

# Economic Impact Assessment of The South African Film Industry

## SUMMARY OF KEY FINDINGS



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## 1. BACKGROUND

### 1.1 Introduction

The National Film and Video Foundation (NFVF) economic impact assessment study quantifies the contribution of the South African film industry in terms of full-time equivalent jobs created/sustained, annualised employee remuneration, household income, and contribution to government taxes. The assessment measures the economic impact that South Africa accrues from activities of companies and individuals in the film industry between April 2016 (2016/17) and March 2021 (2020/21).

The results of this economic assessment enable the NFVF to provide relevant public and private stakeholders with valuable insights into the socio-economic value of the South African film industry and influence public sector policy for the benefit of the industry.

### 1.2 Purpose of the study

The purpose of this study is to identify and quantify the economic impact of the South African film industry in detail. The study focuses on the industry's contribution to Gross Domestic Product (GDP), employment, household income and taxes including direct, indirect, and induced effects<sup>i</sup>. The study focuses on filming activities that have occurred within South Africa, either wholly or in part, including foreign and co-productions that have been produced in South Africa. As such, the overall objectives are to:

- determine the total contribution of the South African film industry to GDP.
- identify the total employment supported/created within the industry (permanent and freelancers).
- estimate direct and indirect tax contribution of the industry.
- develop estimated economic multipliers of the industry's impacts.

With respect to the Covid-19 pandemic economic impact, the study also quantifies:

- the financial impact caused by the pandemic (estimated revenue loss in the film industry).
- the number of jobs lost because of the pandemic.
- government tax revenue lost, etc.



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### 1.3 Scope of work

The focus of the study is on the identification and quantification of the economic contribution that arise from the activities of companies and individuals employed in the South African film industry. The South African film industry contributes to the South African economy through many channels and as such, the scope of the study is limited to the following:

- the definition of film – feature films, documentaries, TV series (including broadcaster commissions), TV films (including broadcast commissions), animation series, films, and shorts (films, documentaries, animation);
- films produced during the annual year from April 2016 (year 1, April 2016 – March 2017) to March 2021 (year 5, April 2020 – March 2021);
- films that were produced in their entirety or partially within South Africa (including foreign films that have been short and/or post produced in South Africa in so far as it relates to the Qualifying South African Expenditure); and
- film distribution across traditional and new distribution platforms

## 2. FILM INDUSTRY TRENDS AND IMPACT OF COVID-19

The film industry trends are based on stakeholder engagement with film practitioners and include a South African assessment of the Covid-19 pandemic impact on the film industry. The disruption brought upon by the Covid-19 pandemic caused the loss in jobs and revenues, which hampered the industry's growth.

### 2.1 Geographic concentration of film activity

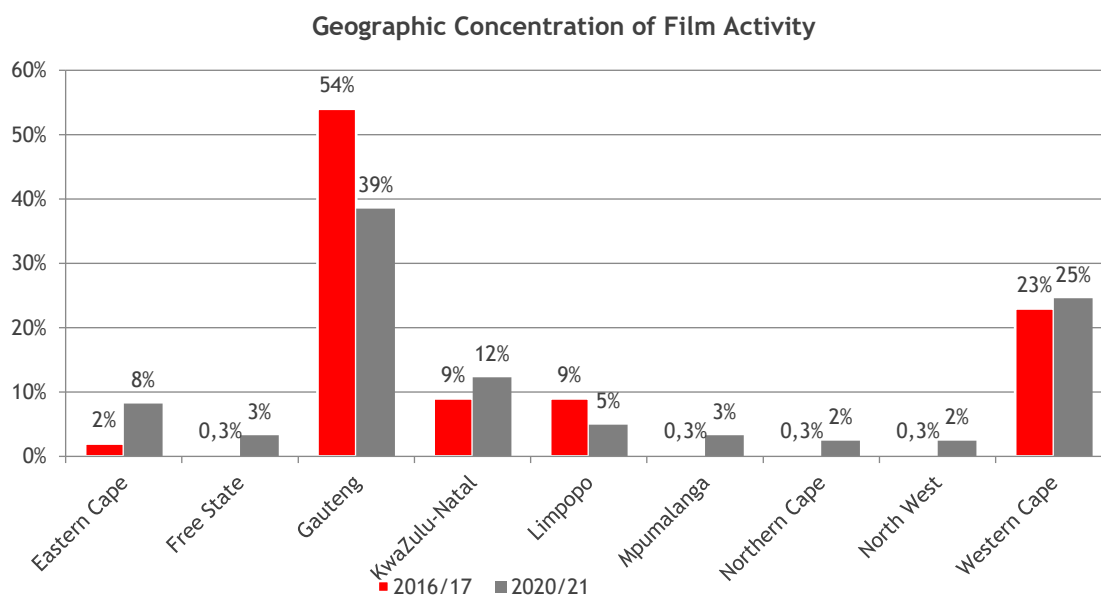
According to the respondents, Gauteng (39%), the Western Cape (25%) and KwaZulu-Natal (12%) are the main centres of filming activity, as was the case in the previous study (2016/17). The North West and the Northern Cape have the lowest level of film activity accounting for 0,3% respectively. The Eastern Cape (through the Eastern Cape Development Corporation) and KwaZulu-Natal (KwaZulu-Natal Film Commission) have made significant strides in stimulating and attracting filming activity in their province.



