A SATELLITE ACCOUNT FOR THE EUROPEAN UNION CREATIVE INDUSTRIES
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EXECUTIVE SUMMARY

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EUIPO PROJECT TEAM

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INTRODUCTION

Economic activity is quantified and measured in national accounts. The basic methodology is set out in the System of National Accounts (SNA), the internationally agreed set of recommendations on how to compile measures of economic activity. The SNA was first published by the United Nations in 1953 and is today maintained by the UN, the IMF, the World Bank, the OECD and Eurostat. The most recent update was published in 2008. In the European Union, the system for measuring economic activity is an adaptation of the SNA, called the European System of Accounts (ESA), and is maintained by Eurostat, with the most recent update having taken place in 2010.

The creation of the national accounts system was originally motivated by the need to measure industrial output, value added, employment and external trade in the various sectors and in the economy as a whole. To that end, economic activity is divided into primary, secondary and tertiary sectors. Primary sectors include agriculture and extractive industries; secondary sectors include mainly manufacturing, public utilities (supply of electricity, gas, water, etc.) and construction, and tertiary sectors include services. Each of these main groupings is further subdivided into successively more detailed sub-classifications. In the EU, this classification is called NACE (Nomenclature statistique des activités économiques dans la Communauté Européenne). At its most detailed level, NACE subdivides economic activity into approximately 700 industries.

However, in practice, some economic activities cannot be derived from the current system of national accounts. In particular, certain areas of activity in which policy makers and the general public have an interest are not directly retrievable from the published statistics, either because they transcend the standard classification, or because they involve goods or (more typically) services that are not bought and sold in the marketplace and therefore fall outside the scope of economic statistics1. To address this, satellite accounts (SAs) provide a framework linked to the national accounts but focus on certain aspects of economic and social life that are not immediately reflected in the latter. Common examples are SAs for tourism, the environment or unpaid household or volunteer work. In some cases (e.g. tourism), the SA mainly provides alternative groupings for economic activities that are already included in the traditional national accounts, while in other cases (e.g. unpaid volunteer work) it may also expand the scope of the account (the production boundary).

This report examines the prospects for setting up such a satellite account for the creative industries (CISA), and possible methodologies to do so. Following this Introduction, Chapter 1 discusses the delineation and classification of cultural and creative activities. Chapter 2 is the heart of the report. It sets out possible methodologies for constructing a CISA and makes a specific proposal, grounded in recommendations by Eurostat, the OECD, the IMF, UNESCO and other European and international bodies. Finally, Chapter 3 discusses issues surrounding the collection of the data needed to construct a CISA.

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1 In economic parlance, such activities lie outside the production boundary of the national accounts.
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Satellite accounts provide a framework linked to the national accounts but focus on certain aspects of economic and social life that are not immediately reflected in the latter.

This report examines the prospects for setting up such a satellite account for the creative industries, and possible methodologies to do so. The creative industries are defined here as economic activities concerned with the generation and exploitation of knowledge, information and culture. Such activities are important in the modern economy but quantifying them is not an easy task, partly because of the classification issues and partly because such activities are often conducted outside the market economy, requiring their value to be estimated using other types of statistics from both public and private sector sources. Nevertheless, several countries have carried out work in this area that can serve as a starting point, and organisations such as the OECD, IMF or UNESCO have shown increasing interest in developing methods to measure the economic value of culture.

To assess the feasibility of an EU CISA the following aspects have been considered:

- classification of industries and products;
- treatment of ‘free’ or subsidised digital services;
- inclusion of IPR infringements in the current national accounts framework and in a CISA;
- sequence of accounts and institutional sectors accounts relevant for the CISA.

The industries suggested for inclusion in the creative industries can be grouped in the following domains:

- cultural heritage, archives and libraries;
- books and press;
- visual arts;
- performing arts;
- audiovisual and multimedia;
- architecture;
- advertising;
- software and web portals.

As usual, principal, secondary and ancillary activities carried out by these industries must be considered, but the production of creative products by non-creative industries should also be included. For instance, many firms in non-creative industries publish books, magazines or software, or engage in advertising as a secondary or ancillary activity. Therefore, a ninth domain should be added to consider ‘other non-creative industries producing creative products’. This domain would then include the parts of the other industries producing creative products as a secondary activity, and would require a re-allocation from the industries to which they are allocated in the standard classification.

One major area to consider is the digital economy which has changed not only the way in which firms in the creative industries operate but also the way in which consumers engage in these activities. Frequently, the connection between the benefit to consumers and the provision and funding of the service is not direct,
making it difficult to reflect in national accounts the economic importance and the use of such services by the different economic actors. Nevertheless, given the importance of these activities, it is important to make it clearer who produces, pays and benefits from these ‘free’ services, and to quantify the value of such services. The “free” digital services fall into three main categories:

- Services financed by advertising;
- Services financed via data;
- Services produced by volunteers.

All three categories of services are included in the proposed CISA, using standard methodologies to impute a value to the activities in question.

Finally, the report addresses the treatment of IPR-infringing activities in national accounts and contains a proposal to include them in the CISA. According to the latest revision of the international System of National Accounts (and ESA for the EU), illegal activities should be included in national accounts as long as the transaction between the two parties is by mutual agreement. In the context of CISA, this means in particular activities that infringe IP rights, such as illegal access to copyright-protected works.

Some of the proposals included in this report require statistical information that is not available in all EU countries. Nevertheless the proposed methodology tries to be as complete as possible and to foresee the consequences of different decisions for the CISA and its relationship with the central framework of national accounts. In many cases, the data has to be obtained by indirect methods and the corresponding economic value must be imputed.

The report concludes that while challenging, developing an SA for the creative and cultural industries is possible and desirable, as it will enable quantifying important aspects of the modern economy, not least in the digital sphere, that are currently not, or only implicitly captured in the economic statistics. Given the complexity of the task, the proposed next steps would involve carrying out a pilot project to set up a CISA in one or two EU Member States.
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