



Rebuilding Europe

The cultural and creative economy before and after the COVID-19 crisis

January 2021



EY

Building a better working world

About the partners and supporters of the report

The European Grouping of Societies of Authors and Composers (GESAC) commissioned EY teams to produce a report on the state of the cultural and creative industries (CCIs) in Europe.

What was their economic situation before the COVID-19 crisis? What impact has the crisis had on activity and employment? And what are the main priorities for the sector to protect itself from the most serious consequences, to recover growth and enhance its value in the European economy? This study follows a report of the same type, entitled *Creating Growth*, published in December 2014.

GESAC has brought together numerous partners representing the CCIs, in order to reflect the diversity and collective strength of this economy.

The EY team would like to thank GESAC's team, GESAC's partners and the experts interviewed across Europe. GESAC and EY would also like to thank ADAGP, BUMA, GEMA, SACEM, SCAM, SIAE and SOZA for their contributions. Everyone's contribution has been essential to the study.

About GESAC

GESAC comprises 32 authors' societies from all over Europe, which together represent over one million creators and rights holders - from musicians to writers, visual artists to film directors and many more, in the areas of musical, audiovisual and visual arts, and literary and dramatic works.

web: www.authorsocieties.eu
 email: secretariatgeneral@gesac.org
 twitter: @authorsocieties

About the study's team

The study was carried out by EY Consulting, under the supervision of Marc Lhermitte, with the participation of Hugo Alvarez, Clémence Marcout, Quentin Nam and Enzo Sauze.



Marc Lhermitte



Hugo Alvarez



Quentin Nam



Clémence Marcout



Enzo Sauze

GESAC's partners for the study

AEPO-ARTIS

Association of European Performers Organisations

EUROKINEMA

Association of European Producers

EUROCOPYA

European Federation of Joint Management Societies of Producers for Private Audiovisual Copying

EVA

European Visual Artists

FIAPF

International Federation of Film Producers Associations

IMPALA

Independent Music Companies Association

IVF

International Video Federation

SAA

Society of Audiovisual Authors

SROC

Sports Rights Owners Coalition

Supportive organizations

AER

Association of European Radios

CEPIC

Coordination of European Picture Agencies Stock, Press and Heritage

EACA

European Association of Communications Agencies

ECSA

European Composer and Songwriter Alliance

EGDF

European Games Developer Federation

EMC

European Music Council

EPC

European Publishers Council

FEP

Federation of European Publishers

FERA

Federation of European Film Directors

FSE

Federation of Screenwriters in Europe

IFRRO

International Federation of Reproduction Rights Organisations

IMPF

Independent Music Publishers International Forum

Contents

About the partners and supporters of the report	02
Executive summary	04
Editorials	08
1 Before COVID-19 The full power of culture and creation	12
2 Because of COVID-19 The sharp fall	28
3 After COVID-19 Rebuilding Europe	42
Detailed methodology and main sources	50

Executive summary

Rebuilding Europe : the cultural and creative economy before and after the COVID-19 crisis

EY 2021

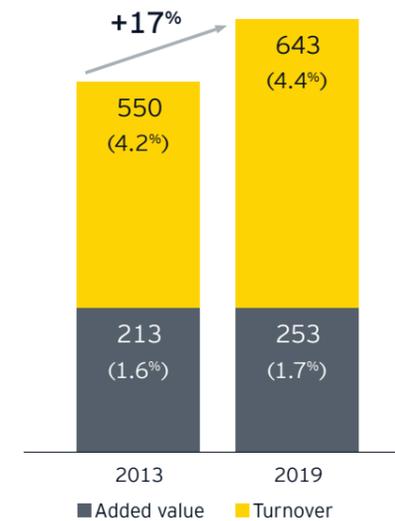


1. Before COVID-19 The full power of culture and creation

At the end of 2019, the cultural and creative economy was a European heavyweight

- With a turnover of €643 billion and a total added value of €253 billion in 2019, the core activities of the cultural and creative industries (CCIs) represented 4.4% of EU GDP in terms of total turnover.
- Therefore, the economic contribution of CCIs is greater than that of telecommunications, high technology, pharmaceuticals or the automotive industry.
- Since 2013, total CCI revenues have increased by €93 billion and by almost 17%.
- At the end of 2019, CCIs employed more than 7.6 million people in the EU-28, and they have added approximately 700,000 (+10%) jobs, including authors, performers and other creative workers, since 2013.
- Between 2013 and 2019, the 10 CCI sectors experienced varied but constant growth rates: more than 4% per year for video games, advertising, architecture and music; and between 0.5% and 3% for audiovisual (AV), radio, visual arts, performing arts and books. Only the press suffered (-1.7%) due to the difficult transition between print and online revenues.
- All the players point to a period of intense innovation - not only the search for greater live or physical experiences by spectators, readers, players or visitors but also the explosion in demand for online content: 81% of internet users in the EU used the internet for music, videos and games in 2018 - more than for shopping or social networking.

Turnover and added value in 2013 and 2019, and share of GDP (in € billion and %, EU-28)



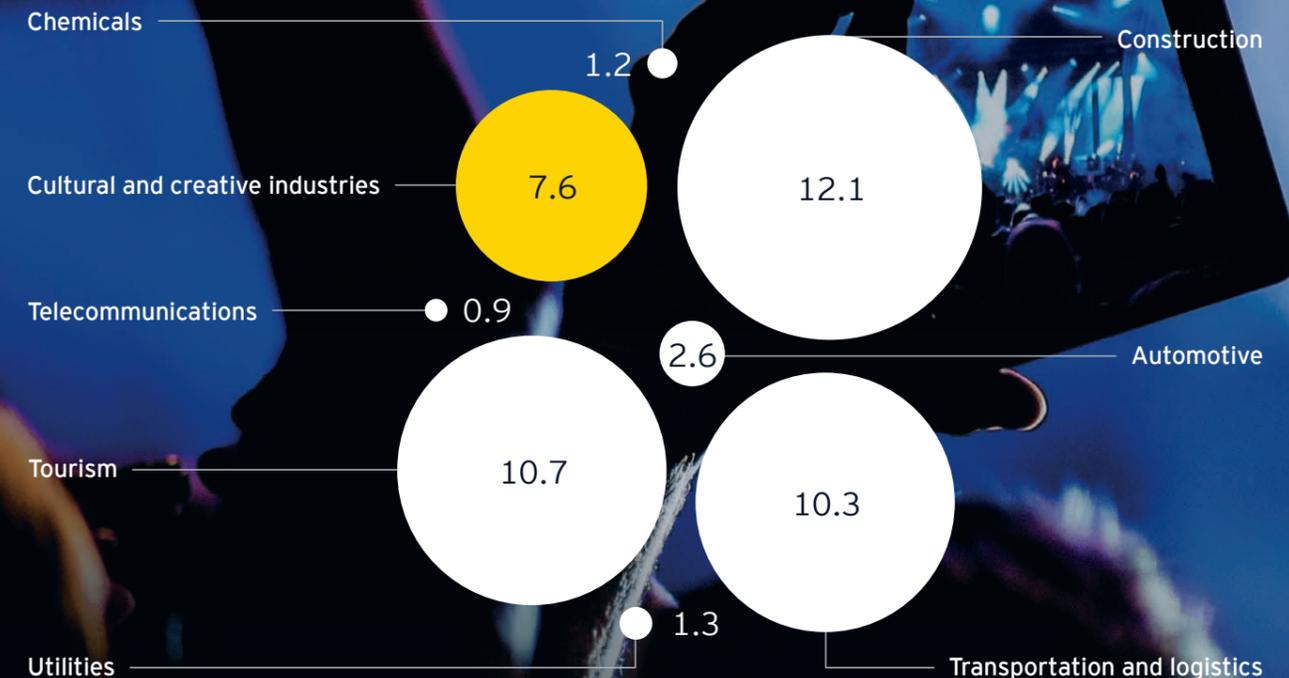
Sources: Eurostat; GESAC; professional organizations; EY modeling and analysis 2020.

CCIs in Europe have become more international and entrepreneurial

- In 2019, the five largest EU-28 countries (France, Germany, Italy, Spain and the UK) accounted for 69% of CCI total revenue in the EU, but the strongest growth came from Central and Eastern Europe.
- In 2017, the EU exported €28.1 billion worth of cultural goods. The EU's trade balance in cultural goods is in surplus (+€8.6 billion), and the share of CCI exports in total EU exports was 1.5% - about the same as the surplus in trade in food, drinks and tobacco (€9.1b in 2018).
- Over 90% of CCI companies are small- and medium-sized enterprises, and 33% of the workforce are self-employed - more than twice as many as in the European economy as a whole (14%).
- Revenues originating from the public sector accounted for only 10.8% of revenues in 2018, compared with 11.5% in 2013.

Employment by sector in 2019 (in million jobs; EU-28)

Sources: Eurostat - Business Sector Profile; EY modeling and analysis 2020.



8.4x
more jobs than in the telecommunications industry

81%
of internet users in the EU used the internet for music, videos and games

€8.6b
EU's total trade balance in cultural goods in 2019

90%
of CCI businesses are small and medium sized

Sources: Digital Economy and Society Index (DESI); Business Sector Profile, Eurostat; Cultural Statistics, Eurostat

Digital experiences and online/offline distribution combinations have fueled the growth, but the market continues to evolve

- In the last six years, the turnover generated by online cultural content, services and works grew by 11.5% per year.
- Cultural enterprises have historically been one of the first to experiment and adopt digital technologies (digital photos, digital carriers such as DVD and Blu-ray, CDs, shooting digitally, streaming, virtual reality and online platforms). Cultural content have fueled the growth and the development of the internet from the very beginning, and still represent a high share of broadband consumption.
- Since 2013, CCI companies and organizations have invested heavily in innovation and digitization, both from a business perspective and in terms of production and customer experience.
- Yet unbalanced relationships with global platforms and intermediaries on the internet may compromise the financial viability, employment, innovation and investments in the sector.
- For the stakeholders of the CCIs, the challenges are numerous, including the remuneration of rights holders, the proper functioning of the markets for cultural and creative content, and the fight against illicit access to protected works.

Executive summary

Rebuilding Europe : the cultural and creative economy before and after the COVID-19 crisis

EY 2021



2. Because of COVID-19 The sharp fall

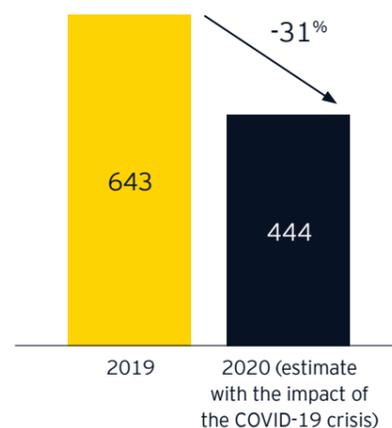
In 2020, the cultural and creative economy lost approximately 31% of its revenues

- ▶ The total turnover of CCIs in the EU-28 is reduced to €444 billion in 2020, a net drop of €199 billion from 2019.
- ▶ With a loss of 31% of its turnover, the cultural and creative economy is one of the most affected in Europe, slightly less than air transport but more than the tourism and automotive industries (-27% and -25% respectively).
- ▶ The shockwaves of the COVID-19 crisis are felt in all CCIs: performing arts (-90% between 2019 and 2020)

and music (-76%) are the most impacted; visual arts, architecture, advertising, books, press and AV activities fell by 20% to 40% compared with 2019. The video games industry seems to be the only one to hold up (+9%).

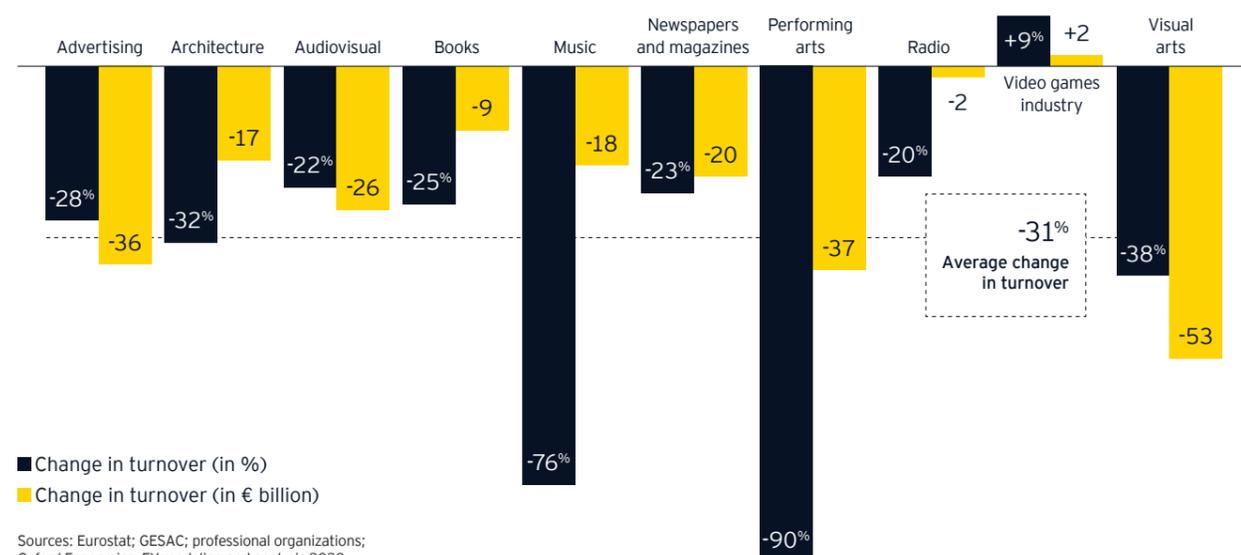
- ▶ The crisis has hit Central and Eastern Europe the hardest (from -36% in Lithuania to -44% in Bulgaria and Estonia).
- ▶ All sectors are affected: even those that seemed to be protected by home consumption faced a sharp drop in income, given the central role of physical experiences and sales in their business models, as well as uncontrollable production and distribution costs.

Total turnover generated by CCIs in the EU-28 (in € billion)



Sources: Eurostat; GESAC; professional organizations; Oxford Economics - Global Industry, Second Wave Scenario, as of 7 September 2020; EY modeling and analysis 2020.

Estimated change in turnover 2019-20 by CCI sector (in % of total 2019 turnover and in € billion; EU-28)



Sources: Eurostat; GESAC; professional organizations; Oxford Economics; EY modeling and analysis 2020.

3. After COVID-19 How to rebuild Europe

As a result of in-depth research and interviews conducted by EY teams, and based on the opinions of experts and organizations representing the CCIs, the following challenges have been identified as priorities for the recovery and growth of the creative economy:

Challenge 1 - "Finance"

Provide massive public funding and promote private investment in cultural and creative businesses, organizations, entrepreneurs and creators - two indispensable levers to support and accelerate their recovery and transformation.

Challenge 2 - "Empower"

Promote the EU's diversified cultural offering by ensuring a solid legal framework to allow for the development of private investment in production and distribution, providing the necessary conditions for an adequate return on investment for businesses and guaranteeing appropriate income for creators.

Challenge 3 - "Leverage"

Use the CCIs - and the multiplied power of their millions of individual and collective talents - as a major accelerator of social, societal and environmental transitions in Europe.

