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THE UK FILM ECONOMY

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The UK film industry is a valuable component of the creative economy; in 2015 its direct contribution to Gross Domestic Product was £5.2 billion, 22% higher than its 2006 contribution in real terms.

FACTS IN FOCUS

- In 2015, the UK film industry had a turnover of £10.2 billion.
- The industry's direct contribution to Gross Domestic Product (GDP) in that year was £5.2 billion.
- The industry exported almost £2 billion worth of services, made up of £1.3 billion in intellectual property and £679 million in audiovisual and related services.
- Exports in 2015 were 116% higher than in 2006.
- The UK film trade surplus was £1,247 million.

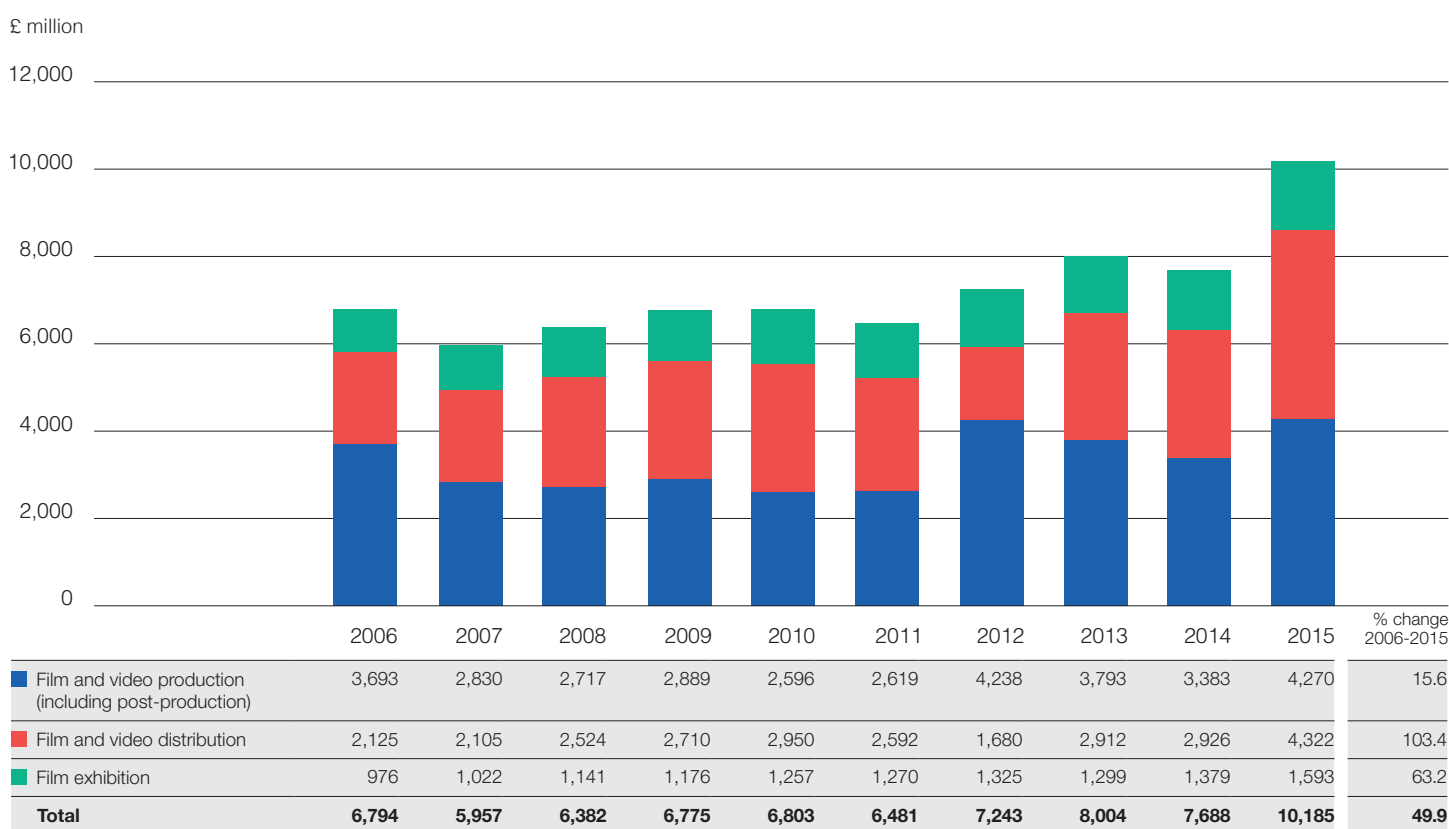
THE UK FILM ECONOMY

FILM INDUSTRY TURNOVER, 2006-2015

Figure 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 2006-2015 (2015 is the latest year for which data are available.) Each of the three sectors has shown growth over the decade, with total industry turnover increasing from £6.8 billion in 2006 to £10.2 billion in 2015, largely due to the increase in distribution turnover. However, for 2009, 2011 and 2012 the turnover for film and video distribution includes only film distribution as the data for video distribution are not disclosed to maintain confidentiality.

The chart shows that turnover for film distribution decreased substantially 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. (For details of the Standard Industrial Classification [SIC] framework, see the notes to Figure 1.) The reclassifications are contained within the SIC code 5913 (film, video and TV programme distribution). Between 2014 and 2015, the combined turnover for film and video distribution increased from £2.9 billion to £4.3 billion.

Figure 1 Total turnover of UK film industry by sector, 2006-2015



Source: Office for National Statistics

Notes:

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

Standard Industrial Classification (SIC) codes are used to classify businesses according to the type of their economic activity. The classifications were last revised in 2003 and 2007. The SIC codes can be found at <https://www.gov.uk/government/publications/standard-industrial-classification-of-economic-activities-sic>.

For 2006-2007 data are for 2003 SIC codes 9211 (film and video production), 9212 (film and video distribution) and 9213 (film exhibition).

