UK MUSIC

THIS IS MUSIC 2023

Wet Leg | Holly Fernando ©

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Introduction

Tom Kiehl
Interim Chief Executive,
UK Music

For over a decade UK Music has been publishing an annual analysis of the music industry and its economic impact. This is Music 2023 is the latest iteration of a series of reports that started back in December 2013, with the rather perfunctory named The Economic Contribution of the Core UK Music Industry. It subsequently evolved into Measuring Music, and then Music By Numbers, before settling on this current brand.

Over the course of 11 annual reports the one consistent has been that UK Music has without fail published headline gross value added (GVA), export and employment figures for the music industry. These reports have been of huge benefit to government, industry and academia in particular, but also to anyone with an interest in understanding the music industry better. They have aided policymakers and ensured interventions and proposals are developed with an accurate understanding of what the music industry is and what the impact of any given measure may be on the sector.

Whether it has been the growth of live music, the devastation of COVID-19, the challenges of Brexit or the opportunities of streaming, UK Music's economic analysis work has over the years tracked huge changes in the sector, as well as the impact of dramatic and unforeseen events.

The 2023 report is no different. It tells the story of 2022, the year when the music industry recovers from the pandemic but where a number of challenges remain.

On the positive side, the year is notable for the return of live shows, providing a much-needed boost to revenues and associated sales such as merchandise. Exports are also assisted by the return of international touring following COVID-19, with growth across key live, recorded music and music publishing revenue streams. Employment has also returned to pre-pandemic levels.

Despite this sense of recovery the challenges the sector faces should not be ignored. Brexit related impacts, the cost of living crisis, and the lingering impact of the pandemic are all causing problems. Music creators in particular are bearing the brunt of these factors with those earning £25,000 and under losing 49% of their EU earnings. On the business side of things music venues, independent festivals, and recording studios all face significant difficulties.

Striking the balance between celebrating success and recognising problems is a tightrope that This is Music 2023 walks. This comes to life in particular through three case studies in the report. Firstly, music manager Amy Morgan explains how Glass Animals achieved international success in the face of the challenges presented by the pandemic. Secondly, musician David Grubb sets out how sustainable music careers can be achieved through nurturing music education pathways. Finally, music lawyer Cliff Fluet explains why the perceived impact of artificial intelligence (AI) on the music industry has been on the horizon for a while.

This report is very future facing too. For the first time we explicitly identify emerging trends from 2023, and with a UK general election almost certainly taking place in the next 12 months, the findings of this report reinforce UK Music's recent A Manifesto for Music and calls for the next government to develop a comprehensive, medium to long-term music strategy for growth.

Looking back to 2013 when the very first report, The Economic Contribution of the Core UK Music Industry, was published it's now easy to forget what an achievement it was for the industry to produce such an analysis. Consultation as to what constituted and defined the music industry was extensive and not an easy task for all to agree. Trust also needed to be established to ensure UK Music could act as a safe place for the sharing of data and insights across the sector. For such a young organisation that had barely existed for five years this is a remarkable achievement.

UK Music is extremely grateful to all its members, as well as the wider sector, for year after year taking a collaborative approach and making sure this fantastic piece of work gets realised. We are also indebted to the many dedicated, talented and passionate staff at UK Music that have worked on this project over the years to make sense of everything and produce such engaging reports. There is no better example of alchemy in action.

Foreword

Lucy Frazer MP
Secretary of State,
Department for
Culture, Media and Sport

Lord Offord of Garvel
Minister for Exports,
Department for Business and Trade

Few things in life come close to the power of music to bring us together, transport us somewhere new and enrich our lives.

Music is part of the soul of this country. Liverpool and the Beatles. Manchester and the Gallagher brothers. Suffolk and its perennial chart-topping son, Ed Sheeran. Our artists and bands are central to our identity, as villages, as towns, as cities and as a country.

Today we are producing exceptional talent that keeps building on our proud musical heritage. Adele in residence in Las Vegas. Dua Lipa scooping BRIT Awards and Grammys. Stormzy headlining Glastonbury Festival. Harry Styles with the number one single of last year not just in the UK, but globally. Our artists are dominating the new digital age of music streaming, and exporting our music to all corners of the globe. Last year alone our music exports were worth £4 billion to the economy.

Our artists and bands support a whole music ecosystem that benefits places all across the country. High skill jobs in music studios, creative roles producing music videos and thousands of jobs at venues of all shapes and sizes. Every big concert and every sell out gig drives a local economy and supports local jobs, somewhere.

As a Government our priority is unleashing the true potential of the UK music industry to create economic growth at home and drive exports overseas.

For years we have collaborated with the UK music industry to help it seize opportunities across the world, whether that is trade missions to the USA and Europe, as well as other markets like China, India, Japan, South Korea and Australia. Or events that showcase our talent, like the British Music Embassy where the Department for Business and Trade arranged for 48 UK artists to perform at South by Southwest in Austin, Texas.

And through the Creative Industries Sector Vision we have set out a long term plan to stimulate an extra £50 billion of growth, create one million more jobs and shape a pipeline of young talent ready for the creative roles of the future.

It is a blueprint that supports musicians at every stage of their creative journey.

We know how important grassroots music venues are to communities and artists looking to make their breakthrough. So we are providing £5 million of additional funding for the grassroots sector over the next two years to support local venues and recording studios.

We recognise that, when artists and bands are ready to break into new international markets, Government support can be pivotal. So we are trebling the size of the Music Export Growth Scheme (MEGS) to £3.2 million over 2023-25. The 2023 Mercury Prize winners, Ezra Collective, are two time recipients of MEGS support and testament to the difference it can make - with MEGS boasting an alumni of over thirty BRIT Awards and Mercury Prize nominees.

This kind of targeted assistance compliments the wider export support we offer the sector, which includes trade missions, overseas events and early-stage support, such as the Creative Industries Export Academy and the Export Support Service.

But while our focus is on propelling our music industry forward, we recognise that it faces challenges. The cost of living, in particular, has knock-on implications for smaller venues, emerging artists and recording studios. Our Departments will always be responsive to those challenges and look to provide help wherever it is appropriate and needed.

On any metric, our music industry is a massive national asset. One that delivers for this country at home, and is a source of soft power abroad. As this report powerfully illustrates, our musicians are writing a British economic success story that we can all enjoy in the decades to come.

The Compozers performing at Strawberries & Creem Festival 2022 | Hello Content ©

The Figures

The music industry contributed £6.7 billion to the UK economy during 2022 in terms of gross value added (GVA). Exports topped £4 billion, and employment stood at 210,000. 2022 was the year the music industry returned after the COVID-19 pandemic.

Since UK Music published its first economic report in 2013, there have been many changes across the industry, such as the shift to streaming and the growth of festivals. Through conducting this work year after year, we have developed a much deeper understanding of the business dynamics behind the music industry and what that means in terms of economic value. Consequently, the original methodology that was devised over a decade ago needed updating.

Over the past year, UK Music has worked with our economic consultants, Oxford Economics, to undertake a comprehensive methodology review to ensure the processes behind this report reflect the evolution of the music industry, and the latest thinking and best practice.

This year's report does not offer direct comparisons with previous years for GVA, exports and employment figures owing to the methodology review, which affects these three key metrics. However, in 2022 the UK music industry outperformed 2019 by a significant margin to produce its best year ever. We know this from assessing various contributing metrics, including revenue figures. Some revenue figures are included in this with report with year-on-year comparisons as these were unaffected by our methodology review.

Live music and international touring returned during 2022, boosting GVA and exports. A combination of rescheduled shows from 2020 and 2021 and newly scheduled shows for 2022 made for a packed calendar. More live music fuelled music merchandise sales, and public performance revenues also rebounded.

Recorded and publishing-related revenues grew during the COVID-19 pandemic and continued to grow in 2022. These sectors also contributed to the GVA and exports figures for 2022.

Employment has also rebounded and now sits at 210,000. The employment number is tempered by the fact there have been consolidations and redundancies in some areas, and some music creators and self-employed workers stepped away from the music industry during the pandemic.

While the headline figures for the UK music industry are good, there are a number of serious challenges across the industry. Small venues, independent festivals, recording studios, and music creators all face financial pressures at home in the UK and from the consequences of Brexit, particularly for touring artists and musicians. Moreover, even where the industry has shown growth, such as in live performance and recorded music, questions remain about whether this growth can be sustained, and not everyone is experiencing the same level of growth.