The COVID-19 crisis will have a massive and lasting impact on the entire CCI value chain

- ▶ The financial viability of individuals - whether creative or business - and CCI companies in the private and public sectors is compromised by rising costs, successive delays, tight cash flow due to interruption of activities, and the uncertain return of acceptable economic and health conditions.
- ▶ The seriousness of the crisis is illustrated, for example, by the fall of around 35% in royalties collected by collective management organisations (CMOs) for authors and performers, whose revenues will be sharply reduced in 2021 and 2022.
- ▶ On the other hand, consumer spend on digital models does not compensate for the loss of revenues generated in physical sales (of books, video games, newspapers, etc.) and events in most sectors. In the music sector, physical sales (CDs and vinyls) will be down 35%, while digital revenues for the recorded music industry are expected to grow by only 8%. The same trends apply for film with a drop of revenues generated by European cinemas estimated so far at -75% in 2020.
- ▶ In the absence of a significant resumption of offline production, distribution and promotion operations in 2021, the ability of CCIs to maintain and increase investment in new projects, creation and innovation will be seriously compromised.
- ▶ In a recent EY Future Consumer Index, 46% of respondents said they would not feel comfortable going to a concert for several months, and 21% said they would not feel comfortable going for several years.

Culture, the social cement of the post-COVID-19 world



David Sassoli
President
European Parliament

Europe's diverse and rich cultural heritage and culture is the cement that fosters our common European sense of belonging. Not only does it contribute to our society's social cohesion, to our democracy and to our economy, but it also reflects our European diversity, values, history and way of life. As such, it must be cherished and supported.

We are facing challenging times. The European Parliament recognized from the outset the dramatic effects of the COVID-19 pandemic on the cultural and creation sector, and on the many culture professionals, authors, composers, musicians, writers and more, men and women whose present and future have become seriously uncertain.

We must think of culture as not only a pivot for recovery but also the social cement of a post-COVID-19 world that needs to be rebuilt, in which interpersonal links will have to be reconnected.

At a time when darkness seemed to have taken over our private lives, cultural venues, concerts, cinemas and theaters, Europeans took to their instruments and sang on their balconies.



Art has a cathartic power that can accompany a post-pandemic society on the road to resilience.

From the very start, we called on EU institutions and Member States to recognize the need for massive support for culture. For several months, the Parliament fought tooth and nail to increase the budget allocated to culture in the multi-annual financial framework. The Creative Europe program was substantially enhanced, and this victory is the testament to our commitment to respond to the needs of citizens and to the cultural and creative sector. We also called strongly upon every Member State to ensure that the fundamental place that culture deserves in the economic recovery plan is preserved.

Art has a cathartic power that can accompany a post-pandemic society on the road to resilience. Art is not an accessory; it is a viaticum. Art is not "political"; it is "poetic" - a creative force that animates us and allows us to live together, to survive, individually and collectively.

CCIs are essential for maintaining our cultural diversity, social cohesion and Europe's attractiveness



Mariya Gabriel
European Commissioner
for Innovation, Research,
Culture, Education
and Youth

The EU's cultural and creative sectors are an important pillar of our society and economy. They are essential for our cultural diversity, strengthening social cohesion and increasing Europe's attractiveness internationally. They are also one of our most dynamic sectors, with positive spill-over effects on other sectors of the economy, such as the take-up of technology or cultural tourism. The contribution to our economy is enormous, with as much as 4% of our GDP and more than seven million jobs, more than the automotive sector in the EU!

Yet the COVID-19 crisis has had a devastating impact on cultural and creative sectors across all Member States. We have seen, on the one hand, the sector's extraordinary capacity to mobilize and be creative at all levels, but on the other, the need for resources, targeted investment and greater support in such critical moments.

On our side, we reacted very quickly using the flexibility of our existing instruments. But more importantly, we worked hard for the future. As a result, a few weeks ago, we managed to increase the budget for the new Creative Europe programme 2021-2027 to €2.2bn, a 50% increase compared with the current programme. Moreover, other important

instruments, such as Erasmus+, with an envelope of €26bn, as well as Horizon Europe and, in particular, its Cluster 2 on Culture, Creativity and Inclusive Society (worth €2.3bn), will also support the sector. Our work will focus on enhancing synergies among these initiatives, as well as with other funding possibilities available through Digital Europe, REACT-EU or cohesion policy instruments, to help the sector recover and tackle future challenges.

Over the past months since the beginning of the crisis, I have received all the representatives of the sector to hear their concerns and gather data about losses due to restrictive measures throughout Europe. However, it is fair to say that the full impact of the ongoing COVID-19 crisis on the cultural sectors has not yet been assessed, due to the severe lack of data. Specific data is extremely important to respond rapidly and identify the best possible tools to support the sector. The findings of this study will be instrumental to define suitable responses to this unprecedented crisis, and make sure that the measures are targeted and efficient.

I encourage you to read this very interesting study that shows, once more, the importance of this sector for our societies and economies.

CCIs could become the N°1 ally of the European recovery



Jean-Noël Tronc
President GESAC
CEO SACEM

The study presented in this document was commissioned by GESAC, which represents over one million creators and rightsholders in Europe, and carried out by EY Consulting. It serves two purposes. First, it provides accurate data on the massive economic impact of the COVID-19 crisis on the cultural and creative industries in Europe. But it also asserts that this sector, an economic heavyweight at the heart of Europe's social fabric, could become the number one ally of the European economic



CCIs contribute to Europe's identity, diversity and regeneration.

recovery.

Indeed, the current crisis is all the more serious as it affects a sector as dynamic as it is vulnerable; as essential as it is diverse. CCIs are a world of small businesses and freelancers (who represent one-third of workers in the creative economy) as well as large firms, sometimes leaders at the international level. They contribute to Europe's identity, diversity and regeneration, with a proportion of women in employment higher than in the European economy (48%) and a creative workforce younger than the average in 21 of the 27 Member States. And cultural activities - including music, literature, visual arts, cinema, museums, theatres, architecture and video games - are vectors of communication, inclusion and social cohesion.

But culture is one of the most impacted economic sectors in Europe, with a massive drop of 31% of its revenues in 2020 due to the COVID-19 crisis and full recovery not expected before 2022. This situation might weaken the entire CCI value chain for a very long time: artists, producers, publishers, technicians and, of course, authors, who are the fundamental but also the most threatened link in the sector.

Fortunately, it's not too late to take action. If specific measures and recovery plans are put in place, CCIs could be much more than "one of the problems to be solved" following the crisis, becoming a significant part of Europe's solution.

That is why we, the European authors' right societies, suggest to the authorities that they implement concrete solutions to tackle three main challenges:

- ▶ Financing the cultural recovery by promoting massive public and private funding for cultural and creative businesses, non-profit organizations, entrepreneurs and creators
- ▶ Empowering CCIs to reinforce their positive impact by ensuring a solid legal framework, allowing an adequate return on investment and guaranteeing fair remuneration for creators
- ▶ Preparing for the future by using the cultural and creative industries - and the multiplied power of their millions of individual and collective, private and public talents - as a major accelerator of social, societal and environmental transitions in Europe.

The full power of culture



Marc Lhermitte
Partner, EY

After a first report published with GESAC in 2014, EY Consulting took up the challenge of producing this second edition at the end of a dramatic year for the cultural and creative industries (CCIs), both in Europe and around the world.

The analysis shows that the European cultural and creative economy lost almost a third of its activity in 2020. Culture was the first to suspend most of its live and retail activity - and it will probably be the last to resume without constraint. Only air transport can challenge culture for the unenviable position of the most affected sector. Yet it is undeniable that other industries have been able to better explain their value and potential, and channel public support.

Our report also shows the power of culture, its dynamism and its contribution to the EU's global influence. Based on a massive turnover of

€643 billion in 2019 (more than the telecommunications, pharmaceutical or automotive sectors), the value of the creative ecosystem, diversified and innovative by nature, lies above all in the 7.6 million people who create, produce and disseminate the artistic act - 700,000 more than six years ago. And the balance of trade in culture posted a net surplus of €8.6 billion in 2019.

The EY team would like to extend its warmest thanks to GESAC and its partners for their incredible support and collaboration, and to the dozens of professionals, experts and creators who provided insights and convictions so that Europe can use the full power of culture.

Scope

This study covers the 10 core cultural and creative sectors that have already served as the scope of the first report on CCIs in Europe, published in 2014 by EY and GESAC:

- ▶ Advertising
- ▶ Architecture
- ▶ Audiovisual
- ▶ Books
- ▶ Music
- ▶ Newspapers and magazines
- ▶ Performing arts
- ▶ Radio
- ▶ Video games
- ▶ Visual arts

For the sake of rigor and consistency, we have decided to stay close to the UNESCO definition of CCIs as activities "whose principal purpose is production or reproduction, promotion, distribution or commercialization of goods, services and activities of a cultural, artistic or heritage-related nature." Therefore, the main data shown in this report does not include certain other "creative activities," such as fashion, jewelry or industrial design - nor sectors where creativity plays a central role, such as luxury goods or

gastronomy, which are sometimes included in CCI statistics, such as those of Eurostat.

The geographical scope of the study is the European Union (EU) and the United Kingdom (UK), known as the EU-28. Unless otherwise stated, all references to the EU in this study refer to the scope of the EU-28.

Unless otherwise stated, all references to creators refer to authors, performers and other artists.

01 Before COVID-19

The full power of culture and creation



The cultural and creative economy is now a European heavyweight

At the end of 2019, the core activities of the cultural and creative industries (even without including other industries or adjacent activities, such as industrial design, fashion or gastronomy) represented a total added value of €253 billion,¹ or 1.7% of EU GDP, up 5% on 2013.

In terms of turnover, creative businesses, organizations, freelancers and creators generated €643 billion - €93 billion more than in 2013. When total revenues are measured in relation to EU GDP, the sector accounts for about 4.4% of the European economy.

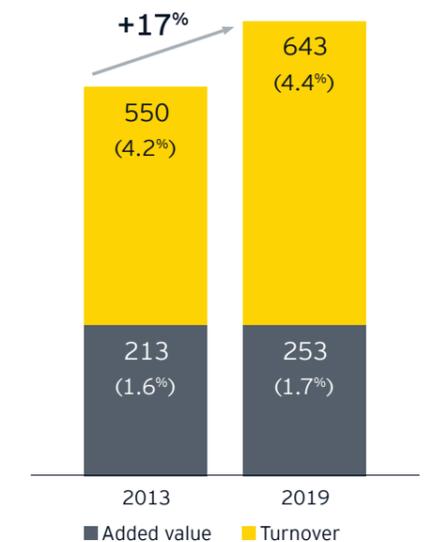
Before the start of the COVID-19 crisis, the cultural and creative economy was growing steadily in the EU. From 2013 to 2019, it grew by 2.6% per year, while the EU average GDP growth was 2.0%.

The contribution of CCIs to the European economy is greater than that of other sectors, which are generally considered to be landmarks of the EU economy: for example, the CCI GDP is 1.4 times greater than that of telecommunications and 2.3 times greater than that of the automotive industry.

And its growth between 2013 and 2019 (2.6% per year) exceeded that of the construction and automotive sectors (2.5% and 1.6% respectively).

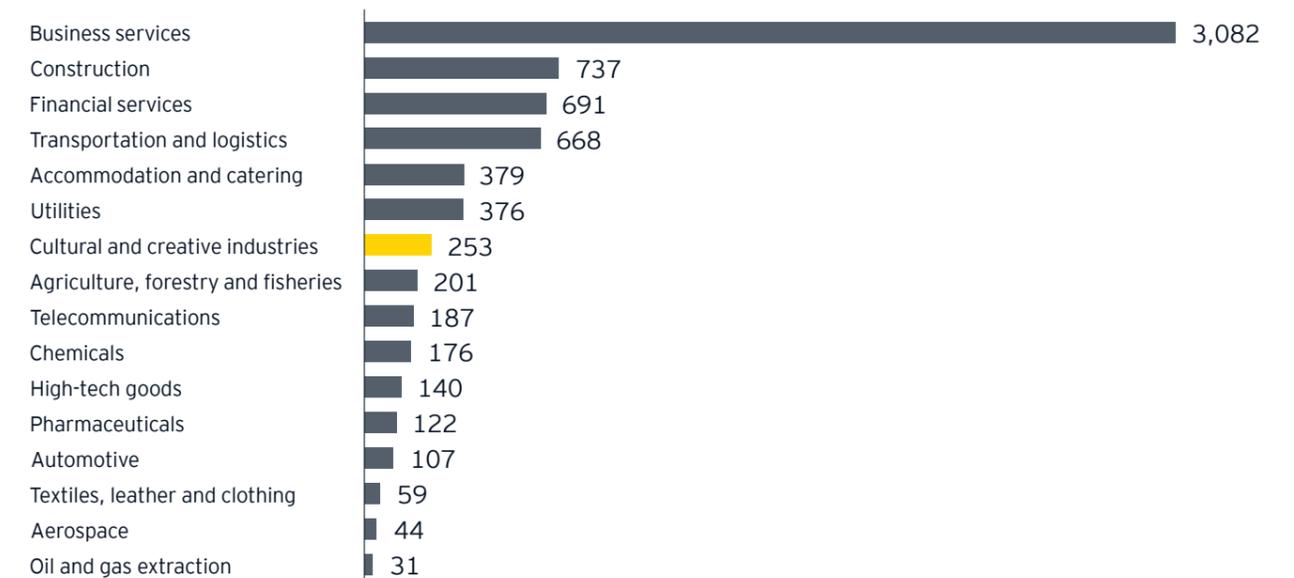
The sector also stimulates the growth of several other industries - such as tourism, high technology, digital industries, transportation and telecommunications - that are both suppliers and customers of CCIs. The overall spillover when these impacts are included confirms CCIs as a key driver of growth for the whole European economy.

Turnover and added value in 2013 and 2019, and share of GDP (in € billion and %, EU-28)



Sources: Eurostat; GESAC; professional organizations; EY modeling and analysis 2020.

Added value by sector in 2019 (in € billion; EU-28)



Sources: Oxford Economics - Global Industry Scenarios; EY modeling and analysis 2020.

¹ Without double counts.

In 2019, CCIs employed more than 7.6 million people in the EU

In 2019, the core activities of the cultural and creative sectors employed 7.6 million people in the EU.

Within the CCIs, four sectors provide employment for more than one million people. Together, they accounted for 68% of the total (7.6 million): visual arts (1.9 million), music (1.2 million), AV (1.1 million) and performing arts (1.0 million).

Employment in the creative and cultural sectors grew steadily between 2013 and 2019, from 6.9 million to 7.6 million people,² a slightly higher growth rate (1.9%) than the European average (1.3%). In six years, creative businesses and organizations, producers, developers, distributors, creative agencies, editors, broadcasters and museums created around 700,000 new jobs in Europe.

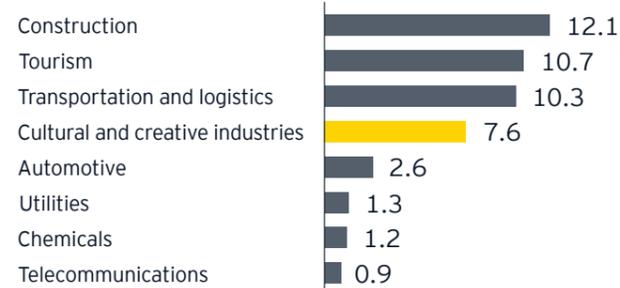
At the end of 2019, CCIs had a much larger workforce than other leading sectors of the European economy: for example, 2.9 times more than the automotive industry and 6.3 times more than chemical industries.