From 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 2013 and 2014 have been revised since publication of the 2016 Statistical Yearbook.

The 2007 SIC codes allow for a more detailed breakdown of industry turnover by sub-sector, as shown in Table 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 (13% of turnover, although this includes activity associated with video and TV as well as film).

Table 1 Total turnover of UK film industry by sub-sector, 2015

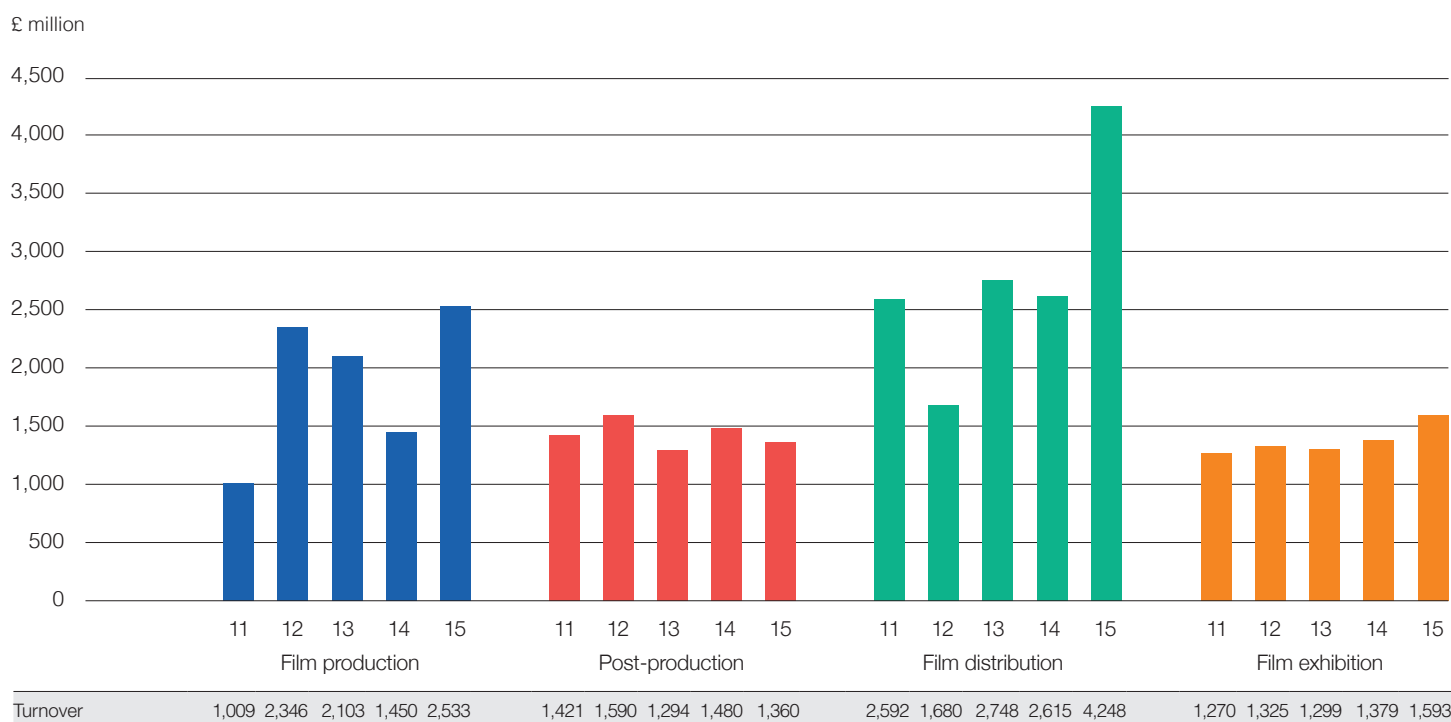
Sub-sector	Turnover (£ million)	% of total
Film production	2,533	24.9
Video production	377	3.7
Film, video and TV post-production	1,360	13.4
Film distribution	4,248	41.7
Video distribution	74	0.7
Film exhibition	1,593	15.6
Sector total	10,185	100.0

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.

Figure 2 shows the turnover for film production, film, video and TV post-production, film distribution and film exhibition from 2011 to 2015. Film distribution has traditionally had the highest turnover of all film industry sub-sectors. This remained true of all years in the period covered in the chart with the exception of 2012 when turnover was lower. This is partly explained by the reclassifications of businesses within the distribution sector. In 2015, the turnover for distribution increased by £1.6 billion, up 62% on the previous year while production turnover grew by 74% to £2.5 billion. Turnover for film exhibition increased every year in the period with the exception of 2013.