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**Figure 1: Geographic Concentration of Film Activity**



**Source: Film Industry Stakeholder Survey, 2021**

### 2.6 Impact of Covid-19 on Industry

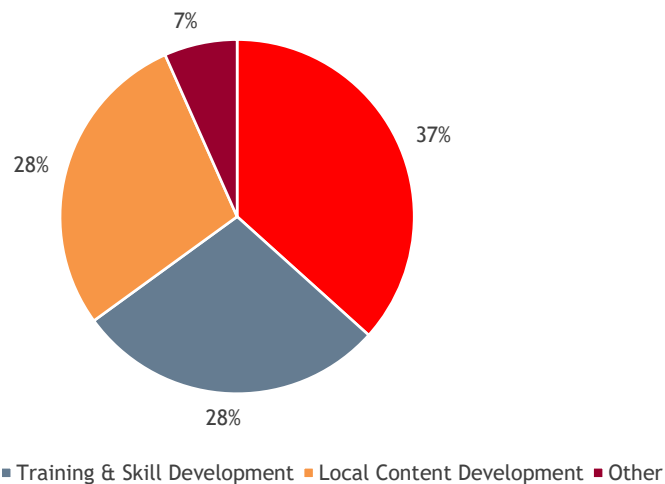
According to the survey respondents, the Covid-19 pandemic has had a significant impact on the film industry. The impact includes business closures (38%), limiting local content development (28%) and limited training and skills development (28%) opportunities because of disruptions in production.

**Figure 2: Impact of Covid-19 on the Industry**

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Impact of Covid-19 on the Industry



**Source:** Film Industry Stakeholder Survey, 2021

### 2.7 Current Trading Status

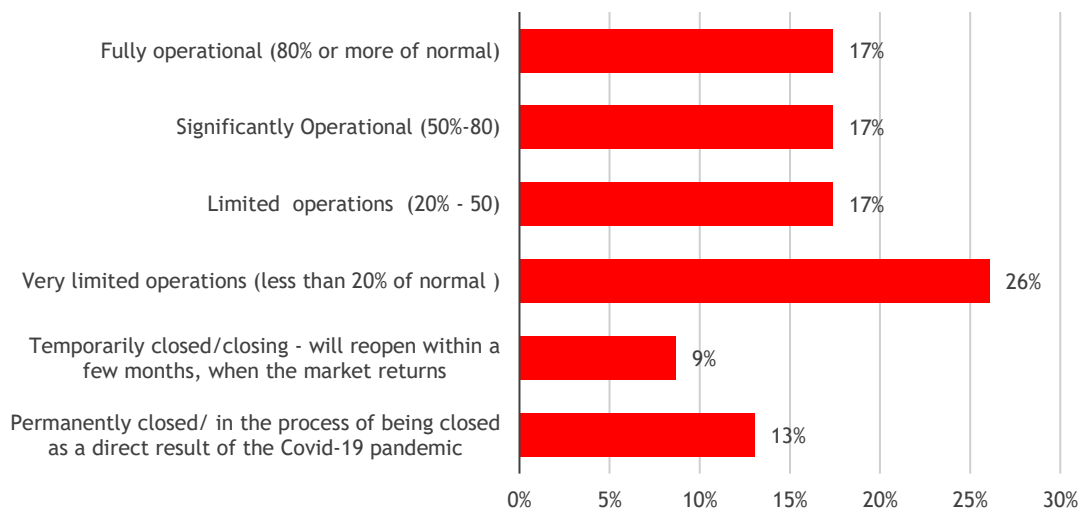
In relation to the trading status of businesses, 13% of respondents indicated that they had permanently closed or were in the process of closing, while 9% stated that they were temporarily closed and would reopen when normal conditions had returned. 26% of respondents indicated that they had limited operations because of the impact of Covid-19.