According to reports based on a much broader definition of the creative industries, the total "creative" workforce

could reach 8.7 million people,³ the difference being in occupations outside the cultural sector (e.g., industrial design). If fashion and high-end industries (e.g., luxury goods and services) are included, the total "creative" workforce reaches 12 million people.⁴

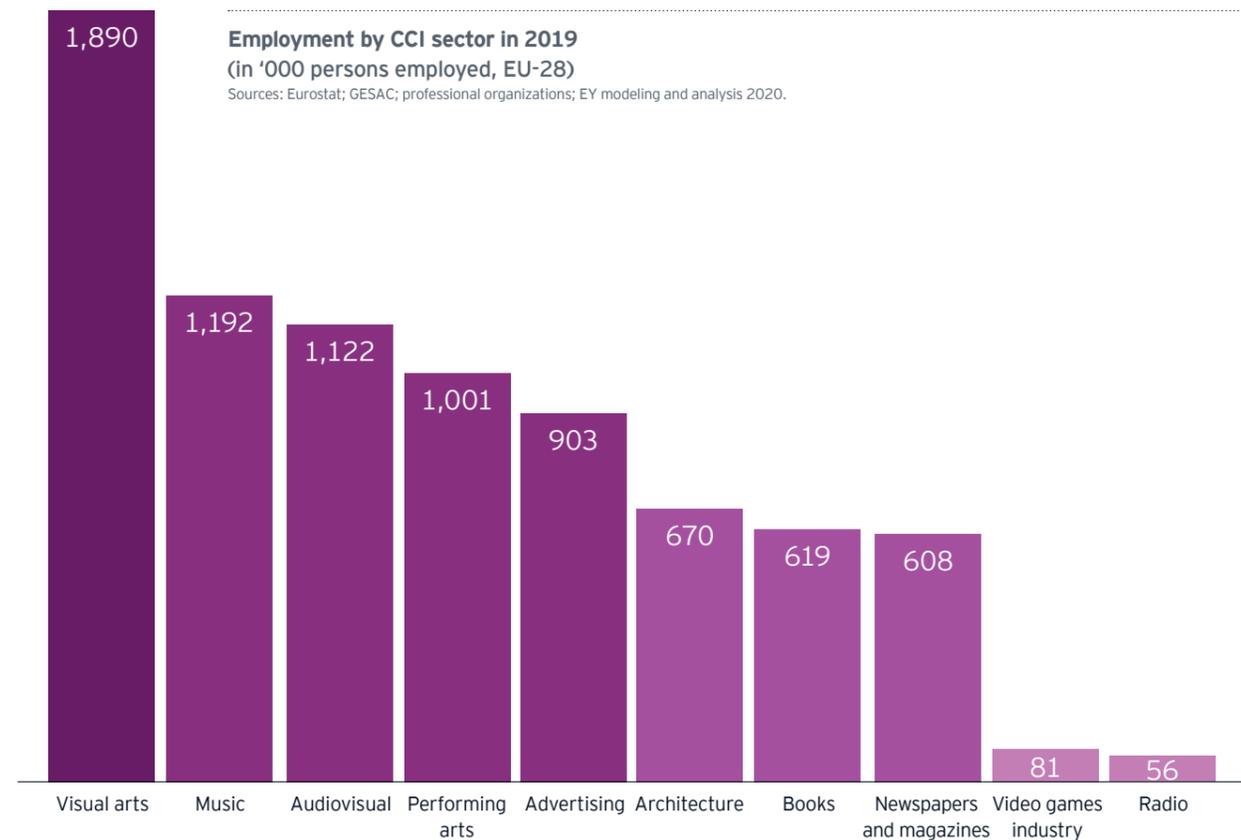
Employment by sector in 2019 (in million jobs; EU-28)

Sources: Eurostat - Business Sector Profile; EY modeling and analysis 2020.



Employment by CCI sector in 2019 (in '000 persons employed, EU-28)

Sources: Eurostat; GESAC; professional organizations; EY modeling and analysis 2020.



² Without double counts.

³ Cultural statistics - 2019 edition, Eurostat, 2019.

⁴ Boosting the competitiveness of cultural and creative industries for growth and employment, European Commission, 2016.

Across Europe and across all sectors, the mosaic of creative industries is showing its diversity

Overview of creative sectors

In terms of turnover, the three main areas of activity are the visual arts (€138 billion), advertising (€129 billion) and AV (€119 billion) sectors, which together account for almost 60% of the CCIs' total revenue. But growth rates show variations between sectors.

The video games sector experienced the strongest growth (+5.8% per year) between 2013 and 2019, more than doubling its turnover in six years. The sector relied on the strong growth of its online activity, particularly in the main European markets (+155% in France, the UK, Germany and Spain combined), thanks to intense innovation and the search for a greater experience for players (new types of consoles, better quality of visual effects, etc.) and the move toward free game models, which rely on in-game sales rather than charging to join the game.

The advertising sector grew faster than the European average (+5.5% per year between 2013 and 2019), thanks

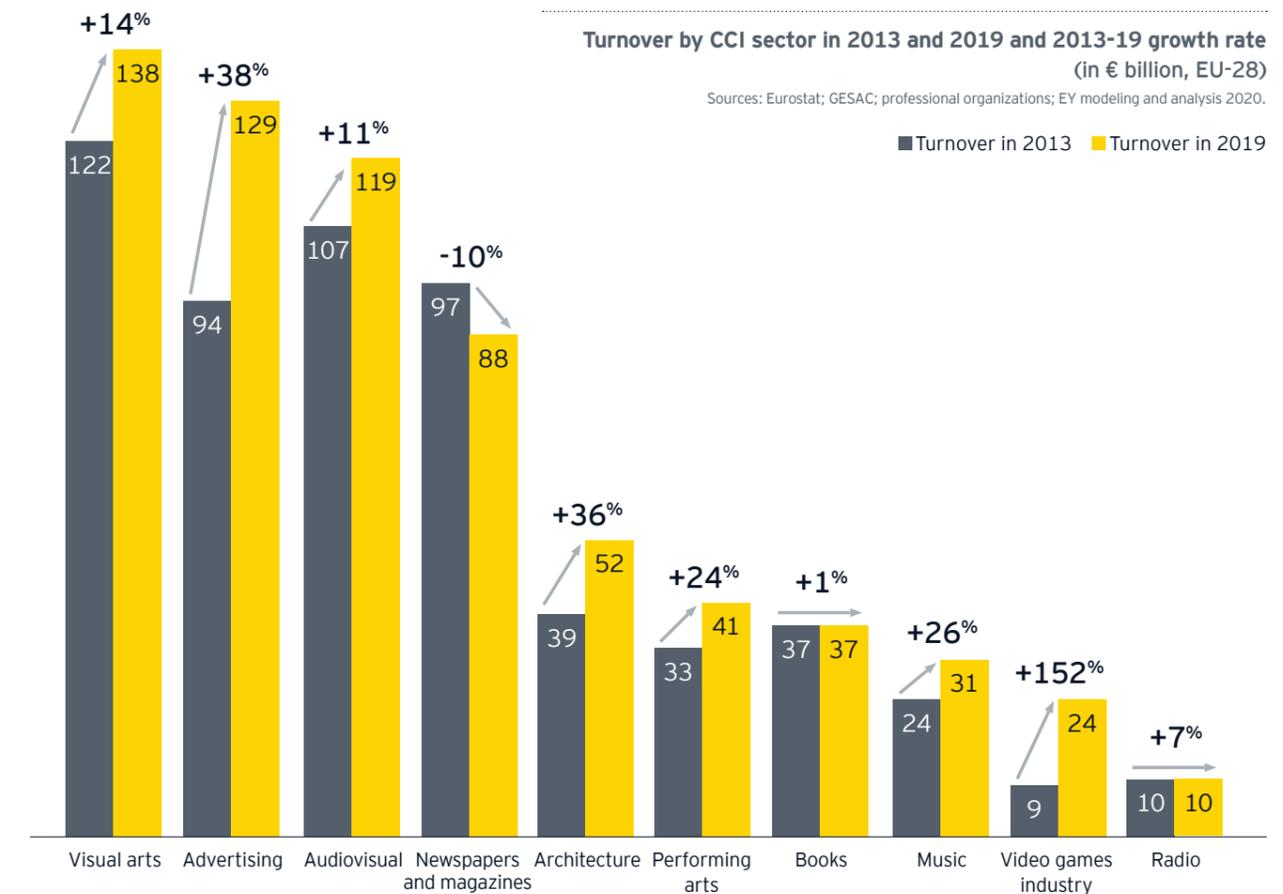
to the strong growth of online advertising (+12.3% over the period) and the economic development of Central and Eastern Europe (+8.1% per year).

After the difficult times that followed the economic crisis of 2008, architecture was able to grow by 5.3% between 2013 and 2019, mainly due to strong real estate activity in general and in the area of sustainable renovation in particular, as well as increased demand for integrated service offerings, from design to construction.

Music also experienced sustained growth (+4%), half of which was due to live performance (+4.8%), while the performing arts (+2.9%) and visual arts (+2.2%) experienced a strong development in some countries. Performing arts also grew by 33% in the Czech Republic and 53% in Slovakia. The visual arts market grew by 50% in Denmark, reflecting the "golden age" that the country entered 15 years ago, according to art critics.

Turnover by CCI sector in 2013 and 2019 and 2013-19 growth rate (in € billion, EU-28)

Sources: Eurostat; GESAC; professional organizations; EY modeling and analysis 2020.



In the AV sector (+1.8%), the increase in European feature film production (+2% per year since 2014), the dense network of broadcasters, producers and distribution networks, and the emergence of video-on-demand (VOD) platforms (+383%) contributed to the growth of the sector. The radio sector (+2%) benefited from the emergence of podcasts, a small but growing market (€39 million: +69% between 2018 and 2019), but a decline in advertising revenues was beginning to have an effect. However, other

sectors experienced less dynamic trends. Notable examples include the book industry (+0.5%) and the newspaper and magazine industry (-1.7%). The press sector has, of course, been facing a myriad of challenges for years, with a decline in print advertising revenues (the "paper" medium still accounts for around 86% of the sector's revenues). The book sector has been fairly stable due to a decline in physical sales, despite the increased support of e-book sales.

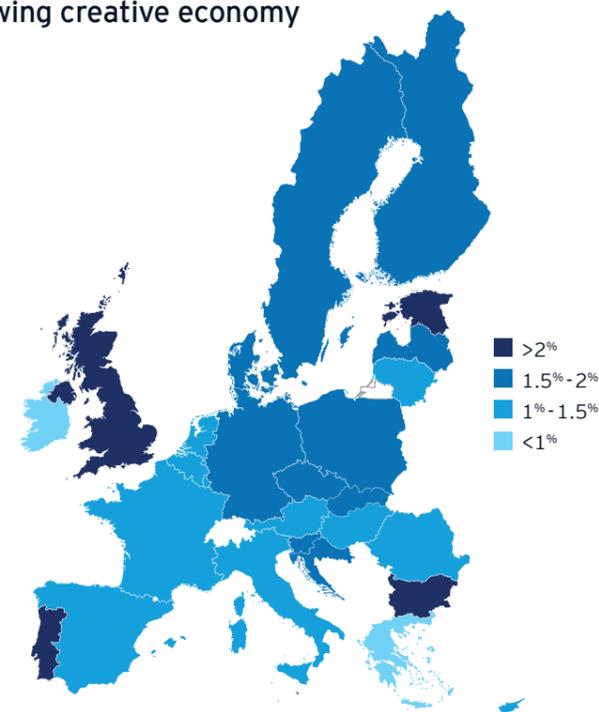
While the largest CCI markets are in the largest EU countries, Central and Eastern Europe is the fastest-growing creative economy

In total, the five largest CCI markets (France, Germany, Italy, Spain and the UK) account for 69% of total CCI turnover in the EU. However, the strongest growth is mainly recorded in Central and Eastern Europe. In countries such as Czech Republic and Romania, three specific sectors experienced dynamic growth, such as advertising, architecture and video games.

CCIs contribute to the national economy of all Member States, from 0.9% in Greece to 3.0% in Estonia. In four countries, the cultural and creative economy accounts for more than 2% of national GDP. Among them, in Estonia, the Government has implemented a proactive cultural policy, and public spending on culture is twice as high as the EU average. In Portugal, UNESCO highlighted the work of the non-profit organization ADDICT,⁵ which strives to create a favorable environment for local CCIs by creating a platform for a real industrial and artistic strategy.

At the time of Brexit, in 2019, UK CCIs accounted for 20% of the turnover of EU-28 CCIs (€128.6b) and nearly 17% of employment (1.275 million jobs). In addition to a significant weight in European CCIs, the UK is a European hub for many CCI sectors. In particular, the UK participated in 42% of the cooperation programs within Creative Europe (making it the second-largest European partner in the program).

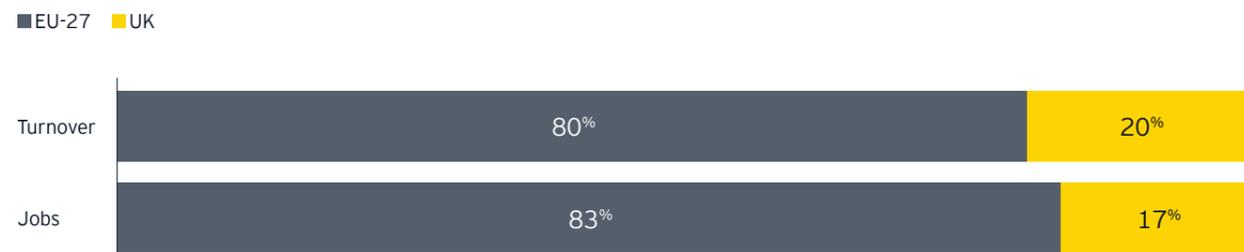
⁵ ADDICT, Creative Industries Agency Portal, UNESCO, 2020.



Share of CCIs' value added in total country value added (in % of national GDP; EU-28)

Sources: Eurostat; GESAC; professional organizations; EY modeling and analysis 2020.

Share of the UK in EU CCIs in 2019 (EU-28)



Sources: Eurostat; GESAC; professional organizations; EY modeling and analysis 2020.

The growth of CCIs is based on long-lasting trends

Offer and demand for culture are dynamic throughout Europe

The CCI economy in Europe can rely on structural dynamics that have been present for years and will not disappear with the current crisis.

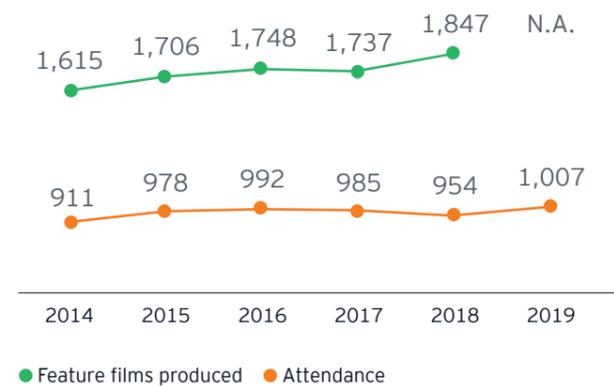
First of all, European citizens' demand for cultural content and services has increased in recent years. Household spending on cultural goods and services increased by 12% between 2010 and 2015, an annual growth rate of 2.2%. This appetite is reflected in most cultural sectors.

For example, European cinemas recorded 100 million more admissions in 2019 than in 2014. From 1,615 in 2014, the number of films produced in the EU rose to 1,847 in 2018, an increase of 14%.

The number of new books published in the EU rose from 545,000 in 2014 to 585,000 in 2018, with a record high of 610,000 in 2017.⁶ In the book industry, the number of printed titles (active catalogue) reached an all-time high of 11.25 million in 2018, compared with 9.7 million in 2014 (+16%).

Number of feature films production and cinema attendance (in millions; EU-28)

Sources: European Audiovisual Observatory, February 2020.



⁶ European Book Publishing Statistics 2018, Federation of European Publishers, 2018.