Figure 2 Total turnover of film sub-sectors, 2011-2015



Source: Office for National Statistics Annual Business Survey

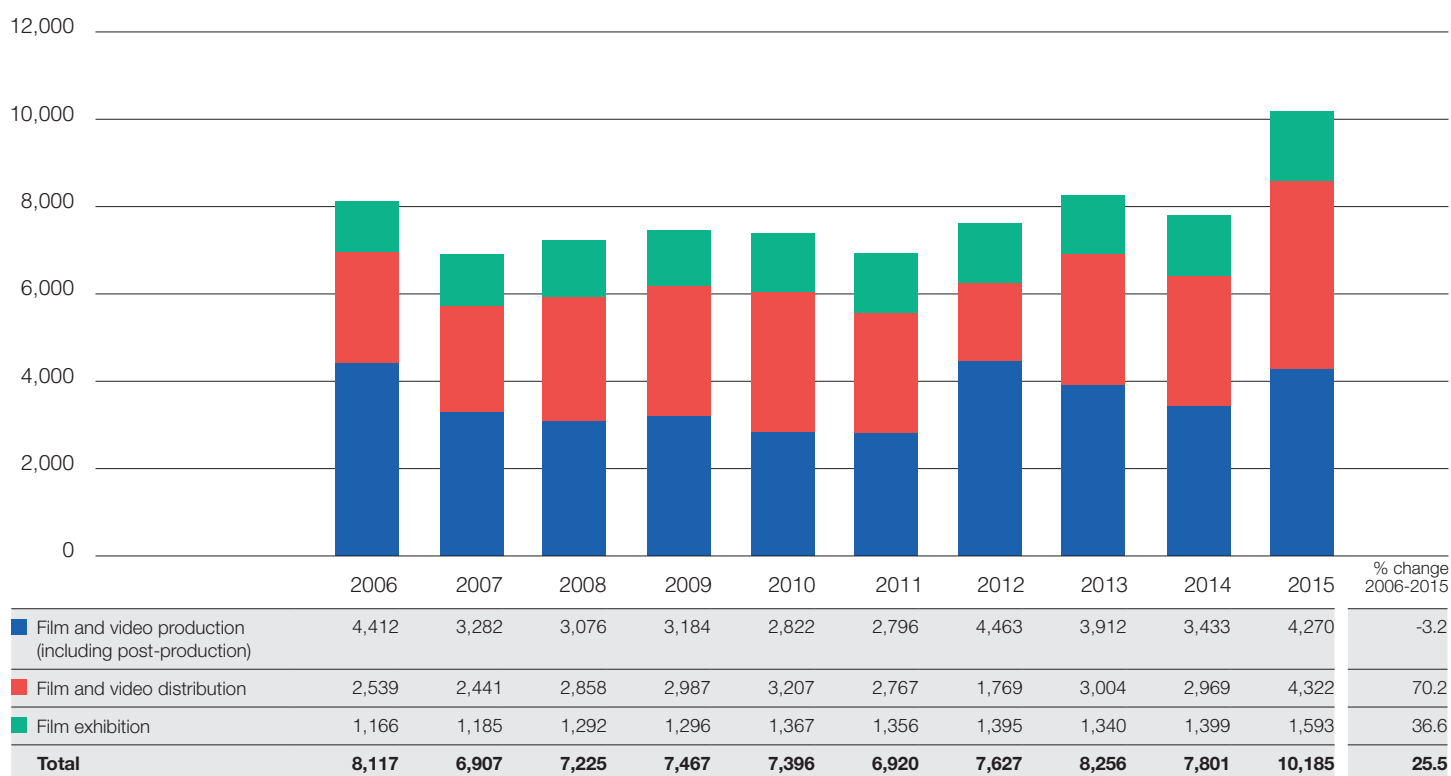
See notes to Table 1.

Total industry turnover between 2006 and 2015 expressed in real terms, ie with the effects of inflation removed, is shown in Figure 3. The real increase since 2006 has been 70% for film and video distribution and 37% for film exhibition.

Conversely, real turnover for film and video production including post production appears to have declined by 3% since 2006. For the film industry as a whole, real turnover was almost £10.2 billion in 2015, the highest figure of the decade (Figure 3). The year with the lowest real turnover of the period was 2007 with a total of £6.9 billion in 2015 pounds.

Figure 3 Inflation-adjusted turnover of UK film industry by sector, 2006-2015

£ million (2015 pounds)



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, which can be found at <https://www.gov.uk/government/statistics/gdp-deflators-at-market-prices-and-money-gdp-march-2017-spring-budget-2017>.

Values expressed in constant 2015 pounds.

For sector classifications, see notes to Figure 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.

Figures may not sum to totals due to rounding.

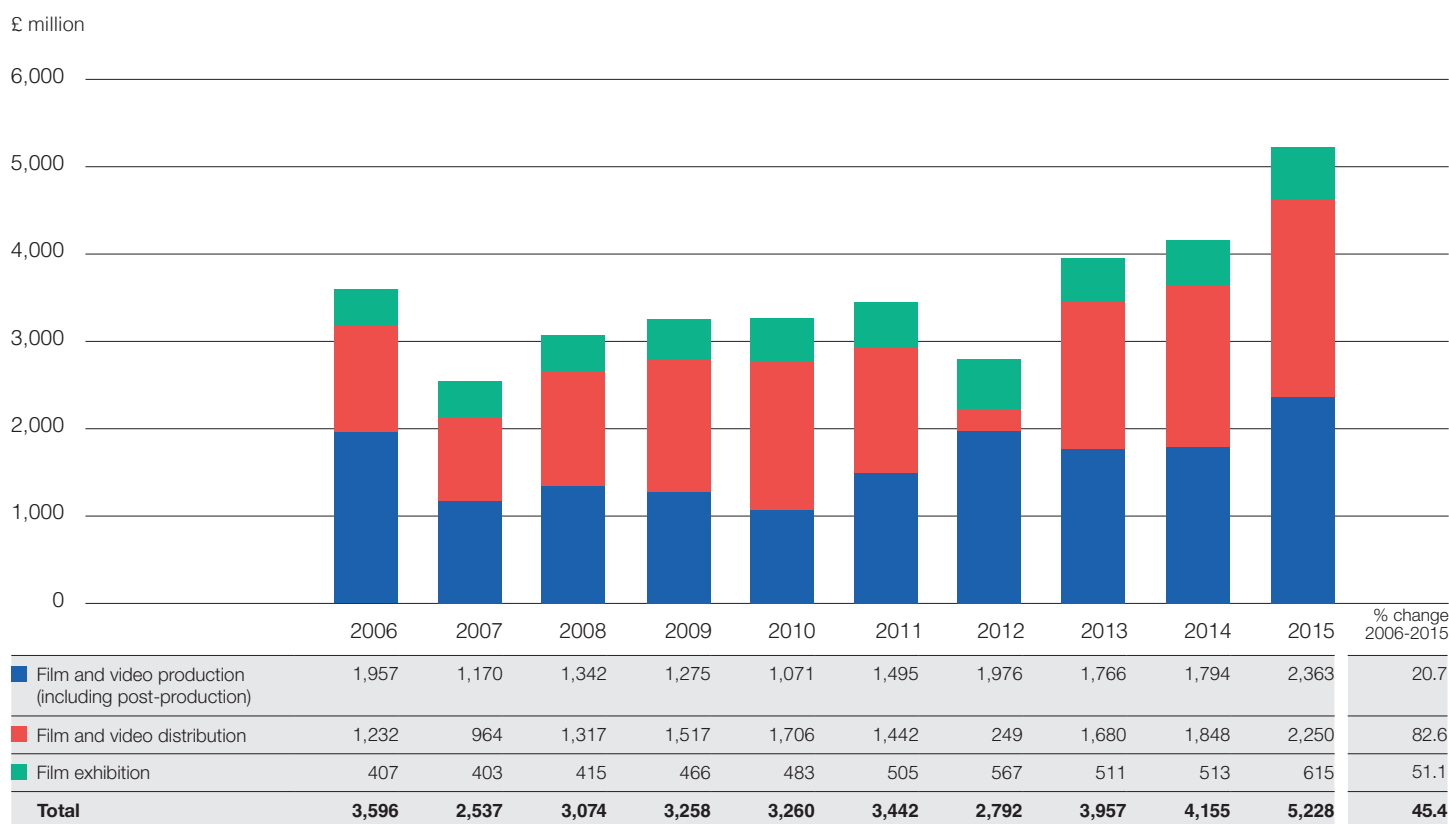
FILM INDUSTRY CONTRIBUTION TO GDP, 2006-2015

