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THE UK FILM ECONOMY

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Image: Shaun the Sheep the Movie courtesy of StudioCanal

THE UK FILM ECONOMY

THE UK FILM INDUSTRY IS A VALUABLE SECTOR OF THE BRITISH ECONOMY AND HAS GROWN CONSIDERABLY OVER THE LAST 20 YEARS. IN 2013, ITS DIRECT CONTRIBUTION TO GROSS DOMESTIC PRODUCT WAS £2.8 BILLION, ALMOST TWICE ITS 1995 CONTRIBUTION IN REAL TERMS.

FACTS IN FOCUS

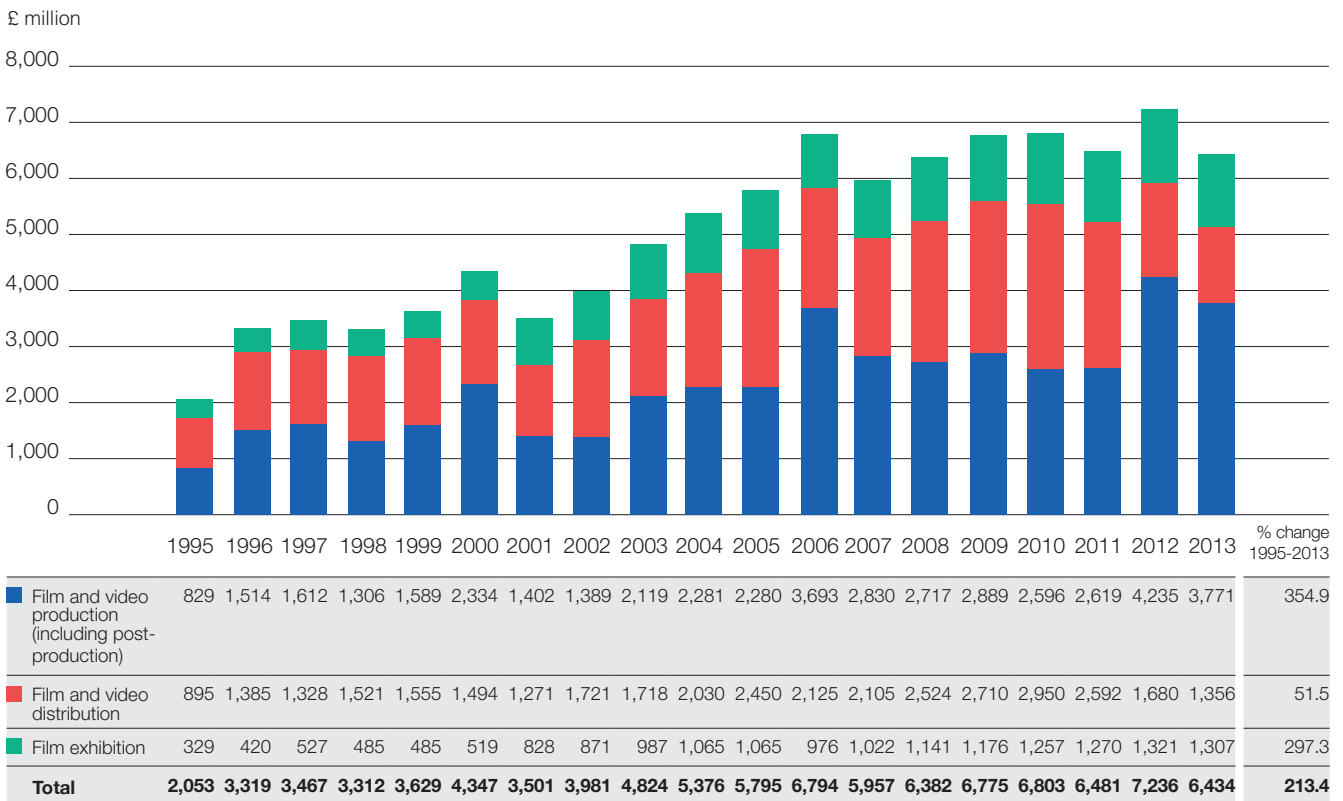
- In 2013, the UK film industry had a turnover of £6.4 billion.
- The industry's direct contribution to Gross Domestic Product (GDP) in 2013 represented 3.6% of the GDP of all UK creative industries.
- The industry exported £1.36 billion worth of services in 2013, made up of £756 million in royalties and £605 million in film production services.
- Exports in 2013 were 73% higher than in 1995.
- The UK film trade surplus in 2013 was £916 million.

FILM INDUSTRY TURNOVER, 1995-2013

Figure 1.1 shows the total turnover of the UK's three main film industry sectors (film and video production, film and video distribution and film exhibition) for the period 1995-2013 (2013 is the latest year for which data are available). Each of the three sectors has shown strong growth over this period, with total industry turnover increasing from £2 billion in 1995 to over £6 billion in 2013. However, for 2009, 2011 and 2012 the turnover for film and video distribution includes only film distribution as the data for video distribution are confidential.

The chart shows that turnover for film distribution decreased significantly from £2.6 billion in 2011 to £1.7 billion in 2012 but, according to the Office for National Statistics, this is mainly due to the restructuring of some businesses and the resultant changes to their industrial classifications. The reclassifications are contained within the Standard Industrial Classification (SIC) code 5913 (film, video and TV programme distribution), and turnover for this class as a whole has increased from £3 billion in 2011 to £3.3 billion in 2013. (As with video distribution, the turnover figures for TV programme distribution in 2011 and 2012 are confidential.) For more on the classifications, see the Film industry companies report.

Figure 1.1 Total turnover of UK film industry by sector, 1995-2013



Source: Office for National Statistics Annual Business Inquiry and Annual Business Survey

Notes:

'Total turnover' is expressed in current values, ie not adjusted for inflation.

Standard Industrial Classifications (SIC) codes are used to classify businesses according to the type of their economic activity. The classifications were last revised in 2003 and in 2007.

For 1995-2007 data are for 2003 SIC codes 9211 (film and video production), 9212 (film and video distribution) and 9213 (film exhibition).