A unique production and distribution capacity

The growth of CCIs in the EU in recent years has also been supported by a large interlinked and interdependent production and distribution capacity underpinning the entire value chain, from small enterprises to large multinationals, public and non-profit institutions. The offline distribution network is an essential link in the CCI value chain, as it allows the public to discover works outside the classics. Cinemas, bookshops, concert halls and festivals are also guarantors of social links in the territories.

From 2014 to 2018, 5 of the top 10 global markets for feature film production were EU countries: France, Germany, Italy, Spain and the UK. While production increased (+14% between 2014 and 2018), the number of physical screens increased by 10% in the EU to 33,112 in 2018 together with a sharp increase of in-territory online offer - both in terms of content availability and online services.

Digitization has accelerated

Culture and creative works now occupy a central place in the digital economy, increasing the visibility of the entire value chain of authors, performers and business partners, and embracing new ways to enlarge audiences. Between 2013 and 2019, the turnover generated by online cultural content, services and works increased by 92% (+12% per year).

CCIs have also embraced digital technologies from a marketing standpoint. In the performing arts, the use of data and the development of innovative performance management methods have, for example, further streamlined the filling of theaters or museums.⁷

New production and distribution channels, made possible by technology, have emerged, such as print-on-demand, digitization of archive catalogues and self-publishing.

And let's not forget that CCIs have always been pioneers in the adoption of new technologies: virtual reality, augmented reality, blockchain and artificial intelligence have been deployed and experimented with by creative organizations and creators over the last decade.

⁷ L'économie mosaïque, EY, 2019.

The new mix of online and offline activities raises new challenges and opportunities

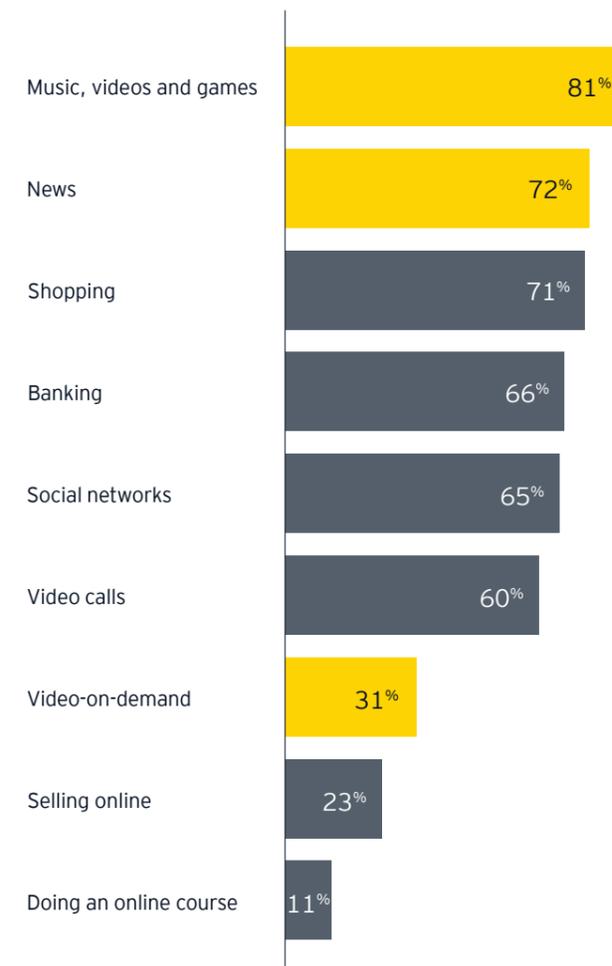
In the past few years, digitization of the sector undeniably fueled the growth of online platform-based services providing access to cultural and creative works. In 2018, 81% of Europeans used the internet for music, videos and games - more than for shopping or social networking.

The main online players provide access to cultural and creative works as a central part of their offer. Intermediaries, with far greater financial resources than businesses and creators in CCIs, authors and other creators, have built up vast catalogues and increasingly monetized them.

And some of the major online services have become very influential producers and publishers, and, at the same time, distributors of works.

Internet users having carried out the following activities at least once in 2018 (in % of total internet users; EU-28)

Sources: Digital Economy and Society Index, European Commission, 2020.



⁸ IP Action Plan, EU Commission, 2020.

On the other hand, technology giants and purely digital players raise fundamental challenges for CCIs, including:

- **Finding the real market value for creative works in an online environment:** digital consumption, given the attractive price of streaming subscriptions to combat music piracy, for example, should be paying more. In the music sector, on a streaming platform, an author, for example, only earns between about €0.004 and €0.007 per stream. This means that an artist has to make between 2.5 and 4.4 million streams per year to earn €17,819, the EU median wage in 2019. For a German artist, it would take between 3.3 and 5.9 million streams to earn the equivalent German median income (€23,515).
- **The challenge of online distribution:** the conversion of independent cultural retailers to online services while dominant international players are gaining traction further challenged the opportunities for local works and their domestic distribution opportunities during the pandemic (for example, the number of bookstores contracted (from 2011 to 2018, the number of companies registered as bookstores in Europe decreased by 15%, from 30,856 to 26,060)). Similar challenges arose for specialty film and AV retailers and, to a certain extent, cinemas and distributors.
- **Intermediary platforms:** these benefit quite widely from the partial or total gratuity they can offer. Recent European directives may help ensure a better functioning of the market but, until then, the revenue potential that CCIs can derive from digital access has, so far, been largely untapped.
- **Piracy:** despite the explosion of legal online offerings, illegal consumption remains a major problem for CCIs. Every year, counterfeiting and piracy lead to a loss of direct sales of €50 billion and the loss of 416,000 direct jobs in the EU.⁸ Small and medium enterprises (SMEs), which account for 84% to 99% of CCI companies depending on the country, are particularly exposed.

Yet the physical experience remains an essential part of the creative economy. In the AV repertoire, collections from digital sources represent only 3.7% of the world's total collections - a drop in the ocean considering that Europeans consumed about 100 million hours of online video every day in 2016. According to GESAC, in Europe, with all repertoires combined, the annual digital income of creators amounts to 17% of the sums collected.

Collective management organizations: protecting and empowering creators in times of crisis

The COVID-19 crisis has been devastating for the entire cultural sector. From the venues to the rights holders to the creators themselves, no one in the sector has been spared. And collective management has once again proven itself as a resilient and indispensable model for culture in general and for creators in particular.

Immediately, collective management organizations (CMOs) in all sectors delivered first aid to the most vulnerable creators and rights holders, through grants, loans and advance payment of royalties. Hundreds of millions of euros were made available and distributed to creators throughout Europe.

In Germany, for example, where 77% of musical authors' income comes from collective management organizations, GEMA has been on the front line and provided grants and advances to thousands of creators as early as March 2020. The German CMO has also been an active partner of the Federal Government in ensuring that the public money spent on cultural infrastructure (€30 million dedicated to clubs, festivals, etc.) is properly distributed. This direct and structured representation of creators remains essential for authors who need the power of a CMO to defend their fair remuneration (especially at a time when their works are increasingly used online); to raise awareness among all stakeholders, including politicians but also bankers, the media or the public; and to translate the complex issues facing authors into policy recommendations, such as Directive on Copyright in the Digital Single Market.

All over Europe, specific campaigns to promote creative works and to address music users' needs have been developed by CMOs. To name a few,

they encouraged the streaming of canceled events while developing live broadcast licensing systems to enable creators to make the most of the less-than-ideal situation in which they have to operate. Joint efforts have been taken to address and mitigate the concerns of clubs and other public venues.

And let's not forget that CMOs promote cultural diversity and the development of new generations of creators through the funding of cultural activities. EU policy documents have noted that "collective management organizations play, and should continue to play, an important role in promoting the diversity of cultural expression, both by providing market access for smaller and less popular repertoires and by providing social, cultural and educational services for the benefit of their right holders and the public."

CMOs have done much to protect the creators, the most essential and vulnerable link in the creative chain. But these organizations themselves have suffered greatly from the crisis. Even though they have done everything possible to adapt their structure and reduce their fixed costs, they have emerged extremely fragile from this dramatic period. They - and the creators they represent - have high and urgent expectations of Europe and the European institutions.



The cultural ecosystem remains fragile, but it is a net exporter

A world of small enterprises and freelancers

Most of the companies in the CCIs are SMEs or even micro-enterprises. Depending on the sector, the share of employment in SMEs in CCIs rises up to 83%, while they represent 29% of employment in the EU. As far as employment is concerned, the importance of micro-enterprises is enormous in some sectors: they account for 83% of jobs in the photography sector and 75% in design activities. Programming and dissemination activities are an exception: large companies account for 66% of the workforce in this sector.

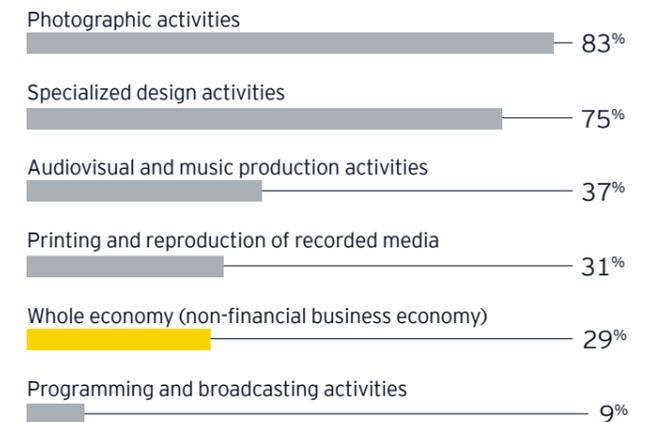
Furthermore, freelance work appears as a structural feature of employment in CCIs. One-third of workers are freelancers, a rate twice as high as in the EU economy as a whole (14%). This high rate reflects the fact that CCI activities are organized on a project-by-project basis - the economy of CCIs could even be called a prototype economy. Freelance status gives workers more flexibility in their professional career path, but it is also accompanied by greater vulnerability.

Indeed, the COVID-19 crisis has also highlighted existing gaps in the social and economic protection offered to freelancers, whether creative or commercial, including authors, performers and artists.⁹ In many countries, self-employment still prevents people from fully benefiting from the same social and economic protection schemes as full-time employees.

As the crisis has accelerated the implementation of digital distribution models, issues related to the disparity of revenues generated by different forms of online and offline operations have arisen, particularly with regard to the ability of the CCI workforce and organizations to make a living and run sustainable businesses.

As a result, many creative workers - authors and performers, as well as technicians and administrative staff - are now looking for work outside CCIs, while thousands of CCI operators have been weakened during the pandemic. In this context, cultural diversity in CCIs is essential to ensure competitiveness and the ability to maintain the level of skills and entrepreneurship required throughout CCI value chains. This is all the more difficult as years of orderly government support are threatened.

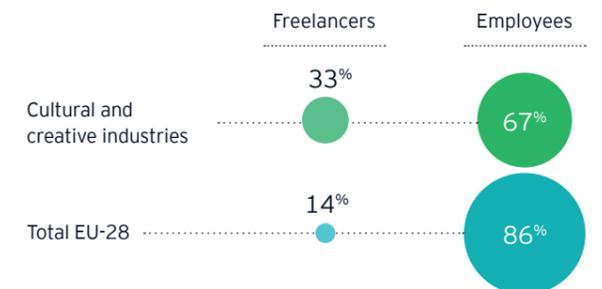
Share of employment in microenterprises by sector in 2016 (in % of total employment; EU-28)



Sources: Cultural Statistics, Eurostat, 2019.

Freelance employment in CCIs in 2019 (EU-28)

Sources: Cultural Statistics, Eurostat, 2019.



⁹ Culture in crisis: Policy guide for a resilient creative sector, UNESCO, 2020.

Until now, creative and cultural entrepreneurs have been financially resilient and less supported by governments

In 2018, CCI companies had a higher three-year survival rate than companies in the EU economy as a whole (61.3% compared with 58.0%).

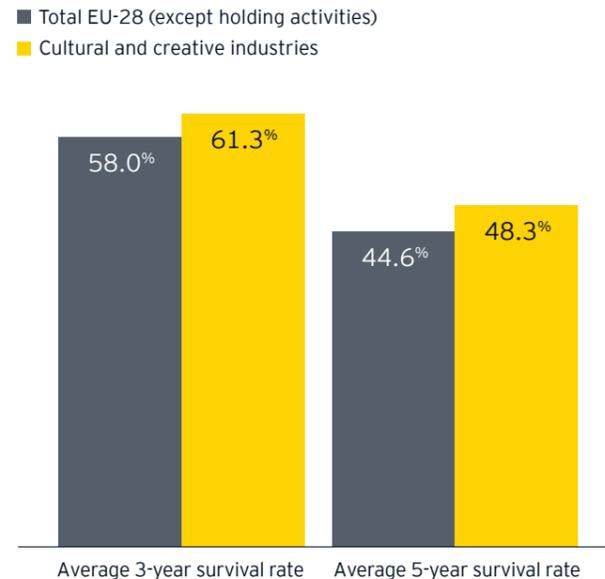
After five years, 48.3% of CCI companies are still active compared with 44.6% of companies in the entire economy. The gap between CCI companies and the business economy therefore widens slightly, from 3.3% three years after the creation of a company to 3.7% five years later.

Resources from the public sector represented 10.8% of total CCI turnover in 2018 in Europe, 0.7 percentage point less than five years earlier (11.5% in 2013). The share of CCIs in total public expenditure has decreased slightly from 0.96% in 2013 to 0.95% in 2018. This is partly due to cuts in local government budgets, which represented 54% of public spending on culture in the EU in 2018.¹⁰

Entrepreneurs in the creative industries across Europe generally do not see culture and creation as a priority for national governments. Indeed, 46% of respondents to the *Cultural Climate Barometer* ranked the low priority of cultural sectors in government budgets as the number one issue.¹¹

Average 3 and 5-year survival rate of businesses in the EU-28, in 2019

Sources: Eurostat Structural Business Statistics; EY modeling and analysis 2019.



Europe has increasingly exported its soft power globally



The EU's trade balance in cultural goods has been in surplus: in 2017, it exported €28.1 billion worth of cultural goods compared with €19.5 billion worth of imports. A total of 67% of exports concern jewelry and works of art, while 17% concern books and physical support for musical and AV works. Although cultural goods represent a relatively small

share of European exports, this increased slightly between 2012 and 2017, from 1.4% to 1.5%, thanks in particular to the increase in exports of AV and musical works.

However, these figures do not fully reflect the role of CCIs in European "soft power." The European music scene remains very dynamic: in the UK, music industry exports increased by 9% between 2018 and 2019,¹² and by 7% in France.¹³ And European architects have won 19 awards since the Pritzker Architecture Prize was launched 42 years ago.

More generally, 62% of Europeans surveyed in the 2017 Eurobarometer on cultural heritage believe that European culture will become more dynamic and widespread in the world, thanks to globalization (compared with 58% in 2007).¹⁴

According to Reporters Without Borders, the majority of EU countries lead the world in terms of media freedom, despite the growing difficulties in some Member States: of 47 countries classified as "good" or "satisfactory" in terms of press freedom in the world in 2020, 21 are in the EU-28.¹⁵

¹⁰ Government expenditure by function - COFOG, Eurostat, 2020.

¹¹ Cultural Climate Barometer, Budapest Observatory, 2018.

¹² Music by Numbers 2020, UK Music, 2020.

¹³ Bilan économique 2019, Le Bureau Export, 2020.

¹⁴ Special Eurobarometer 466, European Commission, 2017.

¹⁵ 2020 World Press Freedom Index, Reporters Without Borders, 2020.

