



The Economic Impact of the UK Film Industry in 2011



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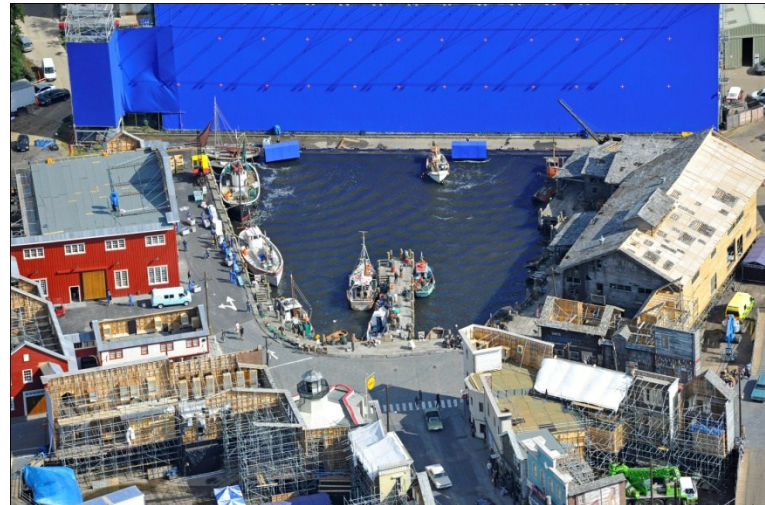


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Contents

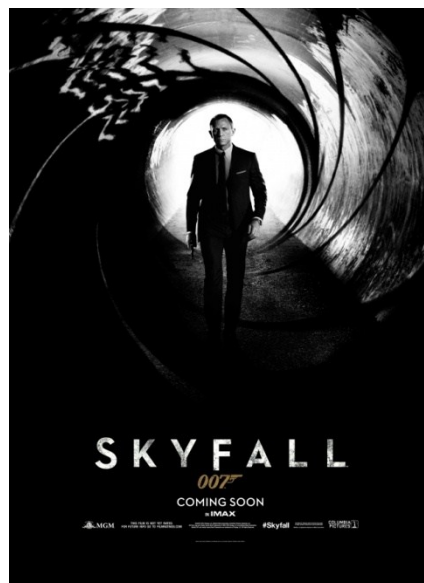
- Introduction
- Key highlights – a thriving film industry
- What is the impact across the wider economy?
- What does the future hold?



Introduction

Context

- Update of the economic impact of the core UK film industry (previous studies undertaken in 2005, 2007 & 2010)
- Economic context for this study very different from last update
- Industry is out performing the economy as a whole