For 2008 onwards, we define film and video production as the sum of 2007 SIC codes 59111 (film production), 59112 (video production) and 5912 (film, video and TV post-production), film and video distribution is the sum of 59131 (film distribution) and 59132 (video distribution) and film exhibition is 5914 (film exhibition).

For 2008 both film distribution and video distribution are suppressed by the ONS as confidential. The figure shown for the sum of the two is the four-digit class total (5913) minus TV programme distribution (59133).

For 2009, 2011 and 2012, only film is included in the distribution sector as the data for video distribution are confidential.

The figures for 2011 and 2012 have been revised since publication of the 2014 edition of the Yearbook.

The 2007 SIC codes provide a more detailed breakdown of the industry by sub-sector, as shown in Table 1.1. This gives an official measure of film production and distribution separate from video production and distribution. The figures reflect the high sunk costs associated with the production and marketing of feature films and highlight the relative importance of the post-production sector (20% of turnover, although this includes video and TV as well as film).

Table 1.1 Total turnover of UK film industry by sub-sector, 2013

Sub-sector	Turnover (£ million)	% of total
Film production	2,175	33.8
Video production	297	4.6
Film, video and TV post-production	1,299	20.2
Film distribution	1,189	18.5
Video distribution	167	2.6
Film exhibition	1,307	20.3
Sector total	6,434	100.0

Source: Office for National Statistics Annual Business Survey

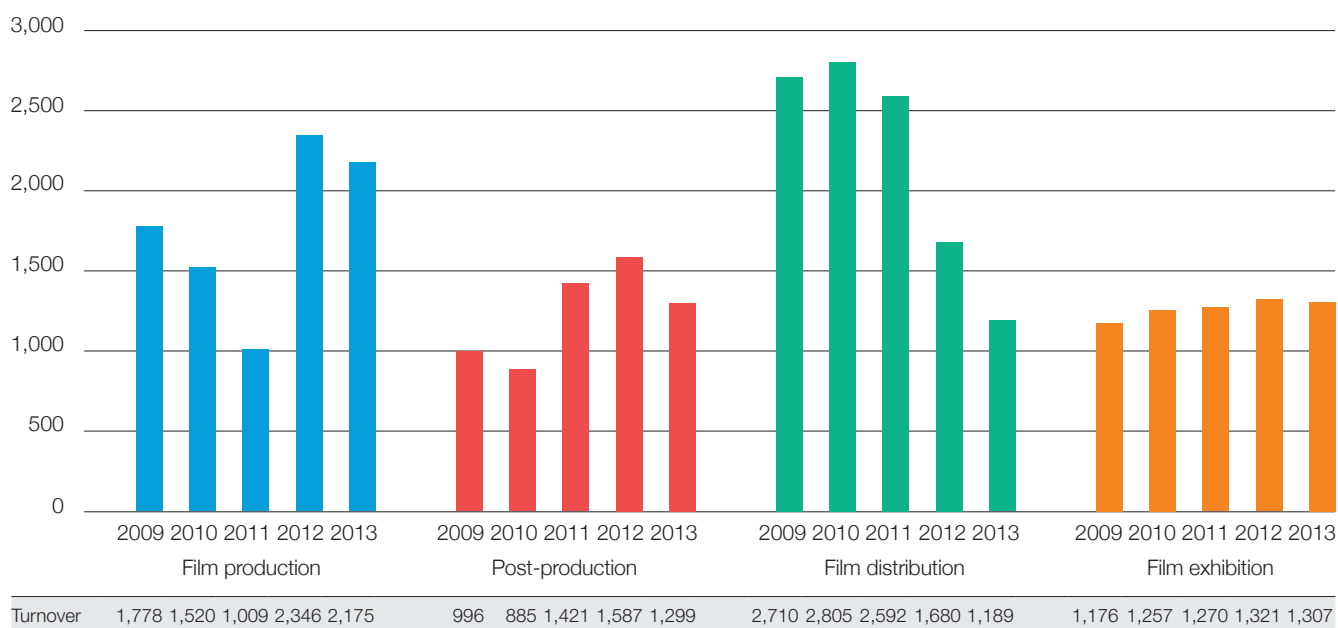
Notes:

Companies in the post-production sector usually work on films, commercials, videos and television programmes, and therefore have a combined statistical classification.

Figure 1.2 shows the turnover for film production, film, video and TV post-production, film distribution and film exhibition from 2009 to 2013. Film distribution was the sub-sector with the highest turnover up to 2011 but, partly due to the reclassifications of businesses within the distribution sector, turnover for film distribution fell by £1.4 billion between 2011 and 2013: in both 2012 and 2013 film distribution turnover was lower than that for film production. The turnover for post-production increased between 2010 and 2012, then declined 18% between 2012 and 2013 while the turnover for exhibition increased up to 2012 then decreased slightly in 2013.

Figure 1.2 Total turnover of film sub-sectors, 2009-2013

£ million



Source: Office for National Statistics Annual Business Survey

See notes to Table 1.1.

