NEWSLETTER

Issue No. 19 | November – December 2017

Economic contribution of the creative sector in Georgia

Georgia has a reputation for creativity and design, along with a rich cultural history and tradition. Internationally, culture and creativity are increasingly recognised as important economic sectors and drivers of growth for other sectors. In Georgia, the creative sector made up 1.5% of national production in 2015. This share had strongly increased from 0.9% in 2010. However, most of the activity in the sector and nearly all growth stem from the advertising industry alone. Some other creative industries that often are important growth drivers such as software or design appear to be very small.

Future demand for creative services and growth complementarities can emerge from the dynamic tourism, textiles and beverages industries. However, the absence of an advanced industrial sector limits the innovative contributions the creative sector could deliver for Georgia's economy. Nevertheless, potential may develop from very small beginnings for example in the furniture industry. The government should refrain from cost-intensive support programmes for the creative sector in this phase and rather assist in strengthening networking in the sector through a "creative cluster management", improve monitoring of the sector and reform the education system for creative professions.

Georgia's reputation for creativity

Georgia is famous for its rich cultural tradition, ranging from craftsmanship to internationally renowned poets and musicians. Georgian designers are often said to have a unique design touch. The capital Tbilisi boasts a vibrant fine and performing arts scene, the nightclub "Bassiani" has become a world-famous hotspot and events such as the Mercedes Benz Fashion Show are hosted in the city. Georgia clearly benefits greatly from the existence of these scenes due to the cultural value they generate. But do these different creative scenes also constitute a present or potential factor for the economic development of Georgia?

Economic importance of culture and creativity

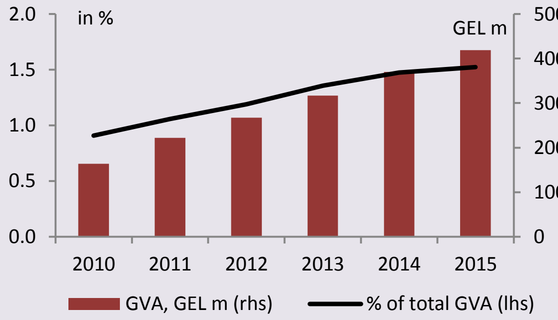
In recent years, culture and creativity have increasingly been recognised as economic factors. Providing creative services or producing creative or cultural goods inherently is also an economic activity generating measurable value added and providing jobs. Just as important, innovation and design can be crucial in improving the value added produced by other industrial and service sectors. Many countries, including Germany and most other EU member states have begun to systematically analyse and support the economic contribution of creativity and culture.

Two main approaches are used to analyse the economic contribution of creativity and culture: The sector-based concept of a cultural and creative economy with 11 "creative industries" and the occupation-based, wider concept of the "creative economy". Data availability constrains statistical analysis of the economic impact of creativity and culture in Georgia to a modified version of the creative industries approach.

Sharp growth of Georgia's creative sector

The creative sector in Georgia grew rapidly over the last years. In 2015, the creative industries contributed a gross valued added (GVA) of GEL 419 m to the Georgian economy. This corresponds to 1.5% of the total GVA of the country, up from 0.9% in 2010. Compared with advanced economies in the EU, the size of the creative sector in Georgia is still small. The GVA share of the creative sector in 2013 was 2.3% in Germany and 4.8% in the UK.

Value added by the creative sector



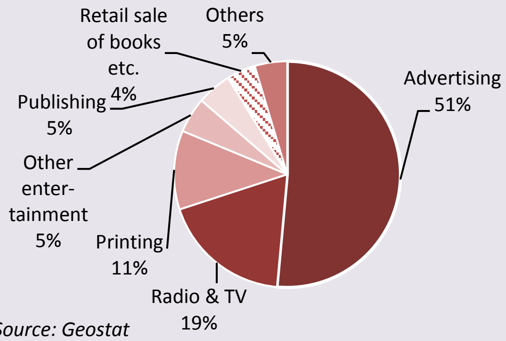
Source: Geostat

The creative sector also is an increasingly important employer: While 11,700 workers were employed in creative industries in 2010, their number has risen to 19,300 in 2015, 1.1% of total employment in Georgia.

Advertising industry dominates the creative sector

A deeper look however sheds doubt on the dynamism of the creative sector. At present, the creative sector is heavily dominated by just one industry: Advertising makes up more than half of current economic activity in the sector. Other creative industries with considerable sector GVA shares are radio & TV (19%) and printing (11%). Four out of eleven creative industries cannot be statistically identified due to data limitations: Architecture, design, IT & software and cultural education. This is likely due to small numbers of active companies. Hence, these industries are probably of negligible size. Despite a cash rebate programme for international film productions, a significant film industry does not exist in Georgia.

Shares of creative industries in sector value added, 2015



Source: Geostat

Analysis of the individual creative industries dampens enthusiasm about the creative sector's contribution to the economy. The advertising industry's growth is mainly a consequence of growth in other areas of the economy. Especially worrying are the absence of identifiable software and design industries, which usually are key growth drivers within creative sectors. The software industry alone makes up 43% of creative industries in the UK and 19% in Germany.

This scepticism about the present economic contribution and potential of the creative sector is magnified when analysing the industries' contribution to creative sector growth between 2010 and 2015: Almost all of the creative sector's growth was caused by the sharp increase in the size of the advertising industry, from 0.17% to 0.78% of total GVA between 2010 and 2015. The rest of the creative sector essentially stagnated.

Potential and complementary sectors

The present state does not need to persist, however. New creative industries may emerge. For example, newly developing value chains in furniture design and production are supported by the German GIZ. New demand for creative services can also come from complementary industries. Tourism, textiles and beverages, which are strong and dynamic in Georgia, could be a driver of demand for creative industries.

The absence of a large industrial sector that requires innovation and design services (e.g. automotive or consumer goods), however, limit's the growth prospects of the creative sector. A further brake on creative sector development is a largely outdated public education system in creative professions.

Conclusions and policy recommendations

The creative sector in Georgia grew significantly over the last years, but remains small and is heavily skewed towards one dominant industry. Still, the creativity of Georgians that is visible in the country and reflected in its reputation, as well as some stories of hopeful emerging companies indicate that an economic potential may arise in the future.

Without clear growth potential and apparent obstacles, the government should refrain from large-scale support programmes for the sector at present. Instead, the government should focus on strengthening the networks within the creative sector through forming a "creative cluster management", perhaps in the context of the EU-supported "Creative Georgia" initiative, improve the statistical monitoring and introduce educational reforms for creative professions.

Authors

David Saha, saha@berlin-economics.com

Andre Störr, andre.stoerr@tmwwg.thueringen.de

DmitryChervyakov,chervyakov@berlin-economics.com

Editors

Dr Ricardo Giucci, David Saha

Subscribe / unsubscribe newsletter

A more comprehensive analysis of the topic is provided by the Policy Paper PP/02/2017 "The creative sector in Georgia: Situation, potential and policy issues".

German Economic Team Georgia

www.get-georgia.de

The German Economic Team advises the Government of Georgia on economic policy issues since 2014. It is funded by the German Federal Ministry for Economic Affairs and Energy and implemented by the consulting firm Berlin Economics.

Berlin Economics

BE Berlin Economics GmbH | Schillerstraße 59 | 10627 Berlin
+49 30 / 20 61 34 64 - 0 | info@berlin-economics.com | Impressum