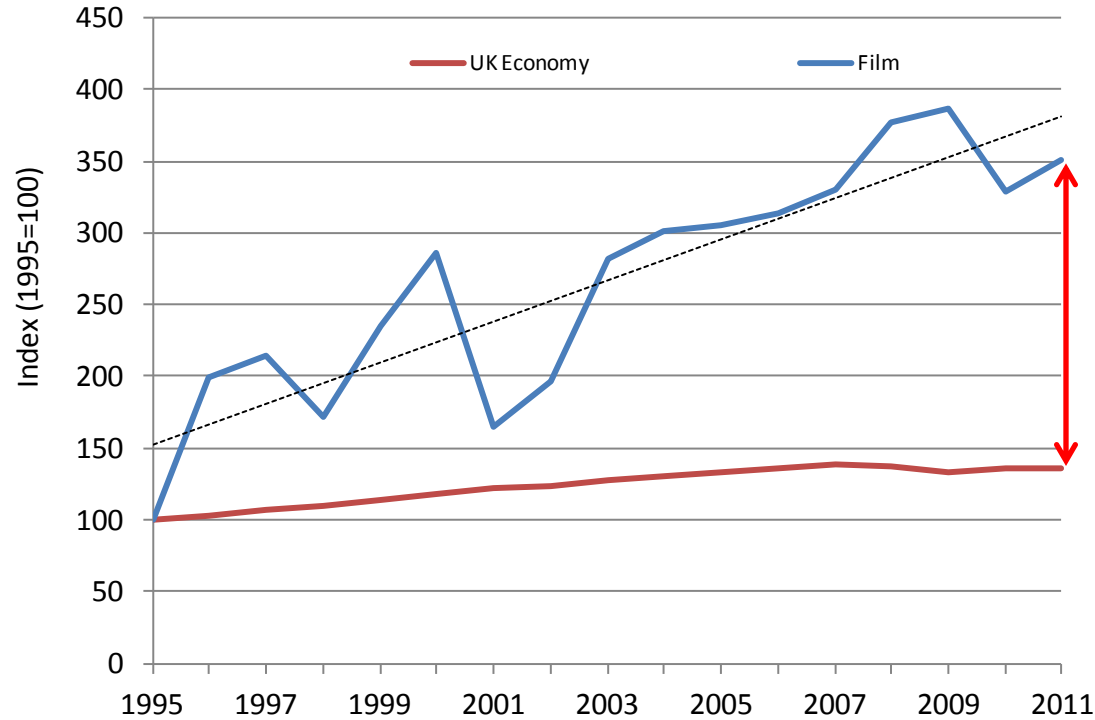
What our report covers

- Comprehensive assessment of the economic impact of the ‘core UK film industry’ – provides update of previous studies (2005, 2007 & 2010)
- Focuses on identifying and quantifying the *economic* benefits of the film sector
 - Direct, multiplier and wider impacts
 - Reference year of 2011
- ‘Core’ UK film industry
 - Defined as any film production undertaken in the UK plus the distribution/exhibition of UK-qualifying films

Key highlights - a thriving UK film industry

Industry growth outstripping the UK economy

GDP growth: Core UK film industry vs whole economy *



Source: CE; ABI, ABS, ONS, Oxford Economics estimates

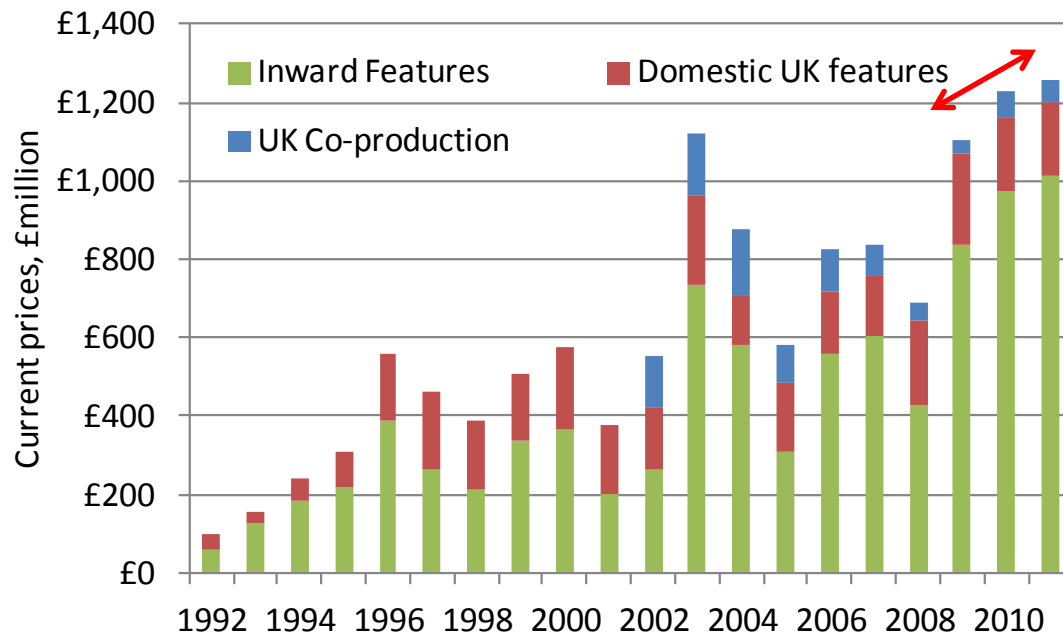
*Index of growth (in real terms) in value added in the core UK film industry and whole economy

