



THE IMPORTANCE OF CREATIVE INDUSTRY FOR THE ECONOMIC DEVELOPMENT OF THE REPUBLIC OF SERBIA

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Abstract:

Creative economy is one of the world's most rapidly growing sectors, contributing 3% of the global GDP. Based on creativity and innovation as the main factors, creative and cultural industries include different fields of activity. By their nature, they are interdisciplinary and provide great potential for social and economic development. Improving the growth and development of creative industry can significantly contribute to the economic development of a country, especially in countries with rich cultural and historical heritage, such as Serbia. The aim of the paper is to determine the significance of the Serbian creative industry sector considering its contribution to GDP, employment and export. Results of the analysis showed that in 2021 creative industries contributed to 7.1% of GDP, achieving faster growth than other economic activities. Also, the average salary in the creative industry sector is higher compared to the average salary in Serbia. Since 2019, there has been a noticeable increase in the deficit in foreign trade exchange, which indicates that it is necessary to take systemic measures in order to improve this sector.

Keywords:

creative industry, employment, export, GDP, Republic of Serbia.

1. INTRODUCTION

The development of new technologies has accelerated the process of globalization and digitalization. Intense and turbulent changes in the international market as well as new development directions and trends have led to increased social significance of products whose creative and cultural elements represent their main content. Creative industries, as their name suggests, are based on creativity and innovation as their most important factors. These industries provide great potential for social and socioeconomic development at both international and local level.

“Creative industry” is a relatively new term. It was first mentioned in 1994 in the Australian Government report “Creative Nations: General cultural policy” (Moore, 2014). The Government of Great Britain, during the reign of Margaret Thatcher, noticed a great potential of this sector for faster economic development of the country. Within the Ministry of Culture, Media and Sports, a working group was established with the special focus on the definition and detailed elaboration of plans and strategies that can contribute to faster development of the creative industry sector (UNCTAD, 2008).

The term creative industry has been modified over time, so there is no generally accepted definition of the term and the sectors it includes. Over the past years, numerous analysts and economists defined the mentioned sector from their own point of view. The American economist Richard Caves advocated the opinion that creative industry includes those services and goods that have certain entertainment, cultural or artistic values (Caves, 2000).

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UNESCO also contributed to the definition of the mentioned term from the cultural aspect, focusing on the importance of culture when it comes to intangible cultural heritage.

One of the most widely accepted and used definitions was given at the United National Conference on Trade and Development (UNCTAD). Considering that trade is the main driver of the economy, UNCTAD pointed to the

growing potential growth of creative sectors in developing countries. It defined creative industry as a concept that connects innovation, creativity and intellectual property with knowledge and modern technologies (Throsby, 2008).

Based on creativity and innovation as the main factors, the Government of the Republic of Serbia stated on its website that cultural and creative industries include several areas of activity (cf. Figure 1).

Figure 1. Coverage of creative industries



Source: (Vlada Republike Srbije, 2022)

Starting from this scope of creative industries, the aim of the present work is to determine the importance of the creative industry sector of Serbia, its contribution to the country's GDP, employment and exports.

2. TRENDS AND CHARACTERISTICS OF CREATIVE INDUSTRY GLOBALLY

The development of creative industry is mainly a privilege of economically developed countries because it requires high financial resources, intensive development and application of modern information technologies, as well as a high degree of creativity and innovation. The economic importance is reflected in the fact that in recent years, the creative industry has recorded an increasing share in the GDP of countries, that is, the contribution it makes is comparable to the contributions of other sectors of an economy. The impact is also noticeable on other macroeconomic variables (increase in the number of entrepreneurs, number of employees, increase in exports).

For the mentioned reason, creative industries can be considered as drivers of the economic progress of countries in the coming period.

The sector of creative industry abounds in numerous peculiarities that differentiate it from other economic sectors. The basic feature of creative industry products is that their quality is determined after consumption (so-called "Experience products"). For most products of creative industry (such as numerous exhibitions, festivals, etc.), interaction between the service provider and its end user is of key importance. Within it a high degree of subjectivity is expressed that requires increased attention. Also, the products resulting from the work of the creative sectors contain a certain symbolic value. According to Bilton (2007), the value of the so-called "symbolic goods" is mostly derived from cultural or social norms, while to a lesser extent it is conditioned by its physical properties (Bilton, 2007).



