



# Rebuilding Europe

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

**Executive summary**  
**January 2021**



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# Executive summary

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

EY 2021

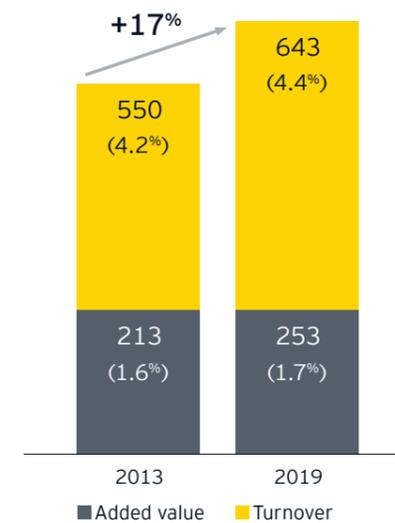


### 1. Before COVID-19 The full power of culture and creation

#### 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)



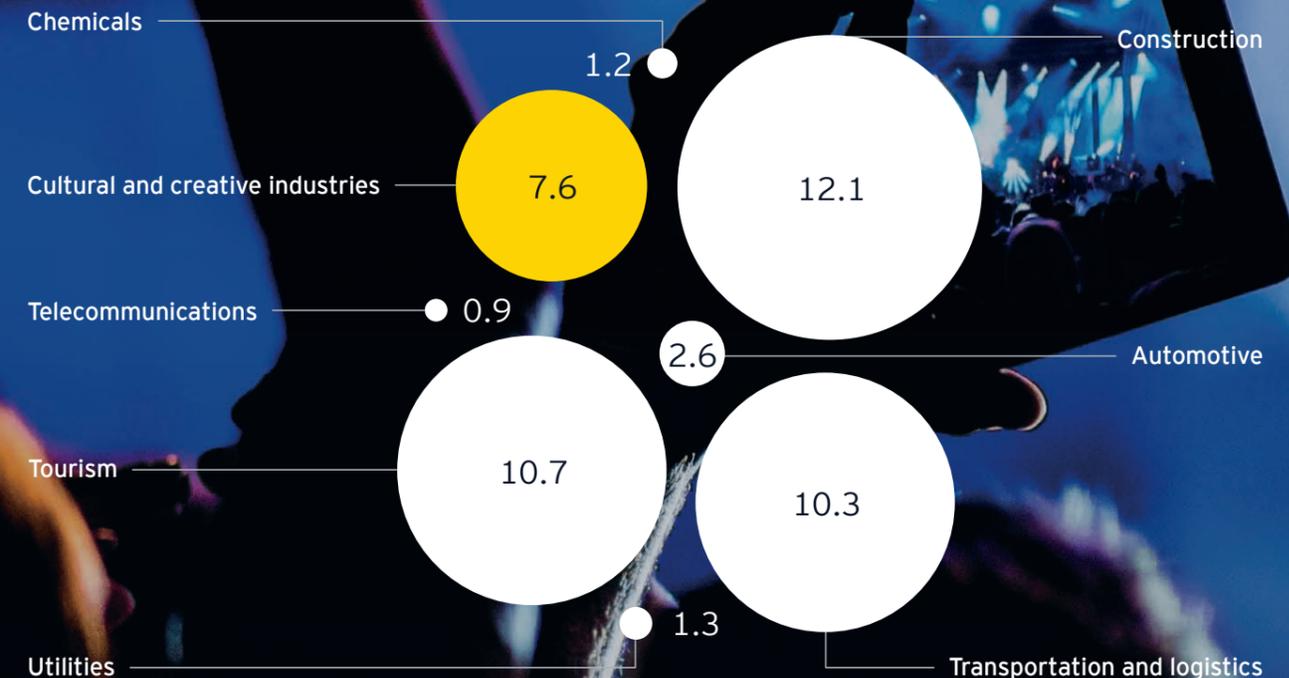
Sources: Eurostat; GESAC; professional organizations; EY modeling and analysis 2020.

#### 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.

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### 2. Because of COVID-19 The sharp fall

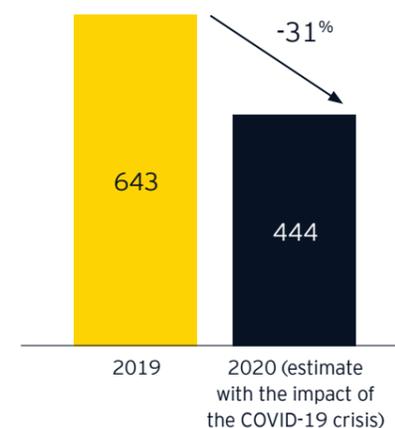
In 2020, the cultural and creative economy lost approximately 31% of its revenues

- ▶ 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%).

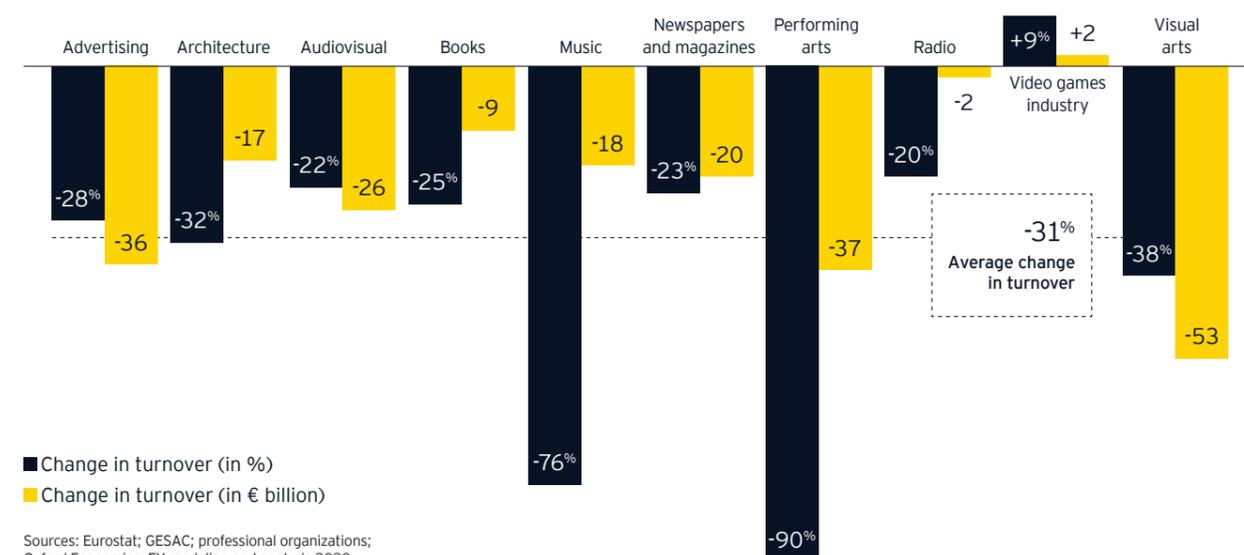
- ▶ The crisis has hit Central and Eastern Europe the hardest (from -36% in Lithuania to -44% in Bulgaria and Estonia).
- ▶ All sectors are affected: even those that seemed to be protected by home consumption faced a sharp drop in income, given the central role of physical experiences and sales in their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

# About this study

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.

## 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.

## 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.

## 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](http://www.authorsocieties.eu)  
email: [secretariatgeneral@gesac.org](mailto: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.

## GESAC's partners for the study

### AEPO-ARTIS

Association of European Performers Organisations

### EUROCINEMA

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

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ED None  
EYG no. 000336-21Gbl

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