This report highlights these issues and how they might be addressed, while celebrating the music industry's economic successes. Thoughtful and targeted support in areas where help is needed will ensure that music continues to be a great British success story in the years to come.

2022

GVA

£6.7BN

EXPORTS

£4BN

EMPLOYMENT

210,000

Lana Lubany | Sahra Zadat ©

Calum Scott | Tom Cockram ©

Key Trends in 2022
The Four Commercial Assets

To tell the story behind the numbers, This Is Music shows how economic value is created around the four commercial assets: composition, recording, live performance and brand and image. These four commercial assets are the foundations on which GVA, exports and employment are built.

Asset 1: **Musical Composition**
A musical composition and/or lyrics

Asset 2: **Recorded Music**
A (master) recording of the music composition

Asset 3: **Live Performance**
A live musical performance

Asset 4: **Brand and Image**
An artist themselves (as a brand, reputation or image)

1 Music Composition

Music composition begins with composers, lyricists, and songwriters who create the art and songs the industry is built on.

Music publishing supports that creative process and protects, manages and monetises opportunities for the rights created, in the UK and internationally.

Music publishers provide various services from catalogue administration to A&R (which can include working with labels in the recording process), creative management, and synchronisation (placing music in advertising, film, TV and games).

Collective management organisations (CMOs) collect income from a range of music usages, including public performance, and distribute royalties to their members. *PRS for Music* and Mechanical-Copyright Protection Society (MCPS) manage this process in the UK and work with CMOs in territories all around the world to collect international income.

2 Recorded Music

The recording process begins with artists, musicians, producers, mixers, engineers and recording studios.

Record labels provide A&R, support the recording process, facilitate the marketing and distribution of recorded music, and often invest heavily in new talent. Arrangements vary, and an increasing number of artists opt for self-release, working direct with distributors to manage the digital and physical release of their recordings.

PPL licenses the public performance and broadcast of recordings in the UK and collects for similar uses of music internationally via 105 agreements with CMOs around the world.

3 Live Performance

The live music ecosystem encompasses performing artists and musicians, their road crews, sound, lights and staging services, agents, promoters, venues, and ticket agents.

More often than not artists begin their live careers in small clubs and venues, which are vital spaces for pipeline talent to grow their audience, building up to theatre size venues, arenas, and stadiums.

Festivals are especially important because they give multiple acts, regardless of where they are in their career, the opportunity to perform on the same stage to a large audience.

4 Brand and Image

Brand and image begin with the distinctive creative voice and vision of the artist, which can also apply to songwriters and producers in terms of their style or sound.

Brand and image enable the production of artist-branded merchandise, clothing lines, fragrances, and other items, as well as brand endorsements, and career extensions such as acting, and media work other than music.

Brand and image are especially important to the development of artificial intelligence (AI), where an artist's voice and/or image are used in the creation of new music and other content.

Music managers play an important role; adding value by representing music creators and managing relationships with partners and suppliers across all four commercial assets.

Performance income increased 66.4% year-on-year to £228.9 million in 2022

Musical Composition

Composition revenues continued to grow in 2022. Part of this growth was attributable to digital revenue largely unaffected by the pandemic, but performance-based income saw significant growth as live music returned and the world reopened.

British songwriters enjoyed considerable international success. Glass Animals' Dave Bayley, whose song Heat Waves was first released in 2020, became a slow-burn hit that ultimately dominated charts around the world, including spending five weeks at number one on the Billboard Hot 100. Harry Styles produced a succession of global hits, thanks to the success of his third solo album Harry's House, which included writing credits on all thirteen tracks alongside British writer Thomas Hull (aka Kid Harpoon).

British composers achieved success in film, TV and video games, such as John Powell, who scored the movie Don't Worry Darling, and Nainita Desai, whose score for The Reason I Jump won her an Emmy for Best Original Score for a Documentary.

The strength of composition income can be seen in the performance of *PRS for Music*, which posted record revenues of £964 million in 2022, up 22.9% year-on-year. *PRS for Music* also celebrated its lowest-ever cost-to-income ratio, meaning that its distribution to writers and publishers reached £836 million in 2022, up 23.5% year-on-year.

Music streaming services such as Apple Music and Spotify and video-on-demand services such as Netflix and Amazon TV continued to grow. Subscription numbers increased during 2022, and some services have seen price increases, which, after many years of real-terms cuts, enhanced incomes for writers, composers, and music publishers. Spotify's recently announced price increase will influence 2023 revenues.

Online revenues grew 25% year-on-year to reach £334 million in 2022, thanks to the continued growth of streaming, video-on-demand platforms, and online video games.

Similarly, mechanical payments from online and physical sales, including streaming, have increased. Since 2019 MCPS distributions to publishers, songwriters and composers have grown by 31% to levels not seen since the early noughties. At the same time commission rates charged to MCPS members have continued to decrease and are now sub 8% on average.

The return of live music resulted in more performance income flowing back to songwriters and their publishers. The return of live music and the reopening of shops, bars, and restaurants saw public performance income increase 66.4% year-on-year to reach £228.9 million in 2022. Nevertheless, difficulties with touring, especially in the EU, remain. This has negatively impacted the recovery of these revenues.

Grand rights income, which derives from musical works in opera, ballet, musicals, pantomimes, and other theatrical performances, saw a big increase in 2022, and rebounded over 50% year-on-year. The reopening of the West End, Broadway, and theatres around the world fuelled this growth. As we have seen in the live music industry, there were casualties, and some theatres and productions closed for good as a consequence of the pandemic.

Ezra Collective | Aliyah Otchere ©

***PRS for Music* posted record revenues of £964 million in 2022**

ARC Studios | Jolyon Holroyd ©

Recorded Music

Recorded music revenues continued to grow in 2022, and a number of factors contributed to this. Vinyl and streaming revenues increased 3.1% and 6.3% respectively year-on-year. Both formats have been central to the growth in recorded music revenues over the past decade, and while they remain strong, growth slowed during 2022.

Vinyl is a high-value item that caters to the most active and invested music fans. This audience is critical to the development of many artists' careers, but it is a relatively small group.

Vinyl has helped stem the decline in physical sales in recent years, but CD sales declined 23.7% in 2022. This loss was not offset by vinyl sales, and the physical market, as a whole, declined 10.5% in 2022.

Streaming revenues grew across all fronts. Subscription revenues for premium services grew by 4.8% in 2022, ad-supported services grew by 22.3%, and video streaming such as YouTube and TikTok grew by 11.2% in 2022.

The rate of growth from premium subscription services is slowing. The UK was one of the first markets to adopt premium streaming over a decade ago, and it is now, relatively speaking, a mature market. Average revenue per user (ARPU) has been steadily declining year-on-year, which is pushing down per-stream royalty rates. The UK is not alone, and other mature markets in Europe and North America are experiencing a similar trend, which we explore in the Exports section of this report.

A key issue is pricing, which has remained static for over a decade. Apple Music increased its prices in 2022, and Spotify followed a year later in 2023.

PPL hit an all-time high of £272.6 million, a 7.8% increase from £252.8 million in 2021

We will discuss this in the Emerging Trends section of this report. There is a hope that these price increases will increase the overall value of the recorded music market in 2023.

Another issue on streaming platforms is the lack of visible metadata (i.e. who is involved in the creation of a track), which is hindering the talent pipeline and career progression. Many labels, A&R, and artists refer to these credits when looking for producers, engineers, musicians and songwriters to work on their future projects.

Newer platforms such as TikTok offer the potential for further growth. Rights holders often take a pragmatic and flexible approach when these services are at an early stage in their development. However, rights holders are also mindful that these agreements are renegotiated over time to ensure creators and rights holders are better rewarded for the value they offer these services.

Ancillary revenues, such as sync, live events and audio-visual productions have played an increasingly important role in the recorded music sector over the past decade, and these revenue streams were critical to the sector's success in 2022.

PPL reported that their revenues hit an all-time high of £272.6 million, a 7.8% increase from £252.8 million in 2021 - higher than the £271.8 million achieved in 2019. This figure includes income from broadcast (radio and TV) and public performance (such as shops and restaurants), with the latter growing significantly since the pandemic, up almost 40% year-on-year.

