CREATIVE INDUSTRIES
TRADE CHALLENGES AND OPPORTUNITIES POST PANDEMIC

The research for this report and the writing was carried out by The Economist/ Intelligence Unit.

Aiming to reveal the importance of the growing creative industries sector in global and regional economies, this report starts with a forward by the General Director of the Department of International Trade (DIT) where he makes clear that creative industries are crucial sources of employment. They are, as well, the main drives for creativity and innovation. Hence, this report was elaborated under the context of the UK Government's initiative to promote and orient the active participation of the creative sector in economy.

The creative industries sector has contributed in 2019 in 6% of the UK's GDP, also becoming the field of most expansion in the last decade, resulting in higher employment levels and generating more business opportunities. The importance of creative industries for economy and social well-being in general has been clearer with the emergency of the Covid-19 pandemic, which lead the creative industry to a temporary stagnation. However, this situation has rapidly recovered due to the need for and through innovation and adaptation to the digital, which, on its hand, demanded transformations at a structural level. It has also allowed a greater prominence of individual content creators.

The creative sector in the UK has great influence at a global level, resulting in 12% of UK's service exports. Right now, UK is responsible for a considerable development in creative business around the world, as their 'Crea-tech' community is highly competitive in technology, start-ups and creative industries.

As we read through the report much is made clear about the economic footprint of creative industries, so let's assess the more detailed information about it. They are responsible for 3% of global GDP as well as it generates about 30 million jobs, where women represent much of the workforce.

Even before the pandemic, creative industries' goods and services had more than doubled in gross and in trade between 2002 and 2015. In fact, its growth is so much so that, in 2018, UNESCO predicted the sector could represent up to 10% of global GDP in the coming years.

The market is global and today is easy to reach countries and different cultures, thus allowing the expansion of brands that were already in the market, and the development of new domestic companies, which, on its hand, rises income at a regional level.

The importance of creative industries for economy and generating jobs, surpasses nowadays that of manufacturing and technology. This is why the International Labour Organisation (ILO) has considered creative industries

fundamental for income generation, exports and job creation in developing regions such as Sub-Saharan Africa. The chief of creative economy at UNCTAD, Marisa Henderson, has stated that "Many developing countries are using creative industries to include young people into the job market".

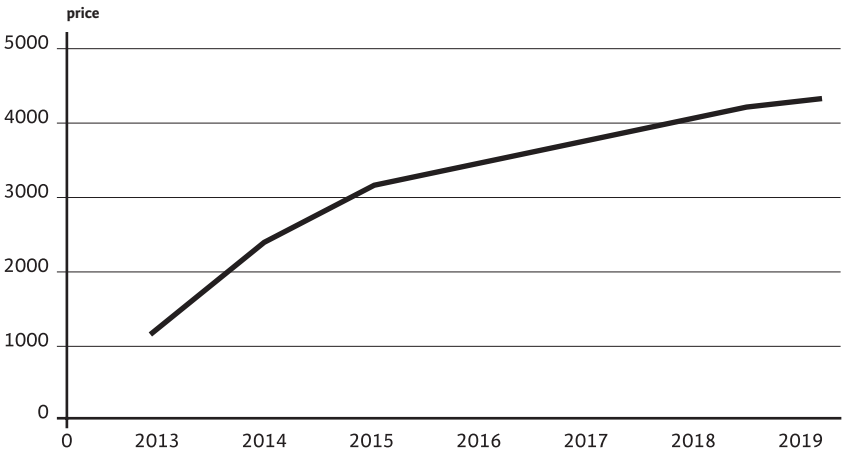
Creative industries have proven to better the economies of several developing countries, as it is the case of Nigeria's Nollywood, India's Bollywood film industry, or even Indonesia's Agency for the Creative Economy. The Creative Industry has had such a positive effect in Indonesia that, in 2021, it led the UN initiative "International Year of Creative Economy for Sustainable Development". This resolution is the recognition of the sector as an industry capable of sustaining developing and transition economies, rising diversity and exports, thus generating more income.

The Digital Transition

"Digital consumption points to a potentially long-term shift in consumer behaviour towards digital formats".

This is seen in the exponential increase in revenues from online art auctions, the growing market of NFTs, the use of streaming to showcase performance arts and theatre, and other online markets. New platforms emerge to make this possible. Another example of a tremendous gain for the digital and loss for the traditional production, is the publishing market, where, in UK alone, audio downloads increased 37%, and digital book downloads 24%. As this happened, traditional book selling decreased gravely. In the report we can find the following graphic showing the growth of online art sales:

Figure 4: Online art sales (*US$ m*)



Structural Change in the Creative Industries

Although the digital transformation has given new solutions to creative industries, it still demands longer-term structural changes, which challenges the foundations of the industry. However, it is not all pros.

The music industry has been one of the most affected by streaming platforms, such as Spotify, claiming to have paid large amounts to rights owners, artists aren't profiting, for those royalties have not reached them.

On-demand TV, however, saw an opportunity as streaming came along. Its pioneer was Netflix, followed by Amazon Prime. Later on, came many others, such as HBO, Apple and Disney. This means an increase in competition, which puts pressure on the acquiring of subscriptions from each part, leading to 'streaming wars'.

This situation forces (or motivates) producers to create more diverse content to allure as many audiences as possible. Netflix, for instance, has followed the path of cultural diversity, as it set offices all around the world and many of their productions are in foreign languages. However, this seems to make European TV networks fear they will be left behind. Therefore, a balance must be established.

