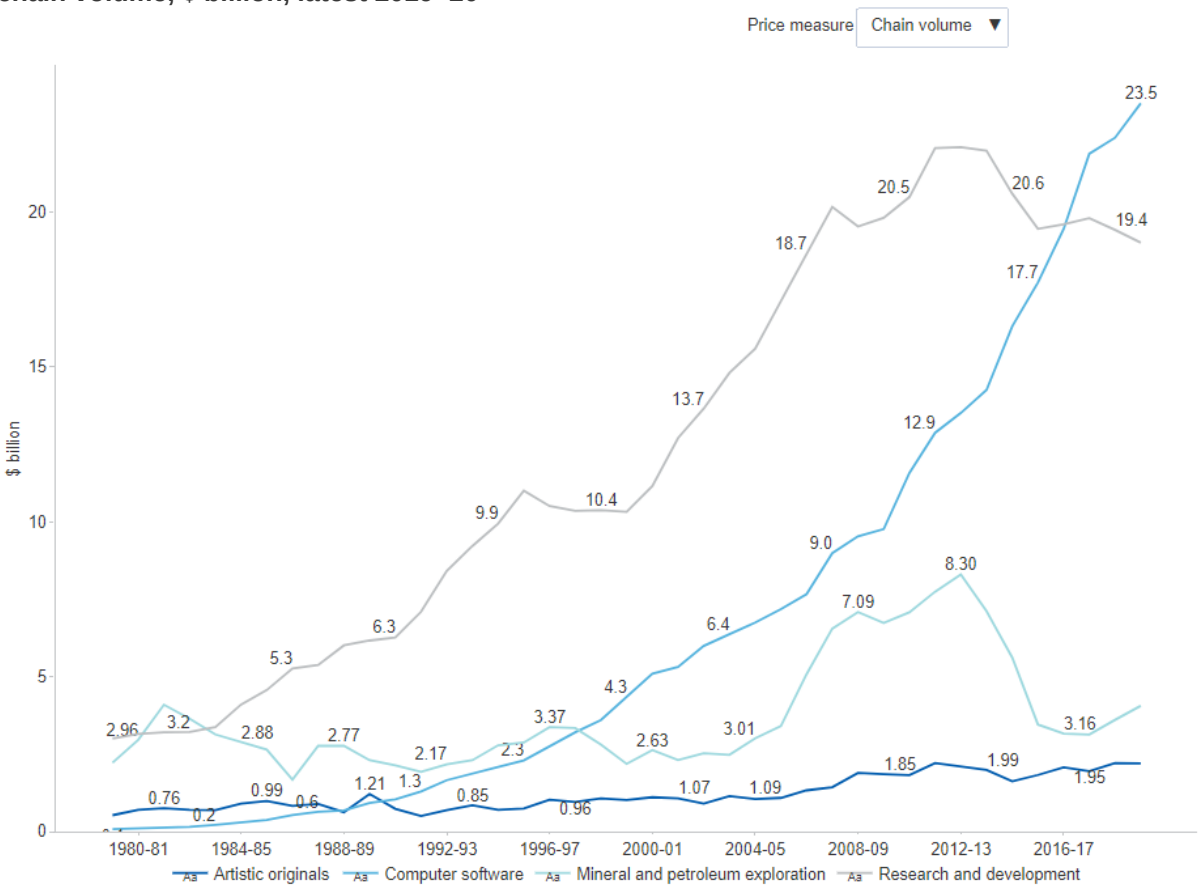
5.3.1 Intangible capital investment

The uneven pattern of productivity gains associated with the rise of the so-called knowledge economy — more prevalent in some firms, industries and countries than others — has brought attention to the role of investments in certain intangible assets such as computerised information (e.g. databases) and intellectual property (e.g. patents and designs). Few attempts have been made to date to comprehensively measure all the relevant intangibles identified in literature.[1] For the few intangibles that are currently measured and published in the national accounts, the largest share of Australia's market sector investment was traditionally directed to *Research and development*. However, this pattern has been changing. Since 2016–17, *Computer software* has been attracting the largest share of investment. Over three decades, this asset has seen dramatic and sustained investment growth, rising from just under $1 billion in 1989–90 to $23.5 billion in 2019–20, in chain volume terms. The other notable trend has been in *Mineral and petroleum exploration*, which led intangible investment prior to the mid-1980s. It peaked in 2012–13 at $8.3 billion before falling back dramatically to $3.2 billion in 2017–18, in chain volume terms. The latest estimate is at $4.1 billion in 2019–20.[2]

Figure: Intangible gross capital investment (share of GDP), by asset type, current prices or chain volume, $ billion, latest 2019–20



[1] Barnes P and McClure A (2009) *Investments in Intangible Assets and Australia's Productivity Growth*, Productivity Commission staff working paper (https://www.pc.gov.au/research/supporting/intangible-investment/intangible-investment.pdf)

[2] ABS, *Australian System of National Accounts*, Cat. No. 5204.0 (https://www.abs.gov.au/statistics/economy/national-accounts/australian-system-national-accounts/latest-release)