



THE ECONOMIC CONTRIBUTION OF FILM AND TELEVISION IN SOUTH KOREA IN 2018



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1. KEY FINDINGS

The film and TV industries make a significant direct impact to the economy of South Korea...

Businesses working directly in the combined film and television industries made **a contribution to South Korean GDP worth 8,280 billion Won in 2018** (Fig. 1). Out of this, the film industry made a contribution worth 2,050 billion Won and television contributed 6,000 billion Won, with over-the-top (OTT) distribution contributing 240 billion Won.^{1,2}

...and support a large number of jobs

In 2018, the South Korean film and television industries **supported 78,010 jobs** through their direct operations (Fig. 2). The film industry component of this employed 34,600 people, primarily through film exhibition—mainly in cinemas, which employed 19,370 people directly. Television employed a total of 43,140 people directly, with cable television making up nearly half of this (20,940 jobs). Activities of OTT distributors directly employed 270 people.

The film and television industries' direct **contribution to GDP amounted to 0.4% of the total South Korean economy in 2018**.

This makes the combined sector similar in size to the manufacturing of precision instruments (10,030 billion Won, or 0.5% of the economy). It is larger than livestock agriculture (6,110 billion Won, 0.3%) and the supply of gas and air conditioning (5,680 billion Won, 0.3%), and significantly larger than mining and quarrying extraction (2,250 billion Won, 0.1%).

Large multiplier effects generate a significant overall economic impact

The impact of the film and television industries extends far beyond their direct activities, however. In 2018, we find that the industries generated a total contribution to GDP worth **20,300 billion Won** in South Korea. Alongside the direct impact detailed above, purchases of goods and services throughout the industries' domestic supply chains were responsible for an **'indirect' impact worth 6,800 billion Won**.

Fig. 1: Direct GDP impact of film and TV in South Korea in 2018

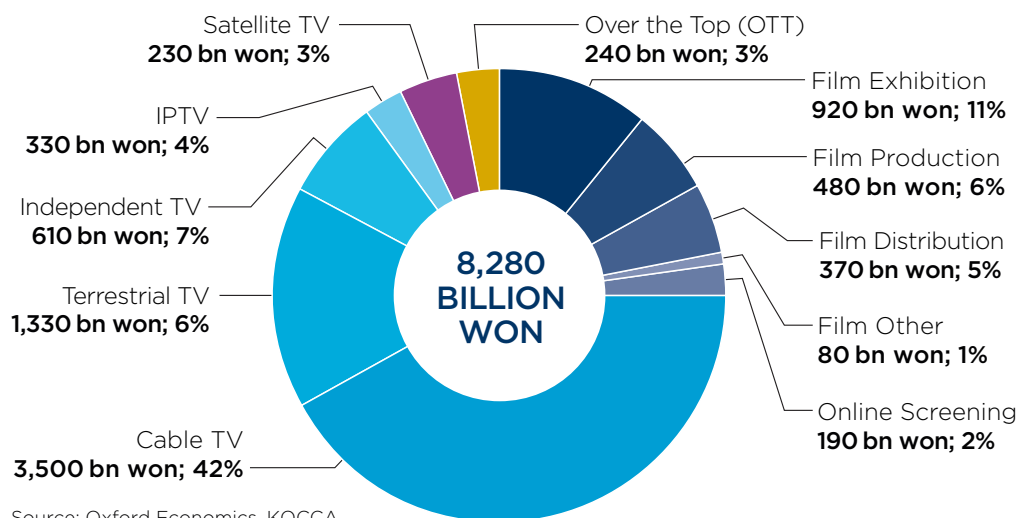
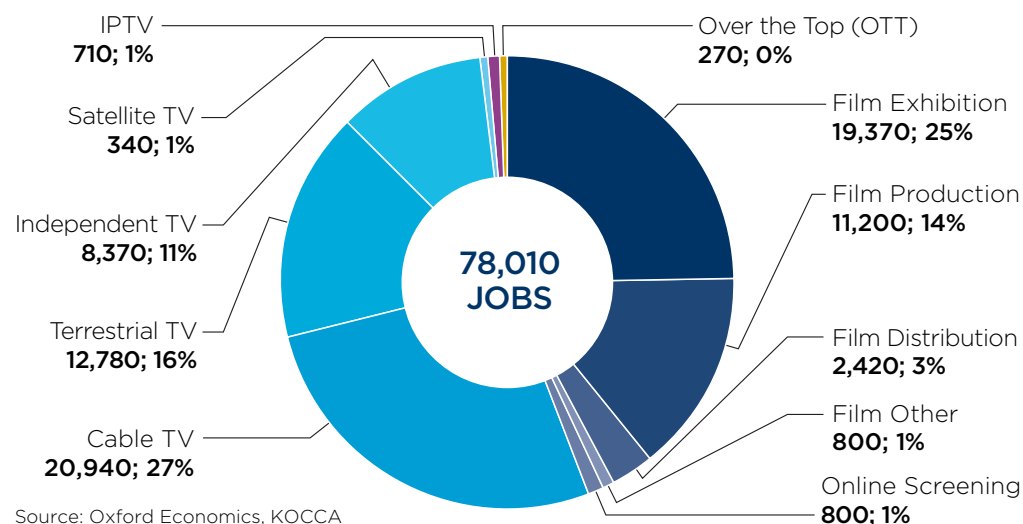


Fig. 2: Direct employment contribution of film and TV in South Korea in 2018



¹ In this report, GDP is measured at 'basic prices', meaning that it excludes taxes and subsidies placed on products.

² The GDP impacts detailed here have been rounded to the nearest 10 billion Won, while employment has been rounded to the nearest 10 employees.

Fig. 3: Direct contribution of Film and TV to South Korean GDP in 2018, in context

Industry	Won, billions	% of GDP
Water supply and waste management	12,090	0.6%
Manufacturing of precision instruments	10,030	0.5%
Film and TV	8,280	0.4%
Livestock agriculture	6,110	0.3%
Gas and air conditioning	5,680	0.3%
Mining and quarrying	2,250	0.1%

A further contribution was made as workers both directly employed by the industries, and also within their domestic supply chains, spent their earnings in the wider consumer economy. In 2018, this **'induced' impact was worth a further 5,210 billion Won**. Fig. 4 illustrates all three individual impacts plus the combined, total impact results.

For every 100 billion Won that the film and television industries directly contributed to GDP in 2018, a total impact worth 245 billion Won was generated. **This means the industries have a GDP multiplier of 2.45.**

We also find that a **total of 315,400 jobs** were sustained in South Korea in 2018. Alongside the direct contribution, the industries supported **135,800 jobs** indirectly through their supply chains, while **101,590 jobs** were generated through the induced consumer spending component.

Furthermore, the industries make a large contribution to **tax revenues**, which in 2018 totalled **6,260 billion Won**. This figure was dominated by the direct tax contribution, worth **4,600 billion Won**, primarily on the back of a large amount of television licence fee revenues.

The industries generate highly productive jobs...

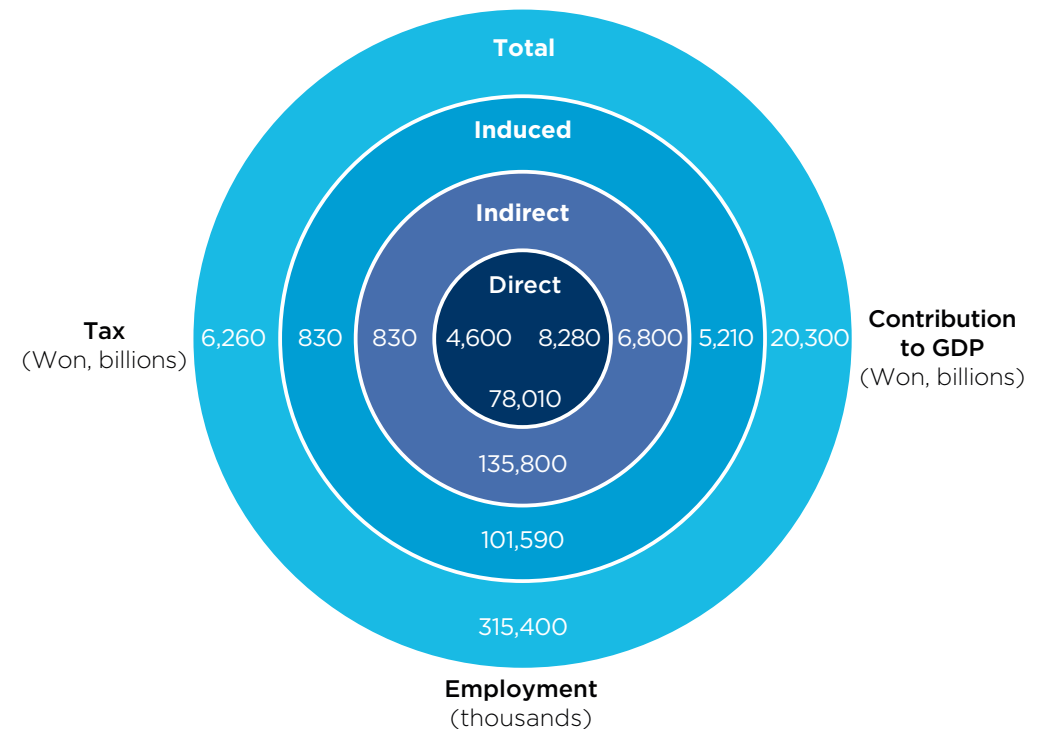
Workers who were directly employed within the South Korean film and television industries in 2018 **contributed 106 million Won to the nation's GDP**, on average. This compares favourably to the rest of the economy, where total GDP is worth 71 million Won per employee. This means that productivity, measured in terms of contribution

to GDP per worker, was nearly 50% higher in the film and television industries than in the rest of the South Korean economy in 2018.

... and driving a large amount of export sales

The film and television industries in South Korea were responsible for a total of **665 billion Won of exports in 2018**, as they generated sales in international markets.

Fig. 4: Total economic impact of film and TV in South Korea, 2018



The largest share of these exports came from the television industry, which contributed 451 billion Won, 68% of the overall total. The film industry's share, worth 214 billion Won, was primarily made up of exports of animated film content, valued at 152 billion Won in 2018.

Across the two industries, exports totalled 3% of overall revenues last year. Within the film animation sector, however, this figure was significantly higher: exports represented 22% of its revenues, with most of these exports made to other parts of Asia.

