

Invest at scale in place-based approaches to unleash potential of ‘Foreign Direct Investment’ in UK’s creative industries says new research

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With the UK Government’s forthcoming industrial strategy highlighting the creative industries as a key sector for both investment and growth, a new report on ‘Foreign Direct Investment’ from the Creative Industries Policy and Evidence Centre (Creative PEC) couldn’t be timelier. The new ‘State of the Nations’ report from the AHRC-funded Centre, confirms the UK’s global position as a world-leading destination for FDI into the creative industries, yet points to a decline in creative sector FDI into the UK from a peak in 2019; suggesting the need for the Industrial Strategy to focus on initiatives for both attracting inward and generating outward FDI as a policy priority.

The report from the Creative PEC’s research team at Newcastle University finds:

- On average, 10% of all inward UK FDI projects between 2013 – 2023 are accounted for by the creative industries, highlighting the importance of the sector. A similar pattern is found for outward FDI.
- The UK is second only to the USA for the location and generation of FDI creative projects globally.
- Against the backdrop of an incoming Trump administration, it is noteworthy that the USA is the main source of investment, providing nearly 45% of all creative inward FDI in the UK.
- The creative industries share of inward FDI overall has fallen from a peak of 12% in 2021.

- Inward creative FDI is relatively concentrated in mergers and acquisitions (M&As) compared with new (or greenfield) projects, which contrasts with evidence on non-creative FDI.
- Regional variation: Advertising and marketing FDI is often found in the South East of England, whereas software and computer services FDI is mostly found in the main cities, and FDI in Architecture; Film, TV, radio and photography; and Publishing are spread across the UK, even allowing for the differing geographies of different creative sub-sectors.
- This suggests the regional forces that attract FDI location are different across creative sub-sectors and that the existence of regional creative clusters may have an important role in attracting FDI.

Christopher Smith, Executive Chair, Arts and Humanities Research Council says:

“This report makes it clear that to unleash the potential of the creative industries - one of the UK’s industrial strengths - we have to invest at scale, strategically with a clear place-based agenda. The report uses ten-year’s worth of robust data to provide the evidence base to show there is regional, sub-sectoral variation in FDI activity across the UK. It is clear that regional creative clusters have an important role to play in attracting inward investment.”

Professor Hasan Bakhshi, Director, Creative PEC says:

“As the UK embarks on a new Industrial Strategy, committing the UK to grow its share of foreign direct investment (FDI) in high-growth sectors like the creative industries, there is a need for high-quality, granular data on investment. That is, investment by type (greenfield or M&A), destination/origin, geography and rationale. This new report presents a baseline, where possible including global rankings against which policymakers can benchmark the UK’s inward and outward FDI performance. The report is required reading for policymakers and creative industries businesses who are competing for both investment funds and investment opportunities.”

Lead report author Dr Jonathan Jones, Newcastle University says:

“This report aims to shed light on the limited evidence relating to foreign direct investment (FDI) in the creative industries. It highlights the extent to which the UK is a major destination and driver of creative FDI, but against a backdrop of recently declining FDI flows. It suggests that strategies for attracting and generating creative FDI should be central to the current policy agenda surrounding UK investment.”

The report is the sixth in the flagship ‘State of the Nations’ series from the Creative PEC which provides regular reporting on creative economy trends to support robust policymaking. The report will launch at an online event at 12 noon on Wednesday 20 November with two of the report authors Dr Jonathan Jones and Dr Daniel Simandjuntak joined by Global Media Editor from the Financial Times Daniel Thomas, and Creative PEC Industry Champion and CEO of Concurrency Ve Dewey.

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Download the report: <https://pec.ac.uk/state-of-the-nations/#internationalisation> (live from 00.01 Wednesday 20 November 2024, UK time)

The report ‘**Foreign direct investment and the UK’s creative industries**’ is published by the Creative Industries Policy and Evidence Centre, which is led by Newcastle University with the Royal Society of Arts and funded by the UKRI Arts and Humanities Research Council (AHRC).

The report authors are Jonathan Jones, Daniel Simandjuntak, Sara Maioli and Giorgio Fazio, (2024), Newcastle University

The research team and spokespeople for the Creative PEC are available for comment and interview.

Press contacts

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Notes to editors

1. State of the Nations reports

The report is the sixth in the Creative PEC's new 'State of the Nations' series, which uses the latest data to inform policymakers on how best to support the creative sector across four thematic areas. Regular reports on each area will be published annually over the five years of the Arts and Humanities Research Council (AHRC) funding period.

2. About the Creative Industries Policy and Evidence Centre (Creative PEC)

Creative PEC works to support 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 UKRI Arts and Humanities Research Council, the Centre comprises a core consortium of; Newcastle University, Work Advance, Sussex University and the University of Sheffield. The PEC works with a diverse range of industry partners.

For more details, visit <http://www.pec.ac.uk> and @CreativePEC

3. About The Arts and Humanities Research Council

The Arts and Humanities Research Council (AHRC), part of UK Research and Innovation, funds internationally outstanding independent researchers across the whole range of the arts and humanities: history, archaeology, digital content, philosophy, languages and literature, design, heritage, area studies, the creative and performing arts, and much more. The quality and range of research supported by AHRC works for the good of UK society and culture and contributes both to UK economic success and to the culture and welfare of societies across the globe.

4. The report 'Foreign direct investment and the UK's creative industries' was designed by Mike Green at Green Doe Graphic Design