



EFFECTS & AFFECTS OF COVID-19 CRISIS ON AUSTRIAN CULTURAL AND CREATIVE INDUSTRIES

Report of the empirical snapshot survey about the effects of COVID-19 ("Coronavirus") on the Austrian cultural and creative industries.

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Authors and copyright statement

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EXECUTIVE SUMMARY

After the first week of the Corona lockdown of the Austrian economy and society, the domestic Cultural and Creative Industry (CCI) is facing unprecedented challenges. In an effort to slow down the spread of the corona virus, the Austrian government has imposed measures that have brought social and economic life to an almost complete standstill. The measurements to curb the curve of the virus are extensive and is supported by a big part of society. Social distancing is the goal of time and personal movement is limited to people who live in the same household. People have to stay at home and are only allowed to go out to shop in supermarkets or pharmacies. Exceptions only apply to people who part of the critical infrastructure or work in the health sector. This directly effects the work of the CCIs. In order to attempt to measure the consequences of these provisions, the European Creative Business Network has carried out a snapshot survey about the effects and affects of the fight against the spread of the new coronavirus on the Austrian cultural and creative industries.

The self-assessment by the participants reflected in this study is alarming. The absolute majority of the participants of this snapshot survey expect sale losses. Eight entrepreneurs out of 10 expect losses up to 50 % of their income for the next three months, should the lock down measures still be in place until after easter which might be extended up to three months. In the long term, still 2/3 expect losses up to 50% of their yearly turnover.

The figures, which refer to the overall economic figures for the Austrian creative industries, are also worrying. Based on this self-assessment, this means, in the long term, that the crisis could lead to a loss of EUR 3 billion in gross annual value added for CCIs in the Austrian market.

The economic impact results directly from

- the cancellation of trade fairs, events and markets without replacement
- the postponement of events
- the limited ability to travel
- the massive planning uncertainty
- and many other radical changes.

More than half of those surveyed need compensation or subsidies to survive this crisis. They need sufficient grants (51%), and more than a quarter (27%) demand an economic stimulus package from the government. Only around 10% of the participants in the study would like either bridging loans or short-time work benefits.

Similar to the impact of COVID-19 on the health care system, one can expect that the effect on the cultural and creative economy will depend on the timing of the measures taken. Due to the very low equity ratio of 23.4% (KAT 2010: 32) in the cultural and creative sector, the consequences will be drastic. This means due to limited financial reserves, the time period these businesses can survive is very short. According to the results of a corresponding survey by Kreatives Sachsen, the participants estimate that their financial liquidity is sufficient for 4 to 8 weeks. Without appropriate subsidies and government support, the impact on the creative industries will be fast and profound. All measures must aim to flatten the curve, just as the efforts now being taken to protect the health system. This is a plea to support the Creative Economy, wich comprise in 11% of the total Austrian businesses (KAT 2019) and an call for swift and persistent actions.

The European Creative Business Network (ECBN) is an association for European cultural and creative industries. With this survey, the ECBN wants to attempt to assess the potential impact on our sector should the lock down continue. An important aim is to use the results of the survey as a basis for recommendations to governing bodies and other actors on all levels on how the Cultural and Creative Industry could be protected. The questionnaire was created in collaboration with KREATIVES SACHSEN and forms the starting point for another study among the EU-28 countries.

KEYWORDS:

Creative Industries, Economic Geography, COVID-19, Austria, Economic Impact

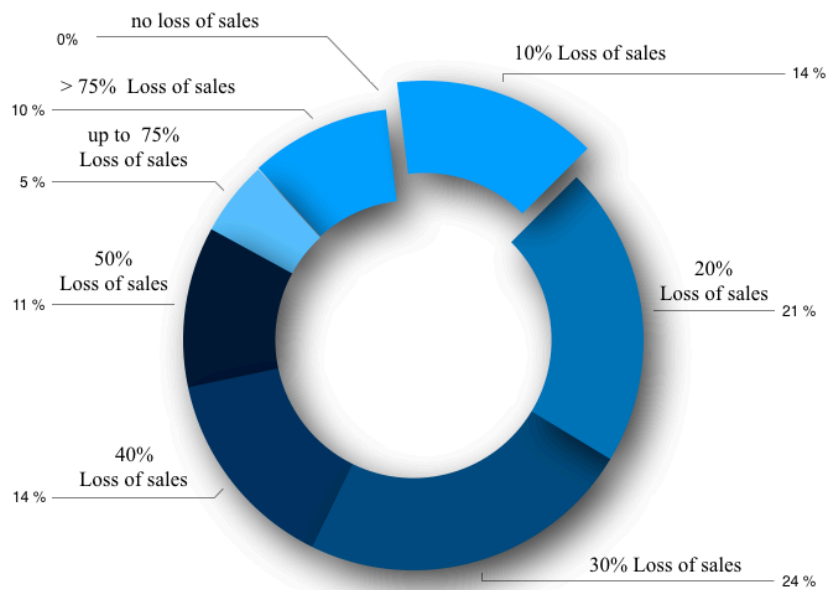
Methodology

The survey was carried out from March 13th to 17th, coinciding with the first days of the implementation of the Austrian social distancing or lock down measures. Participants were recruited via various online media among companies and self-employed in the cultural and creative industries, using a non-randomised sampling method.

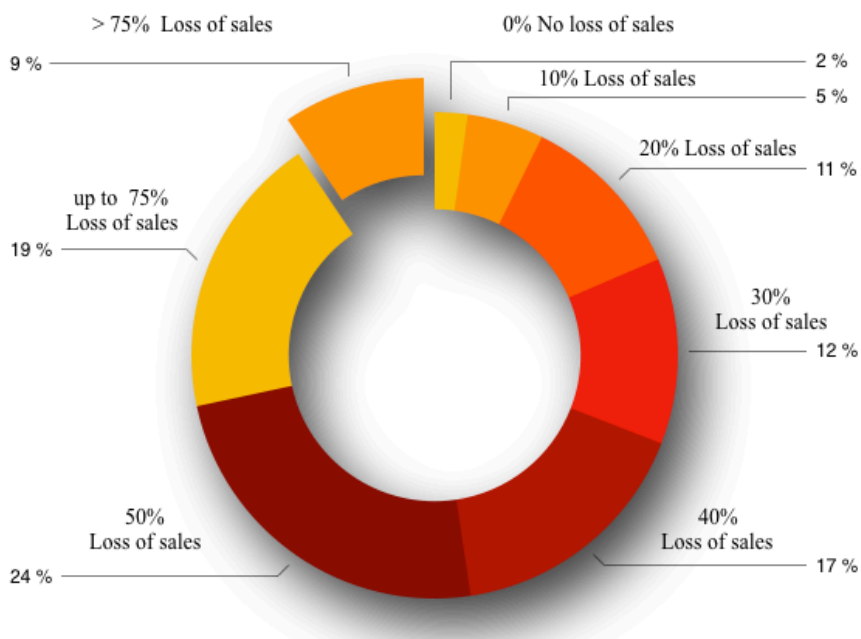
The results

This study clearly shows the high level of uncertainty that prevails in the cultural and creative industries at the moment. All Creative Industry companies expect sales to decline. Almost two out of three (59%) say they expect up to a third less sales in the short term (until the beginning of June). Around a quarter of respondents (26%) expect sales to fall between 40% and 50%, and 15% expect order declines of 75% or more.

Pict 1: Answers to the question: To what extent are you experiencing NOW sales losses as a direct result of the spread of the COVID-19 virus in the current year? (Next 3 Month)

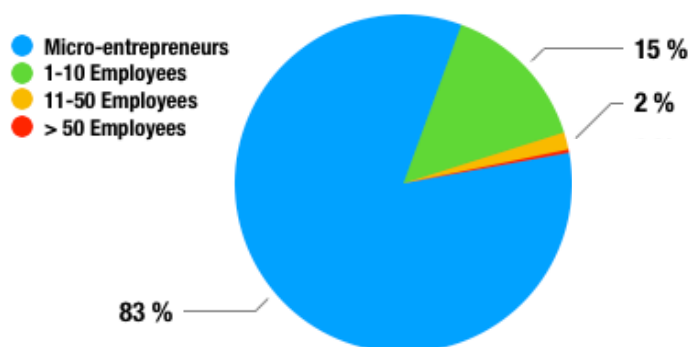


Picture 2: Answers to the question: To what extent do you expect sales to be lost as a direct result of the spread of the COVID-19 virus at the END OF THIS YEAR? (June until December 2020)



In the long term, almost half of the respondents (45%) expect a decline in sales of up to 40%, and the other half (52%) expect losses of 50% to 75%. Less than 3% of entrepreneurs expect a normalisation and a compensation for the losses caused by the COVID-19 crisis by the end of the year.

Picture 3: Company size of the participants according to employees



Impact

It can be concluded from the survey that the national and international market development and order acquisition have largely come to a standstill. All respondents have a high degree of planning uncertainty regarding the upcoming changes and the unforeseeable time horizon of the prescribed measures. The respondents clearly emphasised that the limitations imposed on people's mobility mean that the implementation of projects comes to a standstill, and freelancers and micro-enterprises in particular are expecting a loss in sales that can threaten their very existence.