Fig. 5: Overview of the economic contribution of the South Korean film and television industries

	Gross Output (billions of Won)		GVA (billions of Won)		Employment		Earnings (billions of Won)		Tax (millions of Won)	
	Direct	Total	Direct	Total	Direct	Total	Direct	Total	Direct	Total
Film Production	1,490	3,690	480	1,460	11,200	30,650	180	640	180	330
Film Distribution	1,170	2,570	370	990	2,420	14,720	140	430	140	250
Film Exhibition	2,890	6,590	920	2,560	19,370	51,990	340	1,110	420	680
Film Other	250	600	80	230	800	3,590	30	100	30	50
Online Screening	600	1,310	190	500	800	7,010	70	220	70	130
Film total	6,400	14,750	2,050	5,750	34,600	107,960	760	2,500	840	1,450
Terrestrial TV	3,530	6,890	1,330	2,840	12,780	42,530	920	1,600	1,470	1,600
Satellite TV	610	1,150	230	470	340	5,110	160	270	90	130
Cable TV	9,290	19,730	3,500	8,150	20,940	113,200	2,410	4,570	1,420	2,050
Independent TV	1,620	4,100	610	1,720	8,370	30,310	420	930	250	360
IPTV	3,670	4,550	330	720	710	8,460	80	260	360	420
TV Total	18,720	36,430	6,000	13,900	43,140	199,620	3,990	7,630	3,590	4,570
OTT	1,570	2,510	240	650	270	7,820	20	200	170	240
Total	25,120	51,180	8,280	20,300	78,010	315,400	4,770	10,330	4,600	6,260

Numbers may not sum to totals due to rounding

HOW WE ARRIVED AT THESE FIGURES

Our analysis of the economic contribution of the film and television industries in South Korea started with statistics from the Korea Creative Content Agency (KOCCA), which produces a regular report on the outputs of different creative industries (the latest edition was released in late

2018, covering the first half of that year). A range of data sources, both within KOCCA data and elsewhere, were then used to produce estimates for the total output of the film and television industries over the whole of 2018. More detail on this can be found in Chapter 8.

The GDP, employment, and tax contributions that are due to activities of businesses in the film and television industries themselves are referred to as the **direct impacts**. For gross output, GDP and employment, data from KOCCA provided the starting point for our estimates. In the case of taxation, our calculations combine estimated industry income with knowledge of the country's tax system and various tax-to-GDP ratios for broader sectors of the South Korean economy.

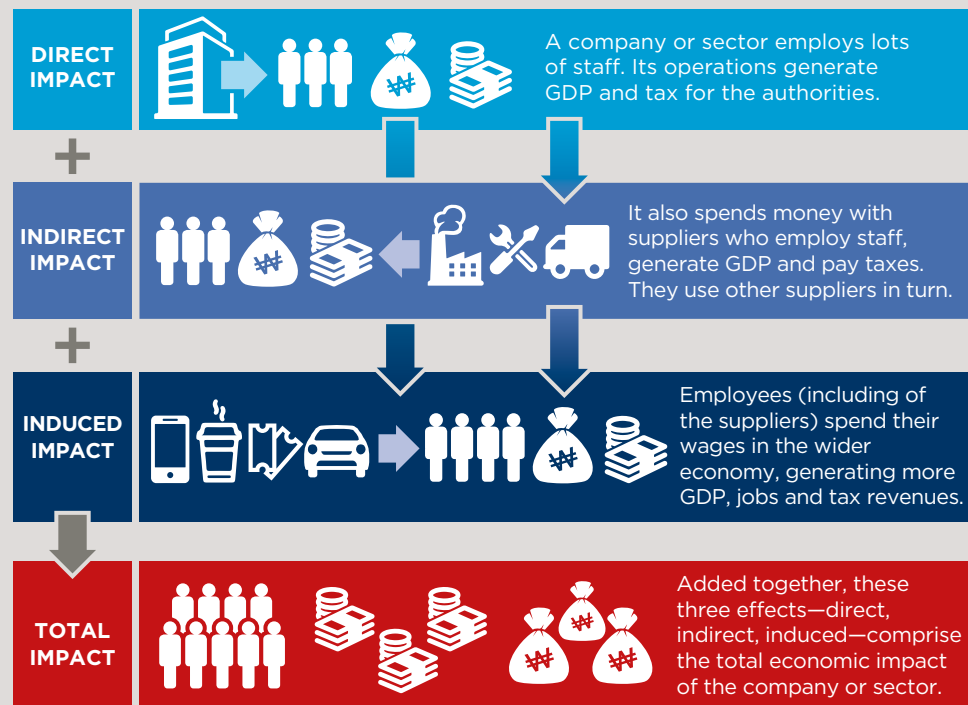
To assess the **total economic contribution** of the two industries, we also had to account for two other key channels of economic impact: the "indirect" and "induced" contributions. These can be quantified by combining our estimates of the two industries' direct contributions with output "multipliers" implied by detailed national accounts data, and with employment-to-GDP and tax-to-GDP ratios for various broader sectors of the South Korean economy.

THE TWO CHANNELS COVERED BY OUR ESTIMATES

Indirect contributions relate to the output and jobs supported in South Korean-based supply chains due to purchases by South Korean film and television companies of goods and services from other firms located in the country—plus the purchases made by those suppliers in turn, and so on throughout the chain.

Induced contributions describe the South Korean output and jobs that are supported both by workers in the film and TV industries, and also in their supply chains, as they spend earnings that are ultimately derived from film and TV activities.

Fig. 6: Channels of economic impact



2. FILM INDUSTRY

This section details the economic contribution that the film industry made in South Korea in 2018. The South Korean film industry consists of film production, film distribution, film exhibition, a range of other film services and online film screening.

2.1 FILM PRODUCTION

At the heart of any country's film industry is the production of original content, with the motion pictures that it creates representing an invaluable cultural output. This is very apparent in South Korea, in large part because of the sizeable animation industry, which supports nearly half of its film production employment.

Film production made a total contribution to South Korean GDP worth 1,460 billion Won in

2018. This consisted of a direct contribution worth 480 billion Won, with one third of this generated by animation, an indirect supply chain impact worth 630 billion Won and a further induced consumer spending contribution worth 350 billion Won.

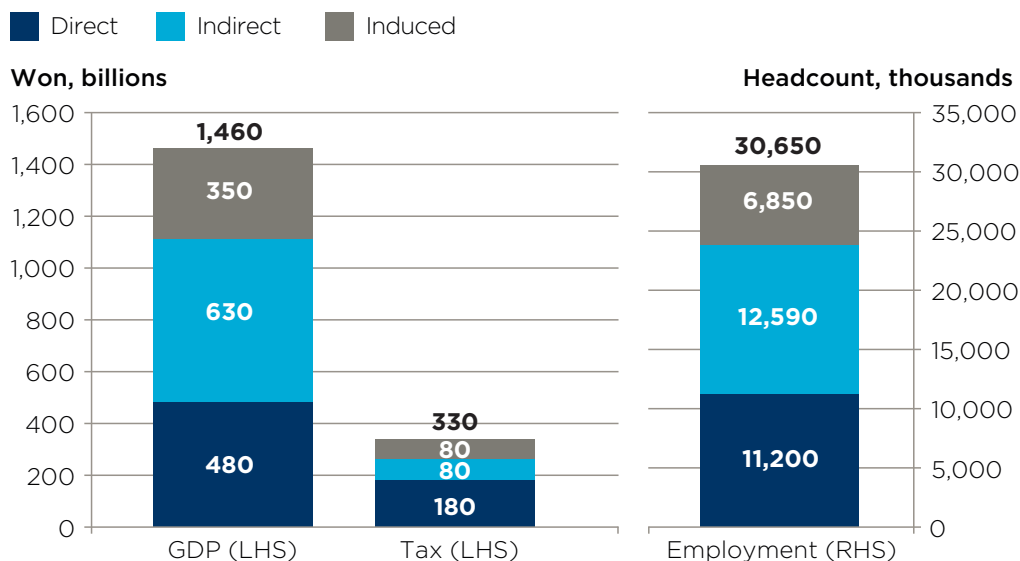
Through this activity, film production sustained a total of 30,650 jobs in South Korea in 2018. The industry directly supported 11,200 jobs, 5,600 of these being in animation, with 12,590 supported indirectly and 6,850 through the induced contribution.

Film production made a contribution to South Korean tax revenues worth 330 billion Won. The largest share of this came through the direct contribution, totalling 180 billion Won.

2.2 FILM DISTRIBUTION

Film distributors are responsible for the process of getting films to consumers. This most often consists of organising the terms and means of distribution to movie theatres, as well as managing the promotion of films.

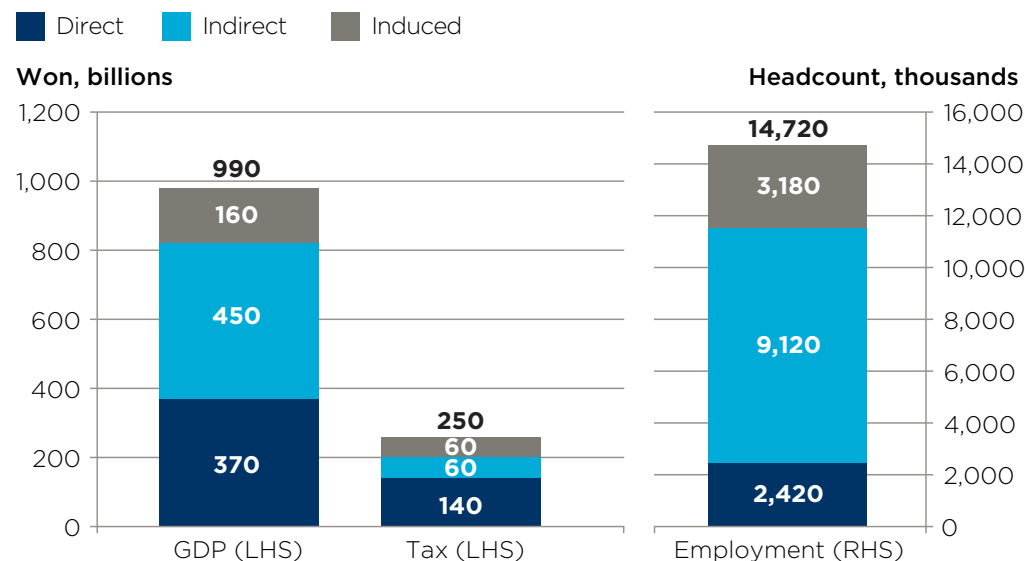
Fig. 7: Economic contribution of film production in South Korea in 2018



Source: Oxford Economics

Numbers may not sum to totals due to rounding

Fig. 8: Economic contribution of film distribution in South Korea in 2018



Source: Oxford Economics

Numbers may not sum to totals due to rounding

In South Korea in 2018, film distribution was responsible for supporting a total contribution to GDP worth 990 billion Won. This consisted of a direct contribution worth 370 billion Won, a supply chain contribution worth 450 billion Won and an induced contribution worth 160 billion Won.

A total of 14,720 jobs were sustained from film distribution in South Korea in 2018. This consisted of 2,420 directly, 9,120 indirectly through its supply chain and a further 3,180 through the induced consumer spending. Tax revenues totalled 250 billion Won, with 140 billion Won of this generated directly.

2.3 FILM EXHIBITION

A large contribution is made through the exhibition of films in movie theatres in South Korea as consumers watch both domestic and foreign films. In 2018 this contribution was worth a total of 2,560 billion Won. Of this, 920 billion Won was generated directly, with a further 1,080 billion Won generated through the indirect supply chain contribution and 560 billion Won through the induced consumer spending.

Film exhibition was responsible for employing a total of 51,990 people. The direct contribution of the industry supported 19,370 of these jobs. A further 21,630 jobs were sustained through the film exhibition supply chain, and 10,990 through the induced consumer spending impact.