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 2015 was £5.2 billion. According to data published by the government in August 2016, the GVA for all UK creative industries in 2015 was £87.4 billion, so film accounted for almost 6% of all creative industries' value added.

As Figure 4 shows, in 2015 for the film industry as a whole, production accounted for 45% of the total value added, distribution 43% and exhibition 12%. As with turnover, the value added for film distribution decreased between 2011 and 2012 due to the reclassifications of businesses in the distribution sector.

Figure 4 UK film industry gross value added, 2006-2015



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 2013 and 2014 have been revised since publication of the 2016 Yearbook.

Table 2 shows the GVA breakdown in 2015 by the 2007 SIC codes. Film distribution was the highest single contributor at £2.3 billion (44% of the total). The GVA value and overall percentage for film distribution are higher than those shown in Figure 4 which include the negative impact of video distribution. Film production is the next highest contributor with a GVA of £1.2 billion (22% of the total). Again, these figures differ from those in Figure 4 as they show film production separately to video production and film, video and TV post-production.

Table 2 UK film industry gross value added, 2015

Sub-sector	GVA (£ million)	% of total
Film production	1,169	22.4
Video production	236	4.5
Film, video and TV post-production	958	18.3
Film distribution	2,283	43.7
Video distribution	-33	-0.6
Film exhibition	615	11.8
Sector total	5,228	100.0

Source: Office for National Statistics Annual Business Survey

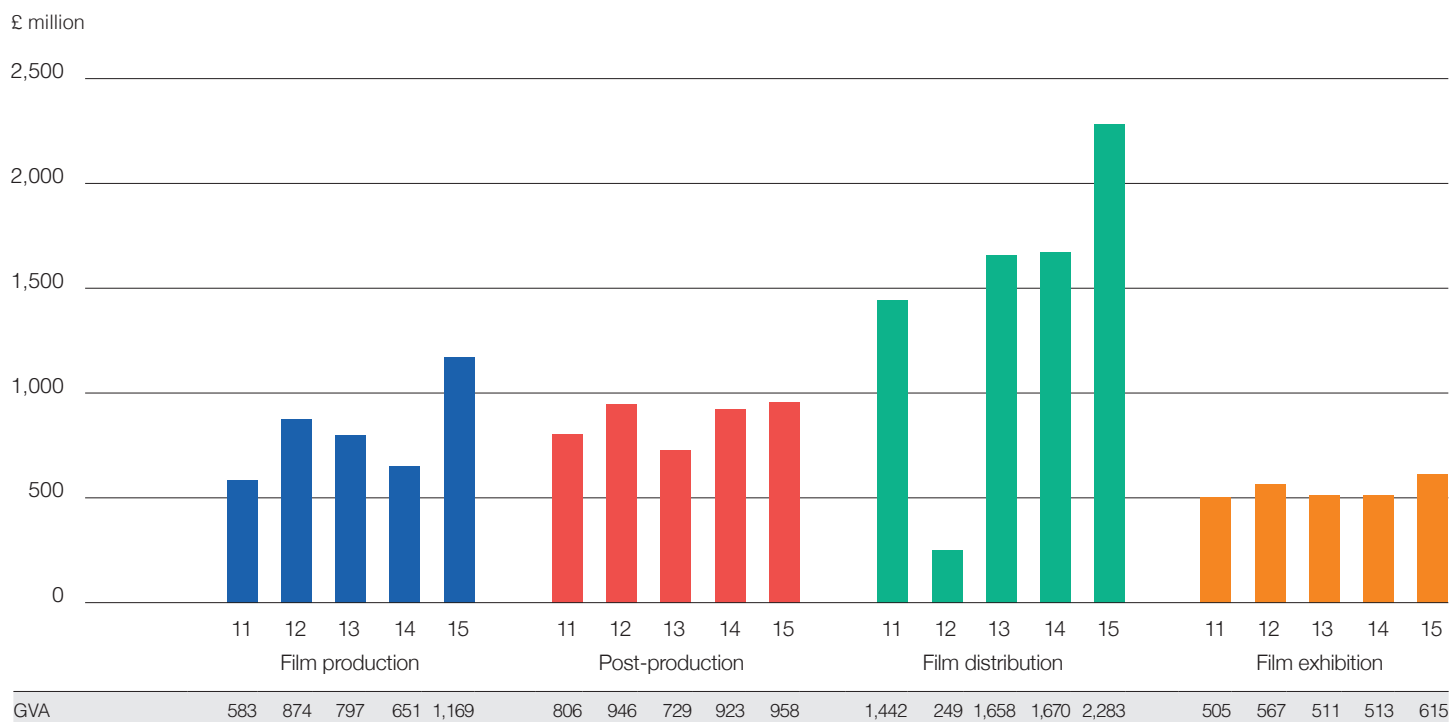
Notes:

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

Percentages may not sum to 100 due to rounding.