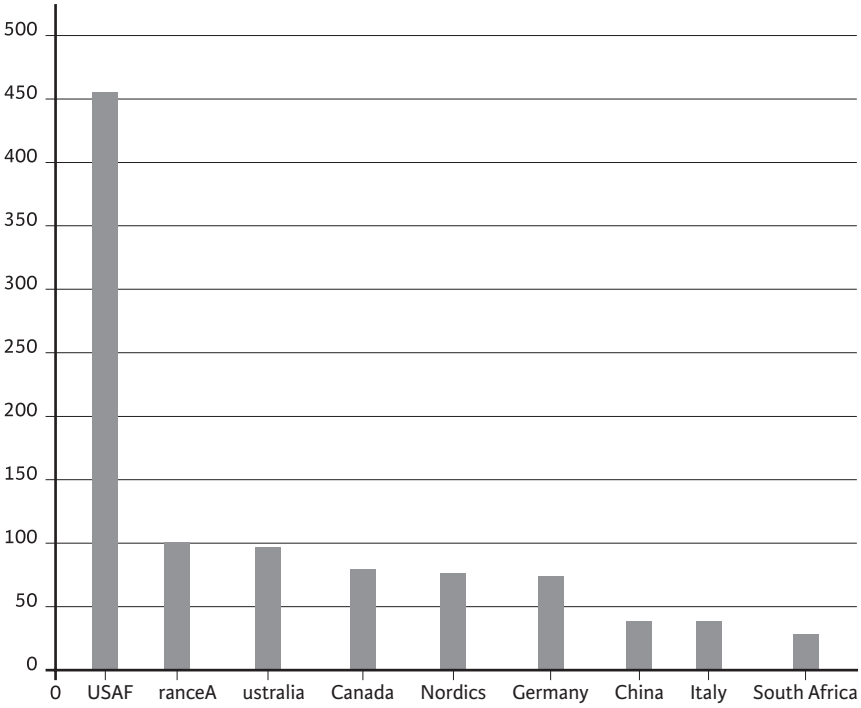
Then there is the 'creator economy', which is a fast-growing sector generating high revenues. This 'creator economy' is due to the emergence of platforms that allow the creator to control the distribution and dissemination of its own work. Artists/creators are able to produce high quality content with a very low budget, or none at all. YouTubers and Influencers are some of the most profitable examples. The music and gamming sectors have also profit greatly from these creative platforms.

The UK perspective

In UK, creative industries, in 2019, meant 12% of its service exports, more than automotive, aerospace, life sciences, and oil and gas industries combined. Between 2010 and 2019, UK's Gross Value Added (GVA) increased 44%, and creative industries economy grows faster than any other UK economy since 2011.

Creative industries have also allowed the UK reach broader global audiences, namely due to its rich popular culture as well as historic, which enriches creative industries, and using the most trending services, it attracts a younger audience. The strong points of the UK's service exports within creative industries have been advertising and design, and film and TV. TV exports have had a large increase, being the US the most demanding destiny, as it is shown in one of the report's graphics:

Figure 3: Top destinations of UK TV exports, 2019–2020



Source: Pact TV Exports Report

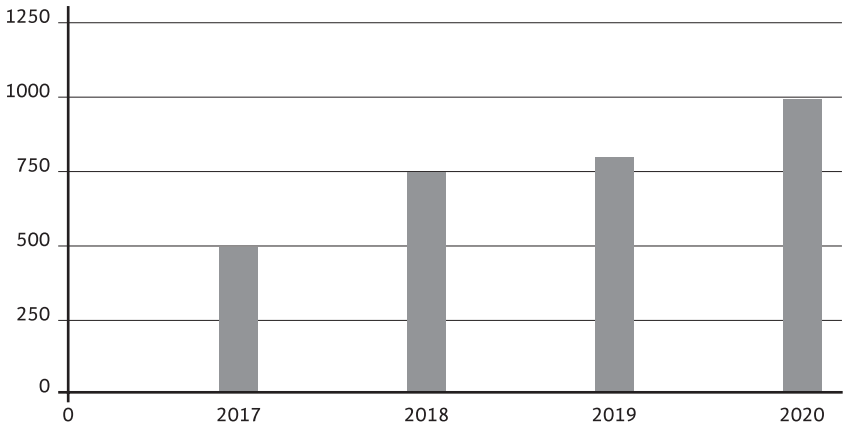
The other two niches under the 'spotlight' of creative industries as an economic driver, are the music and gamming sectors. These have grown exponentially, contributing with billions in exports. Geoff Tayllor, BPI Chief Executive, and Dr. Jo Twist, CEO of the UK Association for UK Interactive Entertainment (UKIE), both predict new niches soon, as the live game-playing competition is making the esports market grow substantially.

The UK has invested in the 'Crea-Tech', as is defined by Tech Nation, which innovates, improves and automates the delivery and use of creative services.

Within the last four years, start-ups have boomed in the fields of artificial intelligence and machine-learning space. These have resulted in the highest inflows in 2020. There was also a large contribution by marketing, ecommerce, and augmented/virtual reality.

UK Research and Innovation 'Audience of the Future' challenge has been an extremely important investor in immersive and visitor experiences. It is developing the delivery to immersive audience.

Figure 5: VC investment in UK CreaTech companies, 2017–2020 (*£m*)



Source: Tech Nation

However, business models must step up to the rate of digital evolution, and its integration in creators' work. The digital structure is definitely a fast-paced development, but many artists still struggle in balancing their expenses and revenues.

As reported, "economic growth and resilience rely on creative innovation". Funding is of great importance, especially for research for new adaptive business models and innovative creativity.

The pandemic has also generated a rise in 'creator economy', as mentioned before. These platforms allowing artist to be more involved with their investors, resulted in a massive insurgence of creators, in 2020. It has helped many artists to get back on their feet economically.

Overall, Creative Industries are increasingly essential for global economies, and this means the development of new tools and shifts in business structure.

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