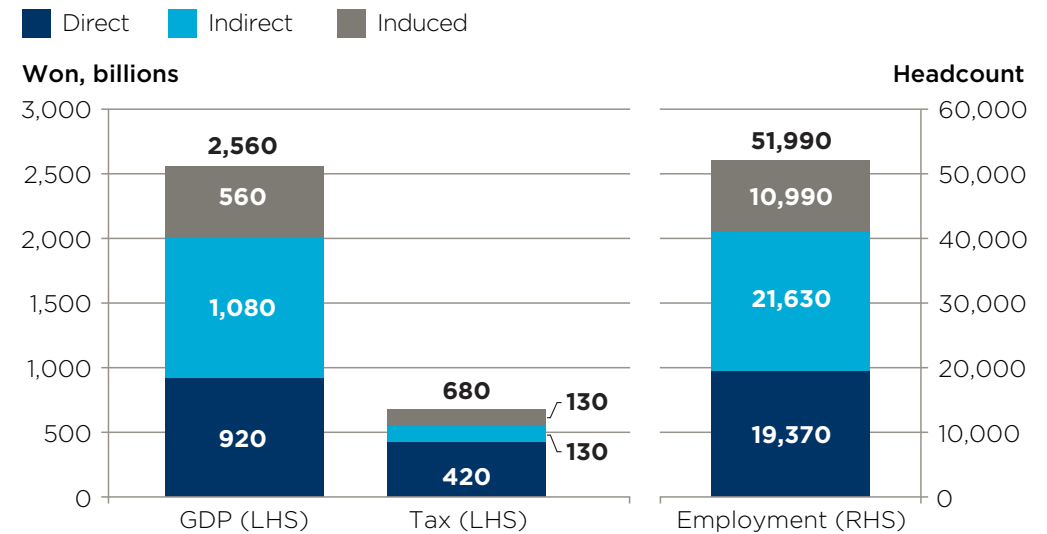
This was responsible for 680 billion Won in tax revenues. This consisted of a direct contribution of 420 billion Won, an indirect contribution of 130 billion Won and an induced contribution of 130 billion Won.

2.4 OTHER FILM SERVICES

Alongside the process of producing and distributing films, the industry also involves a lot of trade with other countries, with the import of foreign films and the sale of South Korea films, especially animated content. This trade activity is combined here as "other" film services.

These other film services made a contribution to South Korean GDP worth 230 billion Won in 2018. Of this, 80 billion Won was contributed directly by companies in the industry. The indirect effect was worth 110 billion Won, with 40 billion Won generated by the induced contribution.

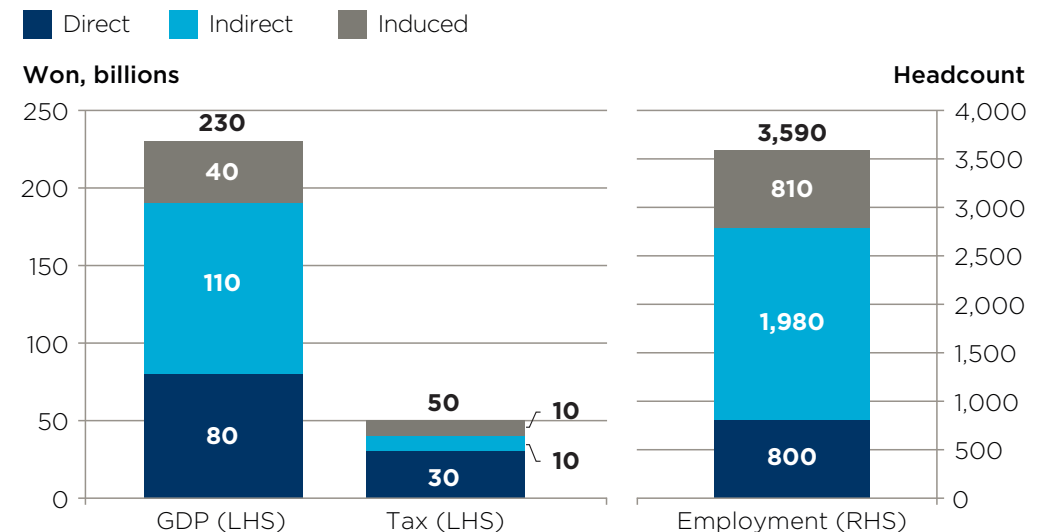
Fig. 9: Economic contribution of film exhibition in South Korea in 2018



Source: Oxford Economics

Numbers may not sum to totals due to rounding

Fig. 10: Economic contribution of other film services in South Korea in 2018



Source: Oxford Economics

Numbers may not sum to totals due to rounding

This activity was responsible for supporting 3,590 jobs. A total of 800 of these came directly, with a further 1,980 indirectly and 810 through the induced contribution. A total tax contribution worth 50 billion Won was made, with 30 billion Won of this coming directly, 10 billion Won indirectly and 10 billion Won through the induced contribution.

2.5 ONLINE SCREENING

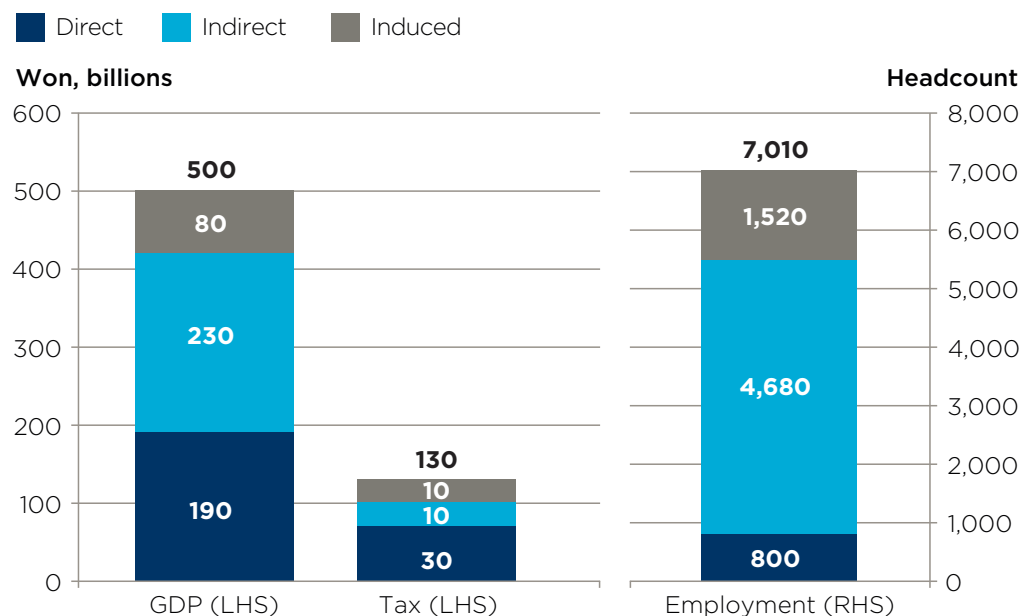
As well as the screening of films in cinemas, there is a growing importance in online distribution methods, with online screening making a sizeable contribution to the industry. This has primarily involved major studios releasing motion pictures online during the theatrical window, often referred to as super-premium video-on-demand (SPVOD). South Korea

has been a key market for this technology since its emergence, which first gained significant media attention in 2013.^{3,4}

In 2018, online screening made a contribution to South Korean GDP worth 500 billion Won. This consisted of a direct impact worth 190 billion Won, a supply chain contribution worth 230 billion Won and an induced consumer spending contribution totalling 80 billion Won.

Online screening supported a total of 7,010 jobs in South Korea in 2018. Of these jobs, 800 came directly, with a further 4,680 indirectly through the supply chain and 1,520 through induced consumer spending. A total of 130 billion Won in tax revenues were generated through this, with 70 billion Won generated through its direct activities, 30 billion Won indirectly and 30 billion Won through the induced contribution.

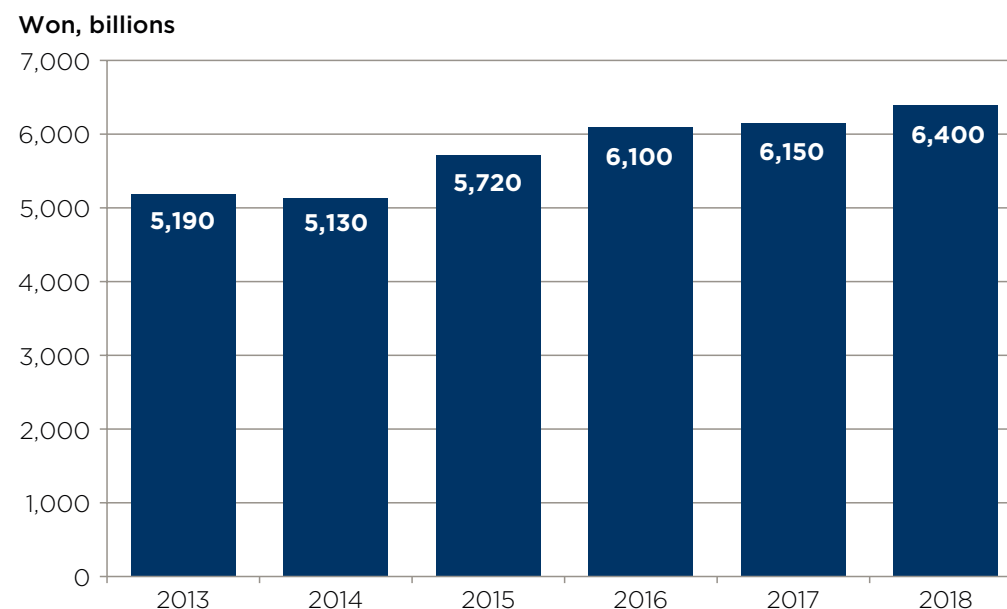
Fig. 11: Economic contribution of online screening in South Korea in 2018



Source: Oxford Economics

Numbers may not sum to totals due to rounding

Fig. 12: Revenues of the South Korean film industry, 2013 to 2018



Source: Oxford Economics, KOCCA

³ Wall Street Journal, "Hollywood's New Screen Test" <https://www.wsj.com/articles/SB10001424127887323836504578552521772173386> [accessed 02 September 2019]

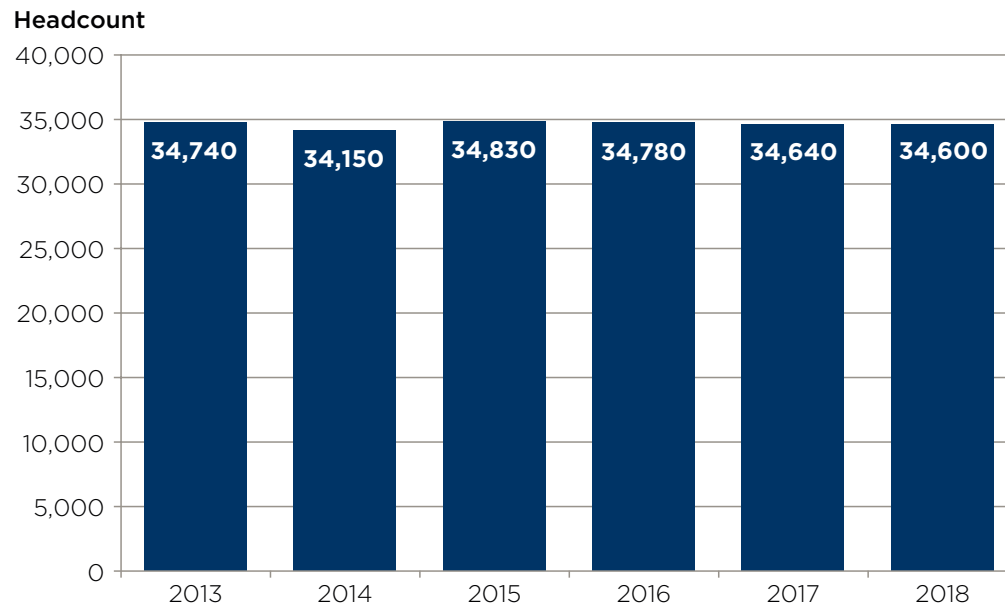
⁴ Big Think, "In South Korea, Experimenting With VOD Of In-Theatre Movies" <https://bigthink.com/ideafeed/in-south-korea-experimenting-with-vod-of-in-theatre-movies> [accessed 02 September 2019]

2.6 GROWTH OF THE FILM INDUSTRY

The film industry has experienced consistent growth over recent years. This is most clearly reflected in how its revenues have increased, with the industry's turnover reaching 6,400 billion Won in 2018. This comes on the back of steady growth, with revenues increasing by a total of 1,210 billion Won in the five years since 2013. After adjusting for inflation this represents growth of 16%.