The patterns of GVA by sub-sector from 2011 to 2015 are similar to those for total turnover (Figure 5). As with turnover, film distribution typically had the highest value added but, because of the reclassifications of companies within the distribution sector, in 2012 its contribution to GVA was just £249 million. Film production and distribution both saw substantial increases in GVA between 2014 and 2015 while film exhibition recorded a modest rise.

Figure 5 Gross value added of film sub-sectors, 2011-2015



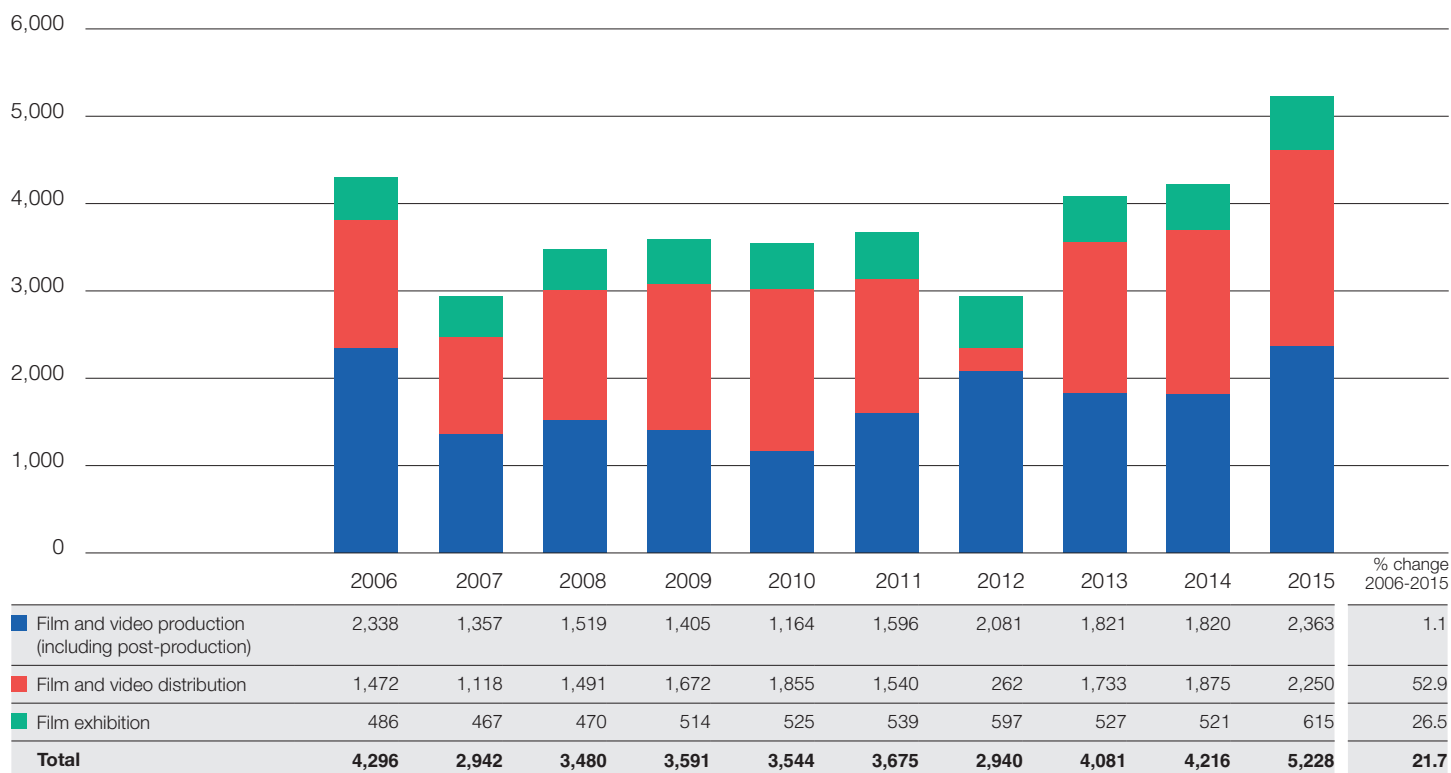
Source: Office for National Statistics Annual Business Survey

See notes to Table 2.

Figure 6 shows the industry's value added expressed in real terms, ie with the effects of inflation removed. For the four years 2008 to 2011, real GVA was around £3.5 billion (in 2015 pounds) but decreased to £2.9 billion in 2012. The decrease was mainly due to the reduction in GVA for film distribution caused by the reclassifications of companies within the distribution sector. However, the distribution element increased substantially in 2013. In real terms, GVA for the film industry as a whole in 2015 was 22% higher than its value in 2006.

Figure 6 UK film industry real gross value added, 2006-2015

£ million (2015 pounds)



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

Notes:

The deflator used to calculate real values is the UK whole economy deflator which can be found at <https://www.gov.uk/government/statistics/gdp-deflators-at-market-prices-and-money-gdp-march-2017-spring-budget-2017>.

Values expressed in constant 2015 pounds.

