New WIPO Data Show Intangible Asset Investment Growing Fast, Spreading Globally

PR/2024/920

Investment in intangible assets like brands, designs, data and software has grown three times faster over the past 15 years than investment in physical assets like factories and machinery, with Sweden, the US and France seeing the most-intensive activity and India trending upward, according to new data from the World Intellectual Property Organization (WIPO).

The first-ever *World Intangible Investment Highlights*, published in partnership with Italy's Luiss Business School (LBS), demonstrates how intangible assets are an increasingly important driver of innovation and economic growth in a globalized knowledge economy.

Despite disruptive global crises and rising interest rates, aggregate intangible investment touched US$6.9 trillion in 2023, more than doubling from US$2.9 trillion in 1995. Since 2008, the intangible investment growth rate has tripled that of tangible investment, which rose to US$4.7 trillion in 2023, the report shows.

> *"One game changing but invisible trend in our global economy is the rise of intangible assets as the driver and holder of value in our global economy. Even in the current period of economic uncertainty, intangible investment is thriving and consistently outpacing total tangible investment, surging both in high-income economies like the United States and Europe as well as in fast-emerging economies like India."*

“This report underlines the leading role played by intangibles, underpinned by intellectual property (IP), in the global economy and contributes hard data to support evidence-based policymaking for governments around the world seeking innovation-led growth.”

WIPO Director General Daren Tang

The report also shows:

- **Resilience during economic uncertainty:** Intangible investment levels have shown greater resilience compared to tangible investment during recent economic downturns, even as higher interest rates have hindered other investment streams.

- **Increasing GDP share**: Intangible investments make up a growing share of gross domestic product (GDP) in high-income as well as emerging economies, such as India.

- **Most-intensive locations**: The economies which are most intangible-asset intensive (relative to GDP) are Sweden, the United States (US), and France. Intangible investment in the US, for example, makes up nearly twice the share of GDP as compared to tangible investment in 2023. Among the countries where tangible investment’s share of GDP is higher than that of intangible investment, the gap between the two has been narrowing over time.

- **Leading economies (1995-2023):** Corporations in the US, France, Germany and the United Kingdom (UK) are top investors in intangible assets, with the US registering by far the highest levels of intangible investment in 2023. France and Germany followed similar trajectories until 2020, after which France’s level of intangible investment surged ahead of Germany’s, making it the European Union leader.

- **Remarkable growth in emerging economies:** India has exhibited the fastest growth in intangible investment from 2011 to 2020 (latest data available), surpassing the growth rates of many high-income economies, and matching the intangible investment intensity of Germany and Japan (as a share of GDP).

- **Leading intangible asset types:** Software, data and brands are the fastest growing types of intangible assets.

Despite their significant economic impact, traditional measurement frameworks have inadequately captured the size, composition and impact of intangible assets. This report, based on data from the WIPO-LBS Global INTAN-Invest Database, offers up-to-date, cross-country measures of intangible investments, crucial for informed policy-making and economic forecasting, around the globe. The report currently covers 26 countries covering more than half of global GDP, with more economies planned for inclusion in further editions.

“In today's rapidly changing business environment, investing in intangible assets is essential for companies to enhance their capabilities to cope with the digital transformation, to adapt quickly, and to stay competitive”, says Cecilia Jona-Lasinio, Professor, Luiss Business School, and co-author of the report, “This is why developing data on intangibles, such as Global-INTAN Invest, is vital for informed policymaking and strategic planning.”

Intangible Assets – An Explainer

What are intangible assets? In today's economy, the most valuable firms, spanning high-tech, pharmaceuticals, automotive, and financial services industries, derive their competitiveness and market value from intangible rather than physical "tangible" capital. These intangible assets encompass research and development (R&D), know-how, software and data, design, brands and reputation, organizational or supply-chain expertise, and top-tier skills, all assets that either result or interact with intellectual property (IP) in some form. Despite their intangible nature, these assets hold the power to create immense value for companies, economies, societies, and individuals alike.

Why do intangible assets matter? Although intangible, they wield significant influence over the fate and fortune of both companies and countries in today's competitive landscape. Investment in intangible assets enables firms to enhance their competitive advantage and intellectual property, drive innovation and growth, attract top talent, cultivate customer loyalty, and ultimately secure market success. Intangible assets, while not immediately apparent to the average person, profoundly impact daily life by fostering better economic prospects, generating higher-paying jobs, improving product quality and innovation, and delivering more reliable products.

Why is the accurate measurement of intangible assets crucial for policymakers and society? Despite their pivotal role in fostering innovation and competitiveness, our understanding of the size, impact, and composition of intangible assets remains limited. Yet, the precise measurement of intangible asset investment is essential for understanding the drivers of economic and productivity growth, as well as for formulating well-informed pro-growth policies. Inadequate measurement of intangible asset investment can lead to several adverse consequences, including undervaluation, misallocation of resources, reduced competitiveness (including underfinancing by financial institutions and underinvestment by investors), resulting in job losses, diminished company prosperity, and impaired decision-making by policymakers.