Sync income from placing music in advertising, TV, film and games increased 38.9% year-on-year to £42.8 million in 2022 and was 51.2% higher than the £28.3 million achieved in 2019

Diversifying revenue streams is critical to the ongoing success of the recorded music sector. This is especially true for independents for whom diversification has long been a necessity.

This is because indie labels with smaller catalogues, especially those in niche genres outside of Pop, R&B, Hip Hop, and Indie Pop, do not benefit as much from streaming, particularly playlists that generate very substantial numbers for mainstream tracks. Indies that operate in niche genres rely more on physical products such as vinyl, box sets, and merchandise. Indies often have management, publishing, live promotion, and merchandise arms to generate revenue from multiple sources to cover their overhead.

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Recorded Music **Recording Studios**

Independent recording studios, in particular, continue to face significant challenges. Many studios suffered during the COVID-19-related lockdowns with reduced demand from domestic and international clients; and there are separate ongoing challenges including soaring energy costs, the cost of living crisis, and extremely high business rates.

Every recording studio we spoke to, large and small, highlighted the issue of business rates and why this is a major problem. One studio stated:

> ***"We are super busy but need help with business rates by having a specific Recording Studio classification. Currently, we are under Offices and Premises and our rates have pretty much doubled this year, which is a big blow. Our classification is one of the most expensive categories which meant we couldn't get any grants in COVID-19 and still had to pay full business rates even though we were closed. Now with the business rates hike, it makes life very difficult."***
>
> **Jasmin Lee**
>
> *Managing Director*
> *Dean Street Studios*

British studios have built a reputation for world-class facilities, and excellence in production, recording, mixing, and mastering. This not only attracts UK talent but artists from all over the world, including the USA. To maintain and grow this world-beating talent pipeline, studios need the ability to invest, but market pressures and red tape are preventing them from doing so.

Many studios also cite their inability to continue to invest in maintaining the talent pipeline, which has become world-famous for its high technical standard. Studio owners say they are struggling to maintain this gold standard because of a long run of stagnant revenues mixed with increased running costs.

With cracks already showing, if more professional recording studios in the UK are allowed to fail, then British artists will need to use studios in the USA, Sweden, and elsewhere to remain globally competitive. This would place the UK at a competitive disadvantage, in addition to forgoing the associated value, and jeopardising the talent pipeline and artist development. UK Music urges the next government to introduce a tax credit to encourage new UK music production.

Dean St Studios | Dean St Studios ©

Music Venue Trust reports 66 venues have closed in the last 12 months

Live Performance

2022 was packed with live shows, including rescheduled dates from 2020 and 2021 in addition to newly announced shows for 2022. Attendance reached an all-time high with 37 million people generating ticket revenue, ancillary spending at venues and merchandise sales, according to UK Music's Here, There and Everywhere 2023 report

Glastonbury returned for the first time since 2019, with Billie Eilish, Paul McCartney, and Kendrick Lamar headlining, and with a determination to improve the gender balance in its line-up. This was largely achieved, with Little Simz, Wet Leg, beabadoobee, Arlo Parks, and many more women amongst those performing.

British Summer Time took the opportunity to increase the number of shows from seven in 2019 to nine on its return in 2022. Elton John, Adele, and The Rolling Stones, were among the headline names in 2022. Elsewhere, some other festivals increased their capacities and duration.

Touring also resumed, with Ed Sheeran, Coldplay, and Lady Gaga amongst those playing stadiums in the UK during 2022. Demand for stadiums was so high venue operators, promoters, and agents had to be flexible with routing - in some cases, sourcing alternatives. Wembley Stadium hosted a record 16 concerts in 2022, up from 14 concerts in 2019.

Despite the impressive headline numbers, the picture is not entirely rosy. Costs for promoters and artists have soared over the past two years owing to inflation, extremely high energy prices, and supply chain costs, some of which were influenced by Brexit. The Music Managers Forum (MMF) reported that their members saw cost increases of 35% in 2022.

Rising costs squeezed margins for promoters and artists, especially for those shows scheduled in 2020 and 2021 because ticket prices and fees were already set and could not be amended. Even where tickets were on sale for the first time in 2022, promoters and artists were limited in the extent to which they could increase prices. Consumer demand for tickets is often variable, and there are sensitivities in determining how much cost to pass on to fans. In many instances, promoters and artists looked to cut costs, but this had a knock-on impact on others within the music ecosystem.

For example, in some cases, artists and their managers have had to make tough decisions about the size of their road crews, the number of touring musicians performing with an artists' live band, and so on. It is not only painful to leave people at home with whom the artist has a longstanding relationship, but it also adds more pressure on those who remain on tour – whether that is musicians or road crew.

It is also the case that some artists have had fewer invitations to perform as promoters reduce the number of acts on the bill or look for cheaper alternatives.

Grassroots music venues and independent music festivals are also under threat. Music Venue Trust report that venue closures are at an all-time high, with 66 venues having closed in the last 12 months. Many venues have struggled to recover from the pandemic, but the added burden of the cost of living crisis and soaring energy bills has further exacerbated the problem for small venues.

Rising costs are also a problem for festivals, according to the Association of Independent Festivals (AIF), with costs up 30%, but ticket prices have only risen by 12-15%. This increases the risk for festival promoters, and one in six independent festivals did not survive the pandemic.

A decline in the number of tours at that level and the number of dates per tour has significantly added to these challenges, especially for small venues. Artists are not touring in the way that they used to. Rather than going from town to town, the focus has swung increasingly towards bigger cities where demand is felt to be more reliable. This reduces the risks for the artist but means many fans have to travel further to see their favourite bands, and venues in smaller towns and cities have lost an important source of income, which impacts directly their financial sustainability.

Saint Phnx performing at TRNSMT Festival 2022 | Rory Barnes ©

Wembley Stadium hosted 16 concerts in 2022, which is a record, up from 14 concerts in 2019

Tion Wayne performing at the MOBO Awards 2022 | MOBO Organisation ©

Brand and Image

Non-traditional recorded income is a less reported source of revenue for rights holders and music creators. It includes audio-visual projects, such as concert films and biopics, as well as revenue from music-related TV productions and deals with hardware manufacturers. These revenue streams often rely upon and help sustain an artist's brand and image. They can tell an artist's story, and present the artist in new and innovative ways, for instance creating a film around the release of an album.

Non-traditional revenues grew by 70% in 2021, then almost doubled again (up 96%) in 2022, and are now over three times what they were in 2020. This income stream is relatively small compared to physical and digital sales and consumption; however, it is a growing source of income and means of promotion and fan engagement.

Storytelling has always been important in music. In a world of increasing choice, whether that is streaming services, festivals, or the growth of short-form video platforms such as TikTok, forming a deeper connection between artist and fan has become more challenging. A well-timed documentary or film, and a strong online presence can help cement that connection.

Non-traditional revenues grew by 70% in 2021, then almost doubled again (up 96%) in 2022

Music merchandise sales rebounded strongly in 2022 as touring resumed

Music Merchandise

Music merchandise sales rebounded strongly in 2022 as touring resumed. Touring typically accounts for the largest share of music merchandise sales and is critical to any music merchandise deal. Whenever artist representatives strike a deal with a music merchandise company, the first item on the agenda will always be the artist's touring plans: how many dates they are playing, venue size, and number of territories.

Merchandise also represents an important income stream for many artists in respect of their ability to make touring viable. This is particularly evident against the backdrop of increasing costs, a more challenging touring environment post Brexit and the pressure on ticket prices in light of the wider cost of living impact.

The first quarter of 2022 was a little uncertain as the risk of rescheduling remained, and some audiences were cautious, leading to a number of no-shows. If there are fewer people than expected in a venue, this will hurt merchandise sales. This was a problem for some artists early in 2022, but as the year progressed, the number of no-shows decreased significantly, and, in many cases, artists were playing to packed venues.

Despite the cost of living crisis and inflation, attendance and sales per head (the number of sales relative to the venue capacity) were good. It seems that audiences were keen to get out and enjoy themselves.

While touring revenues are critical, direct-to-consumer revenues grew significantly during the pandemic. Many merchandise companies saw these revenues holding up well during 2022. Direct-to-consumer sales often take place via artists' official websites and webstores. Companies have committed more staff to their direct-to-consumer operations which has proven to be a good return on investment. Grassroots artists often use platforms such as Bandcamp, which also proved invaluable during the pandemic, and many artists continued to utilise it during 2022.