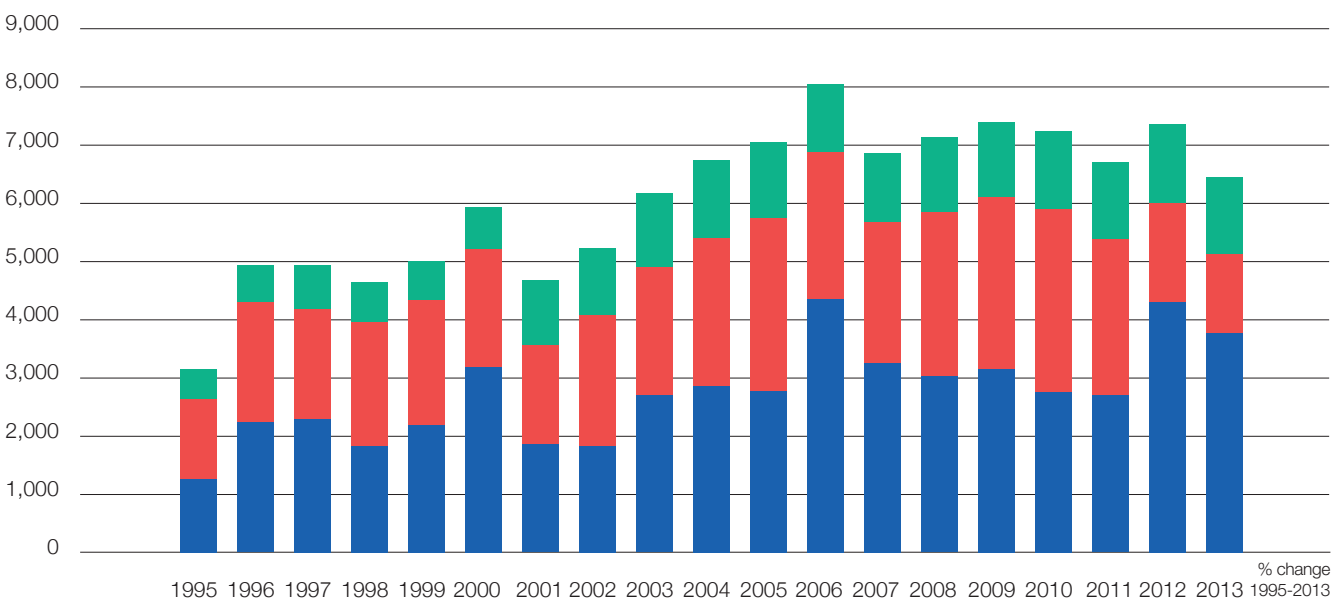
The total industry turnover expressed in real terms, ie with the effects of inflation removed, is shown in Figure 1.3. The real increase since 1995 has been significant: 198% for film and video production and 160% for film exhibition. Overall, in real terms, based on available data the industry's turnover in 2013 was twice its 1995 level.

Conversely, real turnover for film and video distribution appears to have declined by 0.8% since 1995. In part this is due to the reclassifications of businesses in the distribution sector, as explained above, which saw real turnover for film distribution between 2011 and 2012 drop from £2.7 billion to £1.7 billion. (The 2012 figure does not include turnover for video distribution.) Real turnover for both film and video distribution in 2013 was £1.4 billion.

For the film industry as a whole, real turnover was just over £6.4 billion in 2013, the lowest since 2003 (Figure 1.3). The highest real turnover of the period was in 2006 when it totalled over £8 billion in 2013 pounds.

Figure 1.3 Inflation-adjusted turnover of UK film industry by sector, 1995-2013

£ million (2013 pounds)



Film and video production (including post-production)	1,266	2,247	2,295	1,827	2,188	3,180	1,868	1,823	2,709	2,858	2,770	4,364	3,256	3,037	3,150	2,759	2,709	4,303	3,771	197.9
Film and video distribution	1,367	2,055	1,891	2,127	2,141	2,036	1,693	2,258	2,197	2,544	2,976	2,511	2,422	2,821	2,955	3,136	2,681	1,707	1,356	-0.8
Film exhibition	502	623	750	678	668	707	1,103	1,143	1,262	1,334	1,294	1,153	1,176	1,275	1,282	1,336	1,314	1,342	1,307	160.4
Total	3,135	4,925	4,936	4,633	4,997	5,923	4,664	5,224	6,168	6,736	7,039	8,029	6,854	7,134	7,388	7,231	6,703	7,353	6,434	105.2

Source: Office for National Statistics Annual Business Inquiry and Annual Business Survey, HM Treasury

Notes:

The deflator used to calculate real values is the UK whole economy deflator.

Values expressed in constant 2013 pounds.

For sector classifications, see notes to Figure 1.1.

For 2008 both film distribution and video distribution are suppressed by the ONS as confidential. The figure shown for the sum of the two is the four-digit class total (5913) minus TV distribution (59133).

For 2009, 2011 and 2012, only film is included in the distribution sector as the data for video distribution are confidential.

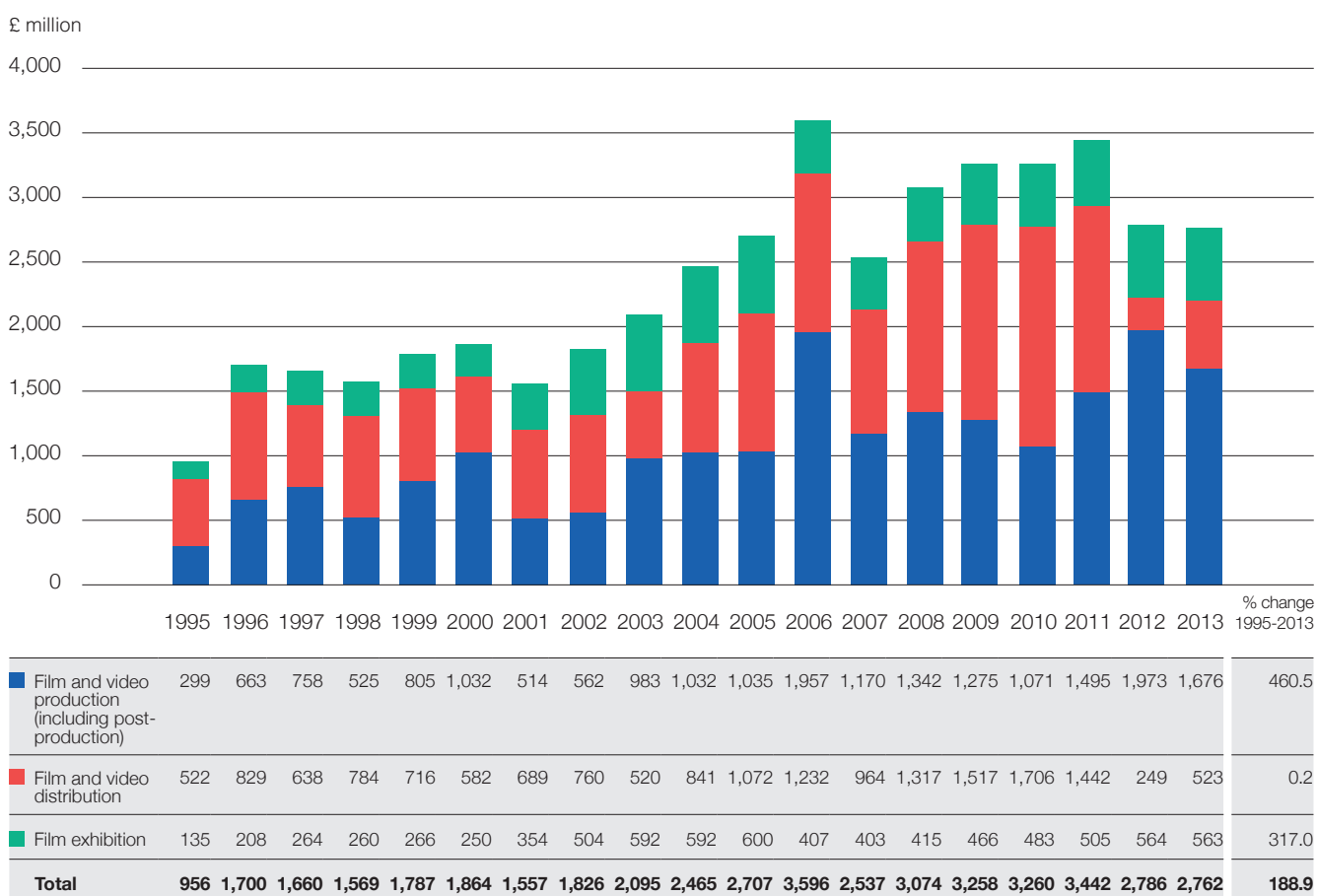
FILM INDUSTRY CONTRIBUTION TO GDP, 1995-2013