Despite this growth in revenues, the sector has not broadened its employment footprint. The direct employment of the film industry has changed very little since 2013, having fallen by a total of 0.4%. The industry has therefore been able to deliver robust growth in its revenues, despite not having any more employees, illustrating a higher value of output per employee, even after adjusting for inflation.

Fig. 13: Direct employment of the South Korean Film industry, 2013 to 2018



Source: Oxford Economics, KOCCA

3. TELEVISION INDUSTRY

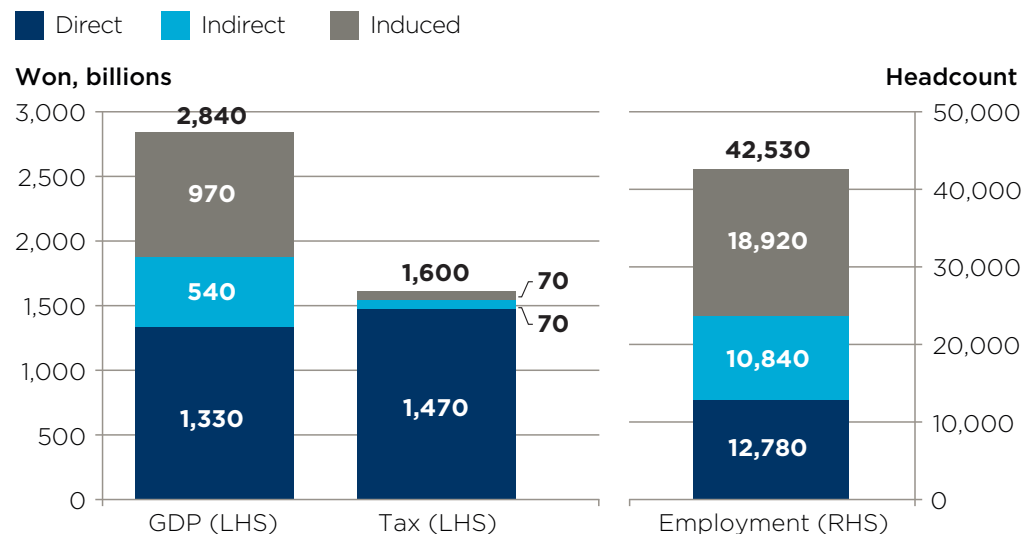
This section of the report details the value generated by the South Korean television industry. This consists of a number of different components, including terrestrial television, satellite television, cable television, independent television and IPTV, each of which involves the production, distribution and broadcast of their respective content.

3.1 TERRESTRIAL TELEVISION

Free-to-air television production and broadcast takes place within the terrestrial television portion of the industry. This content reaches consumers without the need for subscriptions, instead funded through television licences.

In 2018, terrestrial television was responsible for a contribution to South Korean GDP worth 2,840 billion Won. The largest portion of this, 1,330 billion Won, came through the sector's direct activities. A further 540 billion Won was generated indirectly through its supply chain, with 970 billion Won supported in the induced consumer spending contribution.

Fig. 14: Economic contribution of terrestrial TV in South Korea in 2018



Source: Oxford Economics

Numbers may not sum to totals due to rounding

A total of 42,530 jobs were supported by terrestrial television in South Korea in 2018. The direct industry employed a total of 12,780 people, with 10,840 employed indirectly and a further 18,920 through the induced impact.

The sector made a total tax contribution worth 1,600 billion Won. Most of this was attributed to the direct industry, totalling 1,470 billion Won. This large direct contribution comes about because television licence fees are attributed to it.⁵

⁵ Despite this, a large portion of the value that the licence fees support, and therefore its contribution to GDP, is in the supply chain, reflected in the indirect contribution. This means that the direct tax is larger than the direct contribution to GDP.

3.2 SATELLITE TELEVISION

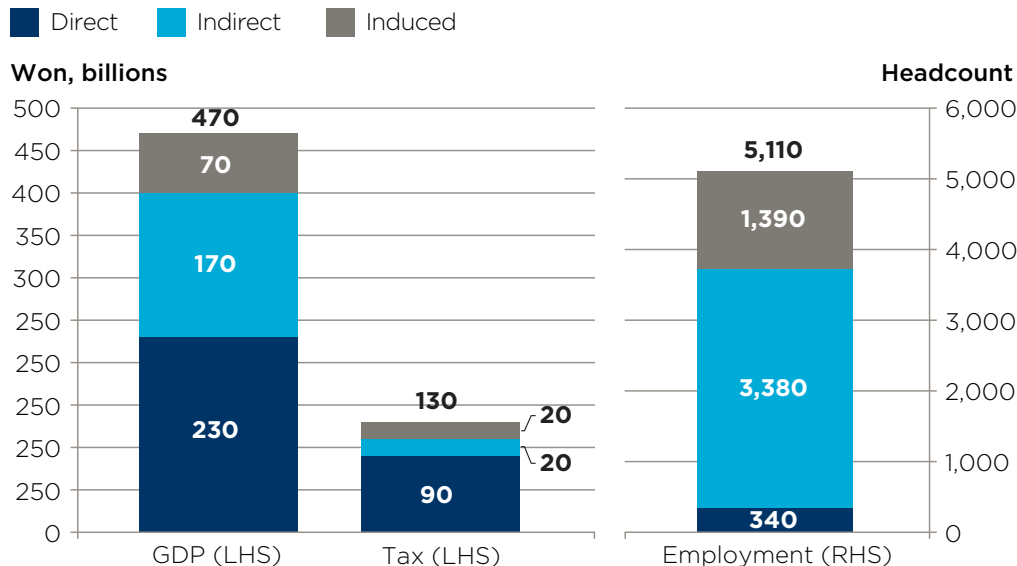
Another key component of the South Korean film industry is satellite television, which includes the production and broadcast of television content through satellites.

Satellite television supported a total contribution to South Korean GDP worth 470 billion Won in 2018. This was primarily driven by a direct contribution worth 230 billion Won. In addition to this there was an indirect supply chain contribution worth 170 billion Won and an induced consumer spending benefit worth 70 billion Won.

The activities of Satellite television support a total of 5,110 jobs. Of these, 340 came through its direct activities, a relatively small number, reflecting the large contribution to GDP per worker in the sector. A further 3,380 were employed through the indirect contribution, with 1,390 employed through the induced consumer spending impact.

Satellite television was responsible for a tax contribution worth 130 billion Won. Of this, 90 billion Won came from the direct activities of the industry, 20 billion Won from the indirect and a further 20 billion Won from the induced contribution.

Fig. 15: Economic contribution of satellite TV in South Korea in 2018



Source: Oxford Economics

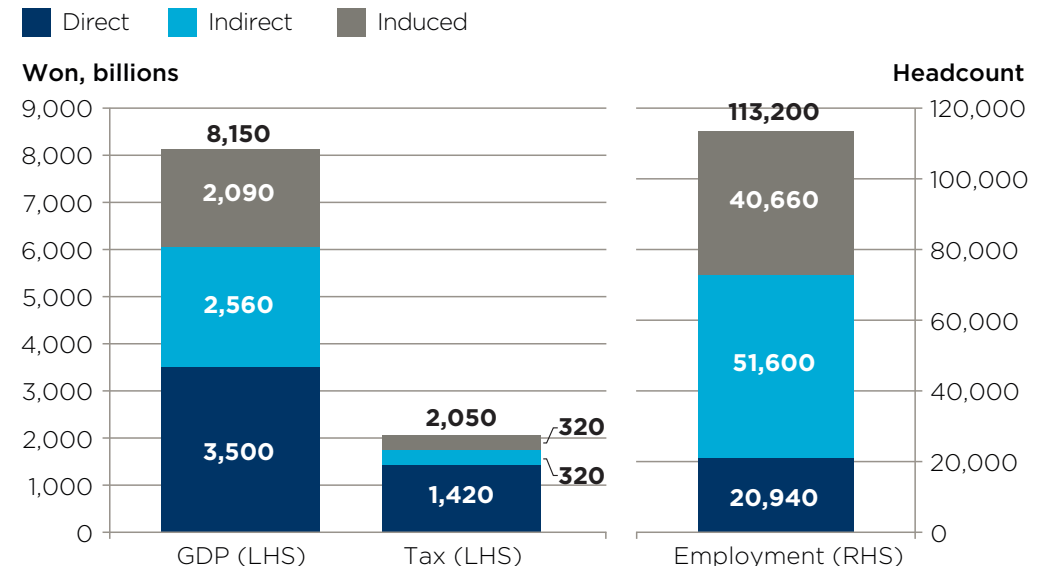
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3.3 CABLE TELEVISION

A major component of the subscription television industry is cable television. In 2018, the production and distribution of cable television was the largest component of the television industry, boasting a contribution to GDP worth 8,150 billion Won. The largest share of this, 3,500 billion Won, came through the direct activities of cable television providers. A further 2,560 billion Won was generated indirectly in its supply chain, with a further 2,090 billion Won generated through induced consumer spending.

The sector was responsible for sustaining a total of 113,200 jobs, more than half of the total of the whole South Korean television industry. Of these, 20,940 came from the direct industry, 51,600 from the indirect contribution and a further 40,660 from the induced contribution. A total of 2,050 billion Won in tax revenues were generated through cable television, with 1,420 billion of this coming from the direct industry.

Fig. 16: Economic contribution of cable TV in South Korea in 2018



Source: Oxford Economics

Numbers may not sum to totals due to rounding

3.4 INDEPENDENT TELEVISION

An important portion of the value generated by the South Korean television industry sits outside of the traditional channels, in the form of independent television. In 2018, independent television had an economic footprint worth 1,720 billion Won. Of this, 610 billion Won came directly through independent television providers and their production activity. The indirect supply chain effect was responsible for a 450 billion Won contribution, with the remaining 660 billion won generated through the induced consumer spending impact.