The music merchandise sector seemed to have its best year ever during 2022.

That is not to say that challenges do not exist. Some companies folded during the pandemic, and Brexit has proven to be a significant challenge for everyone in the music merchandise sector. Music merchandise relies on the production and distribution of physical goods in a multitude of ways, whether that is retail, direct-to-consumer, or transporting and selling merchandise at concerts and festivals in the UK, across Europe, and around the world.

From speaking to a number of music merchandise companies, several themes emerged.

Staff

Music merchandise companies reported issues with staffing to cope with the additional workload created by Brexit. One senior executive noted the impact on mental health – pan-European operations that were previously seamless were now seriously disrupted, and this added to the pressure on individuals in what is already a complex and competitive business.

Costs

Margins have been squeezed by increased costs, including customs delays, administering VAT, and managing stock levels to serve the UK and mainland Europe separately rather than a single source. The same applies for e-commerce sales. Merchandisers have the dilemma of whether to pass additional costs on to the consumer or to absorb them.

Bureaucracy

The rules around VAT are incredibly complicated, with arrangements for a UK entity varying from one country to another. Paperwork has increased, and incomplete paperwork elsewhere in the value chain can have a knock-on impact on merchandise companies.

Operations

The biggest challenge for music merchandise companies is navigating two markets – the UK and the EU. It means either the additional bureaucracy of shipping merchandise from the UK into the EU or having separate operations in the UK and EU. The latter option requires greater overhead and coordination and, in a fast-moving business with many moving parts, this is often far from seamless, not only for shipping products but also for managing returns.

London-based BSI Merch decided to set up a European operation in Berlin. As CEO Andy Allen explains:

> ***"We opened the Berlin office in July 2021 in anticipation of a no-deal Brexit. It was done out of frustration, but I had a feeling it would be a necessity. Having a European base has massively boosted our business. Not only do we better serve our own clients, but other merchandise companies have come to us, both British and American because it is easier and cost-effective to work with us."***

Not everyone in the music merchandise space has been so fortunate, and even where music merchandisers have a European office, significant challenges remain.

Little Simz performing at the BRIT Awards 2022 | BPI - JM Enternational ©

Glass Animals: Going Global

Case Study

Glass Animals achieved international acclaim with their third album Dreamland, released during the COVID-19 pandemic in August 2020. Lead single Heat Waves became a slow-burn global hit, eventually clocking up over two billion steams to top the charts in multiple territories, including the US Billboard Hot 100 in March 2022. This success was the culmination of an international approach spanning over a decade since band members Dave Bayley, Drew MacFarlane, Edmund Irwin-Singer, and Joe Seaward formed Glass Animals in 2010. Their manager, Amy Morgan, tells us how the band achieved this.

What attracted you to Glass Animals?
Amy Morgan: I was attracted to them because the music didn't sound definably British; it sat in its own space outside of a geographical place. Dave Bayley (singer/writer/producer in the band) spent a lot of his childhood in the US and I think you can hear that in the music.

Before working with the band, I had worked in international marketing, so I understood from an early stage they had a sound and a visual world that could work internationally. They were also quite different from the British alternative scene at the time so there was no obvious fit here.

Tell us about how you launched the band internationally?
AM: When it came to developing Glass Animals internationally, initially we had to go and open doors in overseas markets for ourselves. We used a modest publishing advance from Beggars Music to fund the first European shows. The band signed a development deal with Paul Epworth's label Wolf Tone which went through Caroline (now Virgin). Virgin's focus was on international so we were lucky to get some tour support which meant we could keep building and the label supported us going into key markets (like Australia and the US) early (pre album).

Glass Animals played their first American shows at SXSW, tell us about that.
AM: That first American trip was critical. We played SXSW, it was insane. The band played about twelve shows in 3 days. The roads were closed to traffic, so we had to carry amps and equipment from one show to another. We were lucky enough to get funding from the PRS Foundation to help cover the trip and Virgin were really active on the ground, bringing people to shows and helping us get key showcases with DSPs (Digital Service Providers) and alternative radio stations.

Why are exports so important to an artist's career?
AM: I don't think you can sustain a career only in the UK anymore as an alternative leaning artist - you need to think about the world. I don't just mean in the touring sense, but also culturally, how you think, how you release music, and how you communicate.

You released the last album, Dreamland, in the middle of the COVID-19 pandemic, what impact did that have on you, and how did you navigate that release?
AM: By the time we released Dreamland in 2020, the band was established as an international band, and live was a huge part of that.

When the pandemic hit in 2020, it was devastating for us because the band had delivered what we felt was an important record with some big songs on it. If we couldn't move around and tour, then we could not promote it the way we were used to. The pandemic challenged us to think differently, and pivot into different ways of connecting the band's work their community.

It was a scary time. Like every artist who relied on touring income it was financially terrifying. We'd been building to this album for so long, there were moments were I was scared COVID-19 would destroy it all.

The band took a very innovative approach to Dreamland, tell us about that.
AM: We wanted to find ways to open up the world of the album to the fans. Dave had such a rich creative behind the record and we started to experiment with ways to let the audience come into the world. The website became the hub with an open source section that we uploaded artwork and music stems to so that people could use them as a start point for their own work. It was a dark time and people felt so isolated. I think it became a positive thing- people shared and engaged with each others work and the band were a big part of that too. It was powerful for them to see how much it meant to people. It was about fan engagement, but it was also about communication and giving people a space to play with the world of the record themselves, to enter Dreamland I suppose.

A lot of factors contributed to the build around Heat Waves. The team at the label (Polydor/ Republic) were fantastic during a very tough time, we were very lucky to have support from DSPs and from radio and there were a couple of key syncs that really moved the needle (FIFA at the start and Never Have I Ever later in the campaign).

Amy Morgan | Chris Morgan ©

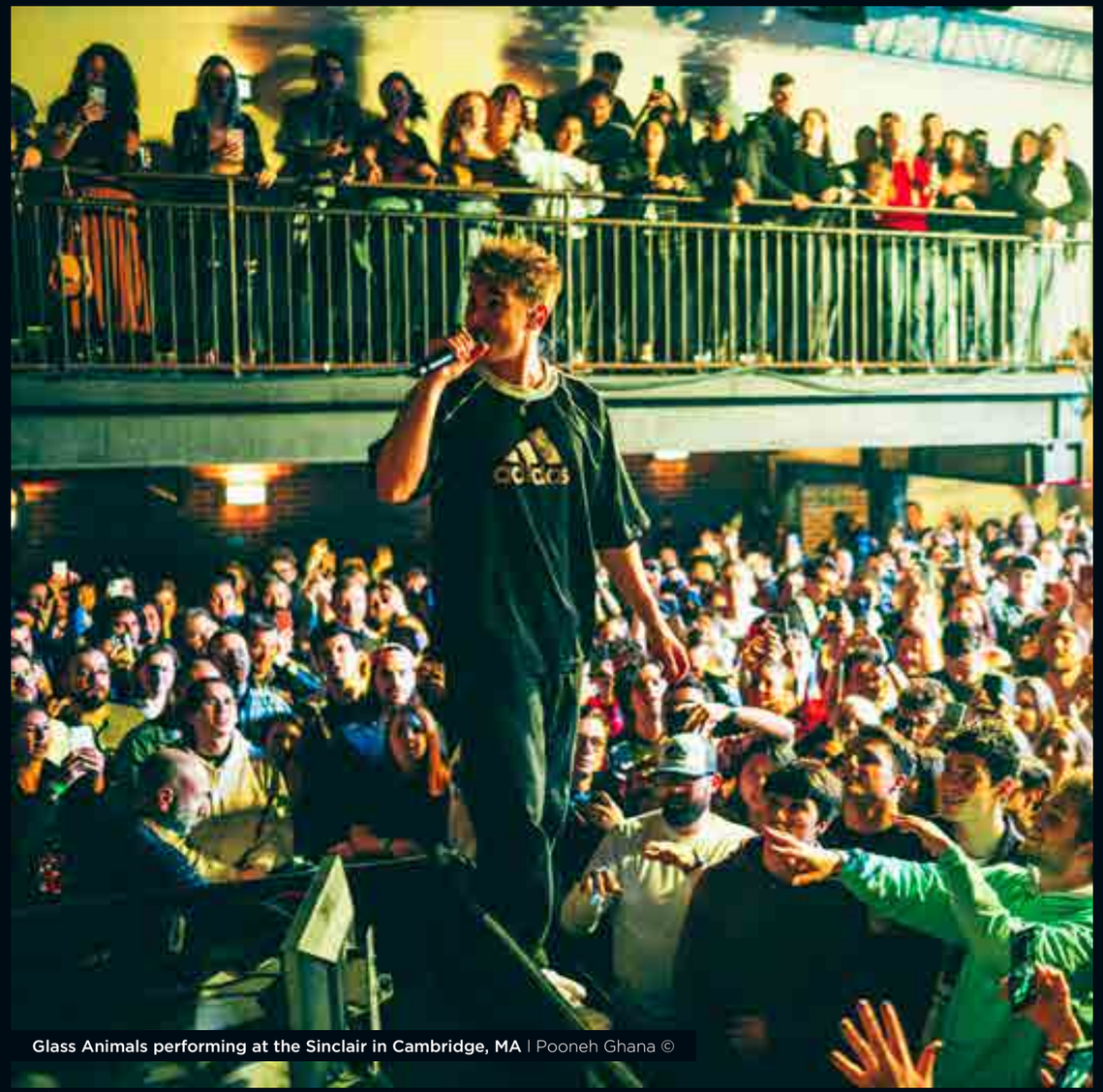
A large element of it was fan created. A piece of fan fiction about two Minecrafters that went viral, some brilliant fan art and TikTok creations...it was culmination of a lot of things happening around the same time.

