

Capitalisation of Research and Development Expenditure in Gross Domestic Product

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Research and development (R&D) is recognised as important capital investment of an economy for improving efficiency and productivity. In view of the inherent investment nature of R&D, the System of National Accounts 2008, which presents the latest international standards for the compilation of national accounts statistics, recommends recording R&D expenditure as capital formation in the Gross Domestic Product (GDP) statistics, so as to better reflect R&D as an economic asset which provides impetus to economic growth and development. While the concept of capitalising R&D expenditure is appealing, its statistical measurement is not straight-forward. The paper discusses the measurement challenges in estimating the capital formation of R&D in the GDP compilation system, and highlights the salient features of the implementation of this new development in the GDP system of Hong Kong.

Key Words: Capital formation, national accounts