**Figure 3: Current Trading Status**

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Current Trading Status



**Source: Film Industry Stakeholder Survey, 2021**

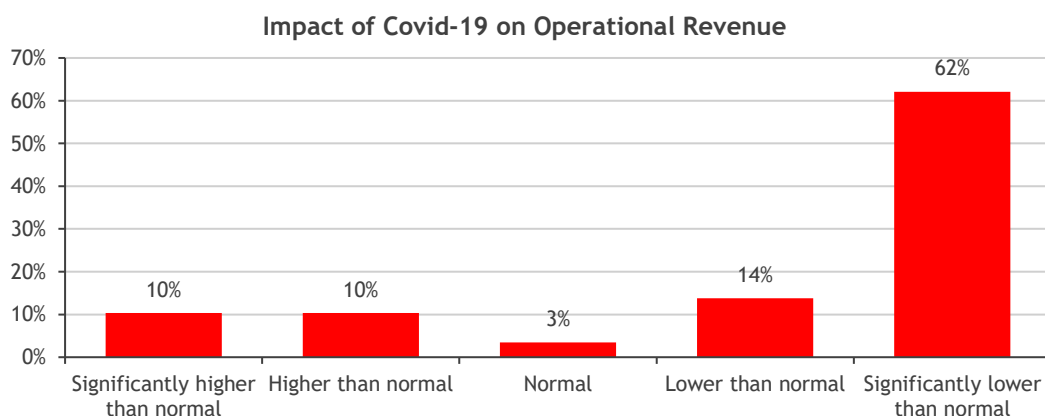
### 2.8 Impact of Covid-19 pandemic on Operational Revenue

In terms of the impact on operational revenue, the survey shows that 76% of the respondents have seen a decrease in their operational revenue. 3% of the respondents indicated that their operational revenue remained the same as normal and 20% reported an increase in their operational revenue.

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**Figure 4: impact of Covid-19 pandemic on operational revenue**

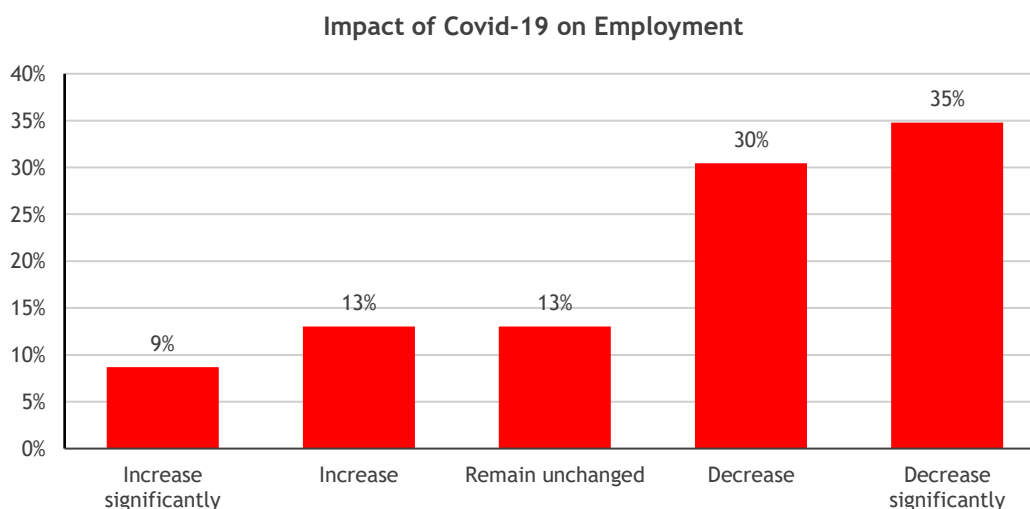


**Source: Film Industry Stakeholder Survey, 2021**

### 2.9 Impact of Covid-19 pandemic on Employment

For employment, the survey results show that there was a significant drop in employment with 65% of respondents reporting a decline in jobs. 22% of respondents experienced growth in employment, while 13% indicated no change in employment despite Covid-19.