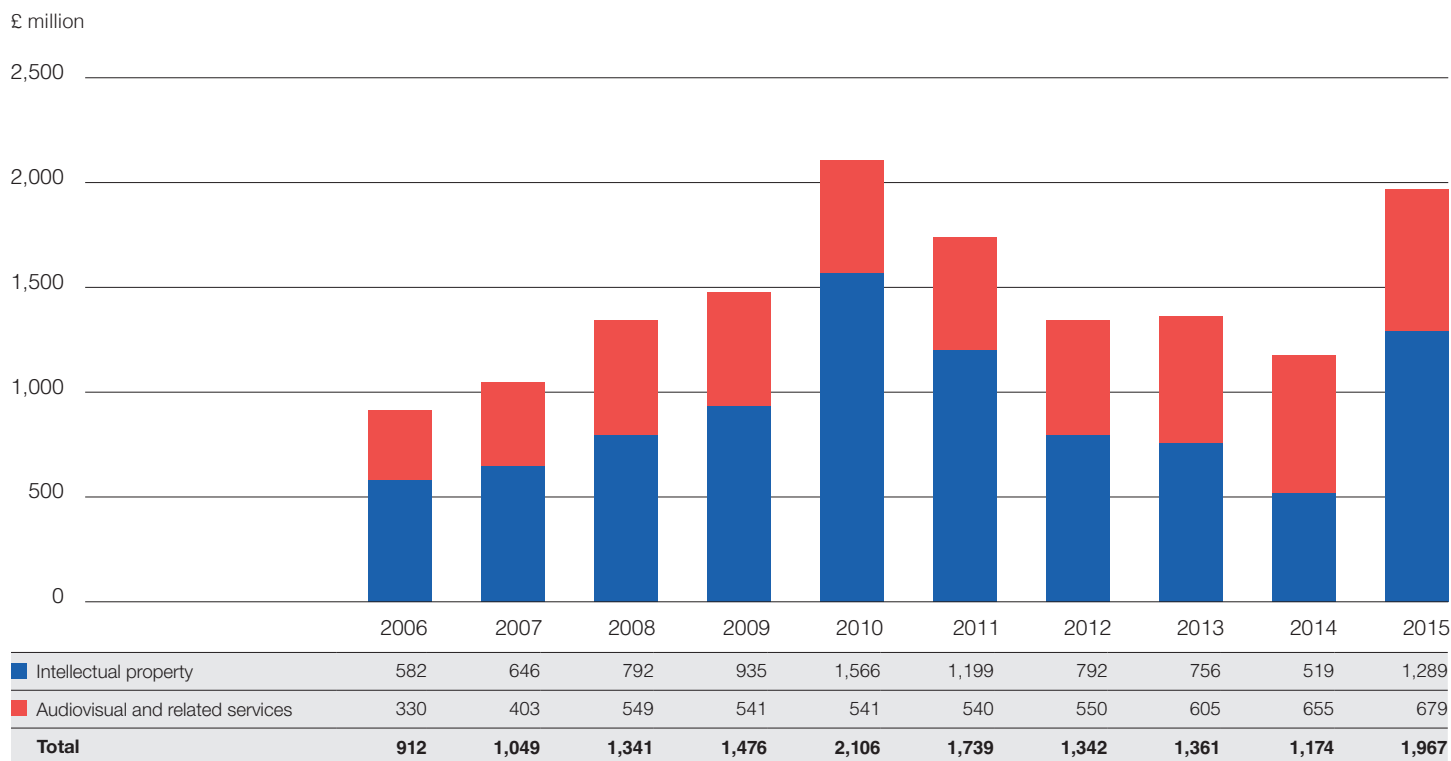
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For 2009, 2011 and 2012, only film is included in the distribution sector as the data for video distribution are confidential.

FILM EXPORTS, 2006-2015

The UK film industry exported £2 billion worth of services in 2015 (the latest year for which data are available), of which £1.3 billion came from intellectual property and £0.7 billion from audiovisual and related services (Figure 7). Exports from intellectual property increased by 148% on 2014, and the export value of audiovisual and related services increased by just under 4%. Total film exports in 2015 were 116% higher than in 2006, but were slightly down on the peak of £2.1 billion in 2010.

Figure 7 UK film industry exports, 2006-2015



Source: Office for National Statistics

Notes:

Data for 2016 are expected to be available at the end of January 2018.

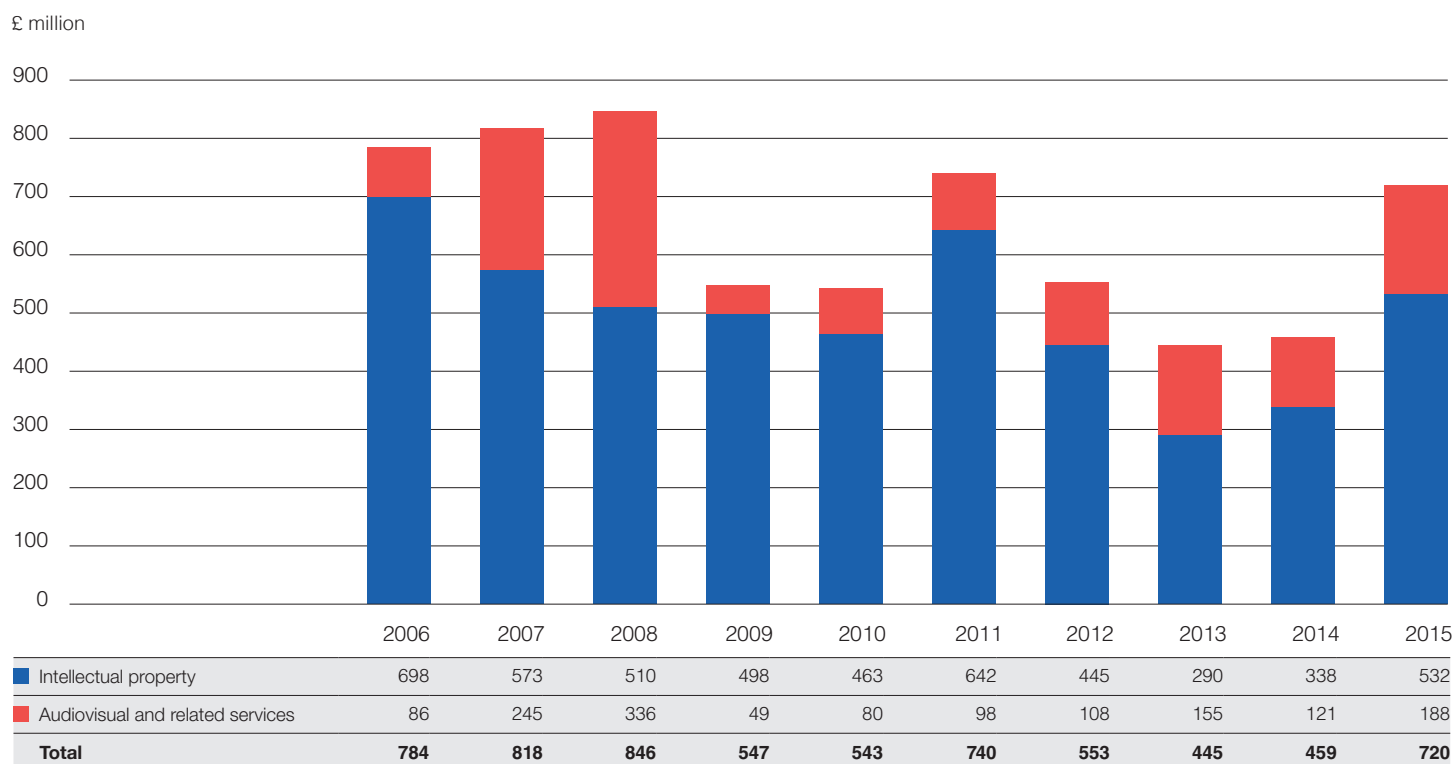
This chart shows the results for film companies only. Import and export data to 2008 are derived from the Office for National Statistics (ONS) Film and Television Survey which was a sample survey with a high response rate (87%) of companies in the Inter-Departmental Business Register in the SIC codes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

