Creative Industries
Policy and
Evidence Centre

Led by Newcastle University Business School with RSA

Policy Brief

International Trade and the UK Creative Industries

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Background to this brief

This policy brief is based on research from Creative PEC's State of the Nations report**, UK Trade in a Global Creative Economy,** which assess the international outlook of the UK's creative industries, with a focus on exports.

Download the State of the Nations report to explore all the data, analysis, and findings.

About the Creative Industries Policy and Evidence Centre

The Creative Industries Policy and Evidence Centre (Creative PEC) works to support the growth of the UK's creative industries through the production of independent and authoritative evidence and policy advice.

Led by Newcastle University, with the Royal Society of Arts and funded by the Arts and Humanities Research Council, Creative PEC comprises a core consortium of Newcastle University, Work Advance, the University of Sussex and the University of Sheffield.

The PEC works with a diverse range of industry partners.

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Introduction

The UK's creative industries are a global success story. In 2021, the UK exported £45.6 billion in creative services and £9.1 billion in creative goods, making it the world's fifth and seventh-largest exporter in these areas respectively. Our recent State of the Nations report, *UK Trade in a Creative Global Economy* (Fazio et al, 2024), highlights that the UK's creative industries have a strong international orientation and a comparative advantage versus many other countries. As the UK re-orients itself within global markets and grapples with increased service trade restrictions following its departure from the European Economic Area, there remain opportunities to better place creative services and digital trade at the heart of the UK's export strategies. Our current strength in services cannot be taken for granted and work needs to be done to ensure the UK maintains its position.

Across government and industry, there has been a recognition that creative industries exports need dedicated support to remain world leading. This recognition has included the foundation of the Creative Industries Trade and Investment Board (CITIB) in 2018, which supports growth of creative exports and inward investment, and the 2023 Creative Industries Sector Vision from the Department for Culture, Media and Sport and Creative Industries Council, which set out the importance of creative trade in helping reach £1 trillion in exports across the economy by 2030. The new Labour government has also committed to publishing a trade strategy as part of its mission to boost economic growth and to address trade barriers with the European Union to support creative exports.

The first part of this policy briefing summarises key data insights from our report *UK Trade in a Creative Global Economy* on creative industries international trade, with a focus on exports. In the second half, we outline four broad policy considerations on **1) digital trade, 2) future trade negotiations, 3) the UK-EU TCA** and **4) export support for creative firms**.

Headline facts and figures[1]

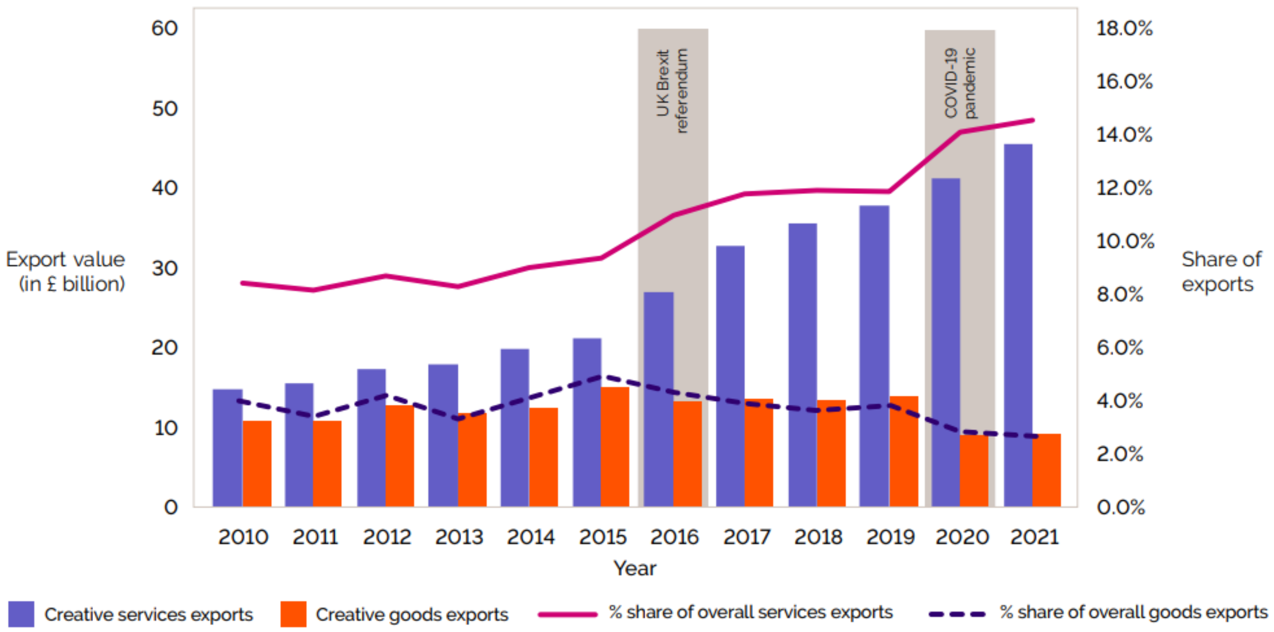
1. Since 2010, creative industries service exports have grown 3x faster than UK services as a whole, but the picture for creative goods exports is more challenging

Using data from the DCMS Sectors Economic Estimates, our research shows that from 2010 to 2021, creative industries services exports growth outperformed UK service exports (150% to 50%).