**Figure 5: Impact of Covid-19 pandemic on operational revenue**





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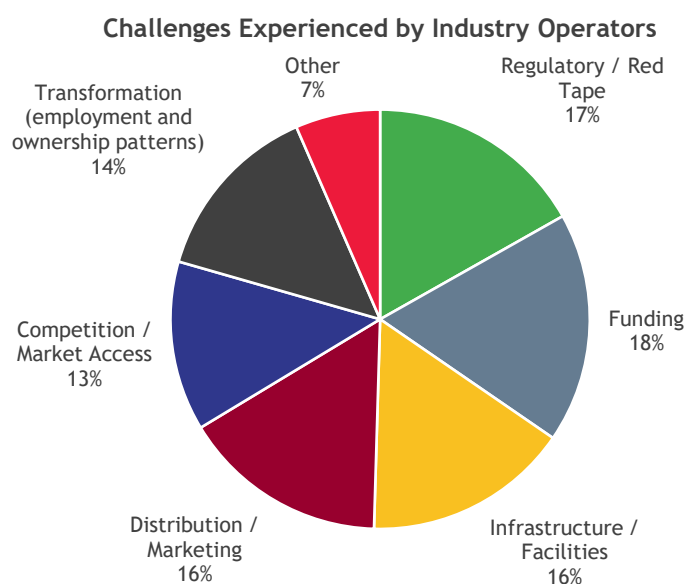
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**Source: Film Industry Stakeholder Survey, 2021**

### 2.4 Challenges Faced

In relation to the challenges faced by industry operators, the respondents identified their main challenges to be Funding (18%), Regulations /Red Tape (17%), Infrastructure and marketing/distribution (16% respectively).

**Figure 6:Challenges faced by Respondents**



**Source: Film Industry Stakeholder Survey, 2021**



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### 3. ECONOMIC IMPACT OF THE FILM INDUSTRY ASSESSMENT

The gross benefit of an industry is the wealth created in the region because of its activities, in this case, the film industry value chain's development, pre-production, production, post-production and distribution/marketing activities. In order to calculate the gross contribution of the industry to the South African economy, the direct expenditure due to the industry's activities, such as expenditure on capital and operations, is quantified.

Following the industry gross expenditure identification and quantification, an economic multiplier is applied to calculate the overall contribution to GDP. In addition, government taxes and the total contribution to household income and employment are calculated.

#### 3.1 Multiplier Set

Based on the film industry expenditure, the SUT analysis multipliers were developed by the economic consultancy Quantec specifically for the study and are shown in Table 1. Note: the multipliers are for the year 2019/20 (which was not affected by the Covid-19 pandemic) are applied for the year 2020/21 as well.

**Table 1: Multiplier Set**

	GDP / Income multiplier	Employment – jobs per R1 million of expenditure
Film Industry - 2019/20	2,82	5,65
South Africa (All Industries) - 2019/20	1,75	3,10
Film Industry - 2016/17	2,81	4,90

Source: Quantec

This means that for every R1 of expenditure an additional R2.82 cents of additional income will be generated in the economy. In the case of employment, we estimate that for example, for every R1 million of direct expenditure, around 5,65 annual jobs are created/ sustained.

#### 3.2 Film Industry Expenditure

In order to determine the total expenditure of the film and television industry, the industry spend information gathered during the primary research phase was used. The purpose of the primary research process was to quantify the total film industry expenditure (direct spend).