Focus

Culture in the city: the role of flagship museums in Europe

The creative industries, culture and entertainment are increasingly strong value drivers, placing branding and economic development at the heart of European cities and communities. Between 1985 and 2019, 60 cities were designated as European Capitals of Culture.

Museums play an important role in structuring and promoting the values and visions of Europe and its cities. The EU-28 has more than 28,000 museums, making it one of the richest museum regions: 30% of the world's museums are located on a continent with only 7% of the world's population.¹⁶

And flagship museums have played a considerable role in urban regeneration strategies, particularly those aimed at the revitalization of public spaces and the rehabilitation of declining industrial areas. In recent decades, urban planners and politicians have tried to replicate the "Bilbao effect," using leading architects to build museums, libraries or congress centers, and to try to revive the economies of cities: from the Centre Pompidou-Metz to the Louvre-Lens, from the Mucem in Marseille to the Kunsthaus Graz, from the Phæno Museum for the Popularization of Science in Wolfsburg to the Centre for Culture and Congress in Lucerne.

In a 2018 article for the *Journal of Urban Design*, urban planning researchers noted positive effects in terms of the cultural and tourist dynamics of cities. The authors of the study highlighted other consequences: the realization of the Phæno in Wolfsburg, for example, has strengthened the confidence of politicians and local administrations in their own ability to make their cities more vibrant. In any case, these exceptional buildings have helped to open up previously isolated and less dynamic urban areas. Beyond the economic impact, it is these structural changes that seem to be the most tangible long-term positive effects of the "museum strategy" for the development of cities.

¹⁶ Museums around the world in the face of Covid-19, UNESCO, 2020.

However, Europe's role on the global stage of cultural and creative industries may change over the next decade

Europe is an important player in the field of culture, thanks to the creativity and success of its authors and performers and the success of CCI businesses. Preserving and encouraging offline distribution channels outside Europe will remain essential for the economic health of European players, as well as for adapting to the ever-changing

online marketplace. Indeed, there is increasing competition from dominant non-European international online service platforms with their own programs and production capacities, and by the increasing concentration of companies in this field.

If Europe is among the leaders in content creativity, notably thanks

to a unique and leading practice of regional and global cooperation in funding, the mix could put European works under pressure outside Europe in terms of prominence and visibility. The lack of technological leadership in Europe could reduce the market share and visibility of European content on the world stage.

Cultural and creative professionals are at the heart of Europe's social fabric, its diversity and regeneration

Gender and diversity balance is underway

In 2019, 48% of jobs in CCIs were held by women in the EU-27, compared with 46% in the European economy as a whole.

Looking at full-time employment, 83% of men employed in this sector worked full time - seven percentage points less than in the whole EU economy (90%). By contrast, 67% of women worked full time, which is in line with the entire economy (68%).

The proportion of women working in CCIs is higher than the proportion of women working in the entire economy in 23 out of 27 Member States. While women represent more than 50% of the total labor force in only two countries, this is the case in 12 Member States for jobs in CCIs. In the three Baltic states and Luxembourg, women represent more than 55% of the creative workforce.

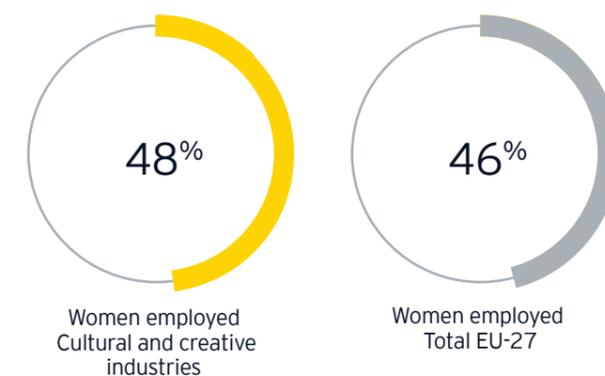
The challenge is, of course, far from over: for example, the share of films directed by women in Europe grew slowly between 2003 and 2017, from 17% to 22%.

Prior to the onset of the COVID-19 crisis, European CCI stakeholders were aware of the need to protect and promote their diversity in all sectors - whether on stage, off stage or on screen. Trade unions and professional organizations in the CCIs are pushing for diversity through a number of incentives. A *Good Practice Handbook* for achieving gender equality and promoting diversity in the European AV sector has recently been published by professional organizations, listing dozens of initiatives carried out by CMOs, professional organizations and public authorities. For example, the members of UK Directors (the CMO representing the AV sector in the UK) have taken proactive steps to improve

representation at management level. In the music industry, IMPALA recently published a *Diversity and Inclusion Charter* that sets out a road map to stimulate diversity in the independent music sector through annual surveys, sharing of best practice, production of advice on prejudice, and the creation of European awards for diversity and inclusion.

Employment by sex in the EU-27, in 2019

Sources: *Cultural employment by sex*, Eurostat, 2020.



European films produced by female directors in 2003 and 2017

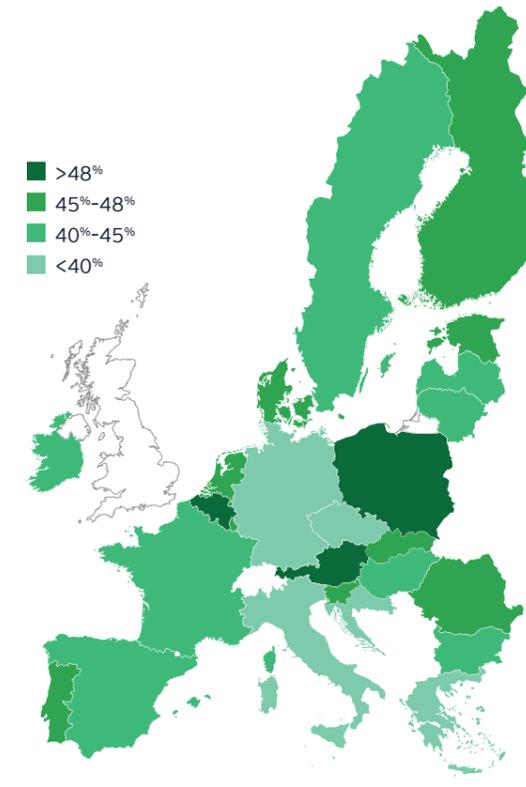


Sources: *Female directors in European cinema*, European Audiovisual Observatory, 2019.



Creative jobs tend to be held by younger and higher-educated people than the average

Share of people under 39 working in CCIs by country in the EU-27 in 2019



Source: *Cultural employment by age*, Eurostat 2020.

In 2019, 43% of jobs in CCIs were held by people under the age of 39 in the EU-27, compared with 41% in the EU-27 economy. The creative workforce is younger than the overall workforce in 21 of the 27 Member States.

In addition to the attractiveness of culture and creation, the sector draws younger generations who, according to multiple studies, are increasingly looking for a "meaningful" working life.¹⁷

By 2019, almost 60% of the CCI workforce in the EU-27 will have a higher level of education, which is considerably higher than the average (34%) for the entire economy.

¹⁷ *Freelancing in America 2019*, Upwork and Freelancers Union, 2019.

Interview

CCIs are proving to be a source of inspiration to meet the challenges of solidarity and sustainability

“
Here, creativity is everywhere, conceived by all for the good of all.

What do culture and creative industries represent in a metropolis such as Nantes?

In Nantes, it is the spirit of Jules Verne that blows on the cultural and creative industries. From Royal de Luxe in the 1990s to the Machines de l'île with the Great Elephant today, creative audacity finds its sources of inspiration in the culture and history of the city. On the western tip of the island of Nantes, the former Halles Alstom, which once housed the shipyards, now house the new Quartier de la Création. In this area, which brings synergy to higher education and economic activities, some 5,000 creative people will soon cross paths to imagine, together, the city of tomorrow. The sector represents 13,700 purely creative jobs in Nantes: in culture, architecture and design in particular.

What are the challenges facing this economic sector?

In the current context of the health crisis, the cultural and creative industries are proving, in Nantes as elsewhere, to be a source of inspiration to help inhabitants meet the challenges of solidarity and sustainable transition together. Nantes loves and encourages artists and creative people of all kinds. Here, creativity is everywhere, conceived by all for the good of all.



Johanna Rolland
Mayor of Nantes,
President of France
urbaine

Is there an expectation of Europe?

The EU has already enabled Nantes to showcase its creative initiatives, to help them accelerate and grow. The city was granted the European Capital of Innovation Award 2019, which rewards this ability to involve all citizens in major projects and opens up interesting prospects for cultural and creative industries.



Viewpoint

Solving (some of) the urgent problems of our time

by **Axel Bienhaus** and **Joachim Schares**, Managing Directors,
AS+P Albert Speer + Partner GmbH (architects and planners)

Architects, proud and active members of the vast creative ecosystem, have had to navigate the turbulent waters of 2020 for themselves and their clients.

Internally, the most significant changes to date have been the intensive use of the home office and the restrictions on contact with authorities, planning partners and clients. This way of working has a greater influence on creative processes than on standardized work. Nevertheless, we have succeeded in reorganizing the work.

The widespread use of new technologies has had an ambivalent effect. It has become very difficult to attract new clients and to conduct meaningful, informal exchanges. On the other hand, the elimination of travel has led to significant efficiency gains. Appointments in different cities, previously scheduled over several days, can now be made in one day, resulting in significant savings on travel costs, which partly offset the additional IT investment.

The pandemic has had very different effects in our different areas of work. The strict local lockdown made communication with our customers more difficult and slowed down administrative processes. However, there were great differences in flexibility and digital preparedness between municipal governments and businesses: from virtually no disruptions to complete shutdowns for several weeks.

Planning procedures and residential projects continued with almost no disruption, but office construction

projects were heavily affected, as was the aerospace industry as a whole.

Taking all of these effects together, we have lost about 10% of our efficiency in 2020. In the long term, we expect a decline in demand for office construction, sports and event infrastructure, and probably also for airports and airlines.

These declines are offset by opportunities in other areas. Future labor and climate challenges will have an impact on the use of real estate and mobility patterns. This will generate demand in the areas of urbanization, spatial planning and transportation.

CCIs are one of the few industries in which human intelligence cannot be replaced by artificial intelligence or robots. They can therefore create a sustainable platform of prosperity for Europe in the long term. The common market of architecture does not yet exist because the working methods of architects and urban planners are very different from one Member State to another. More common regulations should be introduced, without over-regulating. Tackling this problem would be an important improvement, so that talent can move more flexibly from one country to another.

The creative industries can contribute to solving all the urgent problems of our time and our profession. Europe is particularly fortunate because its creative economy ... is creative. However, we must protect and defend our capacity and freedom to create.



Axel Bienhaus
Managing Director



Joachim Schares
Managing Director

Because of COVID-19

The sharp fall



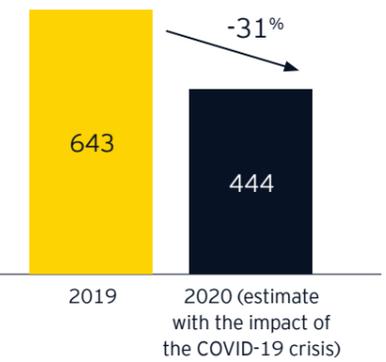
In 2020, the economy of culture and creation will lose approximately €200 billion in revenues

According to EY's analysis, the total turnover generated by CCIs in the EU will decrease from €643 billion in 2019 to €444 billion in 2020. This represents a net decrease of €199 billion or 31% of total revenues in 2019.

Before the start of the COVID-19 crisis, most professionals surveyed by EY expected this trend to continue, potentially leading to a turnover of €660 billion in 2020.

Total turnover generated by CCIs in the EU-28 (in € billion)

Sources: Eurostat; GESAC; professional organizations; *Global Industry, Second Wave Scenario*, Oxford Economics, as of 7th September 2020; EY modeling and analysis 2020.



The comparison is even more negative when looking at the trend for 2013-19. During this period, the creative and cultural sectors experienced average annual growth of 2.6%.

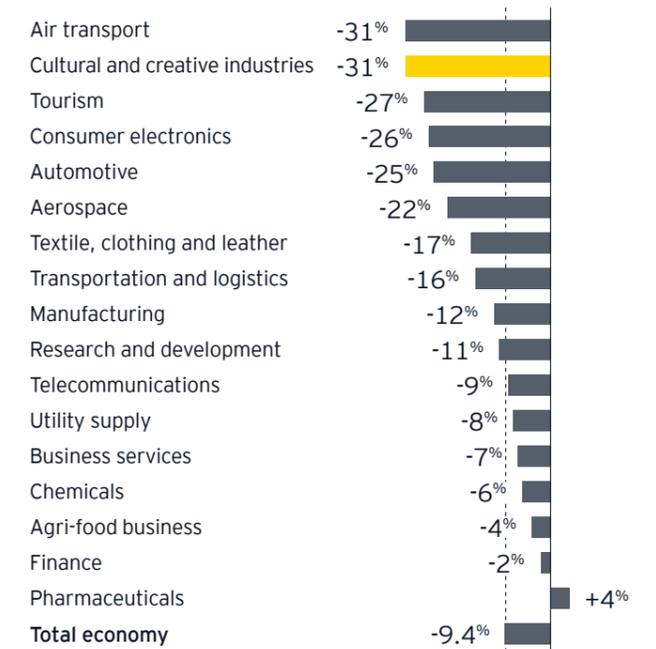
CCIs will be more affected than most other industries

With an estimated loss of 31% of its 2019 turnover, the CCI sector is one of the most affected in Europe, slightly less than air transport (-31%) but more than the tourism (-27%) and automotive industries (-25%).

In addition to the impact of lockdowns and other restrictions, the relationship between culture and tourism is one of the main impact factors. Cultural tourism accounted for 40% of tourism in the EU, according to the European Commission. As of October 2020, the World Tourism Organization recorded a 68% reduction in international arrivals in Europe.

When cultural activities were not canceled, travel restrictions resulted in a very sharp drop of attendance. For instance, the Rijksmuseum in Amsterdam now welcomes about 800 visitors a day, down from 10,000 daily visitors in 2019 (a 92% drop), well below the 2,500 visitors allowed with strict social distancing.¹ The Rembrandt House Museum, with 80% of visitors being international, expects to be back to its normal affluence in 2024.

Estimated change in turnover 2019-20 by sector (in % of total 2019 turnover; EU-28)



¹ Europe's Museums Are Open, but the Public Isn't Coming, *New York Times*, 19 October 2020.

Sources: *Global Industry, Second Wave Scenario*, Oxford Economics, as of 7th September 2020; EY modeling and analysis 2020.

The shock wave will be felt in all cultural and creative sectors, and full resumption of activities will not mean the end of the crisis

Music and performing arts will be most impacted

Total performing arts revenues may fall by 90% and music revenues by 76% due to massive restrictions on concerts, plays and performances for most of 2020. Indeed, live performances were among the first activities to be severely restricted and will likely be among the last to resume without restrictions. And the near impossibility of maintaining rehearsals will further impede the release of future performances.

In addition, for the music sector, the restrictions imposed on venues such as stores, bars and restaurants will also seriously affect copyright (-35% for performing rights). The

decline in revenues could continue in the coming months, due to the general economic situation. Given the way royalties are distributed, these will be lost in 2021, and creators' revenues will be affected until at least 2022, with no one really able to say when and how live performances and events will recover from the fear of infection.

All cultural and creative sectors have been hard hit by the crisis, and the revenue trends below reflect only part of the impact felt, as they do not take into account the halt in production during the lockdown, which will only be measurable in 2021 and beyond.

Estimated change in turnover 2019-20 by CCI sector
(in % of total 2019 turnover and in € billion; EU-28)



Sources: Eurostat; GESAC; professional organizations; Oxford Economics; EY modelling and analysis 2020.