Around 60% of those surveyed have already experienced or anticipate a drop in sales of over 30%. Numerous companies point out that they expect significantly higher failures in the future. In comparison with the Eighth Creative Industries Report (KAT 2019), and based on the assessments of the respondents, a loss in sales of up to a third can be expected. From today's perspective, this decline means that the Austrian creative industry is expected to have a gross value added that is three billion euros lower by the end of the year compared to last year. Due to the type of survey and the selected participants, statements can only be made about EPU and micro-entrepreneurs. For medium-sized and large companies, we have no reliable statistical information. The magnitude is therefore to be regarded as a conservative estimate.

Participants

Around 300 participants from the cultural and creative industries took part in this empirical snapshot survey. The composition of the voluntary participants corresponds to the entire creative industry including a small surplus of

participants from the film industry. The distribution across the federal states also corresponds to the current distribution of cultural and creative industries in Austria. Almost two thirds of the participants come from Vienna, around 10% from Lower Austria and Styria and around 5% from Upper Austria and Salzburg. The survey comprises 80% micro-entrepreneurs and solo self-employed, 15% of the participants are companies with up to 10 employees and the remaining around 5% of those surveyed are entrepreneurs with more than 10 employees.

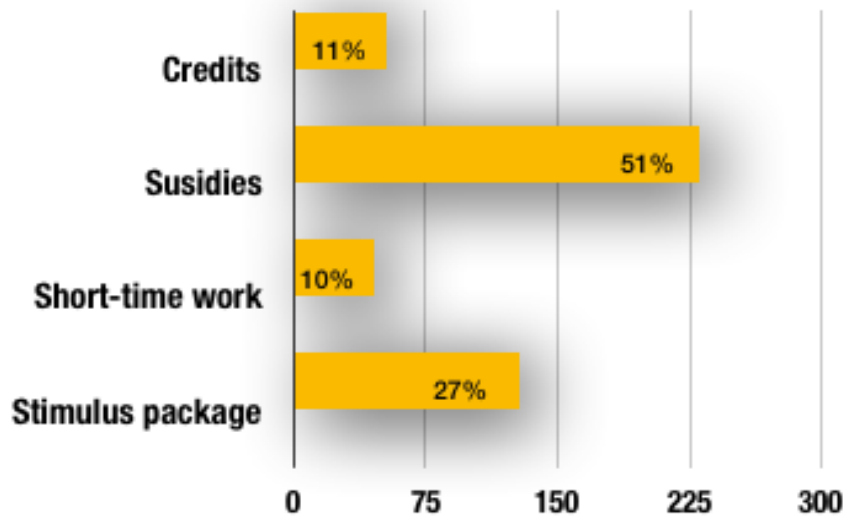
Conclusions: Grants, stimulus package and curb the curve

Numerous freelancers and companies from the cultural and creative industries are currently affected by the spread of the COVID-19 virus. The economic impact results directly from

- the cancellation of trade fairs, events and markets without replacement
- the postponement of events
- the limited ability to travel
- the massive planning uncertainty
- and many other radical changes.

More than half of those surveyed need compensation or subsidies to survive this crisis. They need sufficient grants (51%), and more than a quarter (27%) demand an

Image 4: Respondents' wishes as compensation for the COVID-19 crisis



economic stimulus package from the government. Only around 10% of the participants in the study would like either bridging loans or short-time work benefits.

Similar to the impact of COVID-19 on the health care system, one can expect that the effect on the cultural and creative economy will depend on the timing of the measures taken. Due to the very low equity ratio of 23.4% (KAT 2010: 32) in the cultural and creative sector, which is 7% below the average for Austrian companies, the consequences will be drastic. This means due to limited financial reserves, the time period these businesses can survive is very short. There is thus an urgent need for direct and indirect financial support and protective measures. Without appropriate subsidies and government support, the impact on the creative industries will be fast

and profound. According to the results of the corresponding survey by Kreatives Sachsen, participants estimate that their financial liquidity is sufficient for 4 to 8 weeks. Therefore all measures must aim to flatten the curve, just as the efforts now being taken to protect the health system. This means that the measures to support the Creative Economy, which comprise 11% of the total Austrian businesses (KAT 2019) and the measurements taken have to be swiftly and persistent.

Literature

KAT 2010, Vierter Kreativwirtschaftsbericht, KAT 2019, Achter Kreativwirtschaftsbericht, www.kreativwirtschaft.at

Image 5: Flattening the curve of CCI business losses