The direct contribution an industry makes to UK Gross Domestic Product (GDP) is measured by its gross value added (GVA). 'Value added' is industry turnover minus the cost of inputs bought from other industries. The main components of value added are wages and salaries, interest and company profits. Value added is therefore a measure of an industry's ability to generate income for its workers, company owners and investors.

The UK film industry's GVA in 2013 was £2.8 billion. According to data published by the government in January 2015, the GVA for all UK creative industries in 2013 was £76.9 billion, so film accounted for at least 3.6% of all creative industries' value added.

For the film industry as a whole, production accounted for 61% of the industry's value added, distribution 19% and exhibition 20%. Also, as with turnover (see section above), the value added for film distribution decreased between 2011 and 2012 due to the reclassification of businesses in the distribution sector.

Figure 1.4 UK film industry gross value added, 1995-2013



Source: Office for National Statistics Annual Business Inquiry and Annual Business Survey

Notes:

'Gross value added' is expressed in actual values, ie not adjusted for inflation.

For 2008 both film distribution and video distribution are suppressed by the ONS as confidential. The figure shown for the sum of the two is the 4-digit class total (5913) minus TV distribution (59133).

For 2009, 2011 and 2012, only film is included in the distribution sector as the data for video distribution are confidential.

The figures for 2011 and 2012 have been revised since publication of the 2014 Yearbook.

Table 1.2 shows the GVA breakdown in 2013 by the 2007 SIC codes. Film production was the highest single contributor (£775 million, 30% of the total) followed by film, video and TV post-production (£742 million, 28% of the total).

Table 1.2 UK film industry gross value added, 2013

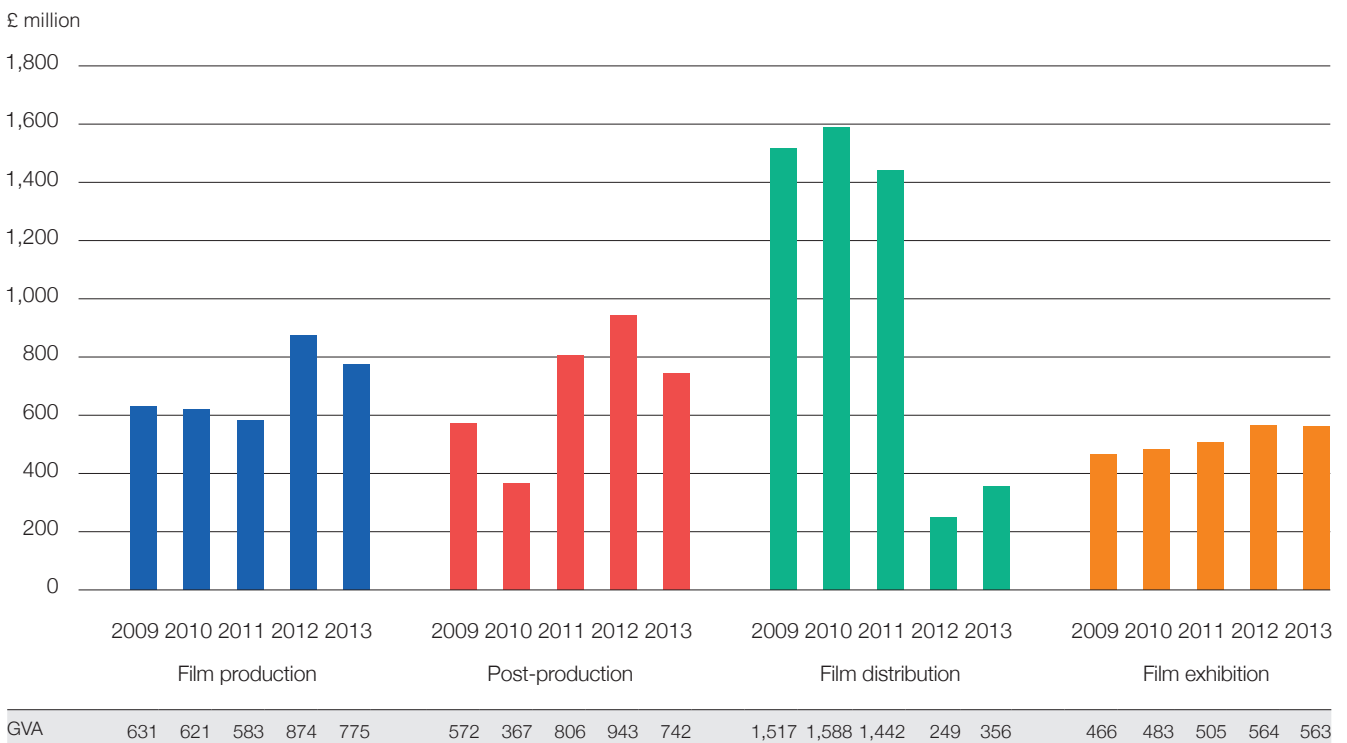
Sub-sector	GVA (£ million)	% of total
Film production	775	29.6
Video production	159	6.1
Film, video and TV post-production	742	28.4
Film distribution	356	13.6
Video distribution	22	0.8
Film exhibition	563	21.5
Sector total	2,617	100.0

Source: Office for National Statistics Annual Business Survey

Note: Companies in the post-production sector usually work on films, commercials, videos and television programmes, and therefore have a combined statistical classification.