Independent television sustained 30,310 jobs in 2018. The direct industry employed 8,370 people, a further 9,010 were employed indirectly, with 12,940 in the induced contribution. Overall, independent television made a contribution to South Korean tax revenues worth 360 billion Won, with 250 billion Won of this coming directly.

3.5 IPTV

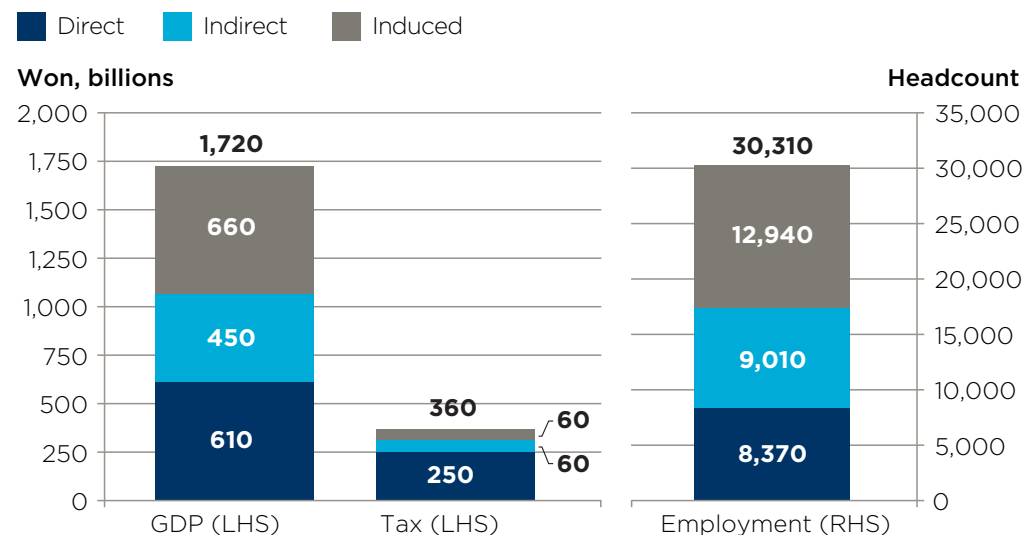
As online distribution of television media continues to grow, one of the key mediums is Internet Protocol Television (IPTV). This involves the use of the internet networks to distribute traditional television media, usually facilitated by a third-party and utilising technologies such as set-top-boxes.

In 2018, IPTV was responsible for a total contribution to South Korean GDP worth 720 billion Won. This consisted of a direct contribution worth 330 billion Won, an indirect supply chain contribution worth 270 billion Won and an induced consumer spending impact worth 120 billion Won.

This generated an employment footprint totalling 8,460 jobs. A limited number of these, only 710, came from the direct industry, however 5,340 came indirectly and 2,410 from the induced effect, given the significant extent to which they rely on the broader industry's supply chain.

In terms of tax revenues, the industry made a contribution worth 420 billion Won in 2018. Of this, 360 billion Won came directly, driven largely by value added tax, with 30 billion Won generated indirectly and a further 30 billion Won through the induced contribution.

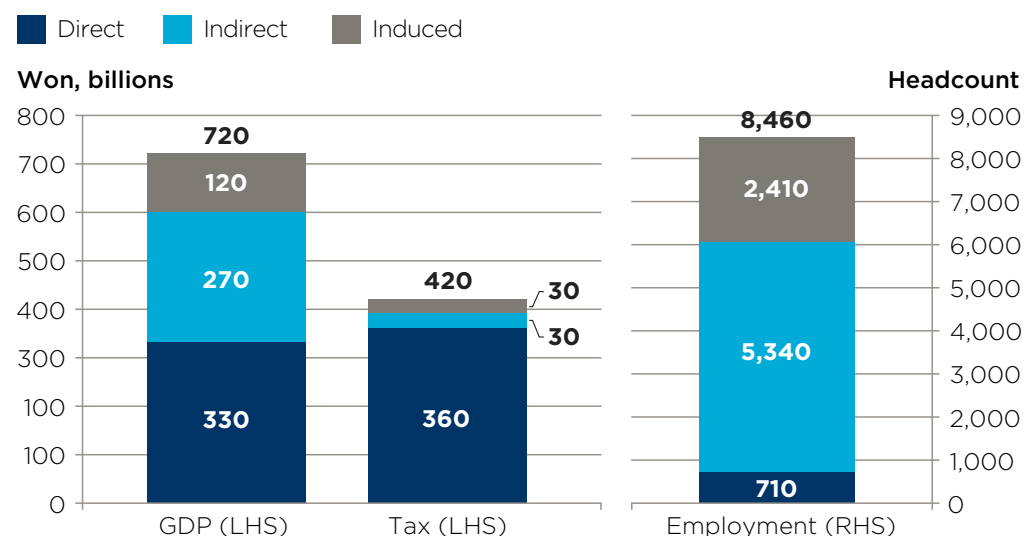
Fig. 17: Economic contribution of independent TV in South Korea in 2018



Source: Oxford Economics

Numbers may not sum to totals due to rounding

Fig. 18: Economic contribution of IPTV in South Korea in 2018



Source: Oxford Economics

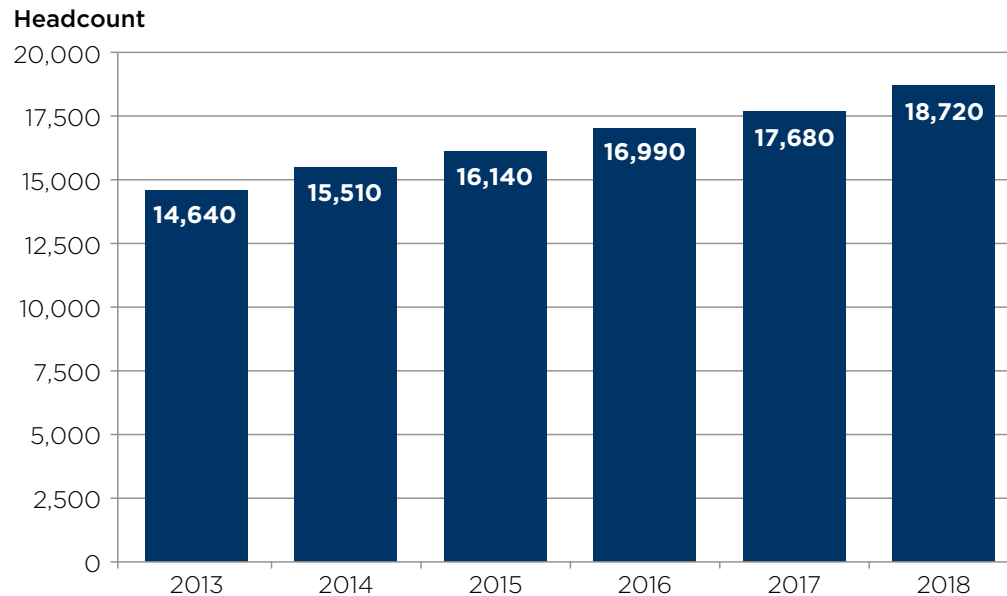
Numbers may not sum to totals due to rounding

3.6 GROWTH OF THE TELEVISION INDUSTRY

The South Korean television industry has grown consistently over recent years. In 2018 the industry's revenues stood at 18,720 billion Won, with growth of 4,080 billion Won since 2013. After adjusting for inflation, this means the industry's revenues have grown by 20% in real terms. Furthermore, this growth has been very consistent, with growth in every single year over this period.

Underpinning this revenue growth, there has been a growth in the number of people who are directly employed by the industry. Its employment of 43,140 represented a growth of 2,900 since 2013, a 7% increase. In line with what was seen in its film industry, the South Korean television industry has seen its revenues rise faster than its direct employment, even after adjusting for inflation, highlighting the growth in employees' capacity to produce value for the industry.

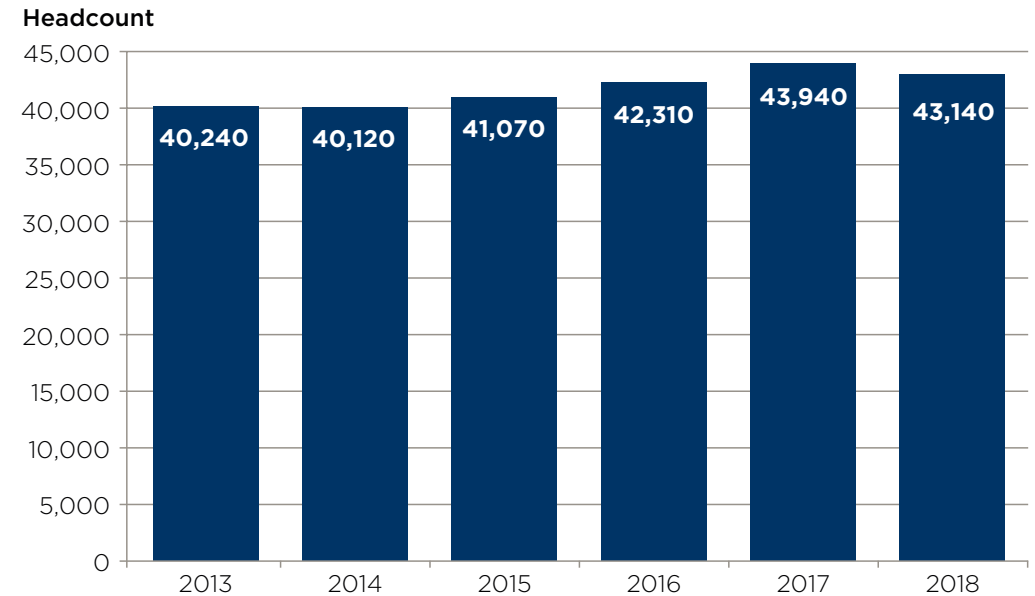
Fig. 19: Revenues of the South Korean television industry, 2013 to 2018⁶



Source: Oxford Economics, KOCCA

⁶ Historical data may differ from previous reports due to revisions to the source data.

Fig. 20: Direct employment of the South Korean television industry, 2013 to 2018



Source: Oxford Economics, KOCCA

4. OVER-THE-TOP (OTT)

Amid the ever-changing landscape of the global film and television industries, over-the-top (OTT) distribution has become a key way that consumers access content. This involves online distribution of film and television content through traditional internet networks.⁷

4.1 STRUCTURE OF THE OTT MARKET

In 2018, OTT distribution was responsible for revenues worth 1,572 billion Won in South Korea. This was worth 7% of the total turnover of the film and television industries.

Subscription video-on-demand (SVOD) is the largest single part of the South Korean OTT market and sees customers sign-up to services, usually offering a broad range of both film and television content (Fig. 21). In 2018, SVOD was responsible for revenues worth 562 billion Won in South Korea, 36% of all OTT. SVOD is examined in more detail in section 4.2.