Creative services continued to grow despite the Covid-19 pandemic and through the implementation of the UK-EU Trade and Cooperation Agreement (TCA) (see Figure 1). They also grew as a share of the UK's overall services exports from just over 8% in 2010 to over 14% in 2021.

The picture for creative goods trade is more challenging. Goods were adversely affected from the Brexit referendum onwards, with further negative impacts during the pandemic. As a share of goods exports more widely, there has been a small drop from 4% to 3% in the period 2010-21.

Figure 1: Values and shares of UK's creative exports of goods and services 2010 – 2021



Source: Calculations from export values (in current prices) reported in DCMS Economic Estimates

[1] All figures and findings are taken from our research report *UK Trade in a Global Creative Economy*.

2. Export destinations for creative industries trade have shifted since the Brexit referendum in 2016, though Europe remains the largest single trading partner

The destination of UK creative goods and services presents an interesting picture that in some ways goes against assumptions of how trade has been affected by major international developments. While Europe and North America remain important partners, analysis of trade in goods and services reveals changing dynamics since 2016.

2.1 Creative services trade

- Europe remains the largest export destination for UK creative services, though this has dropped from 60% of all exports in 2016 to 45% in 2021.[2]
- Overall, there has been a substitution of creative service exports away from Europe to North America. In 2021, North America accounted for 39% of all creative services exports, compared to 24% in 2016, while exports to Asia and other parts of the world remained relatively stable during the same period.
- IT, software and computer services dominates creative services exports, with North America being the destination of 48% of exports in this sector in 2021. Film, TV, video, radio and photography, followed by advertising and marketing, are the second-largest and third-largest creative services exporters, though they primarily export to the rest of Europe (at 67% and 55%) respectively.

2.2 Creative goods trade

- Despite the effects of Brexit, Europe remains the biggest export destination for UK creative goods. In fact, Europe accounted for 44% of all creative goods exports in 2021 compared with 36% in 2016.
- By contrast, creative goods exports to North America have dropped from 33% to 25% in the same period. Asia remains an important destination for UK creative goods. While exports to Asia dipped slightly to 22% of all creative goods trade in 2020, they recovered to 26% in 2021—the same proportion as in 2016.
- Crafts; music, performing and visual arts; and publishing are the three biggest sub-sectors in terms of share in goods exports. 48% of crafts exports go to Asia, while Europe remains the largest destination for both music, performing and visual arts (48%) and publishing (47%) goods exports.

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[2] In DCMS Sectors Economic Estimates, "Europe" includes both EU and non-EU countries.

3. UK creative exports retain strong comparative advantage, but increasing global competition means this can't be taken for granted.

- Revealed comparative advantage indicators show that the UK enjoys a comparative advantage in creative services against all comparator countries included in our analysis other than the Republic of Ireland.

- The UK's revealed comparative advantage for goods shows that it has comparative advantage against all comparator countries other than China, Italy, and France.

- However, comparisons of comparative advantage pre- and post-2020 highlight that after Covid-19 and the EU Trade and Cooperation Agreement, theese advantages have been eroding. There has been a particular drop in comparative advantage in 'audiovisual and related services' with the EU, and 'computer services' with the EU, Canada and Ireland.

4. Fewer UK creative industries firms are trading overseas, but those that do are trading more

Our researchers used Financial Analysis Made Easy (FAME) data to understand firm-level performance. The FAME proprietary database allows examination of exporting behaviour linked to company profit and loss accounts, though it tends to overrepresent larger firms. Given the high number of SMEs and microbusinesses in the creative industries, this means the picture presented is not comprehensive, but it still provides an economically relevant picture due to the fact that larger firms account for the majority of overseas turnover. From our previous research (Du et al, 2023), we know that larger firms were more likely to have been able to overcome the challenges caused by Brexit and the Covid-19 pandemic.

4.1 Firm-level trade

- Creative PEC analysis of the FAME data shows that overseas turnover accounts for 20% of all turnover in the UK's creative industries from 2013 to 2022.

