



PRESS RELEASE

THE GAMES INDUSTRY: A UK SUCCESS STORY

Call to Government for more support for one of the UK's most successful industries

Friday 18th March 2005, London/...The UK computer and video games industry has come out on top with latest official figures recording a positive balance of trade close to £200m, which compares favourably with the consistently recorded deficits for the UK's film and television industries.

The figures are outlined in a report just published by analysts Screen Digest on behalf of ELSPA, the Entertainment and Leisure Software Publishers Association, which looks at the state of health of the games industry in the UK and Europe.

Roger Bennett, director general of ELSPA said: "To be in a position where the interactive entertainment industry is financially exceeding such well-established industries as film and television is a marvellous achievement. However, it raises the question of what lies in the future? The years ahead look less promising for the UK development and publishing sector.

"Our greatest asset is our creativity and in recent times we have seen this talent being leached away through lack of funding and more attractive prospects overseas. The UK is at risk of losing its position both as the font of some of the most successful games produced for a global market worth \$20b and as the major European destination for global investment. It is now time for Government to recognise the valuable contribution we make to the UK economy, comparative to other entertainment sectors. It needs to give the games industry the same level of support provided to the film industry for example as announced on Thursday in this week's budget. The Government should also reflect the policy in other countries where investment in game technology and creativity is encouraged and where attractive location incentives are readily available."

The report finds that the UK video games industry currently employs more than 22,000 people – reflecting a rise of 7.5% since 2000. However, between 2000 and 2004, the number of employees working for UK game development studios shrunk by 6%. The increased cost in developing current generation console games has reduced the number of development companies who have been able to survive. The overall rise in employment can be explained by the increase in people working in other sectors of the games industry – publishing, distribution and retail.

British Cultural Industry Balance of Trade				
£m	2003	Exports	Imports	Balance
Leisure Software		488	291	197
Film*		256	538	-282
Television		677	1142	-465
	2000	Exports	Imports	Balance
Leisure Software		488	302	186
Film*		281	610	-329
Television		551	767	-216

In Europe as a whole, games software sales grew to their highest ever level in 2004 - €5.6bn. On the hardware side, well-publicised stock shortages during the peak selling season hit European sales of games console hardware in 2004. Only Microsoft's Xbox achieved an annual growth, while PS2 and Gamecube both suffered declines.

A major finding of the report is that there is massive growth in new, non-retail, distribution channels for games – the network games market – which is growing at over seven times the pace of the traditional, retail based, games market. By the end of this year, the network games market will constitute 15% of total games software sales in the Western World. Network games include mobile, iDTV, MMOG, casual games and games on demand.

Ben Keen, Screen Digest's chief analyst commented: "While retail sales of games continue to reach new levels, new distribution channels are now expanding fast. Mobile and online have become significant markets in their own right and we expect all forms of networked games exploitation to account for 20 per cent of the total Western world market by 2008."

The report also notes that the industry is now approaching the start of a new cycle, precipitated by the launch of the next generation of video games consoles, possibly starting as early as late 2005. The new cycle will eventually result in new overall market growth, but will also present games publishers with tough decisions choosing which platforms to support.

In recent years the Nordic region as well as Eastern and Central Europe have gained substantial ground on the traditional games development powerhouses of the UK, USA and Japan. Local and national government investment incentive schemes have contributed to the growth in these new territories.

UK Specific Information

- In 2004 the value of the UK leisure software market was £1,217m – an increase of 6% from 2003.
- The value of the console hardware market dropped from £486m in 2003 to £339m in 2004 – a fall of 30%.
- £320m was invested in the UK game development industry in 2004
- A total of 22,190 people were employed in the UK video games industry – just over 6,000 of these worked for games development companies.

*Excludes exports generated by UK subsidiaries of major US film companies

Source: Screen Digest, National Statistics

EDITOR'S NOTES

The data, forecasts and analysis contained in this press release are taken from the new Screen Digest report, published in association with ELSPA: "European Interactive Games – The 2005 State of the Industry Report." The report provides a detailed analysis of the state of the video games industry in Europe.

To find out more about this please contact sales@screendigest.com or call +44 20 7424 2820

About ELSPA - <http://www.elspa.com>

ELSPA (The Entertainment & Leisure Software Publishers Association) was founded in 1989 to establish a specific and collective identity for the computer and video games industry. Membership includes almost all companies concerned with the publishing and distribution of interactive leisure software in the UK.

ELSPA's activities include: Official Chart and Industry Reports, Voluntary Age Ratings System, Anti-Piracy UK and EU, PR and Communication, Events. More information on all these activities can be found at <http://www.elspa.com>.

About Screen Digest – www.screendigest.com

Screen Digest is the pre-eminent source of business intelligence, research, and analysis on global audiovisual media. *Screen Digest* the journal has been published for more than 30 years and is read in over 40 countries. Screen Digest is primarily a research company and publishes a rapidly growing number of major business reports on media markets. The company also offers continuous online research services providing searchable access to a vast database of global audiovisual market research information. Screen Digest also provides single client consultancy services and has undertaken a wide variety of bespoke projects on behalf of numerous national and international organisations.

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