Dreamland, as an album, and Heat Waves in particular both explore themes of loss and nostalgia and wishing for things taken from you, it resonated for a lot of people I think. Heat Waves won the Triple J's Hottest 100 in January and became a global hit, breaking records for the longest charting single in the Billboard charts, the longest song to chart in the top ten in the ARIA Charts, the first British band to top Spotify's global chart and hitting number one in multiple countries round the world.

What was it like to tour again once the pandemic had receded?
AM: It was a fraught process, despite having a big record. There was no insurance available for COVID-19 related cancellations and the numbers of cases were still very high. That meant developing a very strict COVID-19 protocol - testing, bubbling and keeping the band pretty isolated for the duration of the tour. It was tough on them and on the crew - we got through it with no COVID-19 cancellations thanks to everyone's commitment to the project and to the band. It was a huge team effort.

What have you learned from your experience, especially in terms working with artists who are not in the mainstream?
AM: I have learned that to be successful internationally, artists need to make a start and travel early in their careers. Local music (in overseas markets) is becoming exciting and vibrant, which is great for the world, but it is more reason than ever that if you are trying to travel culturally, you have to be in those markets early. You cannot wait for a hit or radio support, especially with alternative music. Alternative music in whatever genre is about building communities and fanbases. You have to think about, invest, and strategise internationally from day one. This requires support. As a country, I feel very strongly the UK needs to be more supportive of artists looking to develop an international career.

Finally, what challenges are you seeing for young artists launching in 2023?
AM: The world has changed. If you are an independent artist, the impact of cost increases will be especially hard - travel, visas, freight, insurance, hiring local crew, and poor exchange rates compound each other. The risks are higher and the costs are higher and together those things make touring outside the UK prohibitive for a lot of new artists.



Glass Animals performing at the Sinclair in Cambridge, MA | Pooneh Ghana ©

Exports

Exports hit £4 billion in 2022. Music exports include sales and streams of recorded music by British artists and labels outside the UK, the performance of UK copyrighted compositions and master recordings outside the UK, live shows performed by British artists outside the UK, and spending by overseas tourists attending live shows in the UK.

Live music and international touring returned. Domestic concerts and festivals saw foreign music tourists returning in large numbers, and British-based music creators could tour overseas again, with many acts having rescheduled tours from 2020 and 2021. The return of live music also benefitted music representatives such as managers and accountants – tour accountants were especially busy – and music merchandise companies.

Similarly, public performance income has also recovered as the world emerged from the pandemic, with shops, restaurants, and venues reopening not just in the UK, but around the world. This was reflected in *PRS for Music*'s international revenues, which increased 8.8% year-on-year to £272.4 million in 2022. However, these revenues remain just below pre-pandemic levels of £278.7 million in 2019.

Every £1 invested by ISF and MEGS produces a return of £15 and £13 respectively

Recorded music and music publishing exports had grown consistently throughout the pandemic; these continued to grow last year, adding to the 2022 export numbers. The continuing development of subscription streaming services, advertising-supported services, and audio-visual platforms in markets across the globe has aided this growth.

IFPI reports that the global recorded music market grew by 9% in 2022, but that growth is driven primarily by emerging markets across Asia (up 15.4%), Latin America (up 25.9%), Middle East and North Africa (up 23.8%) and Sub-Saharan Africa (up 30%). Other mature markets such as Germany (up 2.2%), France (up 7.7%), USA (up 4.8%), and Canada (up 8.1%) experienced a rate of growth roughly in line with that of the UK.

The growth in overseas markets is boosting the UK music industry's export figures, and, in 2022, an additional factor was the weaker pound against the Euro and US Dollar, which has given a short-term boost to exports. However, longer-term threats are apparent.

Competition for international markets is intensifying, and the UK's competitors are increasingly well organised and funded. South Korea, Australia, and Canada have all invested heavily in music and cultural export offices; UK Music profiled this activity in the A Manifesto For Music report.

The Scandinavians have collaborated for over a decade through NOMEX, owned by the five music export offices in the Nordic region (Music Norway, Export Music Sweden, Music Export Denmark, Music Finland, and Iceland Music), to promote music from this region around the world. Scandinavia has a long track record in music, but it is still investing heavily, targeting established and emerging markets across the world.

The UK has several successful export schemes, such as the International Showcase Fund (ISF) and the Music Export Growth Scheme (MEGS).

The ISF, administered by the PRS Foundation, offers grants of up to £5,500 to artists, songwriters, and producers invited to perform at international industry-facing showcases, songwriting camps, or conferences. Without such funding, many music creators may not be able to attend. Past recipients include Little Simz, Sam Fender, AJ Tracey, and Glass Animals.

The MEGS, administered by the BPI, provides grants ranging from £5,000 - £50,000 to UK-registered independent music companies to help them launch successful UK music projects overseas. Artists that have benefited from MEGS funding include Ezra Collective, Yasmin Lacy, Self Esteem, Nina Nesbit, and Wolf Alice.

The ISF and MEGS have established a long track record in boosting British music exports and the international careers of British music creators. For every £1 invested by these, they produce a return of £15 and £13, respectively. These schemes demonstrate proof of concept: smart government intervention combined with industry know-how produces results.

However, the UK's competitors continue to step up their investment in music exports and are now investing far more than the UK. South Korea, Australia, Canada, and the Nordic region have all set up music export offices and are making significant gains. The UK has some successful export schemes, but these are not as generous as international competitors' schemes, nor do they, in themselves, represent an export strategy.

The UK must not get left behind.

UK music exports hit £4 billion in 2022

Henny Knightz at the George Tavern | Tomi ©

Music Creator Exports

UK Music has worked hard to better understand music creator's income, and export incomes especially. The number of international markets is growing, and patterns of income vary considerably from one music creator to the next. There are several reasons why this is so. It can depend on how developed someone is in their career – from grassroots to superstar, it can also depend on their role – such as songwriter, musician, producer, vocalist, and so on. When looking at patterns of income, we have summarised the world into three markets: the UK, the EU, and the rest of the world (i.e. the world excluding the UK and the EU). A number of interesting trends emerged.

As incomes increase, a greater proportion of music creator's income comes from exports.

For creators earning £25,000 per annum or less, 75% of their earnings come from the UK, and the remainder is international, split roughly evenly between the EU and the rest of the world (12% and 13% respectively). Conversely, at the other end of the scale for creators earning more than £200,000, the balance tips far more in favour of exports, with 40% of income coming from the UK, 30% from the EU, and 30% from rest of the world.