- Upward trend in GDP growth, that has outstripped UK economy growth
- Record levels of inward investment - reaching £1bn in 2011
- Value of UK film production has been rising
- UK box office receipts of UK films in 2011 represented 36% of the total

Significant and ongoing investment in infrastructure

- Major studio investments:
 - Cumulative investment by Pinewood of £63m since 2007 and major investment in the planning pipeline
 - £100m investment by Warner Bros. at Leavesden

Expenditure on inward, domestic and co-productions in the UK



Source: BFI (Data for films with budgets greater than or equal to £500,000)

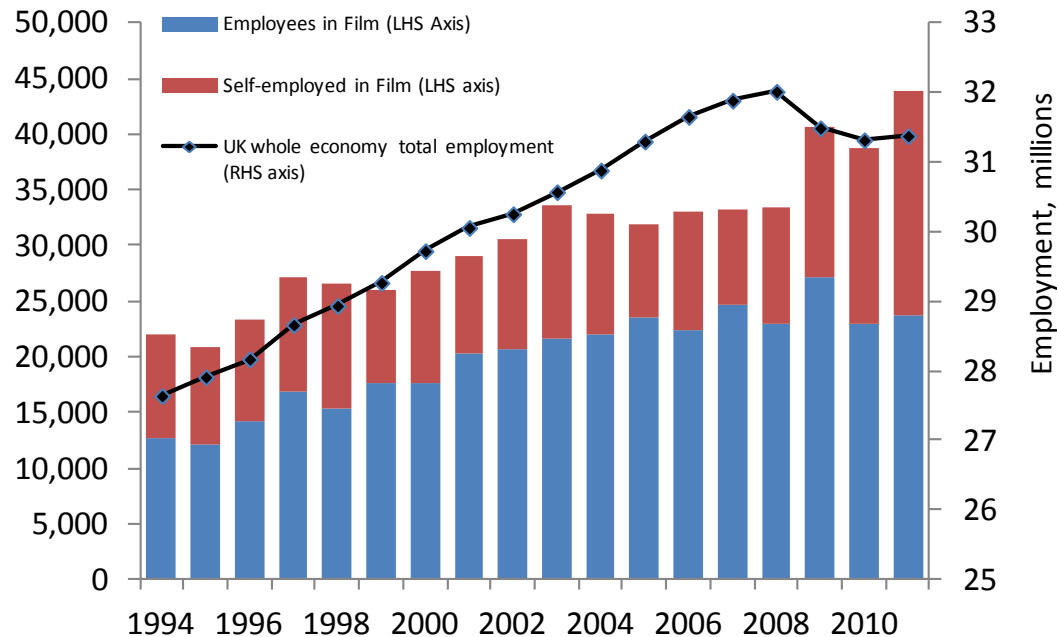
Richard Attenborough Stage, Pinewood Studios



