listed in Section 3.

3. Statistical releases affected by improvements to the measurement of artistic originals

Table 1: statistical releases affected by improvements to the measurement of artistic originals

statistical release	release date
Business Investment	27 June 2013
Please see the ONS announcement for details of changes to this release	
United Kingdom Economic Accounts	27 June 2013
Quarterly National Accounts	27 June 2013
United Kingdom National Accounts – The Blue Book	31 July 2013
Second Estimate of GDP	23 August 2013

4. Feedback and further information

Feedback

ONS welcomes your feedback on this and other issues. Further enquiries about GFCF can be addressed to the GFCF team at gcf@ons.gsi.gov.uk, or, to engage in discussion about GFCF and to share information with other users or producers of financial and economic statistics, visit the Financial and Economic Statistics User Group on the Royal Statistical Society's [StatsUserNet](#) discussion forum.

Further information

The [GSS Business Statistics – interactive user guide](#) is an interactive tool to help you find what business and economic statistics are available, and choose the right data for your needs.

[National Accounts methodology and articles](#)

[Continuous Improvement of Gross Domestic Product: Sources, Methods and Communication](#)

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