It is no surprise that as music creators earn more a greater proportion of their income comes from overseas. Building an international career increases music creators' income and often enables a more sustainable career, as they are not reliant on a single market. Even if an artist's career wanes at home, international markets offer alternative options to develop their careers.

Music creators earning less than £25,000 per annum typically earn 25% of their income overseas

Music creators earning less than £25,000 per annum typically earn 25% of their income overseas. These figures reflect earnings for all music creators (songwriters, composers, producers, engineers, musicians, vocalists, and artists) across all income streams including performance income (such as *PRS for Music* and PPL), recording, publishing, live performance, merchandise, brand endorsement, and other sources. Broadly speaking, the EU accounts for approximately 50% of export income across all levels of income.

Composers and songwriters tend to earn slightly more from the rest of the world compared to the EU, and those more likely to perform live (DJ, musician, vocalist) tend to earn slightly more from the EU compared to the rest of the world.

It is also noticeable that the EU often accounts for a greater share of touring income than the rest of the world when compared to recorded music and publishing income for the same artists. It is worth considering why this is so.

It has long been the case that artists have succeeded in selling music around the world, even in markets where they have never toured, although touring and international promotion usually produce a boost in record sales. Streaming has given artists even greater global reach while performing rights organisations such as *PRS for Music* and PPL have succeeded in increasing revenues from overseas territories, especially in developing markets.

The costs and logistics of touring are such that international markets closer to home are often the ones that yield the greatest income, even though tour itineraries are reaching further afield. As Amy Morgan points out in the Glass Animals case study, the band toured Europe from an early stage, but going to Australia was an expensive risk. Europe offers many artists the first opportunity to demonstrate their international potential and also retains a long-term value as their careers progress.

Music creators earning more than £200,000 per annum typically earn 60% of their income overseas

A total of 1,461 UK music creators responded to UK Music's Creators' Survey which was carried out between April 4 and June 1 2023.

The Impact of Brexit: Music Creators

The importance of the EU to music exports is clear, and the impact of the UK leaving the EU was felt especially by music creators. While the export numbers for the UK music industry, including music creators, are at an all-time high, the challenges have never been greater for grassroots and emerging artists.

Our annual music creators' survey revealed that almost one in three music creators (30%) said their earnings had been affected since the UK's official exit from the EU.

Of those whose income had been impacted by Brexit, 82% said their earnings had decreased. Touring artists such as musicians, DJs, and vocalists were among the worst hit, but some composers, songwriters, lyricists, and producers reported a loss of income too - for instance, loss of commissions and production work in the EU.

Only one in five (18%) music creators said their incomes had improved post-Brexit.

Aggregate EU earnings of those impacted by Brexit showed a 22% decline, but that decline steepened amongst the lowest earners, with those earning £25,000 and under losing almost half (49%) of their EU earnings.

43% of those hit by Brexit said it was no longer viable for them to tour EU nations.

A litany of problems remains with EU touring, despite Government and industry efforts to remove some of the barriers. One of the biggest problems remains securing visas and work permits, with nearly two out of three (59%) respondents considering this a major issue.

Other barriers include administration costs (56%); transport costs (55%); shipping and logistics (54%); production costs (34%); carnets (32%); the 90-day limit (16%) and cabotage (13%).

The 90-day limit requires further context because while it is not relevant to all music creators, when it does become an issue, it is devastating for those most likely to perform regularly in Europe. For instance, it is a particular concern for orchestras, and UK-based musicians who work regularly with international acts, or with multiple acts.

Of those music creators affected by Brexit, seven out of ten (65%) said they had received fewer invitations to perform in the EU since our departure and six out of ten (57%) said it was not possible to take up the invitations due to increased costs. One-third (33%) said they are unable or it is uneconomic for them to sell merchandise at EU shows. Merchandise sales often provide a significant boost to touring incomes; many respondents report difficulty selling merchandise into the EU via their websites and web stores.

Brexit has impacted most sectors of the music industry, including music managers, music merchandise companies, tour production companies, independent record labels, and more. The challenges facing music creators, especially at grassroots level, are acute and highlight much broader and longer-term consequences for the future health of the UK music industry ecosystem if these issues are not addressed. This is why UK Music calls upon the next government to fix the European touring crisis by securing a Cultural Touring Agreement with the EU.

Of those impacted by Brexit, **82%** said their earnings decreased

65% received fewer invitations to perform in the EU

Aggregate EU earnings of those impacted by Brexit showed a **22% decline**, but those earning £25,000 and under **lost 49%** of their EU earnings

57% said it was not possible to take up the invitations due to increased costs

33% said they are unable or it is uneconomic for them to sell merchandise at EU shows

Employment

Following two devastating years in 2020 and 2021, when employment plummeted because of the COVID-19 pandemic, related lockdowns and other restrictions, music industry employment figures recovered to 210,000 in 2022.

A disproportionate number of self-employed people work in the music industry, including: freelancers, those running micro/small businesses and both signed and unsigned music creators. Pre-pandemic, 70% of those working in music, performing, and visual arts were self-employed. That compares to just 15% of the UK working population as a whole, according to the Office for National Statistics (ONS). Many self-employed music industry workers fell between the cracks during the pandemic and had to find work outside the music industry.

The picture could have been much worse had it not been for the government supported furlough schemes for employees and the Self-Employment Income Support Scheme (SEISS). UK Music counted those supported by such schemes as employed during 2020 and 2021. Many industry organisations also provided hardship funds to help vulnerable music industry workers.

While employment has rebounded in 2022, the picture is somewhat mixed. There were some redundancies amongst salaried employees. The music publishing sector experienced a drop in employment owing to a number of acquisitions that resulted in efficiencies and consolidation of support functions and roles such as IT. Elsewhere, the recorded music sector, the music merchandise sector, and music representatives (including music lawyers and accountants) all saw increases in employment. The return of touring benefitted music merchandise and music accountants, in addition to the live sector, which also rebounded, although some venues and festivals closed.

Music creators account for the overwhelming majority of music industry employment and cover a variety of roles, including artists, DJs, vocalists, musicians, producers, engineers, composers, lyricists, and songwriters.

Individual music creators often perform more than one role at the same time. They may be an artist in their own right but play as a touring musician for other artists, produce for other artists, run a studio, write music for other artists or film and TV.

As the music industry has emerged from the pandemic, employment has returned to pre-pandemic levels. However, a number of factors, including Brexit and the cost of living crisis, have made life more difficult for many music creators.

Several themes emerged, including:

Music creators who have lost opportunities in the EU, no longer find it economically viable to tour the EU, or have reached the 90-day limit must find replacement income elsewhere.

When faced with increased travel and hotel costs, an artist may reduce the size of their touring band to balance their touring budgets. Some musicians are left without work that they might otherwise rely upon.

Similarly, recording studios have struggled with increased costs, which has restricted their ability to hire assistant engineers, which is, traditionally, the beginning of the journey for professional producers, mixers, and engineers.

Music creators have had to be even more flexible with their portfolio of work to replace this lost income and keep going; it means that many music creators are surviving and not thriving.

Enabling music creators to grow their careers internationally by reducing barriers and costs helps build more sustainable and impactful careers by opening up new markets and providing more opportunities for other musicians and music creators who work with them.

Some music creators also work as music tutors, working with private clients or in schools, colleges, and other institutions as part of a portfolio career. This offers the UK an opportunity. Education plays a key role in not only building the next generation of music creators but also enabling some music creators to share their knowledge while contributing to their portfolio of work. This is why UK Music is asking the next government to invest heavily in music education and recruit more music teachers.

Grant funding is playing an increasingly important role in supporting music creators. The PRS Foundation, the PPL Momentum Music Fund, the FAC Step-Up Fund, and Help Musicians are examples of music-specific funds offering targeted support to help with recording, digital marketing, promotion, touring, and personal development. Music creators are often self-funded, especially early in their careers, and grant funding can provide a critical top-up that can make all the difference. Some funding bodies also provide advisory sessions, mentoring and other educational opportunities to music creators as they develop their careers.

David Grubb's Investing In Education case study demonstrates how a strong foundation in music education coupled with targeted grant funding and personal development helps develop careers and generate economic value. There are countless other examples of entrepreneurial music creators benefiting from such support.