Significant jobs growth despite the recession

- Jobs have risen
- Substantial industry employing 43,900 people

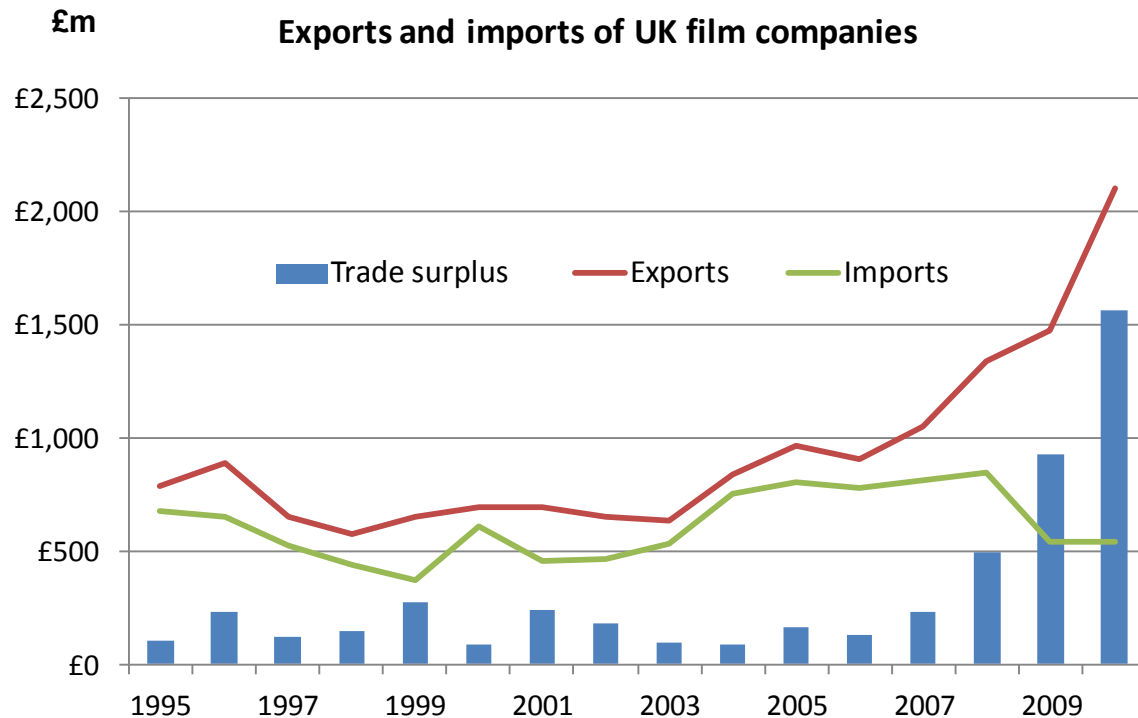
Total employment in the core UK film Industry and whole economy



Source: CE; ABI; LFS; BRES; ONS; BFI; Oxford Economics estimates

Increasingly contributing to the UK balance sheet