Viewpoint

Culture feeds our souls every day

by Angélique Kidjo



For many artists in Europe, the only thing that keeps us afloat is our authors' societies. They are practically a second home for us. They pay us, keep us off the streets, allow us to continue to create, go back on stage and hope for a better future.

Even though lockdowns are coming to an end and countries are starting to open up, the payment of royalties is delayed and based on the collections of the previous months and years. This means that artists will suffer more in 2021 than in 2020.

“The pandemic has led us artists to think more deeply about how we are going to make a living.

Indeed, there has been a transition to live events and a renewed interest in streaming platforms as the main outlet for music and audiovisual works. As the industry builds around these platforms, producing artworks that are better suited to them, they will be well positioned to stay after the crisis.

Yet online platforms cannot continue to make so much money without us, the creators, being paid fairly. Technology must be a weapon that helps us create

a fairer and more equitable world, where every artist has the right to exist through their work and to be paid fairly. Without creators, there are no platforms, so this imbalance must be addressed if the sector is to rebound.

Culture and creativity will help Europe in the months and years to come. It is not just food that feeds us every day. Each one of us listens to music. When you get in your car, you listen to music, when you go home, you listen to music, on your wall there are paintings. We all need our soul to be nourished by art, and if we don't protect this art, there will be serious consequences for our societies.

And Europe is the place to which everyone turns when it comes to protecting human rights, democracy and art. This is a very important moment. The pandemic has led us artists to think more deeply about how we are going to make a living. Europe must continue to set the standard for copyright protection and commit itself to supporting the creative sector financially, so that writers, performers and all those who decide to create can flourish when that better future arrives.





Visual arts, books and AV activities are hard hit by lockdowns and travel restrictions

Closures of galleries, auction houses and museums, as well as the absence of international tourists, have seriously affected revenues in the visual arts sector.

According to UNESCO, one out of every eight museums in the world may not reopen at all,² and others will see their resources severely shrink. The cancellation of art fairs (such as Art Basel and hundreds of other events) and gallery exhibitions will have a lasting impact on the emergence and visibility of artists. In France, professional organizations estimate that one-third of art galleries may not reopen.³ The restrictions have also affected the activity of architects, with real estate projects at a standstill and delays in the issuance of building permits.

The AV sector is already facing major problems, such as a sharp slowdown in filming, higher financial and legal risks when resuming production activities, and the closure of cinemas; hence the high vulnerability for the entire distribution and production value chain in particular when the festivals and markets experienced severe challenges in operating. And even though the increase in online distribution services (a rise in subscriptions in Europe of between 40% and 75%) is expected to continue,⁴ revenues generated by these services are not compensating the losses from lack of physical exhibition and distribution options. Furthermore, the challenge to bring audiences back to theaters - quickly and as massively as before, with 2019 being a record year in terms of admissions - will be a top priority.

The same applies to the publishing sector. Of course, e-commerce in books has developed, and the Frankfurt Book Fair, for example, has gone completely online. However, sales in bookshops have fallen by 75%-95% wherever there was a lockdown.⁵

Number of museums worldwide at risk of never reopening after the COVID-19 crisis

Source: *Museums around the World in the face of COVID-19*, UNESCO, 2020.



² UNESCO and ICOM concerned about the situation faced by the world's museums, UNESCO, May 2020.

³ Résultat de l'étude d'impact de la crise sanitaire Covid-19 sur l'économie des galeries d'art, Comité Professionnel des Galeries d'Art, April 2020.

⁴ TV Viewing Trends, CISAC-Futuresource, November 2020.

⁵ The impact of the pandemic on publishing in Europe, International Publishers Association, October 2020.

Viewpoint

Culture helped Europeans in 2020, Europe must now help culture

by Francesca Trainini, Chair of IMPALA, the European association of independent music companies



“
The music industry has been extremely resilient and innovative throughout the crisis ...

The impact of the COVID-19 crisis on your business and sector

The music industry has already been severely affected and is preparing for a further decline. The impact on revenues will be felt for years to come. Live music came to a sudden halt in the early days of the crisis, and the recording industry suffered from a drop in physical sales and other revenues. Release schedules have been completely disrupted, which has affected revenues. In addition, performing rights revenues in 2020 are declining due to the closure and other restrictions imposed on cafes, concert halls and other businesses that play recorded music. These revenues from public performances are generally paid to rights holders the following year, which means lower revenues for 2021 and beyond, even if the rest of the economy begins to recover. In addition to the revenue issue, the impact on the mental health of artists and music professionals should not be underestimated.

Challenges ahead

The music industry has been extremely resilient and innovative throughout the crisis, finding new ways to produce music and make it available. Some of these innovations, such as live streams, are here to stay.

The industry is severely affected, but not discouraged. Artists, labels and the broader value chain will do their part by continuing to create, invest and promote new music. But the EU and national governments must also support the sector, by extending key measures until the crisis is really behind us, ensuring that support schemes quickly reach those most in need and allocating a significant percentage of their recovery plans and other budgets to culture.

The role of culture in Europe

The cultural and creative industries are one of Europe's main assets. In economic terms of course, but also much more than that. Their contribution to the well-being of Europeans is enormous. We have seen that culture has helped many of us cope with the challenges of 2020. What culture does for Europe is very clear - the question now is what Europe can do for culture.

Having already recognized culture as a priority ecosystem, the EU must now allocate to it a specific proportion of stimulus measures. This is an opportunity not to be missed, as the EU needs to think strategically about its cultural industry in the long term and develop a sustained industrial policy.



Digital income does not compensate for the loss of physical flows

With the succession of lockdown, curfews and other restrictions, the share of citizens using the internet jumped from 81% on average to 94% in Europe,⁶ ranging from 99% in Finland (from 88% before the COVID-19 crisis) to 89% in Romania (from 64% before the COVID-19 crisis). However, it is widely considered in the sector that physical sales and experiences are a crucial pivot of our cultural diversity and an essential economic factor in the sustainability of the sectors. They provide an opportunity to discover not only new authors and their works but also vital distribution channels in terms of generation of revenues.

Advertising agencies revenues are expected to decline by 28% between 2019 and 2020, due to reduced media purchases by companies in most sectors. As a result, television, radio and internet broadcasters have

reported that they will be affected by the COVID-19 crisis due to the decline in revenues from the sale of advertising space. Traditional media would be the most affected (-21.3% between 2019 and 2020), but advertising revenues from digital media could also decrease by 5.5% year on year. This drop in revenues will affect their financing capacities for new works.

The video games industry seems to be the only one to hold up, with revenues expected to increase by 9% in 2020, partly due to the increased appetite for digital entertainment during lockdowns in various European countries and the advanced digitization of the market. But even this sector is suffering a side effect: the slowdown in international hiring is exacerbating the industry's skills shortage. In 2019, 76% of UK gaming companies reported difficulties in finding qualified staff.⁷

Estimated change 2019-20 in advertising revenues (from the sale of advertising space) by type of media (EU-28)

Sources: Interactive Advertising Bureau (IAB), May 2020.

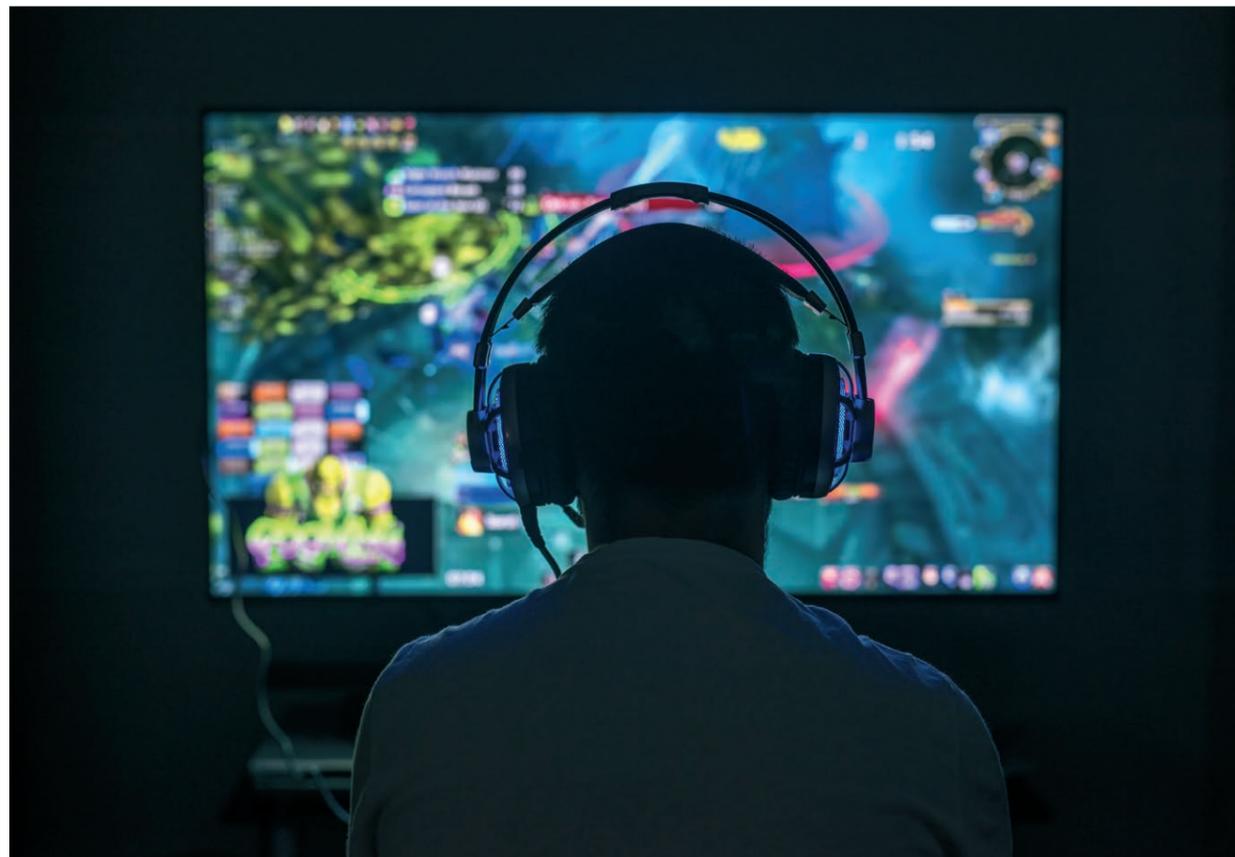
-21.3%

Traditional media estimated change

-5.5%

Digital media estimated change

⁶ Europe's digital migration during COVID-19: Getting past the broad trends and averages, McKinsey, July 2020.
⁷ UK Game Industry Census, UKIE, 2019.



The COVID-19 crisis has hit European countries in various ways

Our analysis shows that CCIs have been severely affected by the COVID-19 crisis throughout Europe. Culture plays a different role in the economies of countries, depending on factors such as the dynamics and weight of production activities, the role of the media and their international

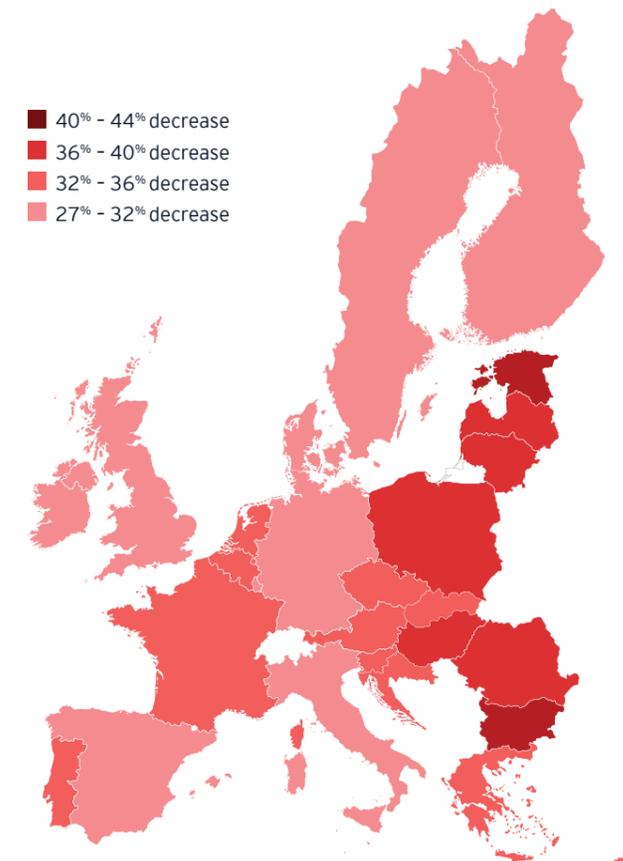
reach, and the correlation with the tourism industry. As a result, the crisis has affected the cultural economy in an extremely varied manner in the Member States, regardless of the quality and impact of the general economic measures they have designed.

Central and Eastern Europe is hit the hardest ...

Central and Eastern European countries are among the most affected, with year-on-year revenue trends ranging from -36% in Lithuania to -44% in Bulgaria and Estonia. Hungary, Latvia, Poland and Romania are also part of this group. In all these countries, the performing and visual arts represent a larger share of the national creative economy than in the rest of the EU. For example, in Hungary, the performing arts (with a market expected to shrink by 90%) account for around 10% of the total CCI market, while the EU average is around 4%. In some of these economies, there are aggravating factors such as more difficult access to finance for SMEs, a lack of social and economic protection for the self-employed, and pressure on cultural budgets at local and national levels.

Estimated change 2019-20 in CCI turnover by country revenues (in % of 2019 turnover; EU-28)

Sources: Eurostat; GESAC; professional organizations; EY modeling and analysis 2020.



... as well as countries where live cultural experiences account for a bigger chunk of the total CCI market

In these countries (such as Austria, Belgium, the Czech Republic, France, the Netherlands and Slovenia), CCIs are still facing a significant decline in turnover (between -30% and -35% compared with 2019), but slightly lower than we have seen in Central and Eastern Europe.

The importance of live events and heritage activities has been an aggravating factor in several of these economies. The closure of museums, theaters and cinemas; the cancellation of performances, concerts and festivals; and restrictions on the physical distribution of cultural goods for bookshops, record shops, galleries, etc., have strongly affected the entire creative value chain.

In other EU countries, the limitations were less severe, and digitization was more important

A group of Western and Nordic European countries (such as Finland, Germany, Spain and Sweden) experienced a slightly less spectacular reduction in turnover (a maximum of -30%). In some of these countries, the smaller share of hardest-hit industries in local CCI markets contributed to this difference. In others, the widespread adoption of legal online offers (games, AV and music) may have been a mitigating factor. However, the impact of the crisis in these countries is even greater than in the aerospace industry (-26%), for example.

However, these figures and illustrations are only a snapshot to date. The economic situation for culture will largely

depend on the ability of governments to consider the specificities of the creative economy in their recovery plans, by adopting earmarked budgets and targeted support measures. In any case, all countries will be severely affected, and none will emerge from the crisis intact. In particular, the short- and long-term financing capacity of small businesses, access to insurance solutions for resumption of activities, and the willingness of the general public to return to cultural venues or to support local creation will need to be addressed.

The COVID-19 crisis will have a massive and lasting impact on the entire CCI value chain

The business model of creation depends to a large extent on IP rights

For instance, in the music sector, the authors' remuneration model is different from any other model of value creation because royalties on creative works used in public places must be collected by CMOs first, before they are paid, sometime after their use and exploitation. In France, on average, royalties accounted for 25% of the income of authors and performers in 2019 - bearing in mind that 67% of them had a secondary occupation to sustain their needs.