The patterns of GVA by sub-sector from 2009 to 2013 are similar to those for total turnover (Figure 1.5). As with turnover, film distribution consistently had the highest value added between 2009 and 2011 but, because of the reclassifications of companies within the distribution sector, the contribution to GVA for film distribution in 2012 fell to just £249 million. Film production, film, video and TV post-production and film exhibition all showed increases in value added between 2011 and 2012, but declined in 2013.

Figure 1.5 Gross value added of film sub-sectors, 2009-2013



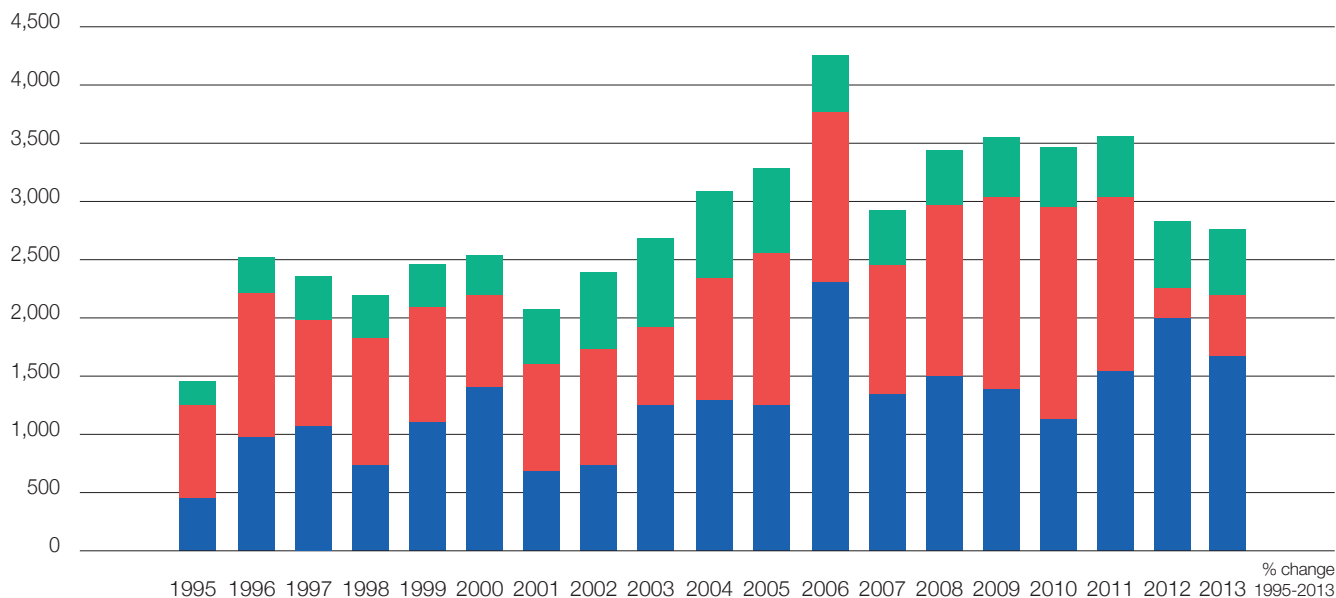
Source: Office for National Statistics Annual Business Survey

See notes to Table 1.2.

Figure 1.6 shows the industry's value added expressed in real terms, ie with the effects of inflation removed. There was a sharp increase in real industry GVA between 1995 and 1996, followed by a plateau from 1996 to 2002. Real GVA then began to increase strongly again, reaching a peak of £4.2 billion in 2006. For the four years 2008 to 2011, real GVA stayed at around £3.5 billion (in 2013 pounds) but decreased in 2012 to £2.8 billion. The decrease was mainly due to the reduction in GVA for film distribution, caused by the reclassifications of companies within the distribution sector. In real terms, GVA for the film industry as a whole in 2013 was almost twice its value in 1995.

Figure 1.6 UK film industry real gross value added, 1995-2013

£ million (2013 pounds)



Film and video production (including post-production)	457	984	1,079	734	1,108	1,406	685	737	1,257	1,293	1,257	2,313	1,346	1,500	1,390	1,138	1,546	2,005	1,676	266.7
Film and video distribution	797	1,230	908	1,097	986	793	918	997	665	1,054	1,302	1,456	1,109	1,472	1,654	1,813	1,492	253	523	-34.4
Film exhibition	206	309	376	364	366	341	472	661	757	742	729	481	464	464	508	513	522	573	563	173.3
Total	1,460	2,523	2,363	2,195	2,460	2,540	2,074	2,396	2,679	3,089	3,288	4,249	2,919	3,436	3,553	3,465	3,560	2,831	2,762	89.2

Source: Office for National Statistics Annual Business Inquiry, HM Treasury

Notes:

The deflator used to calculate real values is the UK whole economy deflator.

Values expressed in constant 2013 pounds.

For 2008 both film distribution and video distribution are suppressed by the ONS as confidential. The figure shown for the sum of the two is the 4-digit class total (5913) minus TV distribution (59133).