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**Table 2: Direct Industry Expenditure Estimates (R '000)**

	2016/17	2017/18	2018/19	2019/20	2020/21
<b>Public (national, provincial, and local)</b>	R1 281 371	R1 071 451	R1 363 979	R1 289 317	R493 249
<b>Private (institutions)</b>	R150 000	R188 000	R237 390	R301 814	R211 270
<b>Private (companies &amp; individuals)</b>	R1 899 061	R1 387 502	R1 480 530	R951 478	R328 486
<b>Total Direct Spend</b>	<b>R3 330 432</b>	<b>R2 646 952</b>	<b>R3 081 898</b>	<b>R2 542 609</b>	<b>R1 033 005</b>

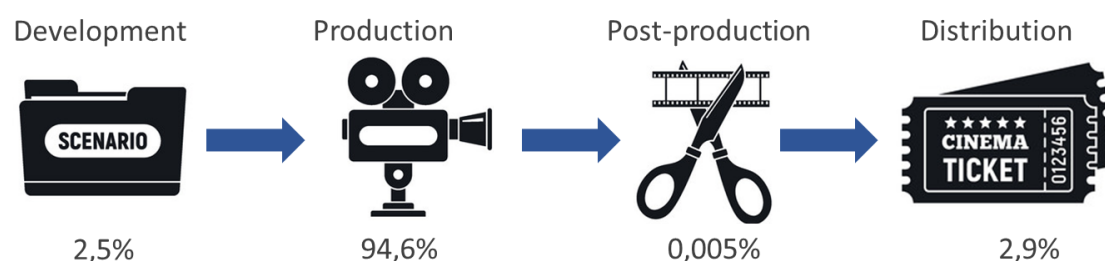
Source: BDO Research

The total operational expenditure - initial economic impact (injection) - of the film industry in 2019/20 was R2.54 billion and R1.03 billion in 2020/21. The cumulative operational expenditure of the film industry from 2016/17 to 2020/21 amounts to R12.64 billion. The operational expenditure of the film industry declined by 17% in 2019/20 and a further 59% in 2020/21. A summary of the expenditure by source type in the broader South Africa to the film industry is provided in Table 4.2 below

### 3.3 Value Chain Public Sector Funding Split

Of the total public sector funding provided to the film industry, on average 95% of all funding is spent on production activities in the value chain. Distribution / Marketing accounts for only 3% of public expenditure in the industry, while development (including script writing) accounts for 2% of total public sector funding. Post-production accounts for less than 1% of public sector funding.

**Figure 7: Value Chain Public Sector Funding Split**



Source: BDO Research

### 3.4 Economic Impact

The financial year 2019/20 is used as the reference year (base year) because it was the last period of 'normal' industry operations before the disruption and impact of Covid-19 in 2020/21.

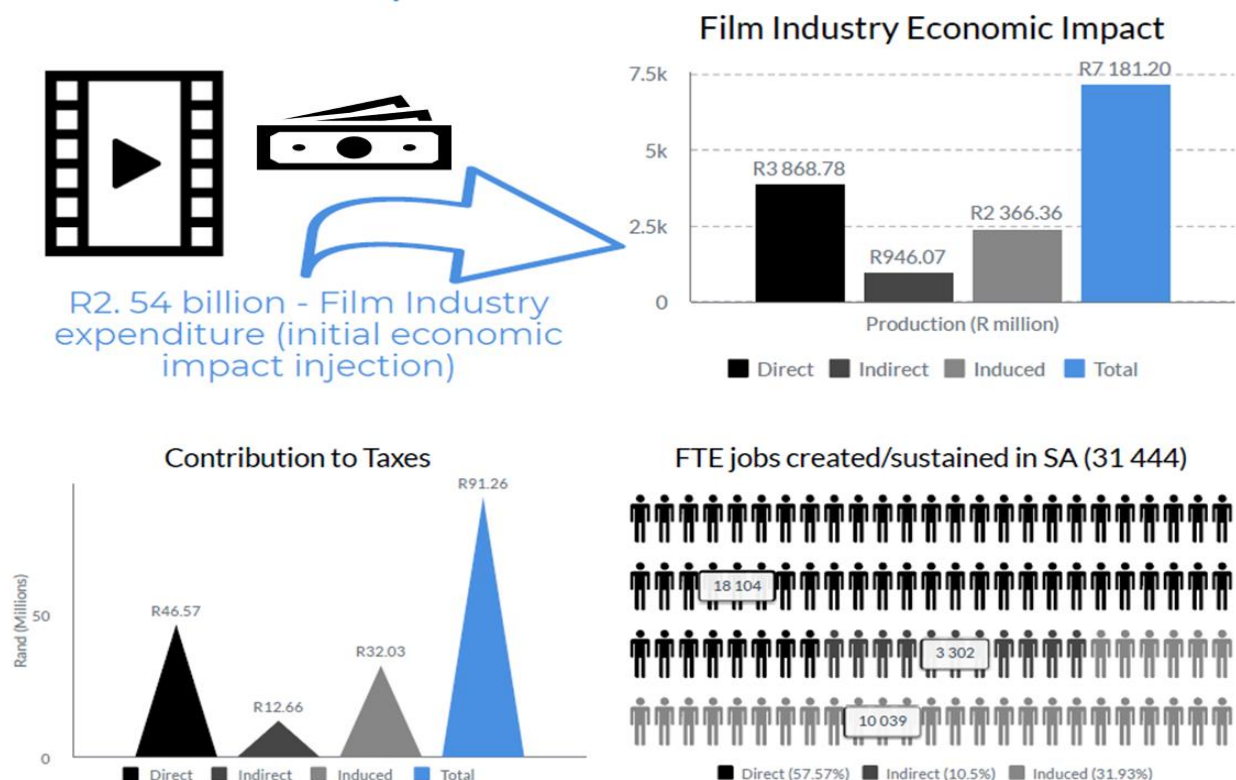
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**Table 3: Economic Impact 2019/20**