- The industry's contribution to the net UK trade position has been increasing
- Exports in 2010 were £2.1 billion
- Exporters of other goods and services also benefit from the part films play in establishing and reinforcing the UK's image and 'brand'



Source: ONS

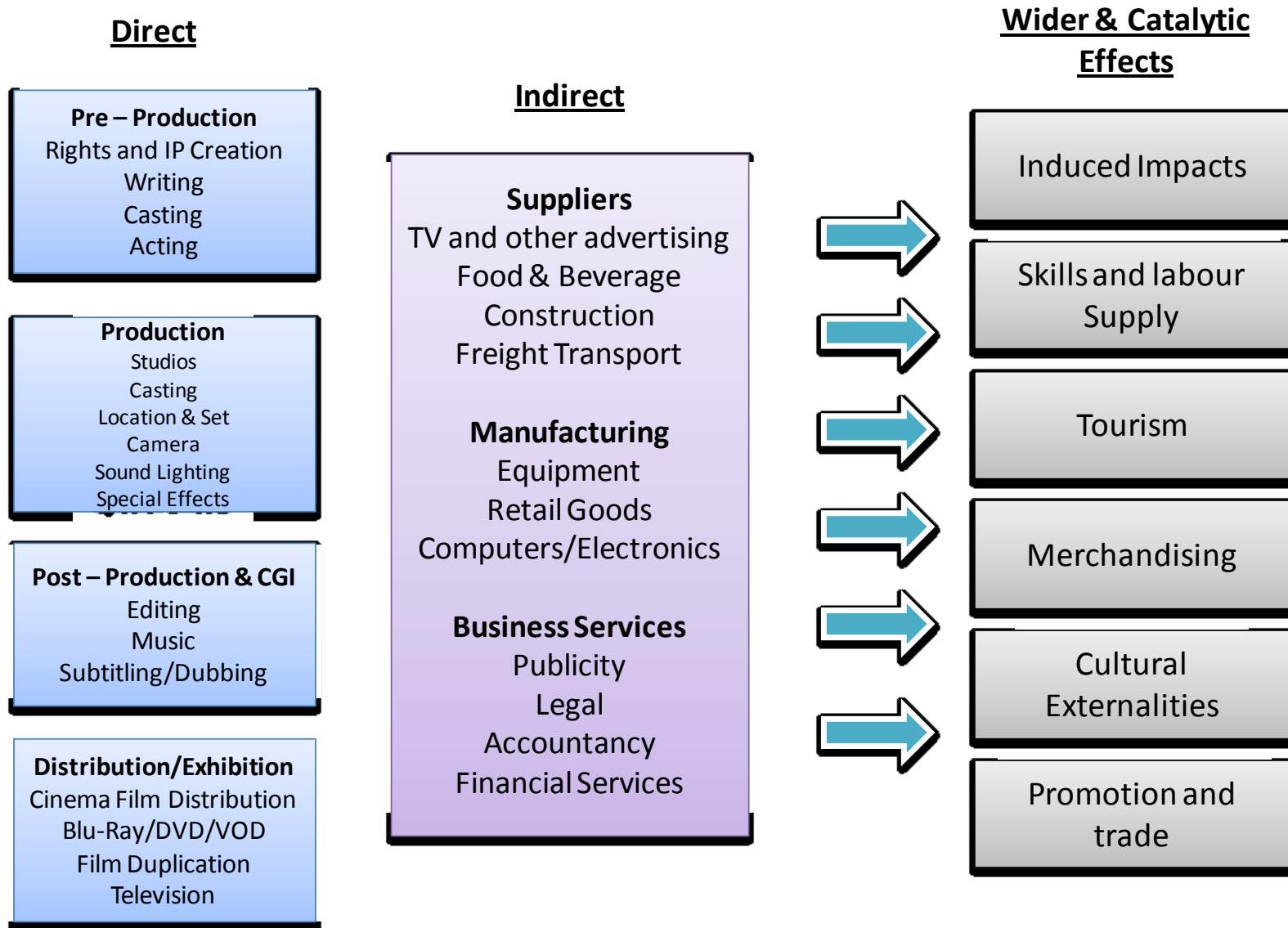
UK film tax relief remains crucial to continued growth