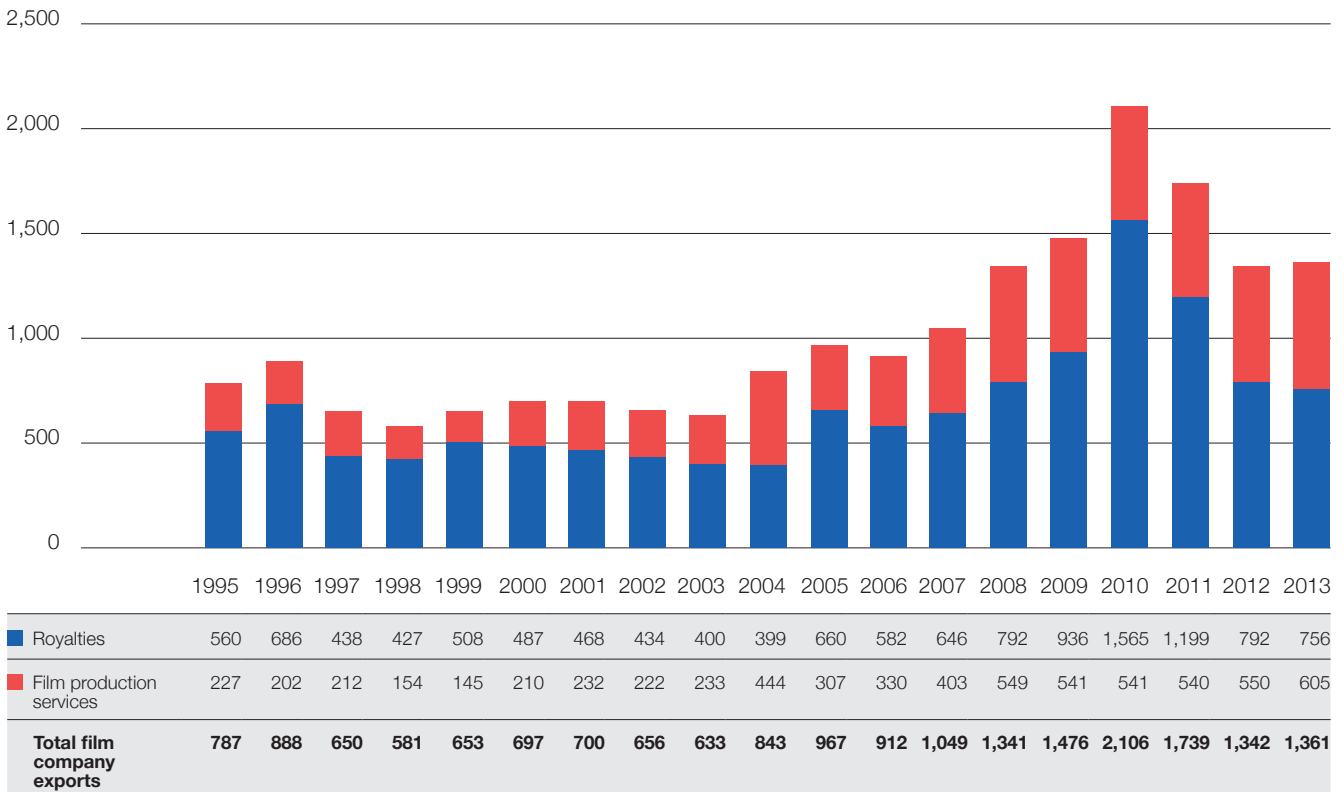
For 2009, 2011 and 2012, only film is included in the distribution sector as the data for video distribution are confidential.

FILM EXPORTS, 1995-2013

The UK film industry exported £1,361 million worth of services in 2013 (the latest year for which data are available), of which £756 million came from royalties and £605 million from film production services (Figure 1.7). Royalties fell by 4.5% compared with 2012, but the export value of film-related services was higher (+10%) in 2013 than in 2012. Total film exports in 2013 were 73% higher than in 1995.

Figure 1.7 UK film industry exports, 1995-2013

£ million



Source: Office for National Statistics

Notes:

Data for 2014 are expected to be available at the end of January 2016.

Import and export data to 2008 are derived from the Office for National Statistics (ONS) Film and Television Survey which was a sample survey with a high response rate (87%) of companies in the Inter-Departmental Business Register in the SIC codes relating to film and television. This survey was discontinued and film and television data for 2009 and later were collected in the ONS Annual Survey of International Trade in Services. This chart shows the results for film companies only.