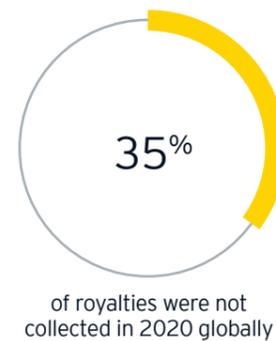
In 2019, there were 1,145,589 rights holders that were members of GESAC in the EU - of which 621,421 received royalties during the year. Royalties are paid by all sorts of broadcasters (television, radio, streaming services, etc.) and places of public performance (concerts and festivals, as well as bars, restaurants and shops) with a delay of several months after the works have been used and enjoyed. In the AV sector, the business model is based on leveraging intellectual property (IPs) and the ability to finance feature films and non-feature productions on a territory-by-territory rights exploitation.

This means that all copyright-dependent revenues that were not collected during the crisis in 2020 due to curfews, closures and other health restrictions will be lost in 2021, at least.

Another direct consequence may be the financial health of CMOs. They are at the heart of the support system for

Estimated change in royalties collected worldwide in 2020

Source: Global Collections Report 2020, CISAC, as of 28 October 2020.



authors and performers, with millions of permanent and part-time creators depending on their financial viability. If the business model of CMOs were to be permanently affected, this would jeopardize the entire CMO value chain in the EU countries, as well as Europe's cultural diversity. Other contributors, such as technicians, companies or employees who work on a project-by-project basis, but who do not receive payment for their work, are strongly affected by the crisis, as the crisis - sometimes representing months of work - has abruptly interrupted some projects, sometimes without any prospect of restarting.

Viewpoint

The fundamental need to come together

by Signe Lopdrup, CEO of Roskilde Festival



“European countries and institutions must intensify their support for our economy. Because culture and creativity will help Europe.

The cancellation of Roskilde Festival in 2020 has had an impact on the artists and their teams, above all. But it also had enormous consequences for the hundreds of associations and organizations that organize stands or provide services during the festival. Many of their activities and developments depend on us.

The partners, suppliers and cultural organizations that provide content and production capacity have lost not only income but also, temporarily, connections and relationships. In addition, the Roskilde Festival Charity Society has not been able to fulfil its fundraising goal, which is to donate all proceeds to projects for children and youth.

We expect some of Europe's biggest events to take place in the summer of 2021. It will be different because the world is different, and the situation is constantly changing. But we know more about COVID-19 today than we did in the early periods of the pandemic. Treatment options are better, tests have been developed and vaccines are

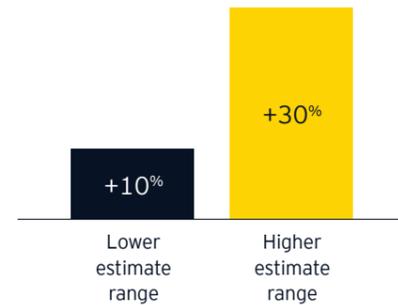
being rolled out. This gives us hope that solutions can be found so that we can be together again.

When infection rates drop and a vaccine becomes more widely available, the cultural sector will face new opportunities to bring large crowds together again. Even before the crisis, Roskilde Festival was taking steps to diversify and spread its activities throughout the year to reach diverse audiences, rather than focusing on a single event.

European countries and institutions must intensify their support for our economy. Because culture and creativity will help Europe. They are a fundamental human need: we must come together, create together, and live cultural experiences together in large communities.

The financial viability of creators, entrepreneurs, companies and even public organizations is jeopardized by rising costs, delays and an uncertain economic outlook

Increase in production costs in the AV sector due to the COVID-19 crisis in 2020 (in the EU-28)



Source: Interview with industry experts (FIAPF and IVF).

Production costs have already risen to ensure compliance with health measures. In the AV sector, production costs rose between 10% and 30%⁸ after the first lockdown. This could compromise the balance of ongoing activities where financial viability is already precarious. By way of illustration, in 2017, the average net margin for live music in France was 1.5%, compared with 7.4% for the entire economy.⁹ With the lack of income, and the inability to recover expenses lost on production stopped by the pandemic, companies and individuals may no longer be able to invest in the development of new projects, creation and innovation as they have done until this year.

In this context, with the absence of revenues and consequent inability to recoup investments added to lost investments in production stopped by the pandemic, businesses' ability to invest in development of new projects, creation and innovation - including from a creative standpoint - will be severely challenged or simply impossible.

The limitations on production in 2020 (e.g. a theatrical performance for which production cannot resume) will have a negative domino effect on revenues from performances, productions and releases in 2021 and 2022. Music, performing arts and AV will be the most affected. French AV distributors are already expecting a 10% drop in revenues in 2021 (compared with anticipated turnover in 2020) due to interrupted productions that could not be resumed in 2020. The production costs of these non-produced - and therefore unreleased - films will not be reimbursed.

Then, there is a clear bottleneck effect. In the music and book sectors, many

producers and publishers have delayed releases originally planned for 2020. The pressure on marketing costs has forced several producers to abandon the promotion of emerging talent in order to ensure the immediate visibility of well-known performers.

In addition, it is likely that funding from the private sector may decrease significantly over the next few years. In Europe, 60% of foundations have supported arts and culture projects in the past, according to the OECD. With the economic crisis, many foundations and non-profit organizations will face a difficult choice between the most affected communities, sustainability and continued support from sectors such as CCIs.

The highly competitive environment of CCI companies can also act as a brake on the global competitiveness of European creative businesses. With vulnerable financial health and inherent business uncertainty, SMEs may challenge balanced relationships between creative businesses and those involved in wider dissemination of content. In 2020, the market capitalization of the largest technology companies (Alphabet, Apple, Amazon, Facebook and Microsoft) jumped 46% to US\$7.1 trillion, while the turnover of CCIs declined by 31%.

According to most of our interviewees, legislation in many EU countries does not adequately cover the characteristics of CCIs, such as the high proportion of freelancers (33% compared with 14% in the EU economy as a whole), irregular income flows or multi-employment, which makes creative workers ineligible for some of the national stimulus or protection programs and thus more affected by the crisis.

⁸ Interview with industry experts (FIAPF and IVF).
⁹ *Le PRODISS en chiffres*, PRODISS, 2019, p. 21.

Focus

Culture and sport: creative talents in the face of the crisis

Sport, on the one hand, contributes enormously to the economy of the CCIs and, on the other hand, has fascinating parallels with them in terms of business model and social functions. Creativity fulfills both activities on many occasions, whether it is to create social interaction, to share emotions, or to move crowds with a word from a song on stage or the talent of a player on the field.

Born in Europe, national football leagues and the UEFA European Championship, Roland-Garros and Wimbledon, the Tour de France and the Six Nations Tournament are among the most popular sports contents in the world. In 2019, the European football market was worth €28.4 billion - equivalent to the music industry.

It is clear today that sport and culture are the two pillars of the creative and entertainment economy. According to studies by EY and the European Commission on the economies of culture and sport respectively, the GDP of both combined amounts to €616 billion in terms of value added and they employ 14.1 million people, representing 4% of the European economy and 6% of its working population. Long before and probably well after the COVID-19 crisis, this is more than telecommunications, high technology, pharmaceuticals, automotive and aerospace combined.

The economic similarities are also striking, and so - unfortunately - are the consequences of the COVID-19 crisis. Sports industries will have experienced a 15.7% drop in 2020: clubs, media rights, travel activities, retail outlets and sports facilities have been considerably affected, with some losing more than 50% of their revenues from one year to the next.

Many factors impacting the sport sector affect CCIs and vice versa. Firstly, the cancellation or restriction of events has led to a sharp drop in revenue and directly weakened the financial situation of SMEs, events, facilities and tourism stakeholders. On the corporate side, sponsorship budgets have already decreased, as have media purchases. In addition, the reduction in government and household spending will have an impact on the amounts invested in sport and culture, and in the infrastructure they often share.

The decline in revenue could continue in the coming months, due to the general economic situation, until the return to a healthy situation acceptable to the majority.

Sport and culture are linked by the fact that they are the two main sources of entertainment in Europe and the world. They play many similar roles in education, social inclusion and diversity. Both are being completely transformed by digital and green transitions.

Finally, they share a common interest in the various initiatives and measures taken by the EU and Member States. Together, they will play a key role in restoring positivity in our communities and contribute to the recovery of the European economy.



Finally, the crisis could lead to an unrecoverable loss of talent, consumer and business confidence

The economic and social impacts felt in 2020 may only be the most visible part of the crisis for CCIs, as the knock-on effects could be felt until 2025, according to industry experts. Here are a few illustrations.

The appetite for careers in culture could diminish considerably. According to a survey by UK Music, 34% of musicians are considering giving up their careers in the UK as a result of the COVID-19 crisis. In the Netherlands, live performance unions estimate that around 40% of their members are looking for work outside of CCIs.¹⁰ If it is not - strictly speaking - a career change, there is a good chance that, because of the duration of the crisis, what was supposed to be temporary for some people may become permanent.

This long-term crisis will weaken businesses and test their ability to restore public confidence. The link between the performing arts, theaters, operas, shows and cinemas and their audiences could be questioned for years to come and will depend on the conditions for emerging from the current crisis and confidence in a return to a new normal life. The figures show that this is a collective challenge - also for policymakers - since the perception in October 2020 was that going to shows, theaters and cinemas made people as apprehensive as taking a plane trip. Indeed, 46% of respondents said they would be uncomfortable going to a concert for several months, and 21% said they would be uncomfortable going for several years. The challenge for the coming months is to restore confidence.

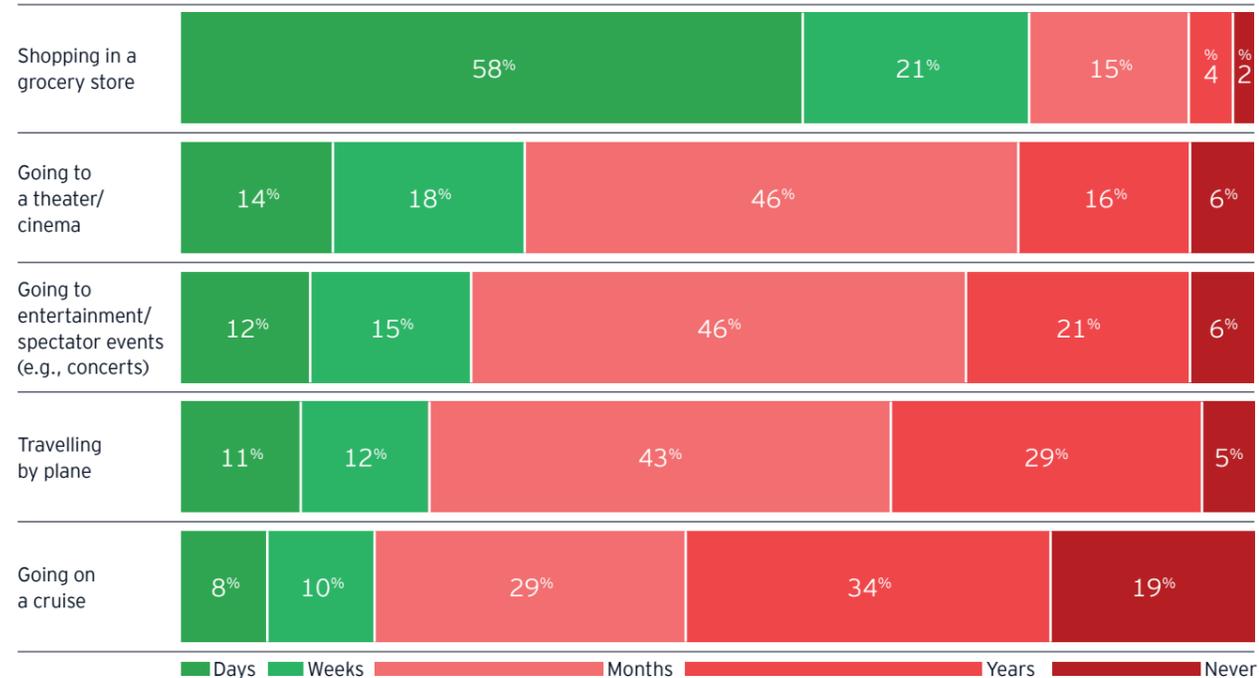
From a broader perspective, the promotion of cultural diversity by fostering diversity of creation, as well as diversity in the range of distribution opportunities - whether online or offline - is essential to ensure competitiveness and maintain the required level of skills and entrepreneurship in CCI value chains. This is all the more difficult because part of the government support, which is essential for CCIs, is under threat. In the EU, 54% of public spending on culture, leisure and religion comes from local authorities, whose finances will be hard hit by pressure on spending and reduced revenues, according to the Organisation for Economic Co-operation and Development (OECD).

If a specific strategy is not put in place at European and national levels, and if legislation does not protect free trade, encourage private investment and set conditions for its recovery, particularly with regard to Intellectual Property Rights (IPR) violations, Europe's cultural diversity is at risk of being impoverished.

So far, those who face the greatest financial difficulties are far from assured of survival. For those facing less financial difficulty, a still fragile financial health may foster risk mitigation among cultural entrepreneurs, thus limiting investment in the emergence of new talent in the coming years. Consequently, the ability of CCI sectors to contribute fully to the EU economy and employment recovery will slow down.

¹⁰ Survey on Stage, Kunsten '92, June 2020.

How long it will take for consumers to feel comfortable



Source: EY Future Consumer Index Survey, October 2020 (total respondents: 14,445 respondents).



After COVID-19

Rebuilding Europe

As a result of in-depth research and interviews conducted by EY and based on the opinions of experts and organizations representing the CCIs, the following challenges have been identified as priorities for the recovery and growth of the creative economy.

Challenge one: finance

Provide massive public funding and promote private investment in cultural and creative businesses, non-profit organizations, entrepreneurs and creators: two indispensable levers to support and accelerate their recovery and transformation

Proposals:

- ▶ Earmark at least 2% of the Recovery and Resilience Facility for CCIs, as proposed by the European Parliament, both in the EU legal framework and in national strategies;
- ▶ Ensure that sufficient structural funds and cohesion policy support instruments – such as the Coronavirus Response Investment Initiative (CRII), the Coronavirus Response Investment Initiative Plus (CRII+) and REACT-EU – are used for the recovery and reconstruction of CCIs, identified by the European Commission as one of the strategic industrial ecosystems essential for Europe's recovery;
- ▶ Increase funding for the guarantee facility for the cultural and creative sector in order to widen SMEs' access to loans;
- ▶ Increase funding for cultural infrastructure from the European Regional Development Fund and Cohesion Fund 2021-2027 and the Digital Europe Programme; encourage European cultural enterprises to start up and develop through specific support schemes;
- ▶ Support European commercial collaborations between operators at the development and financing stage, in all sectors and activities where such cross-border collaborations are possible and efficient;
- ▶ Examine how complementary and specific insurance schemes for cultural activities (events, production, performance, etc.) could compensate for sudden and long-lasting lockdowns or curfews;
- ▶ Ensure that the precarious working conditions of freelancers and the situation of creators are also taken into account through specific funding programs or in the framework of support to CCI enterprises at European, national and local levels.