- The proportion of creative industries firms that export has dropped from around 10% in 2013 to 7% in 2022. Despite a decline, the intensity of exports (that is, the proportion of overseas turnover to total turnover) has been increasing in the creative industries, reaching almost 25% in 2023.

- The increase in export intensity has been especially true for advertising and marketing, design and designer fashion, IT, software and computer services, and music firms.

4.2 Regional trends

- The number of creative industries firms exporting between 2013 and 2022 remain concentrated in London and the South East. The data shows that the South West and East Midlands have lost ground in this period, while East Anglia and the North West have gained ground.

- In terms of the proportion of creative firms exporting regionally, London, the South East and the East Midlands are all strong. Northern Ireland is considerably stronger on this metric and has gained ground since 2013, though Scotland and the South West have dropped by comparison
- Export intensity is more evenly spread around the UK, with London, Scotland, South East, East, and West Midlands performing well. However, the South West, East Midlands, East Anglia, and Yorkshire have all lost ground on this metric.

4.3 Firm exporting behaviour

- Econometric analysis of creative firms in terms of size of overseas turnover shows that firm size (based on number of employees), the overall size of the corporate group, and foreign ownership all have a positive impact on exports.
- While larger firms have higher levels of overseas turnover, their share of overseas turnover relative to total turnover falls as their size increases.

5. Creative digital trade has seen a big increase since 2016

Digital technology has been a disruptive force in international trade since the start of the millennium. This has been especially true for services, where there has been a long-term shift to digital in many areas. The Covid-19 pandemic drove further growth in digital trade, with the result that it now represents around 25% of all global trade.

Measuring digital trade is still an underdeveloped area despite the efforts of organisations like the International Monetary Fund (IMF), Organisation for Economic Cooperation and Development (OECD) and UNCTAD. Our research uses an experimental data set on bilateral trade in digital services to estimate the UK's creative digital trade.[3] This data set is not complete: it does not include digitally ordered goods and it excludes some important creative sub-sectors like architecture and some advertising (e.g. market research services), as well as streaming services for music and video. E-books are also not fully represented in the data. This means that the data set underestimates the overall level of creative digital exports. It suggests that:

- UK digital exports have more than tripled from just over 9% of all trade in 2016 to 28% in 2021.
- Creative digital exports represent a large portion of this, clocking in at around 67% of all

[3] This data set is based on Stojkoski et al (2024) The Growth, Geography and Implications of Trade in Digital Products. Working Paper. Available at: https://arxiv.org/ abs/2310.02253.

digital trade by 2021. (Note that the bulk of these figures are accounted for IT-related sub-sectors).

- Videogames dominate UK creative digital trade at 46% of all digital exports, and globally the UK is the fourth-largest exporter of videogames.

Policy options for consideration

1. **ONS, DCMS, DSIT and DBT should work together to develop a consistent approach to measuring digital trade data. An independent Commission on measuring digital trade would support government in establishing best practice.**

Our experimental research into digital trade reveals that we need a more consistent and targeted approach to data collection and analysis. This is especially pressing given the huge growth in digital trade across the UK economy, not just in the creative industries. A starting point might be the establishment of data sharing agreements with companies delivering digital products and services in order to provide information on their transactions, aggregated by country. The government might also explore options to work with Digital Intermediation Platforms (DIPs) to disclose the value of transactions and associated fees.

We also suggest that convening an independent Commission on measuring digital trade would help to establish a gold-standard approach to measuring national digital trade statistics, drawing on developments in multinational bodies like UNCTAD, OECD and the World Bank and leading national statistics institutes (NSIs). Of course, various attempts have been made by UK governments to tackle the need for better statistics on digital trade. The challenges to UK economic statistics more generally from digitisation of the economy were highlighted by the Bean Review, commissioned by HM Treasury in 2016. Following the Review, the ONS has explored developing digital trade statistics based on the OECD Handbook on Measuring Digital Trade, which deals especially with the problem of DIPs like Amazon, as well as the feasibility of using administrative data. It has also conducted surveys that have included questions on digitally delivered services to customers outside the UK, but as of 2024 the most recent iteration—the Digital Economy Survey—had been paused with no data collected for 2023.

To fully capture the fragmented range of data needed to measure (creative) digital trade, we suggest that a concerted inter-departmental effort is needed, involving DCMS, DSIT, DBT and the ONS. Establishing an independent Commission on digital trade would support government to build a full picture of available data and what globally is best practice, with a view to providing clear recommendations on how the UK should go about collecting and standardising digital trade statistics. The Commission would also seek to develop a definition of what constitutes creative digital trade and non-creative digital trade. Commissioners would be drawn from specialist UK academic centres such as the Economic Statistics Centre of Excellence (ESCoE), overseas NSIs as well as relevant international organisations, such as OECD and UNCTAD.