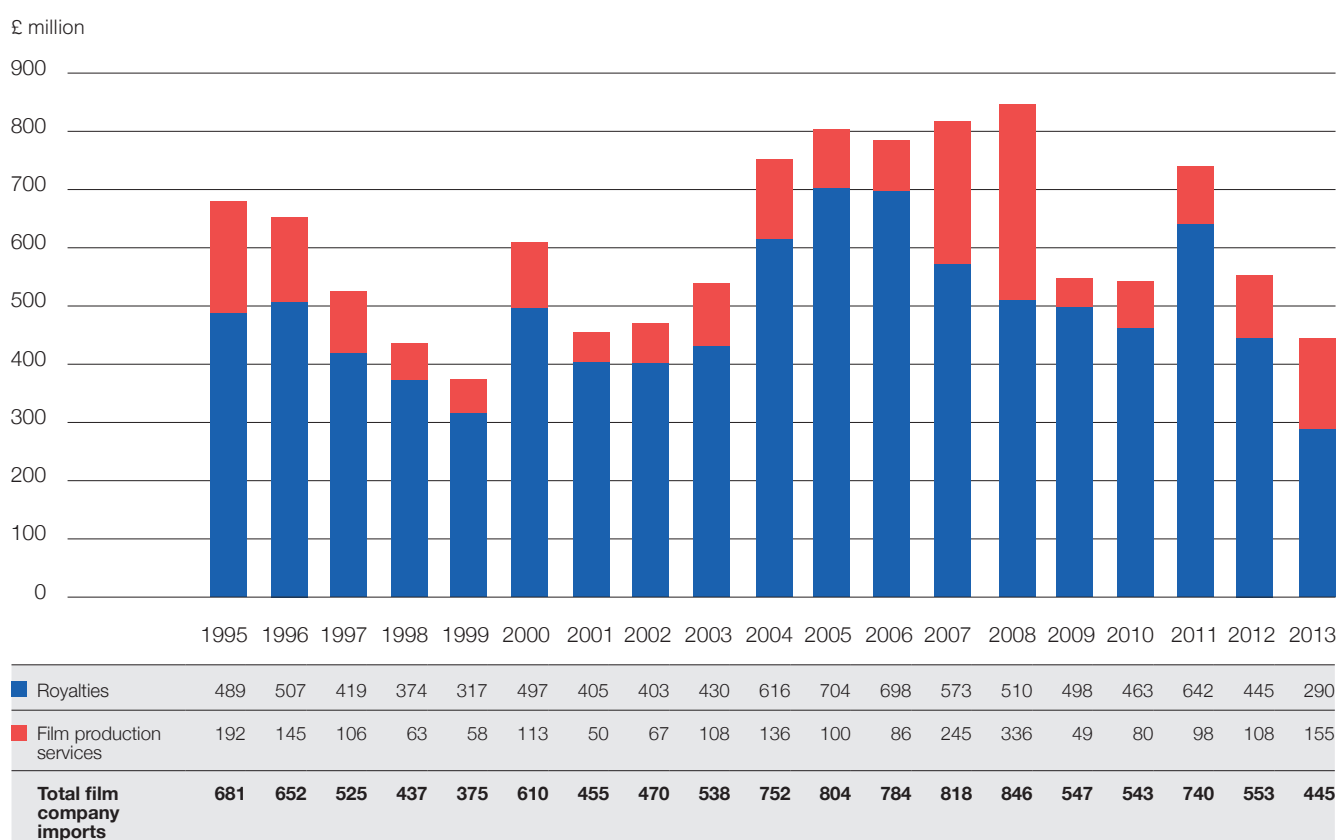
FILM IMPORTS, 1995-2013

The UK film industry imported £445 million worth of services in 2013, of which £290 million (65%) comprised royalties and £155 million (35%) film production services.

As Figure 1.8 shows, in most years royalties make up the vast majority of imports with film production services accounting for only around 15% of the total. In 2007 and 2008, this pattern changed, with the royalties share dropping to 60% and the share for production services increasing to 40%. Between 2009 and 2012, the production services share of the imports total decreased to the percentage levels seen before 2007 but in 2013 the production services share of imports increased to 35%.

The reasons for the increase of the production services share in 2007, 2008 and 2013 are unclear as the reported level of production imports is high in relation to total UK film production for these years. One possible explanation could be the categorisation of the non-UK spend of UK/USA inward investment productions as imports of production services. However, this explanation cannot be confirmed as the survey returns are confidential.

Figure 1.8 UK film industry imports, 1995-2013

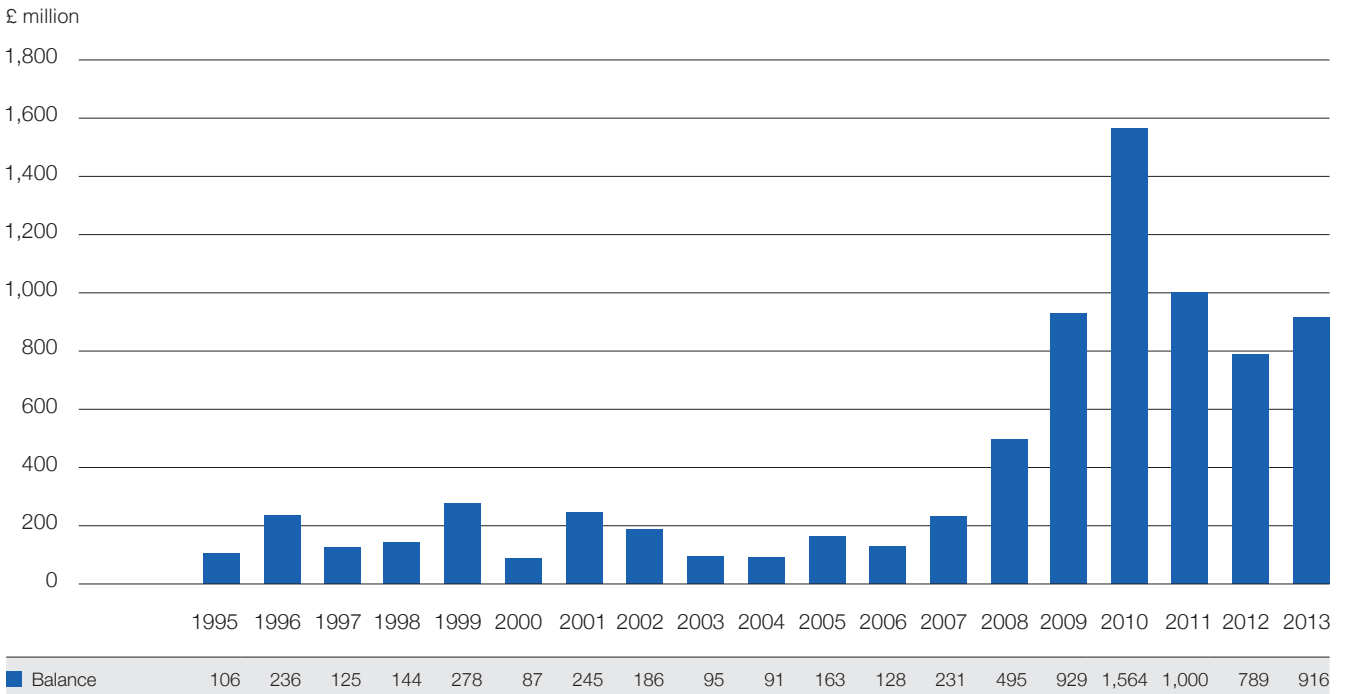


Source: Office for National Statistics
See notes to Figure 1.7.

THE FILM TRADE BALANCE, 1995-2013

The film industry has made a continuous positive contribution to the UK balance of payments since 1995, as Figure 1.9 shows. The trade surplus (positive balance of exports over imports) in 2013 was £916 million.

Figure 1.9 Trade surplus of UK film industry, 1995-2013



Source: Office for National Statistics

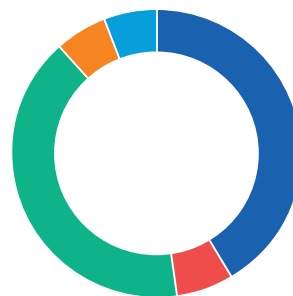
Note: 'Trade surplus' equals exports minus imports. Where a company (eg the UK subsidiary of a US major) receives income from another country on behalf of its parent company and subsequently passes it on to its parent company, this is recorded both as a receipt and a payment, leaving the measure of the trade surplus unaffected.