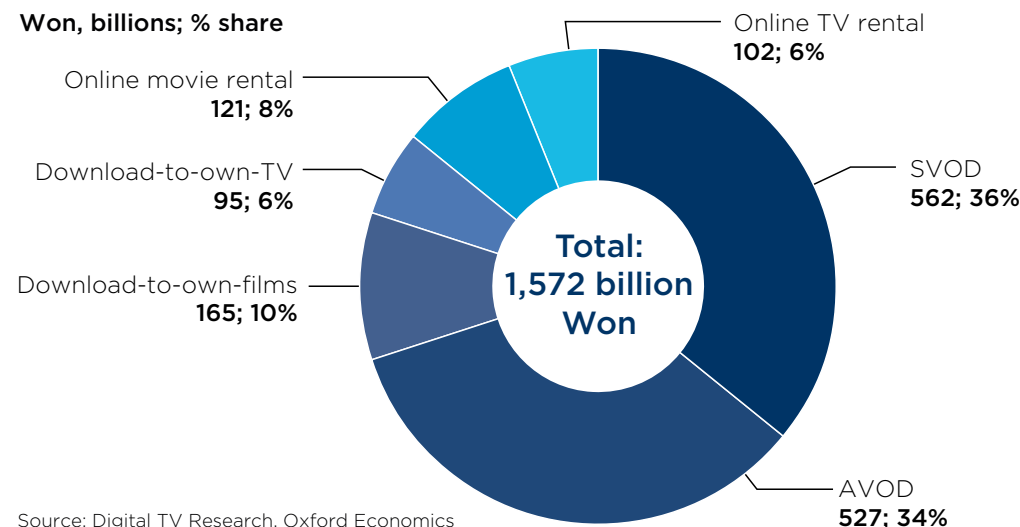
The next largest component is advertising-based video-on-demand (AVOD), which is free for users, relying on the use of advertising to drive revenues. Perhaps the largest and most global example of this is YouTube, which incorporates advertising before or during its videos, however a number of others exist. In 2018, AVOD revenues amounted to a total of 527 billion Won, 34% of OTT distribution.

Download-to-own (DTO) distribution, where consumers make a one-off purchase of film or television programming and then own the content on a permanent basis, is also a major element of the industry.⁸ In total this was responsible for 260 billion Won of sales in 2018, 16% of OTT sales. The majority of this, 165 billion Won came through the sale of films, with a further 95 billion Won coming from the sale of television content.

The final component is online rental, which gives consumers access to content for a short time. In 2018, rental sales totalled 223 billion Won, 14% of OTT sales. Of this, 121 billion Won was from rental of films, with a further 102 billion Won from the rental of TV content.

As an emerging market, OTT is expected to grow significantly over the coming years. Analysis from Digital TV Research forecasts that,

Fig. 21: Revenues of OTT distribution platforms in South Korea in 2018



Source: Digital TV Research, Oxford Economics

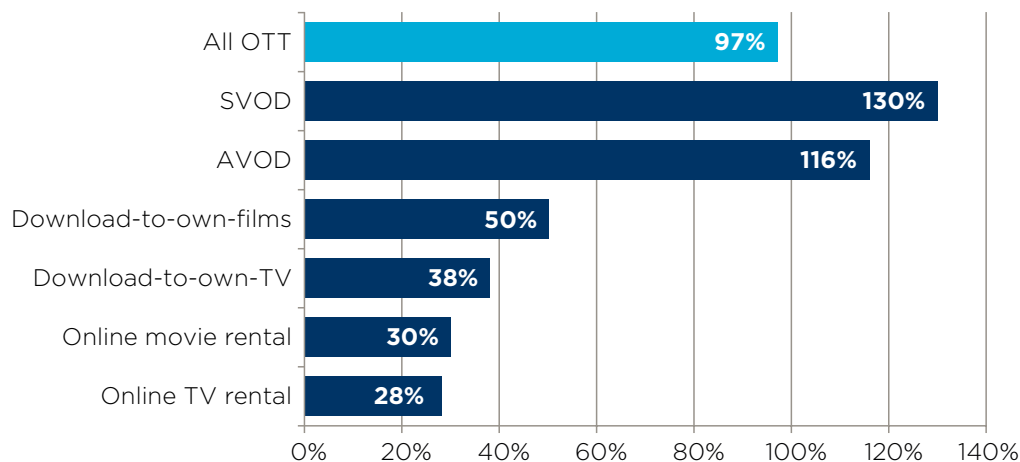
⁷ All information on the structure and revenues of OTT services used in this section of the report was produced by Digital TV Research.

⁸ DTO is sometimes referred to as electronic sell-through (EST). Both DTO and online rental are occasionally grouped together than referred to as transactional video-on-demand (TVOD).

on the back of rapid growth in the number of consumers of OTT content, revenues will grow from 1,572 billion Won in 2018 to 3,097 billion Won in 2023, a 97% increase (Fig. 22).

The majority of this growth is expected to come from SVOD and AVOD, which are forecast to grow a total of 130% and 116% respectively over the next five years. This would significantly outstrip the expected growth of DTO film and television content, which are forecast to grow by 50% and 38% respectively. Online rental is expected to grow even more slowly, with revenue growth of film and television rental totalling 30% and 28% respectively.

Fig. 22: Forecasted total revenue growth of OTT platforms in South Korea, 2018 to 2023



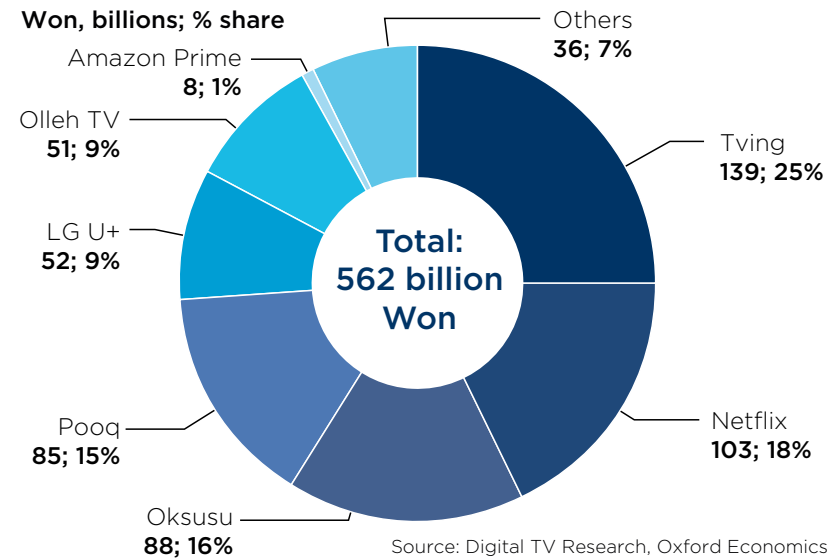
Source: Digital TV Research, Oxford Economics

4.2 SVOD PROVIDERS

As the main contributor to OTT revenues, and the industry's major growth prospect over the coming years, SVOD represents a critical component of OTT distribution. Understanding what this consists of reveals a lot about the nature of this growing sector.

It is estimated that the main firm operating in the sector is Tving, whose revenues totalled 139 billion Won in 2018, one quarter of the SVOD total (Fig. 23). It is joined by a broad range of other South Korean SVOD producers including Oksusu (88 billion Won, 16% of the industry),

Fig. 23: SVOD provider revenues in South Korea in 2018



Pooq (85 billion Won, 15%), LG U+ (52 billion Won, 9%) and Olleh TV (51 billion Won, 9%).

The domestic sector is therefore very diversified, with a broad array of operators. However, some consolidation is expected, with the Korean Fair Trade Commission recently approving a merger between Pooq and Oksusu, forming a new company called Wavve which is expected to become the largest single operator in the South Korean market.⁹

Foreign providers contributed a total of 111 billion Won in 2018, 20% of the total market. The majority of these revenues came from Netflix, totalling 103 billion Won in 2018, 18% of the total market. The remaining 8 billion Won (1% of SVOD) came from subscriptions to Amazon Prime. Foreign providers are therefore important, but they are currently dwarfed by the substantial domestic market. This may however change, with the share of revenues received by foreign providers forecast to grow to 31% by 2024. A further 36 billion Won (7%) of sales were generated by a range of other minor SVOD platforms.

⁹ The Korea Herald, "Antitrust watchdog approves plan to establish 'Netflix of Asia'" <http://www.koreaherald.com/view.php?ud=20190820000732> [accessed 04 September 2019]

4.3 ECONOMIC IMPACT OF OTT

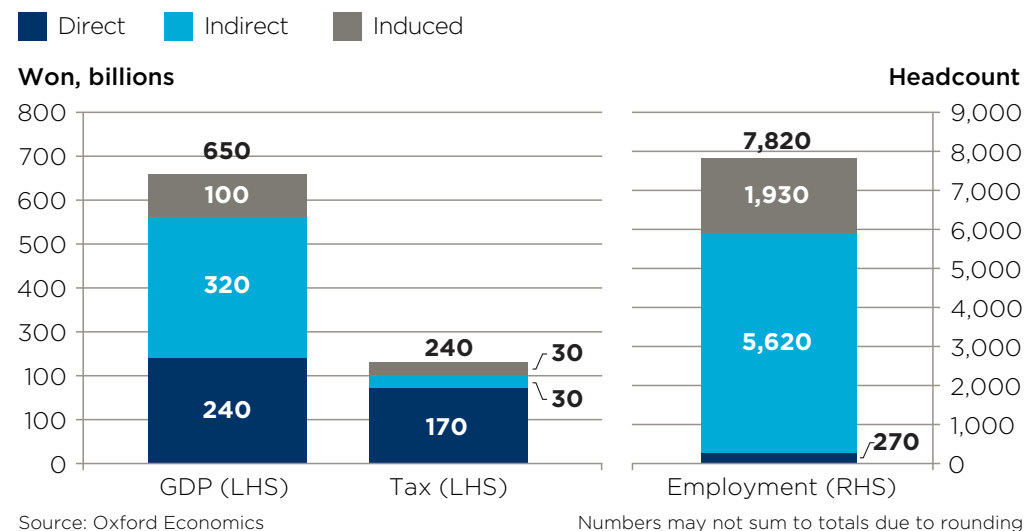
The value of sales that OTT makes has a sizeable impact on the South Korean Economy. However, with OTT services heavily reliant on existing and imported content, the total economic contribution is dampened, with much of the employment it sustains instead found in the supply chain that supports it and its technical demands.

We estimate that OTT made a contribution to South Korean GDP worth 650 billion Won in 2018. Of this, 240 billion Won was generated directly, 320 billion Won was generated through the indirect supply chain impact and a further 100 billion Won through induced consumer spending.

A total of 7,820 jobs were sustained by OTT in 2018. Only 270 of these were generated directly, highlighting the small workforce that works directly for the industry. OTT relies on a more significant supply chain, which supported a total of 5,620 jobs, whilst the induced consumer spending impact was responsible for employing 1,930 people in South Korea.

This activity sustained a large tax footprint, totalling 240 billion Won. This was predominantly generated through its direct activity, totalling 170 billion Won and including the VAT paid on subscription purchases.

Fig. 24: Economic contribution of OTT in South Korea in 2018



5. EXPORTS

5.1 TOTAL EXPORTS IN 2018

As the South Korean film and television industries look to expand, one key potential driver of growth is exports to markets outside of South Korea, enabling the industries' producers to reach a wider audience of consumers.