FILM IMPORTS, 2006-2015

The UK film industry imported £720 million worth of services in 2015, of which £532 million (74%) comprised intellectual property and £188 million (26%) audiovisual and related services.

As Figure 8 shows, in most years intellectual property makes up the vast majority of imports with audiovisual and related services accounting for only around 15% of the total. However, the share for services was as high as 30% in 2007, 40% in 2008 and 35% in 2013. The reasons for the increased share in these years are unclear as the reported level of imports for services is relatively 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 services. However, this explanation cannot be confirmed as the survey returns are confidential.

Figure 8 UK film industry imports, 2006-2015



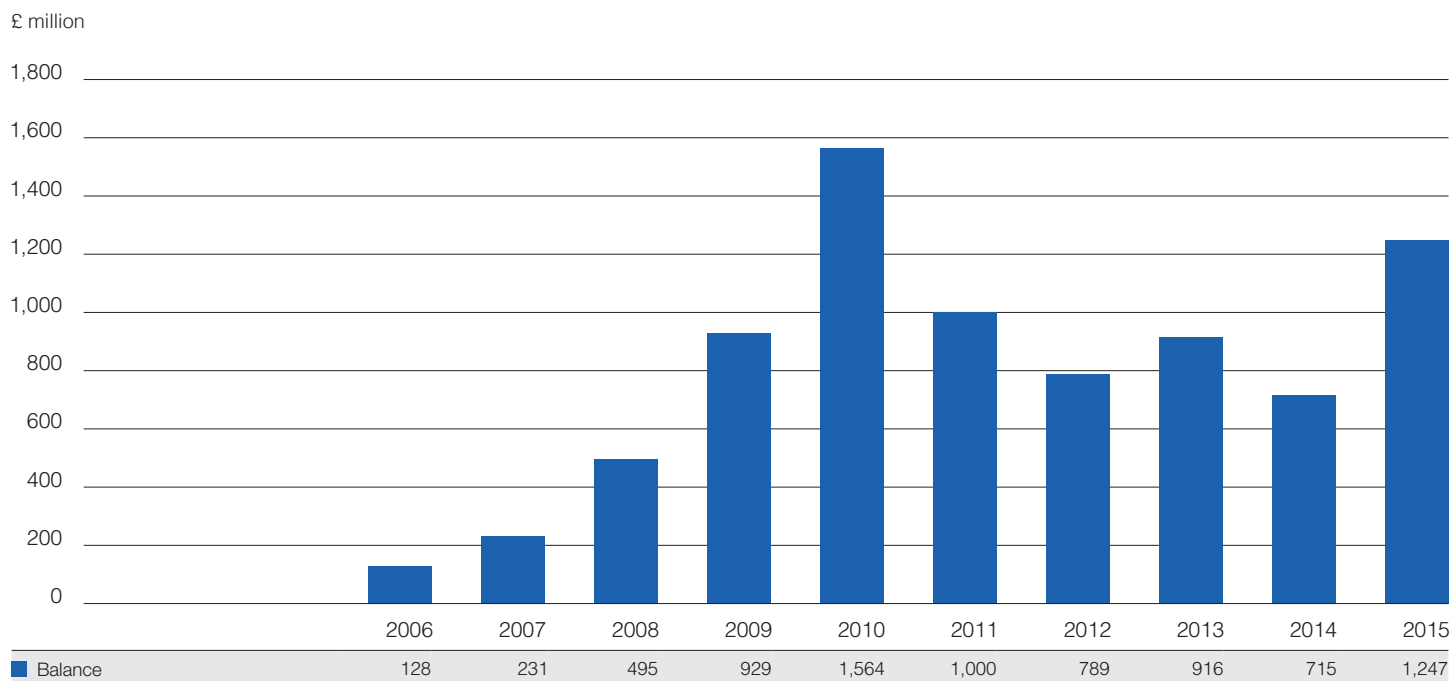
Source: Office for National Statistics

See notes to Figure 7.

THE FILM TRADE BALANCE, 2006-2015

The film industry has made a continuous positive contribution to the UK balance of payments since 2006, as Figure 9 shows. The trade surplus (positive balance of exports over imports) in 2015 was £1.2 billion, up from £0.7 billion in 2014, and the second highest recorded surplus of the 10-year period covered in the chart.