Challenge two: empower

Promote the EU's diversified cultural offering by ensuring a solid legal framework, allowing for the development of private investment in production and distribution, providing the necessary conditions for an adequate return on investment for businesses and guaranteeing adequate income for creators

Proposals:

- ▶ Ensure a rapid and effective implementation of the recently adopted directives on copyright and related rights in order to enable creators and the wider rights holder community, as well as cultural enterprises, to better harvest the value of the online market and new modes of exploitation;
 - ▶ Ensure strong protection and effective enforcement of IP, on which the viability of cultural and creative activities depends to a large extent; in particular, during the forthcoming EU actions on online responsibility;
 - ▶ Encourage investment in European content and ensure more presence and visibility for European works are provided in the online distribution environment;
 - ▶ Provide fair remuneration and sustainable conditions for creators and their business partners; allow for the diversity of works and distribution opportunities to flourish; ensure that current and future legal and regulatory frameworks preserve the variety of business models deployed by the CCI ecosystem
- ▶ by supporting commercial freedom to build tailor-made financing and distribution plans for different types of content; guarantee cultural diversity in the production and distribution phases;
 - ▶ Ensure that platforms based outside the EU also comply with EU rules that provide for these conditions; in particular, regarding the acquisition of IP rights;
 - ▶ Promote cultural entrepreneurship for future generations by incentivizing mandatory courses on cultural entrepreneurship, sustainable management, legal training and European programs in arts schools; incentivize partnerships between engineering schools and art schools to foster tech and cultural entrepreneurship.



Challenge three: leverage

Use the CCIs - and the multiplied power of their millions of individual and collective talents - as a major accelerator of social, societal and environmental transitions in Europe

Proposals:

- ▶ Use the "power of culture" to educate, influence, promote and demonstrate to the public the values and ease of sustainable living in the context of the European Green Deal;
- ▶ Leverage broader cross-sectoral links, especially with tourism, research and innovation, energy, transport and active mobility, and construction, to reduce the carbon footprint of CCI activities wherever possible;
- ▶ Promote and strengthen the European model of a social economy, where key players in cultural and creative sectors, and non-profit grass-roots entities and associations, can help shape the EU's economy and welfare through sustainable, inclusive, democratic and cooperative programs;
- ▶ Promote freedom of creation and reaffirm the implementation of EU treaties with regard to the promotion of cultural diversity;
- ▶ Promote efforts carried out by the CCIs in reaching gender and diversity balance, off and on stage and screen.





Interview

CCIs maintain Europe's cultural and artistic unity

An interview with **Serban Enache**, CEO of Dreamstime



How has the crisis already affected your life, your activity, your sector?

The stock photography sector has not experienced a significant decline, thanks to the increase in demand from online businesses. However, Dreamstime contributors have seen their personal projects and revenues decrease due to the cancellation of public events. In addition to the economic situation, all the artists confessed to having lost their emotional connection with their audience, but they also say that the extra time spent with their families has been a big positive.

years to rebuild a sector that is currently overshadowed by social, political and economic measures.

As artists and photographers are forced to focus exclusively on building a strong online presence to market and sell their work, it is essential that the internet and social media platforms remain a level playing field.

What can Europe do to help the cultural economy?

The cultural and creative industries have the particular characteristic of being universal and bringing together

“

Without adequate support, it is likely to take years to rebuild a sector that is currently overshadowed by social, political and economic measures

How will your sector be affected by the COVID-19 crisis in the coming months?

Photographers and photojournalists specializing in events brought much less diverse content this year. How the creative sector will be affected in 2021 depends on how quickly we can resume our pre-pandemic activities and the willingness of local governments to invest. Without adequate support, it is likely to take

otherwise incompatible groups of individuals. They can maintain Europe's cultural and artistic unity when there are so many reasons to divide it.

The EU should create, support and endorse a viable framework for countries to develop and exchange cultural projects, while at the same time creating a flexible framework for artists living from their art.



New cultural experiences in the virtual world

An interview with **Alex Loscos** and **Scott Cohen**

How has the crisis already impacted your activity?

AL: BMAT has been able to resist. We work with CMOs, publishers, labels, broadcasters and digital service providers, and we provide identification and data services across radio, television, clubs and digital platforms. There are cells in this matrix that have basically disappeared, such as tracking music in clubs, but we've been able to pivot into others, such as digital. We've managed to absorb the impact this year, but we expect a second wave in 2021, mainly due to the royalty processing cycles. No matter what, we believe the complexity of BMAT, in terms of number of services and customer types, makes us more resilient than others.

What transformations will your activity experience in the wake of the crisis?

AL: Disintermediation is a force that concerns all sectors of activity. We expect this crisis to accelerate it. Stakeholders will pile on the pressure, much more than any time previously, for better services and better prices. We believe the future will require companies to focus on their core competences and establish alliances for everything else.

What are your expectations for cultural and creative industries in Europe?

SC: People are essentially recreating the experience of a gig online. They're going to accelerate that and create a new category. So, I think we're going to start seeing new experiences in

the virtual world, which could be virtual reality, augmented reality, that will exist online in a digital form. In a way, this has become clearer with the COVID-19 crisis. People will use cultural works as part of the online experience or do other things online when they go to a virtual concert or festival. There is a lot to gain from this changing behavior for all CCIs.

What can Europe do to help the economy of culture?

SC: Think what The Beatles do for Liverpool. Tourists from all over the world show up there to go to hotels, restaurants and museums. If you foster that kind of creativity, it can happen, but if you turn a blind eye, it never will. You have to put money behind the schemes to ensure that it happens - that you can grow the next global superstars out of Europe.

From another perspective, every study in the world shows that when children learn to play musical instruments, they do better in math and science. If you want a population that is cutting edge in math and science, then make sure there's music education in school.

We also need to get more software and hardware, and faster 5G internet connections, into everybody's hands. We don't want to expand the digital divide. It is the combination of infrastructure, technology and creativity that would make the change for the future of the (digital) economy.



Alex Loscos
CEO BMAT



Scott Cohen
Chief Innovation Officer, Recorded Music at Warner Music Group, Founder of The Orchard, Founder of CyborgNest

New rituals for the 21st century

An interview with **Chris Dercon**, President of the Réunion des Musées Nationaux - Grand Palais



How has the crisis already affected your business?

We used to buy tickets, go to a show or a museum. Today, we have become used to consuming culture differently.

We have built institutions such as the Louvre for local visitors and tourists, who will come back, but slowly and probably in a different way. We know that the younger generations are doing much more in the digital world. We may see more hybrid cultural experiences in the future.

There are also logistical problems. For example, Valery Gergiev cannot conduct an opera at 9:00 p.m. in Petersburg, arrive at noon to work in Rotterdam and go to the Paris Opera for the evening. Similarly, shipping exhibitions costs us five times more than before because of air freight limitations.

What changes has the crisis created or accelerated?

We have to invent new exhibition formats, work locally with artists, producers and technical partners. We have to produce works much more quickly, mix different artistic genres and events. We need to rethink the role of events and cultural destinations and examine the expectations of the public.

We need to reinvent the business models of our institutions, especially in the context of drastic budget cuts: new programming methods, new ways of selling tickets, more monetization of our digital traffic. And we will have to be more sustainable.

What can Europe do to help the cultural economy, and how can culture help Europe?

The situation would not be so bad if there was a common action plan at European level, but each country is doing something different. Closing borders has led to tighter budgets and a kind of renationalization of culture. On one hand, there is globalization, but at the same time, we are talking about national identities.

Let us define the minimum investments that European countries should make in culture. Let us stimulate collaboration. Let us avoid such an unbalanced cultural scene.

Let us be European and local. European projects may have been guilty of conceptual approaches in the past. The solution is to identify common themes that respond to common problems, such as shrinking cities. We should promote "secondary cities" instead of having everyone flock to Paris, Berlin, Rome or Amsterdam.

And instead of using a strictly economic perspective, culture should be seen as a form of humanistic and animistic behavior. When I decide to represent the climate crisis with pieces of paint and shouting on stage, I am doing something humanistic, animistic. It's a ritual. We have to invent new rituals for the 21st century. If ancient theatre was the place of ritual for Greek culture, if the cathedral was for the Middle Ages, we must invent another place for modern times. Digital is not the place of rituals. No way, José!



Detailed methodology

Evaluation of CCI market and employment in 2019

Objectives

The main objective of this study is to produce a set of comparative and qualitative studies to give a snapshot of the economic role of CCIs in Europe, and to show how, and to what extent, they may be a driving force for European economic growth.

Definition and scope

CCIs comprise industries producing or distributing cultural and creative goods and services, defined in 2005 by UNESCO as “activities, goods and services, which ... embody or convey cultural expressions, irrespective of the commercial value they may have.” Beyond this broad definition, we have adopted a sector-based approach in order to consider the specifics of each industry. Our report covers 10 sectors. “TV and movie” were merged under AV, to best reflect sector changes.

For the sake of rigor and consistency, we have restricted our analysis to a scope that does not include certain other “creative activities,” such as fashion, jewelry or industrial design - nor sectors where creativity plays a central role, such as luxury goods or gastronomy, which are sometimes included in CCI statistics, such as those of Eurostat. We decided to stay close to the UNESCO definition of CCIs as activities “whose principal purpose is production or reproduction, promotion, distribution or commercialization of goods, services and activities of a cultural, artistic or heritage-related nature.”

The geographical scope of the study is the EU and the UK, known as EU-28. Unless otherwise stated, all references to the EU in this study refer to the scope of the EU-28.

This study is based solely upon revenues of the cultural industries themselves. It takes no account of indirect impacts upon related economic activities such as tourism.

Data collection

The study has adopted a “bottom-up” approach. Where aggregated data does not exist, the study has constructed reliable estimates based on interviews with key organizations, sector publications and ad hoc statistical materials, as well as verified market assumptions. Data collection relies primarily on reliable industry sources at national, European and global levels. The main databases used include Eurostat Structural Business Statistics, the Eurostat Labor Force Survey, IFPI *Global Music Report 2020* and national statistical bureaus.

A total of 25 interviews and 2 workshops were conducted, with organizations covering the 10 sectors of this report to validate and corroborate EY’s data modeling and analysis.

Indicators

- ▶ **Turnover:** the study adopted an approach based on final consumer markets, primarily taken at retail prices. The approach takes revenue at the end of the value chain, rather than adding up revenue from all stakeholders involved in individual parts of the value chain. For instance, to measure the economic value of the performing arts, equipment rental and catering have been excluded, as they can be considered intermediate costs of venue management and are already included in revenues from ticket sales.
- ▶ **Gross value added:** our evaluation relies on turnover/gross value-added ratios for each sector. We compute those ratios based on Eurostat Structural Business Statistics and professional organization reports, when available.
- ▶ **Jobs - permanent, temporary and part-time workers, including self-employed:** employment is expressed in numbers of jobs, not in full-time equivalents (FTEs). This is explained, to a large extent, by the lack of data on employment in CCI-related EU NACE (Nomenclature statistique des Activités économiques de la Communauté Européenne) codes, which sometimes fail to count performers and other creative works owners. Employment figures include jobs in both public and private sectors.

To ensure consistency, the study mainly used data recorded in 2013, 2018 and 2019. However, when reliable data was missing, the study provided estimates based on annual growth forecasts or data analysis from the main European markets.

The study's ten cultural and creative sectors

Advertising

Architecture

Audiovisual

Books

Music

Newspapers and magazines

Performing arts

Radio

Visual arts

Video games industry

Evaluation of the impact of the COVID-19 crisis on CCIs

The analysis of the COVID-19 crisis' impact on CCIs is based on four principles:

- ▶ We based our analysis on the entire year of 2020, taking into account the two waves of COVID-19 in Europe and the restrictions applicable to the 10 sectors within the scope.
- ▶ Our main sources are the impact surveys conducted by professional organizations, interviews with industry experts and additional market research.
- ▶ We have assessed the impact for each subsector separately, as well as for each market segment. For instance, in the

music sector, we have made different estimates for digital sales, synchronization revenues, live music and physical sales.

- ▶ We have made the most accurate estimates possible, at national level, by groups of countries or, at European level, according to the information available for each subsector.
- ▶ Our hypotheses and recovery perspectives were tested with industry professionals in each sector over the course of 25 interviews.

Main sources

- ▶ *Bilan économique 2019*, Le Bureau Export, 2020.
- ▶ *Boosting the competitiveness of cultural and creative industries for growth and jobs*, European Commission, 2020.
- ▶ *Cultural Climate Barometer*, Budapest Observatory, 2018.
- ▶ *Culture: Urban Future*, UNESCO, 2019.
- ▶ *Culture in crisis: Policy guide for a resilient creative sector*, UNESCO, 2020.
- ▶ *Culture Shock: COVID-19 and the cultural and creative sectors*, OECD, 2020.
- ▶ *Culture Statistics*, Eurostat, 2019.
- ▶ *En Scène*, PRODISS-EY, 2017.
- ▶ *Résultat de l'étude d'impact de la crise sanitaire COVID-19 sur l'économie des galeries d'art*, Comité Professionnel des Galeries d'Art, 2020.
- ▶ *Europe's digital migration during COVID-19: Getting past the broad trends and averages*, McKinsey, 2020.
- ▶ *European Book Publishing Statistics 2018*, Federation of European Publishers, 2018.
- ▶ *Film production in Europe 2016*, European Audiovisual Observatory, 2016.
- ▶ *Facing disruption: the cinema value chain in the digital age*, Elisa Salvador and Jean-Paul Simon, Pierre-Jean Benghozi, International Journal of Art Management, 2019.
- ▶ General government expenditure by function (COFOG, indicator gov_10a_exp), Eurostat, 2020.
- ▶ *Global Collections Report*, CISAC, 2020.
- ▶ *Global Collections Report*, CISAC, 2019.
- ▶ *Global Games Market Report*, Newzoo, 2019.
- ▶ *Global Music Report*, IFPI, 2020.
- ▶ *ISFE Key Facts*, Interactive Software Federation of Europe (ISFE), 2020.
- ▶ *Key Numbers - COVID-19 Impact on 2,600 venues & clubs in Europe*, Live DMA, 2020.
- ▶ *L'économie mosaïque*, EY, 2019.
- ▶ *Les investissements de l'UE dans les sites culturels gagneraient à être mieux ciblés et coordonnés*, Cour des Comptes Européenne, 2020.
- ▶ *Modelling audiovisual sector revenue flows in the EU and test case on impact of COVID-19 on industry revenues*, European Audiovisual Observatory, 2020.
- ▶ *Museums around the World in the face of COVID-19*, UNESCO, 2020.
- ▶ *Music by Numbers 2020*, UK Music, 2020.
- ▶ *2020 World Press Freedom Index*, Reporters Without Borders, 2020.
- ▶ Structural Business Statistics (indicator sbs_na_dt_r2), Eurostat, 2020.
- ▶ *Special Eurobarometer 466*, European Commission, 2017.
- ▶ *The Architectural Profession in Europe 2018 - ACE Sector Study*, Architects' Council of Europe, 2018.
- ▶ *The Digital Economy and Society Index*, European Commission, 2020.
- ▶ *The Economic Impact of Music in Europe*, IFPI, 2020.
- ▶ *The International Communications Market Report 2017*, Ofcom, 2018.
- ▶ *The impact of the pandemic on publishing in Europe*, Federation of European Publishers, 2020.
- ▶ *The Rise of Digital Audio Advertising*, International Advertising Bureau Europe, 2019.
- ▶ *World Film Market Trends*, European Audiovisual Observatory, 2019.
- ▶ *World Press Trends 2019*, World Association of News Publishers, 2020.

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

© 2021 EYGM Limited.
All Rights Reserved.

Studio EY France - 2012SG133
ED None
EYG no. 000337-21Gbl

This material has been prepared for general informational purposes only and it is not intended to be relied upon as accounting, tax, legal or other professional advice. Please refer to your advisors for specific advice.

The views of third parties set out in this publication are not necessarily the views of the global EY organization or its member firms. Moreover, they should be seen in the context of the time they were made.

ey.com

Contact

Marc Lhermitte

Partner

EY Consulting

marc.lhermitte@fr.ey.com

+33 1 46 93 72 76