2. DBT and DCMS should include the creative industries amongst sector priorities in trade negotiations

In a 2021 policy briefing on exports, the Creative PEC argued that the creative industries need to be considered a central part of the UK government's export strategy. The Sector Vision has subsequently emphasised that the creative industries priorities should be fully considered in new Free Trade Agreements (FTAs), including ensuring strong Intellectual Property provisions, enabling the movement of skilled creative workers, and mutual recognition of professional qualifications.

The Resolution Foundation's Trading Up report on UK exports has pointed to areas where the UK has sought more innovative models of trade cooperation, including a Services Mobility Agreement with Switzerland and a Digital Economy Agreement with Singapore. The latter boosts protections for duty-free sharing of digital content, citing e-books and music streaming as potential examples, specific support for small businesses, and protection from forced transfer of source code between markets. The UK-Japan Digital Partnership also outlines areas of collaboration, including passing mention of how digital technology presents an opportunity for creative and educational 'partnership and co-production'. In order to make good on the opportunities of digital creative trade, the government should consider engaging with like-minded peer nations where FTAs are already in place to explore adding digital partnership agreements and ensure consistency of approach in future agreements. This would potentially benefit not only the creative digital subsectors, but also the wider digital economy as well. This would also allow the UK to further protect—and advocate for—its strong IP protections, an area that is considered especially important for the creative industries and is a focus for the Sector Vision's plans on growth.

Given the importance of creative services exports to the UK, easing barriers to services trade should also be a priority. Our research has shown that creative firms face particular challenges around visa requirements and lack of mutual recognition for professional qualifications, so these should be the target priority for negotiations. The Swiss services agreement, allowing for 90 days travel without a work permit, provides a potential model for mobility arrangements with other countries. Mutual recognition of qualifications benefits some creative workers like architects and advertisers, but services agreements also need to acknowledge that some creative services professionals have other additional barriers to entry. Musicians and theatre producers, for example, would still face touring challenges under the Swiss agreement due to carnet and (if touring wider Europe) cabotage rules for transporting equipment. Ambitious services agreements need to take these kind of complexities into account when negotiating for creative talent.

3. Seek to reduce creative export barriers within the UK-EU Trade and Cooperation Agreement in upcoming negotiations

The UK-EU Trade and Cooperation Agreement (TCA) is due for its bilateral five-year review in May 2026. UK Trade in a Creative Global Economy shows that the EU has been losing ground as a destination for UK creative exports, and as a result suggests that the creative industries need to be prioritised in future UK-EU TCA renegotiations. In keeping with our recommendations above, our research supports the recommendations from the UK Trade and Business Commission to ensure a 'common approach' to the digital economy and data flows.

As UK in a Changing Europe has pointed out, the provision for review in the TCA is relatively vague regarding the nature of its remit, but also that this leaves an opportunity for both parties to shape it to address common areas of interest. The DCMS and CIC's Creative Industries Sector Vision committed to helping the creative industries 'adapt' to the new trading relationship with the EU, in particular for musicians and performers.

Earlier Creative PEC work (Du et al, 2023) has also emphasised other areas where the TCA might be made to better support creative industries firms. Coordination between government departments to monitor and evaluate the impact of the TCA is important so that we have the best information available to understand where there are challenges and target support effectively. Analysis also shows that visa restrictions are a continual problem for creative industries workers, especially when it comes to negotiating applications with different EU member states and associated costs. In particular, small firms and freelancers, which especially dominate the creative industries landscape, may struggle when dealing with this administrative burden. Alongside addressing ongoing challenges for creative workers when dealing with transport and cabotage rules, there is a need for government to work with industry to overcome increased bureaucratic burdens.

4. Provide additional support for creative firms to export, especially at the regional level

Programmes of support that encourage firm capacity building and productivity may be especially important given our research shows that larger, more productive firms have a greater propensity for exporting. Our researchers highlight how schemes like the Create Growth Programme can be an important intervention for encouraging exporting behaviour, especially given the scheme is designed to help creative businesses scale outside London. Emphasising exports as a key part of Create Growth (or future similar schemes') remit would be a step towards helping firms understand the full range of business development activities they might undertake with their grant funding and increase their international ambitions.

Our regional analysis shows that such programmes may be particularly impactful if targeted on regions where there are relatively low shares of exporting creative firms, such in the North East, Wales and Scotland. Ensuring that exports are embedded in strategies for devolution deals is important: the recent NECA deal, for example, highlights how DBT will support the region to implement an export strategy, but this should also involve DCMS and DSIT to ensure relevant industries are consulted locally. Given that our research indicates that fewer creative firms are exporting now than in the past, any consultation work should be especially conscious of re-engaging lapsed exporters, to better understand why they disengaged from international activity and what would encourage them to start up again.

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