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# Foreign Direct Investment in the UK's Creative Industries

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## Overview

The UK continues to be a globally competitive destination for inward foreign direct investment (FDI) into the creative industries and the sector has accounted for an outsized share of 10% of all UK inward FDI projects over the last decade. However, the number of creative FDI projects into the UK has fallen by 50% since its peak in 2019, mirroring similar trends across the UK economy.

This policy briefing summarises key insights from the Creative PEC's latest State of the Nations report, [Foreign Direct Investment in the Creative Industries](#), authored by Jonathan Jones, Daniel Simandjuntak, Sara Maioli and Giorgio Fazio at Newcastle University. The report provides the latest evidence on inward and outward creative FDI. In the context of the forthcoming Industrial Strategy, it highlights the need to prioritise initiatives to attract and generate FDI across the UK's creative sub-sectors, nations and regions.

Download the [State of the Nations report](#) to explore all the data, analysis, and findings.

## Key findings on inward creative FDI

- 1) **The UK remains a globally competitive destination for inward creative FDI across almost all creative sub-sectors:** The UK is the second most popular location for creative FDI globally, following the USA. Individual creative industries sub-sectors rank very highly, apart from crafts.
- 2) **While inward Creative FDI is concentrated in a few sub-sectors, we are beginning to see increased diversification:** In 2023, IT, software and computer services accounted for 70% of projects, with Advertising and marketing occupying a growing share at 10% and Film, TV, video, radio and photography at 7%.
- 3) **The USA and Europe are the dominant sources of inward FDI, but other countries are growing in importance:** Europe has grown to account for 40% of FDI projects in 2021 to 2022, with projects from countries including India and China of importance for greenfield projects.
- 4) **While creative FDI is concentrated on London, other nations and regions exhibit outsized strengths in attracting FDI relative to the size of local creative economies.** For example, the West Midlands, Scotland, North East of England and Northern Ireland have a relatively higher share of projects, with FDI in sectors like Film, TV, video, radio and photography being more evenly spread across the country.
- 5) **Mergers and acquisitions (M&As) account for a higher proportion of FDI projects in the creative industries compared to the wider economy, and this is trend growing:** M&As accounted for 64% of all creative FDI projects in the last three years, compared to roughly a third in the rest of the economy, with higher concentrations in some sub-sectors like publishing.
- 6) **M&As overwhelmingly result in full foreign ownership of creative firms (80%) and tend to have four broad types of motivation:** Technology and customer-oriented solutions; organisations-oriented; group and global market growth; creative content and media. These are likely indications of the "pull" factors of UK's creative industries for international investors. The appearance of keyword "talent" suggests that further research is needed to understand how labour or immigration policies may affect FDI indirectly through the attraction of creative talent.

## Key findings on outward creative FDI

- 7) **The UK is one of the principal nations undertaking outward creative FDI, second only to the USA by project count.** Creative FDI also accounts for 11% of all outward FDI leaving the UK during the 2013-2023 period.
- 8) **The USA is the leading destination for UK creative FDI by country, however when viewed together European countries account for 41%.** However, Asian countries are shown as of importance as destinations for outward creative FDI.
- 9) **Whilst outward creative FDI has contracted in line with non-creative sectors post-pandemic, some sub-sectors have seen growing OFDI to countries beyond the USA and Europe:** Film, TV, video, radio and photography reached the highest levels of outward FDI to the rest of the world in 2022, and publishing in 2023.

## Policy implications and considerations

- **Ensure the wider environment for creative industries investment in the UK remains competitive:** for instance, by simplifying planning regulations, ensuring competitive tax reliefs and strengthening access to finance and skills provision for the sector.
- **Scale-up and create specialised business support for creative firms to develop and implement internationalisation strategies,** including through existing programmes like DCMS Create Growth fund and sector initiatives like the UK Global Screen Fund. Further support should also be focused on connecting and promoting UK firms that want to scale-up with foreign venture capital.
- **Continue to develop bilateral innovation support between countries with potential for increased for inward and outward FDI,** such as through initiatives like the UK-China Creative Industries Research and Innovation Hub and inclusion of clauses that allow for and protect creative FDI in trade agreements.
- **Promote the UK government's approach to investment internationally and exploit the prioritisation of the creative industries as a signal to foreign investors,** particularly in growing source and destination countries for inward and outward FDI.
- **Recognising the varied location pattern of creative FDI, local and combined authorities should map local assets such as skills, clusters and supply chains to help highlight the distinctive strengths of UK regions to foreign investors through overseas promotion campaigns.** Examples such as those of the Midlands could be replicated in other parts of the UK.
- **Attention should be given to improving evidence on the positive and negative impacts of M&As on the UK's creative industries and their growth potential.**

## Citation

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## About the Creative Industries Policy and Evidence Centre

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

Led by Newcastle University, with the Royal Society of Arts (RSA) and funded by the UKRI via 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.