Music industry employment figures recovered to 210,000 in 2022

Many music creators are surviving and not thriving

David Grubb: Investing In Education

Case Study

David Grubb is a Scottish performer, composer, string arranger and recording artist, residing in Cardiff, Wales. Primarily a violinist, he works in a plethora of genres and has collaborated with artists such as Novo Amor, Lowsimmer, and Jim Ghedi. David is a good example of how investing in music education can help build sustainable careers, and how well targeted grant funding can help expand those careers over time.

I first picked up the violin at the age of eight. I am from a small collection of villages in Fife, Scotland called the Wemyss, and attended a small primary school of 52 children. Within Fife music education at the time, primary schools were structured to feed into secondary, different schools fed different instruments to build a diverse orchestral collection of young musicians.

My school offered violin and piano, so I chose violin. I fell in love with the instrument instantly, to the point where I envisaged a career as a musician before moving on to high school. My parents were working class, both working for the council. Through schemes available to them at the time, lessons were heavily subsidised to encourage the uptake of music. It was widely understood that healthy participation in the arts promoted educational development.

Moving into secondary education, subsidies for music continued, supporting families like mine and promoting a bustling music scene in Fife. Opportunities to participate in regional ensembles and orchestras developed my collaboration skills, and introduced me to different musical genres and eras, including folk and jazz.

In my latter years in high school, I auditioned for and was accepted onto the music excellence scheme, which gave me access to advanced music theory classes and free instrumental lessons. This propelled my understanding of music and pushed my playing ability to new heights, eventually leading to a place at the Royal Scottish Academy of Music and Drama Junior Academy (now the Royal Conservatoire of Scotland).

I studied here for two years under Angus Anderson of Scottish Opera, travelling to Glasgow on Saturdays to take part in lessons, ensembles, and workshops. In the second year, I finished school and spent a year studying HND Music at Edinburgh Stevenson College where I development skills in folk music and recording techniques that I use to this day.

After auditioning at various conservatoires across the country, I eventually settled on Cardiff, and spent four years at the Royal Welsh College of Music and Drama, studying the BMus course on violin.

After completing my studies, I was keen to explore other avenues in the arts and worked on a small independent theatre show called Hiraeth. This toured the UK and New Zealand over the course of three years. From here I attended jam nights in Cardiff to network and make a name for myself in the Welsh scene.

I played for a few bands, that ultimately led to collaborating with Novo Amor. This involved arranging and recording strings, as well as touring internationally with the live band. I've since worked as a recording artist and performer for a plethora of bands across genres (indie, pop, bluegrass) in the UK scene, including Lowswimmer, Jim Ghedi, Toby Hay.

Music education has enabled me to build a thriving career as a musician and artist, but I also had to demonstrate my talent and potential, pass auditions and work extremely hard over many years to get to this point.

Even now that my career is established, grant funding can help develop my career in new directions and this stimulus helps create economic as well as cultural value.

On top of my many collaborations I also compose and release my own music. My most recent project Circadia has received backing from Help Musicians to help fund a successful PR campaign and grant me access to guidance from industry professionals. A vital resource to the developing musician who wants to make the most impact in their career.

Finally, during the COVID-19 pandemic, the Self-Employment Income Support Scheme (SEISS) supported me through what was an extremely difficult period for freelance musicians and artists. It allowed me to stay on my feet and continue working in the UK arts scene as the world emerged from COVID-19.

Opportunities presented to me throughout my musical career have been vital to my musical development and have helped shape the musician I am today. From the education system to supporting professional artists develop their careers, the backing I have received over the years has enabled me to build a successful and sustainable career.

David Grubb | Rhodri Brooks ©

Emerging Trends in 2023

For the first time, This Is Music reports on trends emerging during 2023. Quarterly and half-yearly financial results for the first half of 2023, where they are available, have been examined together with informed anecdotal feedback from our members and industry partners. This section should not be read as a definitive account of 2023, as we will present that in next year's report, but as an indication of how 2023 is shaping up thus far.

Composition

PRS for Music pays royalties to its members in four main distributions each year in April, July, October and December.

The April, July and October payments in 2023 saw a significant increase over the 2022 ones. £169 million was distributed in April, up 17% year-on-year, £161 million was distributed in July, up 15% year-on-year, and a record £239 million was paid out in October 2023, 13% more than in October 2022.

Online streaming and on-demand video services saw continued growth for the music industry, attributed to improved commercial agreements and increased subscriber numbers.

In July's payment, *PRS for Music* reported a 32% year-on-year increase in public performance and live royalties, and a 29% year-on-year increase in international royalties. In the October distribution, royalties from online streaming were reported to be up 101%.

Recorded Music: The Global Picture

Quarterly and half-yearly financial data for the UK recorded music sector is not readily available as most companies are privately owned or are a subsidiary of a bigger corporate entity. The three majors make some financial information available at a global level.

Each company reports in different currencies, and their figures are influenced by currency variations, accounting changes, and other factors, so care should be taken when assessing their respective numbers.

Nevertheless, some key trends are worth highlighting:

- Subscription streaming revenues continue to grow in 2023, reflecting continued subscriber growth in international markets and price increases from some services.
- Spotify announced its price increases in July 2023. This will impact recorded music revenues from Q4 2023 onwards.
- Non-traditional income streams such as sync continue to grow as labels innovate their business models and how they license music.

The financial results for music publishing divisions, while not directly comparable with the *PRS for Music* figures above, broadly support the recovery in performance income and growth in subscription streaming and on-demand video services.

The plight of recording studios, however, remains precarious; costs continue to rise, and revenues are stagnant at best. While the recorded music sector has experienced growth overall, many studios continue to struggle and the situation is not improving.

Live Performance

The post-COVID-19 recovery of the live sector continued during the first half of 2023. While the live sector returned during 2022, the first quarter of 2022 was relatively quiet, and there was still some lingering COVID-19-related disruption. Consequently, the first half of 2023 was significantly better by comparison. 2023 continues to be a strong year for live music with stadium shows by Beyonce, Blur, and Burna Boy, the first African artist to headline a stadium concert in the UK.

While the top of the market remains strong, costs continue to rise, and promoters and artists are not always able to mitigate these rising costs through increasing ticket prices. Many operators continue to feel the squeeze in 2023, with venue closures and festival cancellations continuing.

Music Venue Trust report that one music venue is closing every week in 2023, and the Association of Independent Festivals report that over 30 festivals have been cancelled during 2023, leaving many performers suffering short notice loss to their income. Cuts to artists road crews, and backing musicians are still a factor as soaring travel and accommodation costs continue to hit touring budgets.

Brand and Image

The biggest impact on brand and image in 2023 is not so much current economic factors, but the realisation that brand and image will be central to the development of artificial intelligence (AI): an artist's name, voice, likeness, image, and personality.

The consequences of AI in economic terms will be profound for the music industry and the creative sector as a whole. What that will mean in practice is still being worked out, but AI is here and is evolving rapidly, and the music industry is very focused on addressing the issues surrounding AI. UK Music calls on the government to ensure AI supports human artistry through strong copyright standards, and to introduce protections for image and personality attached to creators.

For the final case study of this year's This Is Music economic report, we asked Cliff Fluet, a lawyer widely regarded for his work with music and technology, to give a high-level overview of the issues surrounding AI for the music industry. It is also notable that Cliff is very experienced in branding and music/brand partnerships.

The Association of Independent Festivals report that over 30 festivals have been cancelled during 2023

Cliff Fluet: Artificial Intelligence

Case Study

Cliff Fluet is Head of Media & Entertainment at law firm Lewis Silkin, Managing Director at Eleven Advisory, Chair of the Ivors Academy Trust, and Vice Chair of Help Musicians. Cliff has worked with and advised music AI platforms for a decade.

For over 25 years I've advised at the intersection of music, artistry, rights, and technology. Whilst many see, if not mischaracterise, music and technology as 'opposing sides', I have always observed that, like with music, understanding and applying both tension and harmony creates more satisfying outcomes.

Digital music, for so long perceived as a threat to the music industry, eventually led to more music, more revenues, and more access. All of this happened through responding to consumers, innovative licensing, applying copyright in a pragmatic thoughtful way and understanding the genuine benefits.

With artificial intelligence (AI) we find ourselves on the cusp of another evolution, if not revolution. Whilst some might believe this is as merely the next inventive step akin to the internet, my own view is that this may be as impactful as 'steam' or 'electricity'. The Industrial Revolution was more than the move to mechanised manufacturing and the application of chemical processes – it had a profound effect on the economy, how people worked, lived, made money, and changed society, fundamentally.