FILM EXPORT MARKETS

Figure 1.10 shows the geographic distribution of UK film exports for the years 2009-2013. At 41.5%, exports to the European Union (EU) in the five-year period surpassed those to the USA (40.5%) for the first time since our records began. Taken together EU and non-EU European countries accounted for 48% of all UK film exports. Asia and 'rest of the world' both took 6% of the total.

Figure 1.10 Destination of UK film exports as percentage of the total, 2009-2013

	%
EU	41.5
Other Europe	6.5
USA	40.5
Asia	5.7
Rest of the world	5.8



Source: Office for National Statistics

Note: 'Rest of the world' cannot be disaggregated due to sampling variation and disclosive data.

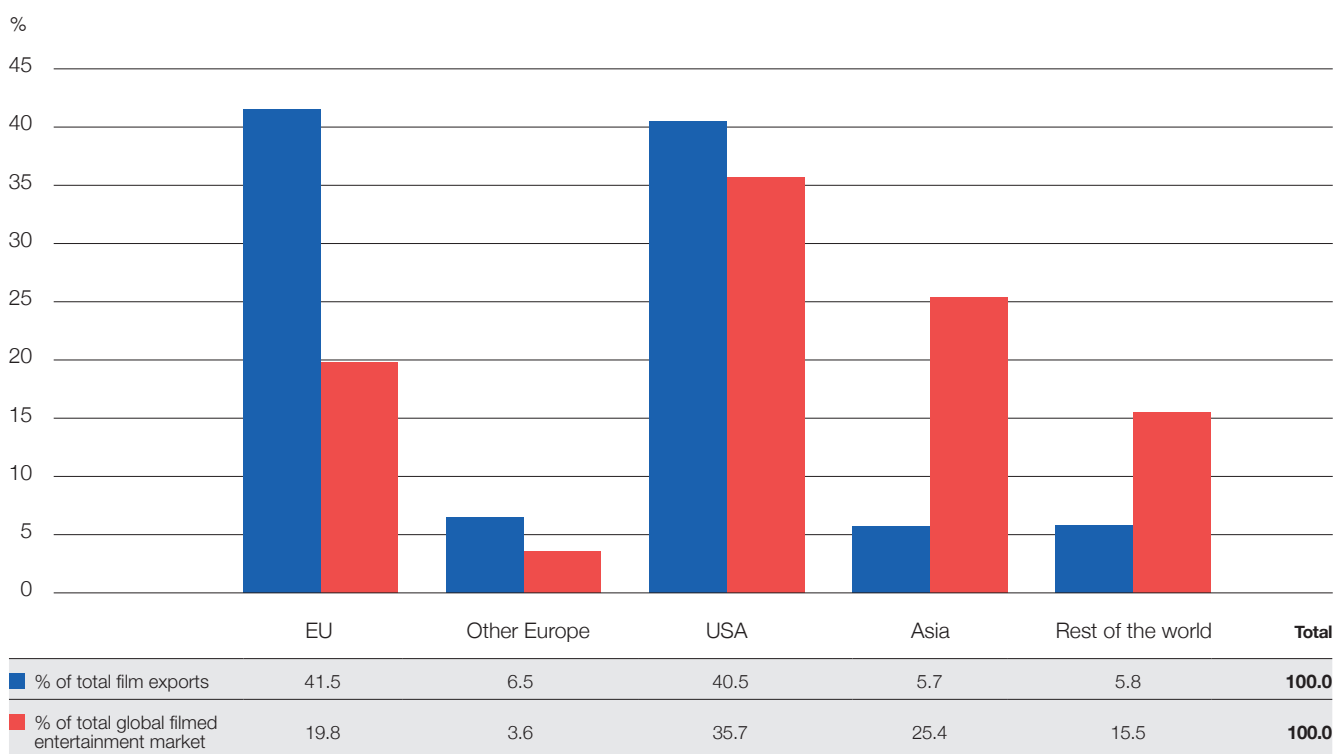
UK FILM EXPORTS COMPARED WITH THE GLOBAL MARKET FOR FILMED ENTERTAINMENT

A useful comparison can be made between UK film export shares and the geographical distribution of the global market for filmed entertainment (Figure 1.11). For the EU, USA and 'other Europe' the shares of UK exports are higher than the shares of the ex-UK global filmed entertainment market in each of those regions, whereas the reverse is true in Asia and 'rest of the world'. The differences that stand out are:

- The higher proportion of UK exports to Europe (41.5% of the UK's film exports are to the EU compared with the EU's 20% share of the ex-UK global filmed entertainment market, and 6.5% of film exports are to 'other Europe' compared with a 4% ex-UK global market share);
- The lower proportion of UK exports to Asia (6%) compared with the Asian countries' share of the ex-UK global market (25%).

The latter discrepancy reflects the strength of the main Asian countries (China, India, Japan and South Korea) in their own markets, and the consequent lower market shares for Hollywood and UK films. For more on export restrictions to the Chinese market, see the UK films at the worldwide box office report.

Figure 1.11 UK export shares, 2009-2013, compared with the ex-UK global market for filmed entertainment, 2014



Source: Office for National Statistics, PricewaterhouseCoopers

THE GEOGRAPHICAL DISTRIBUTION OF THE UK'S FILM TRADE SURPLUS

The geographical distribution of the UK's film trade surplus showed a similar pattern to that of exports, except that there was a trade deficit, amounting to 5% of the film trade balance, with 'rest of the world', as shown in Table 1.3. In the years 2009-2013, just over two fifths of the surplus came from the EU and, in contrast with some earlier years, the UK ran large film trade surpluses with the USA during the latest five-year period, which has led to the USA accounting for just under half of the UK's film trade surplus in 2009-2013.

Table 1.3 International transactions of the UK film industry by geographical area, annual average, 2009-2013

	Exports (£ million)	Imports (£ million)	Balance (£ million)	% balance
EU	665.4	210.6	454.8	43.8
Other Europe	104.6	28.4	76.2	7.3
USA	649.4	156.4	493.0	47.4
Asia	92.2	28.4	63.8	6.1
Rest of the world	93.2	141.8	-48.6	-4.7
Total	1,604.8	565.6	1,039.2	100.0

Source: Office for National Statistics

Note: Percentages may not sum to 100 due to rounding.



21 Stephen Street, London W1T 1LN
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