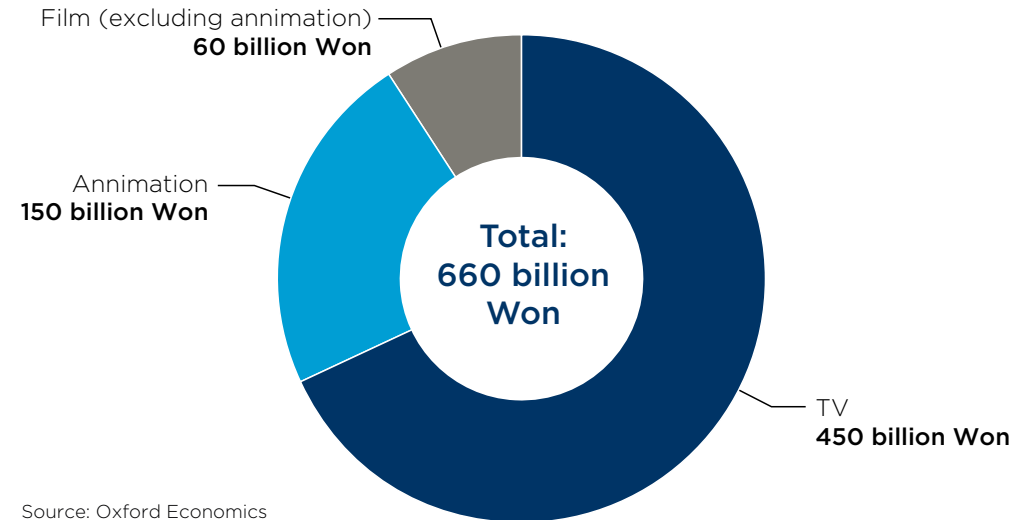
In 2018, we estimate that a total of 660 billion Won worth of exports were made by the combined industries. This represents 0.1% of all exports made by South Korea in 2018. Compared to other industries, this is a sizeable impact, exceeding exports of footwear products (Fig. 25).

Within the film and television industries, television is responsible for two thirds of all exports, totalling an estimated 450 billion Won in 2018. This includes both animated and non-animated content, as no disaggregation was available. Animated films contributed 150 billion Won of exports and non-animated film content exports worth 60 billion Won. Exports are very important to the film animation sector, representing 22% of its revenues, compared to the film and television industries as a whole, where exports total less than 3% of revenues.

Fig. 25: Exports of film and TV in context

Sector	billion Won
Glass & Glassware	1,970
Photographic or Cinematographic Products	1,050
Beverages	990
Film and TV	660
Footwear	560
Sugars & Confectionery	370

Fig. 26: Exports of different components of film and TV



Source: Oxford Economics

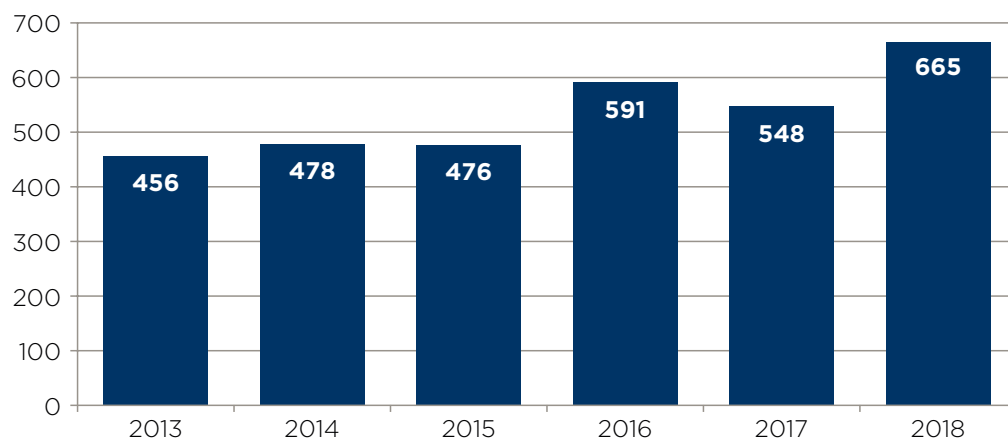
In the case of the non-animated film industry, growth has largely been driven by exports of visual effects (VFX) and digital intermediate (DI) services, which made up around two thirds of film exports in 2018. In addition, major over-the-top (OTT) services such as Netflix and Amazon Prime have bought worldwide rights to South Korean films in recent years.¹⁰

This growth resulted in film and TV exports reaching their highest ever levels in 2018 (Fig. 27), with an average rate around 7% per year between 2013 and 2018. Whilst most years have seen some growth, some years saw small decreases. This variability is likely to represent a variety of factors, including economic conditions and the success of specific film and TV content overseas.

¹⁰ <https://www.screendaily.com/news/korean-film-council-reports-industry-exports-up-by-175-in-2017/5126473.article>

Fig. 27: Exports made by the film and TV industries over time¹¹

Won, billions



Source: Oxford Economics, KOCCA

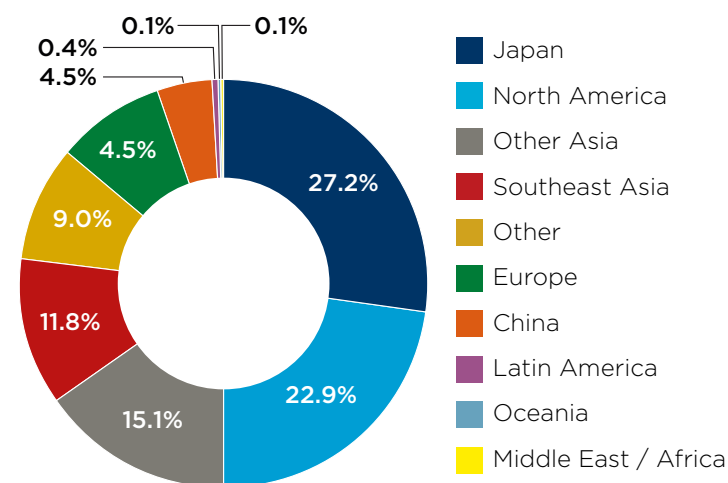
5.2 TRADING PARTNERS

The success that the South Korean film and television industries have had exporting is seen in sales of goods to many countries across the globe. Data produced by the Korea Creative Content Agency illustrates this, with the latest available data covering exports in 2017. Data was not available for the different destination markets of terrestrial TV exports, so the totals are smaller than those in Fig. 27.

The primary export market was Japan, which was responsible for 113 billion Won worth of exports, 27% of the identifiable total of 416 billion Won (Fig. 28). Exports to Japan are dominated by television products, making up 72% of its total film and TV exports.

North America was the second largest export market in 2017, 23% of the total. Driven primarily by exports to the United States, the South Korean film and television industries' largest export to North America is animated content, which in 2017 was worth 75 billion Won, nearly four fifths of its total.

Much of the industries' exports are made to other parts of Asia. In 2017, a total of 12% (49 billion Won) of the industries' exports were made to countries in Southeast Asia, with Singapore being the largest market within the region. Asian countries outside of Japan, China and Southeast Asia were recipients of 15% of the industries' exports (63 billion Won). Exports to Europe made up a further 9% of the total film and TV exports.

Fig. 28: Film and TV exports by partner country, 2017¹²

Source: Oxford Economics, KOCCA

¹¹ A previous version of this report relied on an estimated figure for exports in 2015, which was higher than this.

¹² "Other" consists of exports where the destination could not be identified.

5.3 CHANGES TO EXPORT DESTINATIONS

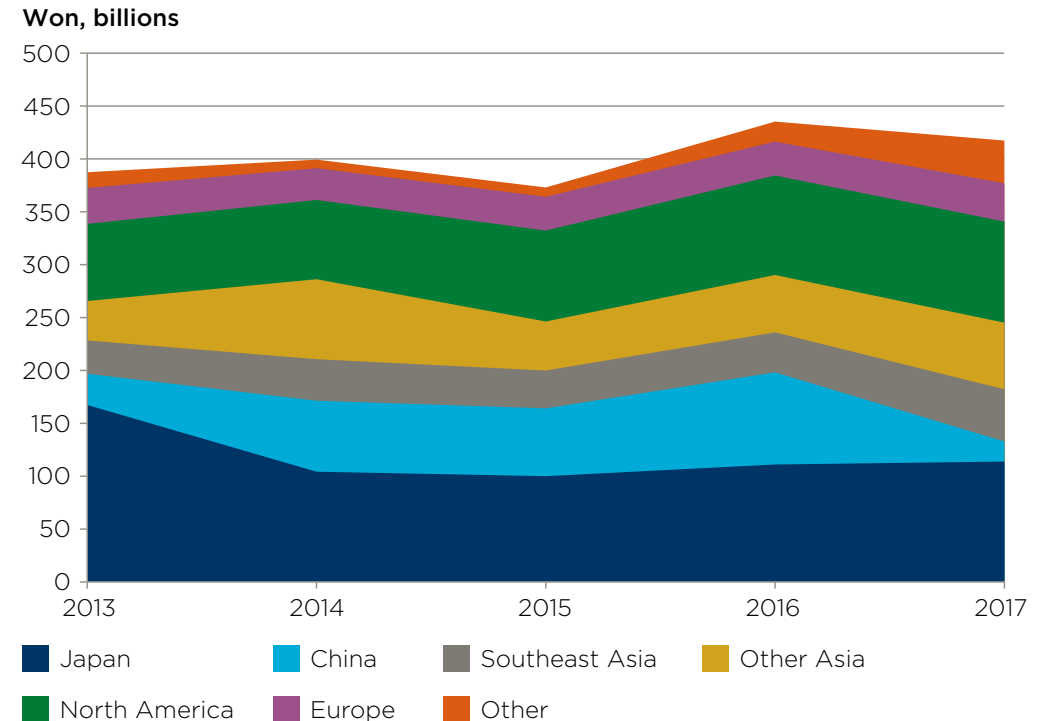
Underneath the overall picture, we can see variation in the value of different export markets over time. This is illustrated in Fig. 29 which shows the trend in exports by market over time, excluding terrestrial TV exports. However, it does illustrate some of the key changes.

At the forefront of this are exports to China. Having grown rapidly up to 2016, they went from making up 20% of total exports in 2016 to less than 5% in 2017, a fall worth 68 billion Won. This came on the back of a hostile trade environment between the countries, described in some circles as a “trade war”.¹³

However, exports outside of these two markets have been robust, with exports to Japan gradually increasing since 2014, following a decrease from 2013. The rest of Asia, including Southeast Asia, has also seen exports grow, from a combined value of 69 billion Won in 2013, to 112 billion Won in 2017. Outside of Asia, exports to North America have grown by 22 billion Won over this period.

Therefore, whilst China is a major trading partner, Japan and North America remain larger ones and have to some extent cushioned the impact. As a consequence of this, the fall in exports to China represents a challenge to the film and TV industries, but their export markets have offered significant support to it.