With AI it is harder to list the jobs and industries that won't be affected than to begin to set out those that will. For the first time, some of the highest-paid and skilled workers are as (if not more) at risk as manual and repetitive labour. It is likely to be the last ever 'human-only' invention. It is embedded in every device you hold - and will be embedded in most apps you will use. Education, medicine, and science in general will change, forever.

As ever with technological change, and given its popularity and ubiquity, music finds itself at the bleeding edge of AI. UK businesses such as Jukedeck, Sonalytic and AI Music over the last decade applied neural networks and machine learning to music and were acquired by some of largest companies in the business to provide deep insight, adapt, generate, and apply new concepts to help transform the music industry.

Now, the widespread adoption of large language models, so-called generative AI (i.e. generating new content through artificial intelligence), and the application of prompts by businesses such as OpenAI have led to a supercharged interest from consumers. If we are to learn anything from the arrival of digital music, we mustn't try to deflect or deny the impact of AI, we need to understand the benefits and tackle the downsides.

The benefits are clear; the opportunity to deliver music to new consumers, to power discovery, champion new genres, globally and empower artists to create more and have more time to be more creative are only some of the upsides. DAACI, a UK business, offers powerful tools for composers to create whole new, original, dynamic soundscapes providing huge opportunities for the use in film, TV, games, social platforms and beyond. The music industry needs better tools for tracking usage online, for ensuring provenance and making payments from global networks. AI provides solutions that were not capable of being applied before.

The downsides, however, are real. The opportunity for piracy on an industrial scale needs to be both understood and tackled. I was taught and apply a 'contextual' rather than 'black letter' reading of copyright... it is not a binary concept to merely prevent or control, but a highly flexible, pragmatic, and commercial concept to reward and recognise creativity which is entirely consistent with AI technologies provided we take a considered and informed approach.

Therefore, we should ensure that laws look to protect image, personality and other economic rights that attach to creatives. Such image and personality rights do not enjoy specific legislative protection in the UK, but they do in the USA and many other major music markets around the world. We must also ensure that there is a thoughtful and balanced approach to understanding how AI analysis can be applied for good, but without instituting broad brush exceptions. One person's view of 'data mining' is another's view of outright theft.

We must distinguish between corporate innovation, human artistry and machine engineered solutions in a considered and practical manner.

Alan Turing, one of the greatest Britons ever, first posited ideas around conversing with a computer in natural language in the 1950s. The UK must remain a leader in AI, as it is in the music industry, but we need to ensure the right voices are being heard (and protected) so that we can amplify our business interests and retain our leadership position.

Cliff Fluet | Generated by Adobe AI ©

A Manifesto for Music

Throughout This is Music 2023 we have set out where the UK industry is succeeding, but we have also identified a number of challenges that we face. Without action, the UK risks being overtaken by countries such as Australia, Canada and South Korea who are increasingly more proactive and ambitious in promoting and supporting their music sectors. In response, UK Music has developed A Manifesto for Music, calling for a national music strategy focused on growing the sector over the rest of this decade.

The manifesto outlines ten objectives for the next Government that need to be addressed for the music sector to realise its full potential. Policies to grow our sector that could form part of a national music strategy sit within the following objectives which ask all political parties to get behind:

- Encourage Responsible AI
- Safeguard Copyright and Intellectual Property
- Boost Music Exports
- Supercharge Sector Growth
- Protect Music Spaces
- Improve Music Education
- Progress Diversity and Inclusion
- Enhance Freelancer Protections
- Support Public Service Broadcasting
- Utilise Music to Benefit Society

From our manifesto, we have picked out five key asks that we think should be immediately prioritised to boost the sector. Our five key asks for the next Government are:

- Ensure AI supports human artistry through strong copyright standards, clear labelling and record keeping requirements, and protections for the personality rights of music makers.
- Fix the European touring crisis by securing a Cultural Touring Agreement with the EU.
- Introduce a tax credit to encourage new UK music production.
- Invest millions more in music education and recruit 1000 more music teachers.
- Secure a fair deal for music lovers by ending rip-off secondary ticketing practices.

Taking on board these policies as part of a national music strategy would provide a framework for sustained investment, growth, and innovation in the UK's music sector. It would guide initiatives aimed at stimulating economic growth, preserving our musical heritage, and enhancing quality of life through music. This will ensure that our music sector not only maintains its global standing but flourishes in the years to come.

NOISY performing at PRS Presents 2023 | *PRS for Music - Garry Jones ©*

MK set at Creamfields Festival 2022 | Creamfields - Jack Kimber ©

Crowd at Tramlines Festival 2022 | Carolina Faruolo ©

Methodology

This Is Music examines the value the UK music industry contributes to the economy. We calculate the results in terms of Gross Value Added (GVA), exports and employment. These are the same metrics used by the Department for Culture, Media and Sport (DCMS).

For live music exports, we restrict estimations of live music exports to expenditures at gigs or festivals, rather than all expenditures incurred in relation to these events, such as travel and transport, which previously would usually be covered in the Music Tourism section in the report, which was published earlier in the year in the Here, There and Everywhere report.

For exports, UK Music uses the internationally recognised Organisation for Economic Cooperation and Development (OECD) definition: "Exports of goods and services consist of sales, barter, or gifts or grants, of goods and services from residents to non-residents".

For the most part, exports included in this report involve money that moves across international borders. That is non-resident consumers and/or businesses making purchases outside the UK which, through various channels, transfer back across international borders to UK-based businesses.

In some cases, such as music tourism, export purchases occur inside the UK, where non-residents of the UK spend money on tickets for music concerts or festivals in the UK, they are contributing to exports, as they are non-residents spending on the services of residents.

UK Music has used largely the same methodology since the inception of this report in 2013, with a smaller update occurring for the 2019 report, but for this year's report we have more fully revised that methodology. The basic structure remains largely intact, but we have sought additional data points, applied learnings acquired over the years, and updated how we model certain sectors of the industry to reflect the realities of the music industry in 2023.

We have worked with economic consultants Oxford Economics in revising our methodology, and who also provided significant aspects of our analysis.

A complete methodology is available on the UK Music website.

Acknowledgements

Throughout this project we have received support from all parts of the music industry with this research. Without their collaboration and enthusiasm this report would not be possible.

We are grateful to the wide range of individuals and organisations that have provided datasets essential to this analysis. Each member of UK Music has granted us access to their data and permission to survey their own membership. In addition, accountants of some the UK's leading music acts have provided valuable information to allow us to complete this work. We would also like to thank the Entertainment Retailers Association (ERA) and LIVE (Live music Industry Venues & Entertainment) for their support.

We would also like to thank for their assistance a number of ticketing agents across the country, who have been integral in contributing to this project, as well as the music creators and businesses for donating their time to provide data and insights so that we can help tell their stories.

We are pleased to continue working with the Intellectual Property Office (IPO), the Department for Culture, Media and Sport (DCMS) and the Office for National Statistics (ONS) on this project.

Oxford Economics are retained as our economic consultants, and the provided support on the methodology review, and significant aspects of the underlying analysis.

A full methodological statement can be found on the UK Music website.

This report was written and produced by **Andy Edwards,** Director of Research & Analysis at UK Music.

This report was designed by **Beatriz Ribeiro** at UK Music.

A Manifesto for Music was written by **Dougie Brown** with support from **Tom Kiehl** and **Hannah McLennan.**

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UK Music
Work.Life
33 Foley Street
Fitzrovia
London
W1W 7TL

T: 020 3713 8444

Twitter / X: @UK_Music
Facebook: UK-Music
Instagram: @_ukmusic
Email: info@ukmusic.org
Website: www.ukmusic.org

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UK MUSIC

This report on the music industry has been created on behalf of UK Music and its members to highlight the contribution of the music industry to the UK economy.

UK Music is the collective voice of the UK's world-leading music industry. We represent all sectors of our industry – bringing them together to collaborate, campaign, and champion music. The members of UK Music are: AIM, BPI, FAC, The Ivors Academy, MMF, MPA, MPG, MU, PPL, *PRS for Music*. UK Music also has an informal association with LIVE (Live music Industry Venues & Entertainment).