



Data, waves and wind to be counted in the economy



Wind and wave power is set to be included in calculations of the size of countries' economies for the first time, as part of changes approved at the United Nations.

Assets like oilfields were already factored in under the rules - last updated in 2008. This update aims to capture areas that have grown since then, such as the cost of using up natural resources and the value of data. The changes come into force in 2030, and could mean an increase in estimates of the size of the UK economy making promises to spend a fixed share of the economy on defence or aid more expensive. The economic value of wind and waves can be estimated from the price of all the energy that can be generated from the turbines in a country. The update also treats data as an asset in its own right on top of the assets that house it like servers and cables. Governments use a common rule book for measuring the size of their economies and how they grow over time. These changes to the rule book are "tweaks, rather than a rewrite", according to Prof Diane Coyle of the University of Cambridge. Ben Zaranko of the Institute for Fiscal Studies (IFS) calls it an "accounting" change, rather than a real change. He explains: "We'd be no better off in a material sense, and tax revenues would be no higher." But it could make economies look bigger, creating a possible future spending headache for the UK government.

For example, Labour has committed to allocating fixed percentages of the size of the economy on defence and aid. If the new rules increase the estimated size of the economy by 2-3% in 2030, it might add £2bn to defence spending.

That is a tiny share of the total government budget, but large compared with the cuts to overseas aid (£6bn) that are currently funding extra defence spending or the headroom that the government has left to meet its self-imposed fiscal rules (£10bn). The government spending watchdog, the Office for Budget Responsibility (OBR), will not be including the impact of these new rules on the government finances in their assessment of the government finances this March.