Fig. 29: Film and TV exports by partner country, 2013 to 2017



Source: Oxford Economics, KOCCA

¹³ <https://www.japantimes.co.jp/opinion/2017/03/26/commentary/world-commentary/china-south-korea-trade-war-must-end/#.XWkyWyhKiUk>

6. TOURISM

South Korea's cultural influence is amongst the most significant in the whole of Asia. The Korean Wave, referred to broadly as *Hallyu*, a term coined by Chinese media in 1999, is the far-reaching influence of South Korean culture. The South Korean Tourist Board referred to it as "a favourite phenomenon of Korean popular culture abroad".¹⁴ The film and television industries of South Korea is a key component of this, as evidenced by the appeal of its films to global OTT distributors.

In 2014 the Korean Trade-Investment Agency (Kotra) and the Korea Foundation for International Cultural Exchange (KOFICE) found that 7.7% of overnight visits to South Korea were because of the influence of Korean Wave cultural outputs.¹⁵

Another recent study into the impact of the Korean Wave on inbound tourism found that the increase in exports of Hallyu content had a statistically significant positive impact on the number of tourists visiting South Korea from a given country.¹⁶ This study also highlights the logical importance of a nation's wealth in driving tourism growth among its population.

The benefits of this on the country's image as a tourist destination can be seen in its remarkable tourist growth. In 2016 South Korea's inbound tourism peaked, attracting more than 17.2 million people.¹⁷ This represented a dramatic increase, nearly treble the number that it welcomed a decade before.

The value generated by South Korea's cultural influence therefore stretches significantly further than the products that it is able to sell on the back of them, generating a large amount of value for the country's economy.

¹⁴ Korea Tourism Organization. (2012). Korea Statistical Report on Tourism Interim 2012.

¹⁵ Kotra and KOFICE, Study on the economic impact of the Korean Wave in 2014. 2015, accessed 7 June 2016.

¹⁶ Bae, E. (2017), The effect of Hallyu on tourism in Korea.

¹⁷ Korea Tourism Organisation, Monthly Statistics of Tourism, accessed 08 October 2019.

7. CONCLUSION

This report has illustrated the major contribution that the film and television industries made to the South Korean economy in 2018. Utilising a rigorous economic impact framework, it analyses the value generated by the different components of the industries. Through their direct activities, the film and television industries produced a contribution to GDP worth 8,280 billion Won, 0.4% of the whole South Korean economy. This activity sustained a total of 78,100 jobs and supported 4,600 billion Won in tax revenues.

In addition to these direct contributions, the economic footprint of the film and television industries is seen through the activities of its supply chain and the consumer spending generated by it and its suppliers' employees. Overall in 2018 this generated a total contribution to GDP worth 20,300 billion Won. This sustained a total of 315,400 jobs and 6,260 billion Won of tax revenues.

The value that the film and television industries generate in South Korea is in part a consequence of its ability to sell its products abroad. In 2018, the film and TV industries exported goods and services with a total value of 660 billion Won. The largest portion of this is the 450 billion Won came from television, with film exports worth 210 billion Won. Within the animation component of the film industries, the 150 billion Won of exports that it made in 2018 represents 22% of its revenues.

This value to international audiences is in large part a result of the way that its culture has penetrated other markets, known as the Korean Wave, or Hallyu. This is not only felt in its positive impact on exports, but also as a driver of tourism into the country.

8. METHODOLOGY

QUANTIFYING THE DIRECT CONTRIBUTION

The main source used to quantify the direct contribution was the regular Content Industry Statistics report produced by KOCCA. The latest version, released in late 2018, included data up to the first half of 2018, including information on gross output (or sales), GDP, employment and exports for a variety of subsectors of the South Korean film and TV industries. While this was a relatively rich data source, it was still necessary to make some estimates for items such as subsector GDP and the composition of GDP.

In order to extrapolate these figures forward to provide more timely estimates for the whole of 2018, we used official data sources in order to estimate the value of sales based on the growth seen in the first half of 2018, economy-wide growth and the average seasonal differences between the first and second halves of the year.

In order to extrapolate employment, we divided GDP by estimates of labour productivity (measured as GDP per worker). Given the lack of available data industry-level productivity trends, we

analysed this based on economy-wide productivity changes, using Oxford Economics estimates for South Korea. In some cases where employment was particularly low, such as in internet-focussed distribution, we estimated employment costs based on that on the employment costs per worker at the more aggregated level.

The value generated from the OTT distribution was established based on data from Digital TV Research, with the whole direct impact estimated based on an assessment of the cost structure of OTT providers, based on accounts data. This was complimented by information based on the KOCCA data.

MODELLING THE TOTAL ECONOMIC CONTRIBUTION

Broadly speaking, input-output multipliers measure the relationship between an initial shock (such as spending) and final outcomes across the whole of the economy in terms of gross output, GDP and employment.

This study uses “Type II” multipliers. Type II multipliers allow for both

the “indirect” supply chain effects (i.e. the film and TV industries purchasing from other industries) and “induced” effects which arise from workers spending wages (derived from employment) on goods and services. (Studies that only allow for the indirect or supply chain effects use what is known as Type I multipliers. Type II multipliers are larger than Type I multipliers.)

In order to estimate the indirect and induced contributions, we used a 165-sector South Korean Input Output (IO) table for the year 2015, from the Bank of Korea. An IO-table details economy-wide transactions between sectors in matrix form, quantifying the extent to which different industries sell to and purchase from each other.

By appropriately manipulating the IO matrix, we were able to estimate the contribution of, for example, film production on the rest of the economy through its supply-chain purchases (indirect effect) and through the spending of those employed directly and indirectly in film production (induced effect).

No specific sector capturing all of the activities of the film and TV industries exists within I-O

tables, as these are split among several industries and the I-O tables aggregate many industries together. We therefore allocated each subsector to a relevant IO category. Accordingly, the activities covered by films were allocated to the “Video and audio production and distribution” category. TV-related activities were allocated to the “Broadcasting” category.

We then “shocked” the IO model by inputting the estimated purchases made from different components of the industries based on the KOCCA data. In the case of generating the induced contributions the additional value of the estimated consumption of individuals employed directly by the industries was added onto this shock.

Note that “raw” revenue data typically includes indirect taxes (such as VAT), whereas the South Korean IO table is measured in producers’ prices (which excludes VAT). Accordingly, the sales revenue values were adjusted to allow for this when the model was shocked (i.e. VAT and television licence fees were excluded).

ADJUSTMENTS FOR LEAKAGE AND DOUBLE COUNTING

Generally, when domestic demand expands there will also be an increase in the demand for imports. For example, if consumers spend money on the film and television industries some of this spending will flow out of the country (e.g. due to the payment of film royalties or the purchase of imported materials by production companies). This is formally known as “leakage”. Allowing for leakage is important, as otherwise the contributions on domestic demand will be overestimated.

The demand for imports as a part of South Korean companies’ supply chain is accounted for in the IO tables used in this report, with the impact of this seen in the size of the multipliers used in this study.

The Type II multipliers used in this study were also (downwardly) adjusted to reflect the fact that, in any given year, if employees currently working for the film and TV industries were not employed then they would still have some income and that income would be spent within the economy. That is, if they were not employed in the film and television industries, then, in the short term, at the very least, they would receive some income (such as unemployment benefits) and would use this to purchase goods and services.

Accordingly, employee wages reported in the I-O tables were adjusted using OECD data for South Korea, in order to accurately model the consumption that come out of incomes. This is generated based on OECD estimates of the “tax wedge”, which is the proportion of income that goes on taxes and social security payments (23% in 2018), plus the savings rate (6.6%, based on Oxford Economics’ Global Model).

Finally, for certain subsectors, it was clear that downward adjustments to the indirect and induced contributions would also need to be made to avoid double counting of output. This is because, in some cases, part of a given industries’ supply chain included other subsectors that have been classified as part of the film, video and television market. For example, exhibitor direct revenues implicitly reflect purchases from film distributors, so adding purchases from distributors as a part of indirect revenue could be double counting.

We therefore adjusted multipliers for the film exhibitor and film distribution sectors to reflect this fact. Likewise, multipliers for the terrestrial and cable TV industries were also adjusted due to the potential for double counting through intra industry purchases and the fact that independent producers supply services to both of these subsectors.

ESTIMATING GDP, EARNINGS AND EMPLOYMENT

The gross output totals derived from the above modelling were converted into estimates for GDP using sectoral ratios of GDP to gross output. The Type I and Type II GDP multipliers associated with the modelling described above are reported in Table A1.

These were then converted into employment estimates using sectoral productivity data (measured in terms of GDP per

worker) for 2015 based on sectorial GDP and employment information from Statistics Korea.

This process was repeated separately for each subsector to generate separate estimates for the total (including direct, indirect and induced effects) economic contribution. For direct earnings and gross operating surplus (both of which are required for the tax modelling), we applied the ratio of their respective relationships to GDP, gathered from the IO table, to our estimate of direct GDP for each subsector.

Table A1: Type I and Type II GDP multipliers

	Type I Multiplier	Type II Multiplier
Film Production	2.31	3.04
Film Distribution	2.22	2.68
Film Exhibition	2.17	2.78
Film Other	2.38	2.88
Online Screening	2.21	2.63
Film total	2.22	2.80
Terrestrial TV	1.41	2.14
Satellite TV	1.74	2.04
Cable TV	1.73	2.33
Independent TV	1.74	2.82
IPTV	1.82	2.18
TV Total	1.66	2.32
OTT	2.33	2.71
Total	1.82	2.45

Numbers may not sum to totals due to rounding

MODELLING TAX REVENUES

In order to model the level of revenue that would be raised for the government as a result of this activity, we made use of a number of different data sources. We included taxes on labour (including income and social security) and profits and for the direct effect, indirect taxes raised including Value Added Tax (VAT), the “ticket tax” on cinema tickets and license fees (in respect of terrestrial TV). Estimates of these taxes were combined to produce the overall tax figure. Note that indirect taxes were only estimated for direct contributions and were not applied to indirect and induced contributions.

For the direct contribution, we used the gross sales data cited above from KOCCA's latest Content Industry Statistics report, applying the standard VAT rate to quantify the level of indirect tax accounted for by VAT. (A similar process was used for the cinema exhibition sector to estimate the value of the ticket tax.) Licence fee revenue data for terrestrial TV were supplied in KOCCA's Content Industry Statistics report. For taxes on labour, we applied an OECD estimate of the tax wedge for 2018 (23%) to our estimate of gross earnings.

For taxes on profits, we estimated the effective rate of corporation tax by dividing the level of corporate tax receipts (in 2018) by the level of gross operating surplus (GOS). We then applied this rate to an estimate of GOS in the relevant subsector. This process was repeated for the indirect and induced contributions.

GDP MEASURE

GDP can either be measured at basic prices or at market prices. The estimates produced in this report are measured using GDP at basic prices, which excludes taxes less subsidies on products (taxes on products include VAT and excise duties). Gross Value Added (GVA) is another term for GDP at basic prices.

While VAT is excluded from GDP at basic prices, the VAT directly generated by the film and television industries is estimated in the main body of this report and included as a part of the industries' tax contribution.

GDP at market prices is the “headline measure” of GDP used in South Korea and most other countries. GDP at market prices includes taxes less subsidies on products.

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October 2019

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