Figure 9 Trade surplus of UK film industry, 2006-2015



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 10 shows the geographic distribution of UK film exports for the years 2011-2015. The USA was the primary export destination for UK film in the period with a 47% share of exports compared with the EU's 34%. Asia took 7% which is a slight increase on the previous period, 2010-2014, as reported in the 2016 Statistical Yearbook.

Figure 10 Destination of UK film exports as percentage of the total, 2011-2015

	%
EU	34.1
Other Europe	6.1
USA	46.6
Asia	6.9
Rest of the world	6.3



Source: Office for National Statistics

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

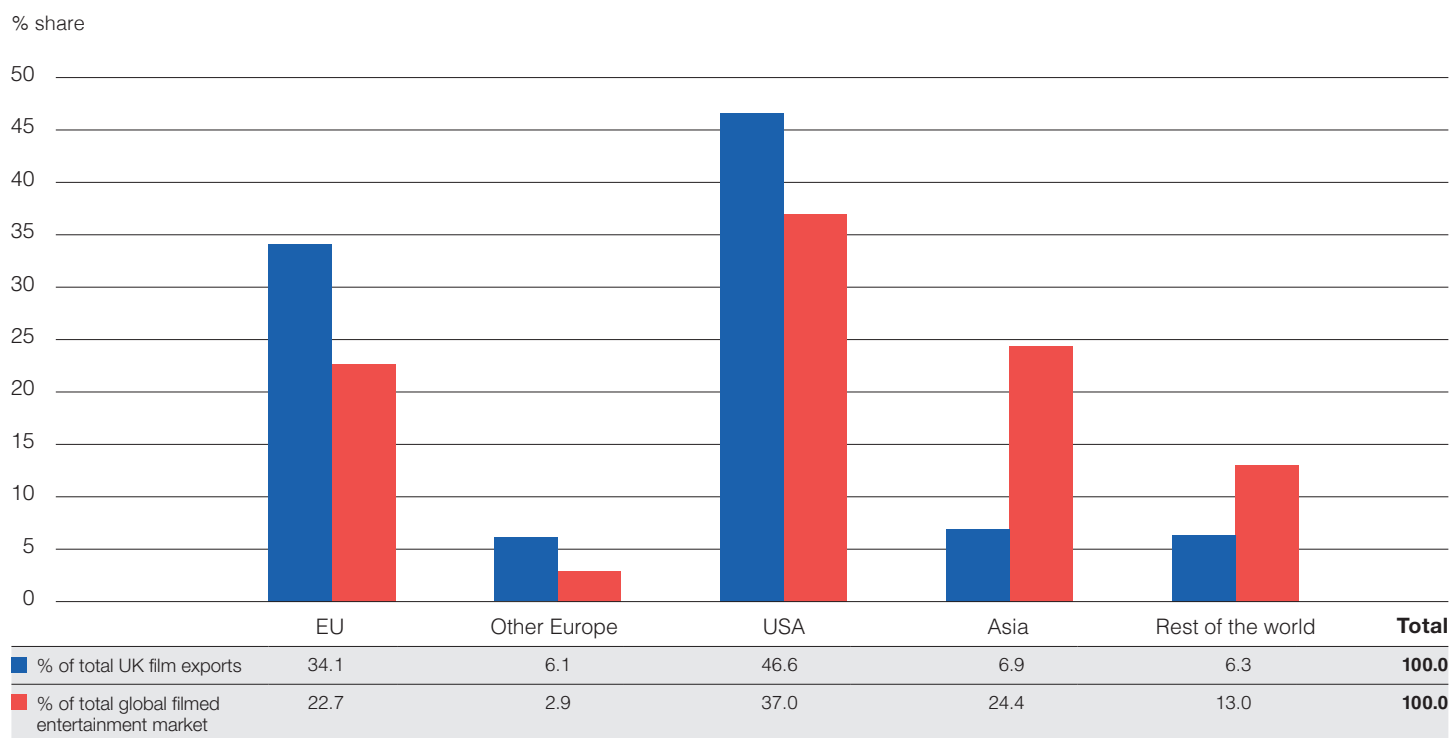
UK FILM EXPORTS COMPARED WITH THE GLOBAL MARKET FOR FILMED ENTERTAINMENT

A useful comparison can be made between UK film export shares and the geographical distribution of the global market for filmed entertainment (Figure 11). For the EU, USA and 'other Europe' the shares of UK exports in the period 2011-2015 were higher than the shares of the ex-UK global filmed entertainment market in each of those regions, whereas the reverse was true for Asia and 'rest of the world'. The differences that stand out are:

- The higher proportion of UK exports to Europe (34% of the UK's film exports were to the EU compared with the EU's 23% share of the ex-UK global filmed entertainment market, and 6% of film exports were to 'other Europe' compared with a 3% ex-UK global market share);
- The lower proportion of UK exports to Asia (7%) compared with the Asian countries' share of the ex-UK global market (24%).

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 UK (and USA) films. There are also export restrictions in the Chinese market.

Figure 11 UK export shares, 2011-2015, compared with the ex-UK global market for filmed entertainment, 2015



Sources: 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 8% of the film trade balance, with 'rest of the world', as shown in Table 3. The UK ran large film trade surpluses with the USA in the years 2011-2015. During the period, the USA accounted for 61% of the UK's film trade surplus, while EU countries other than the UK accounted for just over one third of the surplus.

Table 3 International transactions of the UK film industry by geographical area, annual average, 2011-2015

	Exports (£ million)	Imports (£ million)	Balance (£ million)	% balance
EU	516.8	199.4	317.4	34.0
Other Europe	93.0	34.6	58.4	6.3
USA	706.4	139.2	567.2	60.8
Asia	104.8	40.4	64.4	6.9
Rest of the world	95.6	169.8	-74.0	-7.9
Total	1,516.6	583.4	933.4	100.0

Source: Office for National Statistics

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



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