- The Film Tax Relief is estimated to generate £12 in GDP for every £1 spent.
- The UK Film Tax Relief is important to maintaining the UK's competitiveness as a film production location. We estimate that in the absence of film tax relief:
 - Film production would fall by 71%.
 - National GDP would be reduced by around £1.4 billion a year.
 - Exchequer revenues would be reduced by around £430 million a year.



What is the impact across the wider economy?

The channels of economic impact

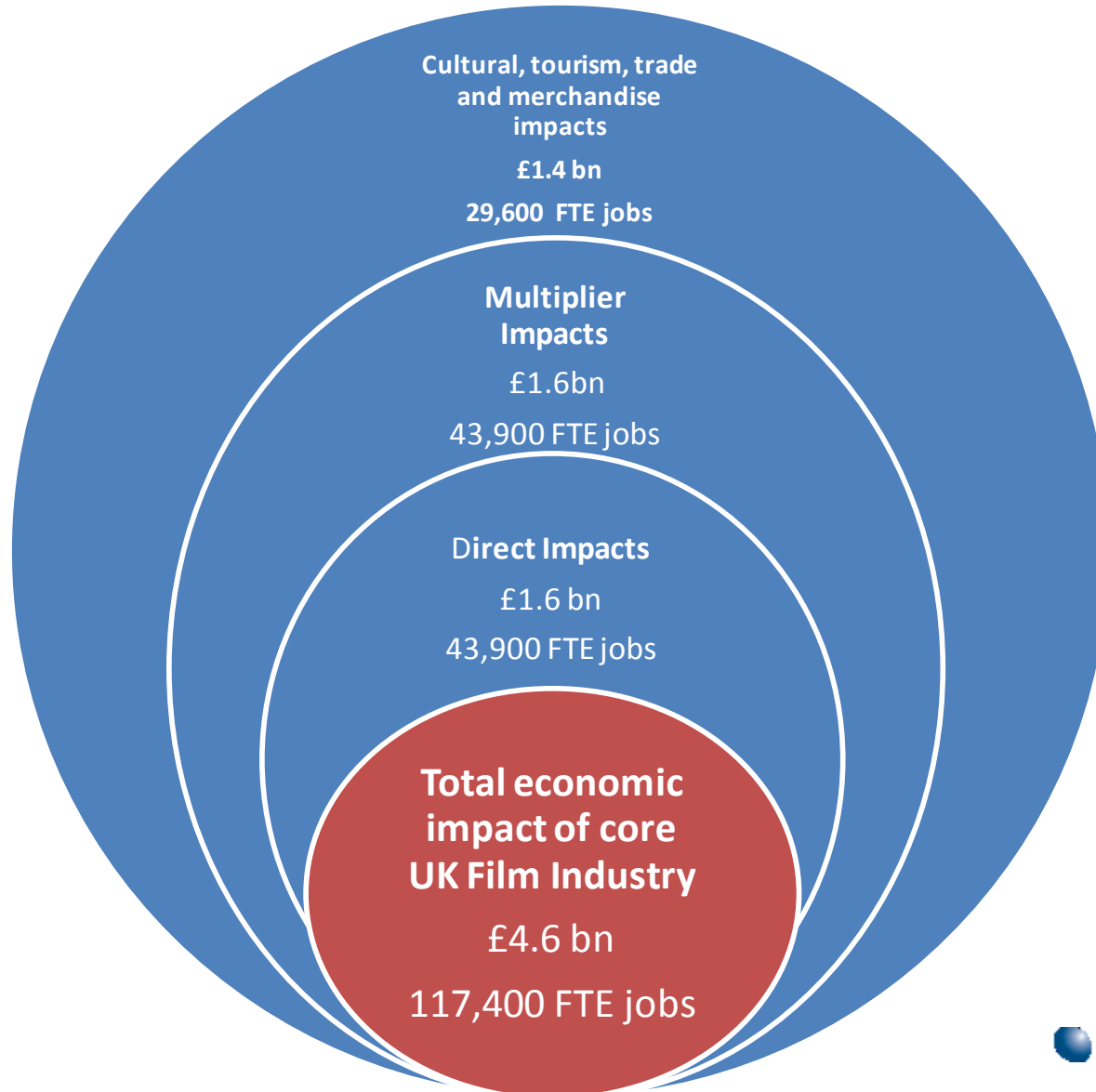


Key evidence of wider links

- Strong synergies with a wide range of other creative industries – demonstrated strongly by the Olympics Opening Ceremony:
 - Sharing of key technologies across many creative formats.
 - Promotes British cultural life - showing of UK films in cinemas boosts total UK box office revenues by approximately £69 million a year.
 - Generates significant film-related merchandise sales - estimated to total £340 million in 2011.
 - Film induced tourism - estimated that films depicting the UK are responsible for generating around a tenth of overseas tourism revenues, contributing around £1 billion to UK GDP.

Summary

The economic contribution of the core UK film industry, 2011:



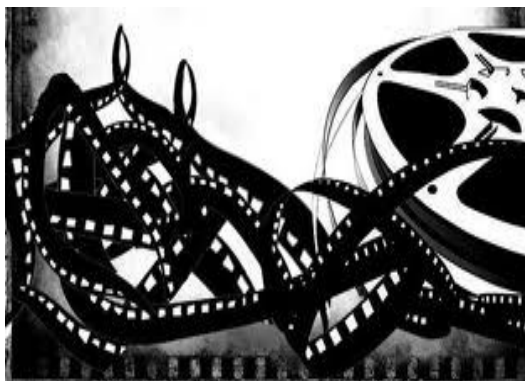
What does the future hold?

Significant opportunities

- **Opportunity to diversify and grow export base** – global economic growth will be driven by emerging economies.
 - Currently the vast majority of trading is within the USA and the EU
- **Rapid growth of Video-on-Demand** and other technological advancements such as social media will bring major changes to the way film is consumed. By 2016 the global market for home video is forecast to reach \$49 billion with electronic home video representing \$18 billion (Source: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates).
 - But the copyright theft and infringement must be tackled effectively to realise this potential
- **Technological convergence** - increasingly creative industries become more interconnected and can work collaboratively to promote UK sector.
 - There are strong linkages between the film industry and other creative sectors that should continue to be strengthened.

Questions and discussion

- Any questions?



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