	Direct	Indirect	Induced	Total
<b>Production (R million)</b>	R3 868.78	R946.07	R2 366.36	<b>R7 181.20</b>
<b>GDP at market prices (R million)</b>	R522.33	R157.01	R408.41	<b>R1 087.75</b>
<b>Employment (Number)</b>	18 104	3 302	10 039	<b>31 444</b>
<b>Total Annualised Payroll (R million)</b>	R108.67	R30.70	R78.40	<b>R217.76</b>
<b>Household Income (R million)</b>	R370.58	R119.77	R312.26	<b>R802.62</b>
<b>Contribution to Taxes (R million)</b>	R46.57	R12.66	R32.03	<b>R91.26</b>

Source: BDO and Quantec Analysis

**Figure 8: Film Industry Economic Impact 2019/20 – Summary**



Source: BDO and Quantec Analysis



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The direct contribution of the film industry to the economy of South Africa is projected at R3,86 billion. An additional R3,31 billion is projected to have been generated through indirect (R946.07m) and induced (R2,36 billion) impacts, resulting in a total contribution to the local economy of R7,18 billion.

The direct impact of the film industry at market prices was estimated at R522.33m, the indirect impact at R157.01m, and the induced impact at R408.41m. The total estimated impact of the film industry on GDP at market prices if all the impacts are added is estimated to be R1,08 billion. Thus, for every R1 million in output generated by the film industry, an additional R0.76m of GDP at market prices was generated in the economy if the direct and indirect impacts are considered, and R1.22m if the induced impacts are also added.

### 3.5 2020/21 (Covid-19 year)

The COVID-19 pandemic has had a devastating impact on the operations of the film industry and the impact of the industry on the economy and jobs. The economic losses to output and employment caused by COVID-19 related disruption in industry activity for substantial periods (as per lockdown restrictions) during the 2020/21 financial year were substantial.

**Table 4: Economic Impact 2020/21**

	Direct	Indirect	Induced	Total
<b>Production (R million)</b>	R1 571.80	R384.37	R961.40	<b>R2 917.56</b>
<b>GDP at market prices (R million)</b>	R212.21	R63.79	R165.93	<b>R441.93</b>
<b>Employment (Number)</b>	7 355	1 341	4 079	<b>12 775</b>
<b>Total Annualised Payroll (R million)</b>	R44.15	R12.47	R31.85	<b>R88.47</b>
<b>Household Income (R million)</b>	R150.56	R48.66	R126.87	<b>R326.09</b>
<b>Contribution to Taxes (R million)</b>	R18.92	R5.14	R13.01	<b>R37.08</b>