When it comes to size and description of the work of the companies involved in creative industry, the key feature is their presence in the public sector, in addition to their daily activities in the private sector. More precisely, the number of employees in small companies is proportioned to their size. Their business organization consists of about ten highly educated workers, most of whom are under temporary contracts (Falk, Bakhasi, Falk, & Geiger, 2011).

One more in a series of numerous peculiarities of companies within creative industry is the one related to their business goals. These goals are not exclusively economic in nature, but are conditioned and largely depend on the cultural content of the products they produce.

The aforementioned peculiarities of the sector made it particularly sensitive during the COVID-19 pandemic, when the creative industry sector was among the most affected sectors of the economy. Due to the pandemic, there was a massive cancellation of all events in public places such as theatre, live music, festivals, cinemas and museums. Physical distancing measures have threatened the operations of many businesses and entrepreneurs in the creative industry sector. On the other hand, it was difficult to see the extent to which these sectors are directly affected by the consequences of the Covid crisis because there is an inconsistency in defining and collecting data in this sector, where there is otherwise a high degree of informality.

According to the data of the UNESCO study, (UNESCO, 2021) economic impact of the pandemic on creative industry sector was felt in 20 medium- and large-sized economies, which together make up 61% of the world economy (UNESCO, 2021). It is estimated that in 2020 there was a total decrease in the gross value added of creative industry in the amount of USD \$750 billion on a global level. This loss is higher than the GDP of some countries, that is, it represents 1% of the global nominal GDP in 2019. The drastic drop in income represents a huge blow to the capacity of this industry, which normally operates on the margins of economic sustainability. Estimates are that revenue losses in this sector at the end of 2020 ranged from 20% to 40% in different countries.

An equally problem is a serious disruption of global employment caused by the decline in employment. The huge loss of jobs in the cultural and creative industries, estimated at more than 10 million, has significantly affected the lives of employees in the creative industry sector.

3. CONTRIBUTION OF CREATIVE INDUSTRY TO SELECTED MACROECONOMIC VARIABLES OF THE REPUBLIC OF SERBIA

“Getting to know a country means feeling its spirit, knowing its hidden landscapes and the individuals who made it what it is. Join those who have already discovered why Serbia is irresistible” (Serbia T. G., 2022). The above sentence clearly indicates that the main priority of our country in the coming period is the accelerated growth and development of the creative industry sector, increasing their participation in the entire economic sector, intensive exploitation of intellectual property as well as numerous benefits and encouragement to young people in expressing their creativity, innovation and talent.

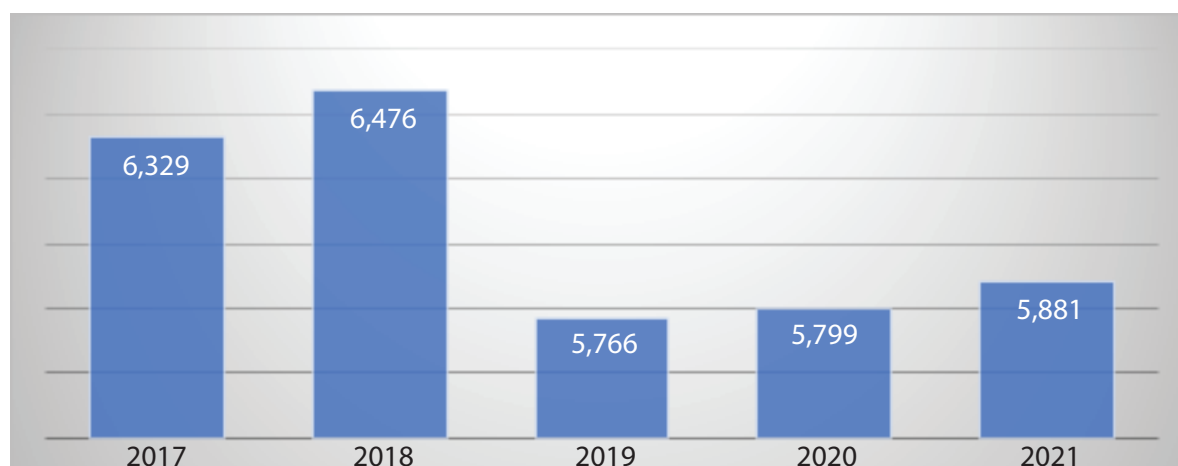
The beginning of the development of creative industry in our country dates back to the end of the 20th century. The last two decades have seen an increase in the cultural awareness of the population and the emergence of an increasing number of cultural creators. The first analysis of the creative industry in Serbia was done by the World Bank in 2017, so it is the first available data on the importance of this sector for the economy of our country. In the aforementioned report from 2017, it is stated that the creative industry sector had a share in the GDP of Serbia of only 3.7% (World B., 2021). According to the data from the website of the Government of the Republic of Serbia (2022), the participation of the sector, depending on whether it is a narrower or broader approach to creative industry, ranges from 3.4% to 7.1%.