**Source: BDO and Quantec Analysis**

**Figure 9: Film Industry Economic Impact 2020/21 – Summary**

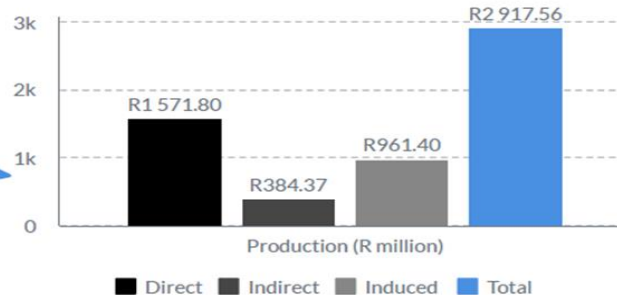
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R1.03 billion - Film Industry  
expenditure (initial economic  
impact injection)



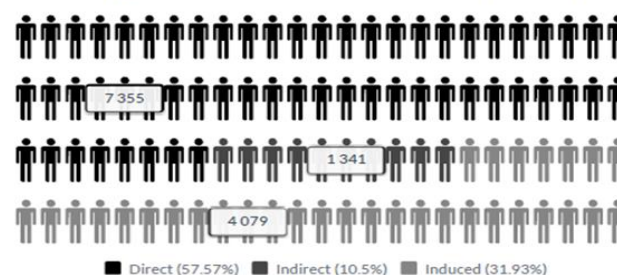
Film Industry Economic Impact



Contribution to Taxes



FTE jobs created/sustained in SA (12 775)



Source: BDO and Quantec Analysis

The film industry had an estimated expenditure of R1,03 billion in 2020/21, a 59% decline compared to 2019/20. The decline is mainly attributed to disruption in production activity for extended periods during 2020/21.

The contribution of the film industry to the economy of South Africa is projected at R2,91 billion in 2020/21, down from R7,18 billion in 2019/20. Household income declined by R476.53m in 2020/21 compared to 2019/20. The film industry is estimated to have suffered losses of 18 669 FTE jobs because of the Covid-19 pandemic, amounting to R129.29m loss in remuneration. The industry's contribution to government taxes declined by R54.18m

## 4. CONCLUSION

The resulting economic impact assessment shows that the South African Film Industry contributes significant economic benefits to the local economy in respect of jobs sustained, gross geographic product and taxation, employee and household income. In addition to these impacts on the economy, the industry also contributed intangible benefits that accrued to the wider economy and society, including destination



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profiling / marketing and tourism, skills development, contribution to social cohesion and development of local content among others.

While the industry makes a meaningful contribution to the economy of the country, the potential to increase this contribution is hampered by a number of challenges (including inefficient public sector support, red tape, limited funding etc.), stifling the accelerated development and growth of the industry.

Overall, the economic impact assessment shows that, despite the impact of the COVID-19 pandemic, South Africa's film industry has historically proven itself to contribute meaningfully to the economy and is brimming with potential to make an even greater contribution.

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<sup>i</sup> Standard Leontief multiplier methodology was used. An analytical Supply and Use Table (SUT) for 2019/20, compiled by Quantec, was used as the main source of data. The SUT offers a complete model of the economy, focusing on relationships among production activities (industries), labour, households, and the public sector. The SUT also offers insight into the total impact on employment and income and the distribution among different skills levels groups.

The SUT analysis begins with an initial injection of demand into the economy (direct impact) and estimates the total (economy-wide) impact in the following sequence:

- The **initial economic impact** (injection) is the result of the expenditure by the film industry and represents the film industry's own figures for operational expenditure, employment numbers, capital expenditure and tax contributions, for example.
- The **first-round effects** consider the impact of ongoing spending on and by direct suppliers to the film industry (e.g. production, employment and tax revenue stimulated at first-round suppliers).
- The **sum total of the initial injection** (e.g. the total expenditure of the industry, the intermediate goods bought, the salaries and wages paid and the profits generated by the industry) and the impact on its first-round suppliers constitute the **direct impact**.
- The **indirect impact** measures the contribution of direct suppliers who purchase goods and services from their suppliers, who in turn remunerate their employees and pay taxes.
- The supplying sectors and their employees and households re-spend in the economy, generating further economic activity. This is known as the **induced impact**.
- The total economy-wide impact is the total of the **direct, indirect, and induced impacts**