According to the data of the Agency for Business Registers for the year 2021, the number of companies belonging to the creative industry was 5,881, which is 4% more than in 2020.

Data provided by the Serbian Chamber of Commerce and Industry (cf. Graph 2) indicates that the number of the companies belonging to the creative industry in Serbia recorded a proportional growth in the period between 2017 and 2021. Exceptions are the years 2019 and 2020, in which there was a decline in the number of companies caused, above all, by the COVID-19 virus and the decline in economic activities at global level (Bulletin of the Creative Industry for the second quarter of 2022, 2022).



Graph 2. Number of companies in the creative industry

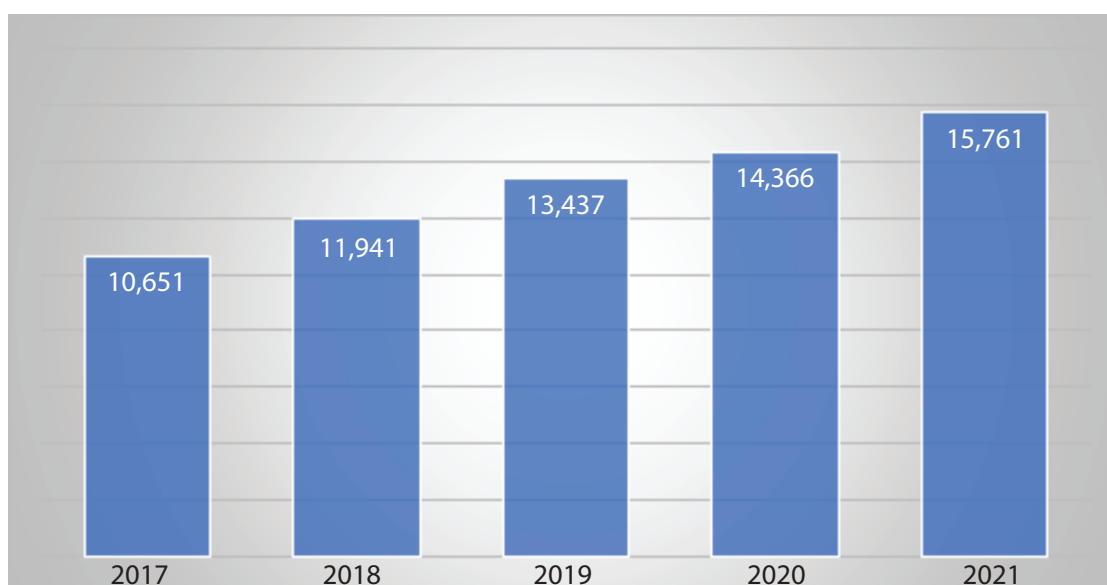


Source: Bulletin of the Creative Industry Association for 2021, Chamber of Commerce and Industry of Serbia, Belgrade, 2022, p. 12

Contrary to the stagnation of the number of companies in the creative industry in Serbia during 2019 and 2020, the number of entrepreneurs in this industry recorded a constant growth during the last 5 years (cf. Graph 3). This trend points to the effective policy of the Republic of Serbia

to encourage the development of the mentioned sector and the motivation of young people to be involved *in this sector* (Bulletin of the Creative Industry Association for 2021, 2022).

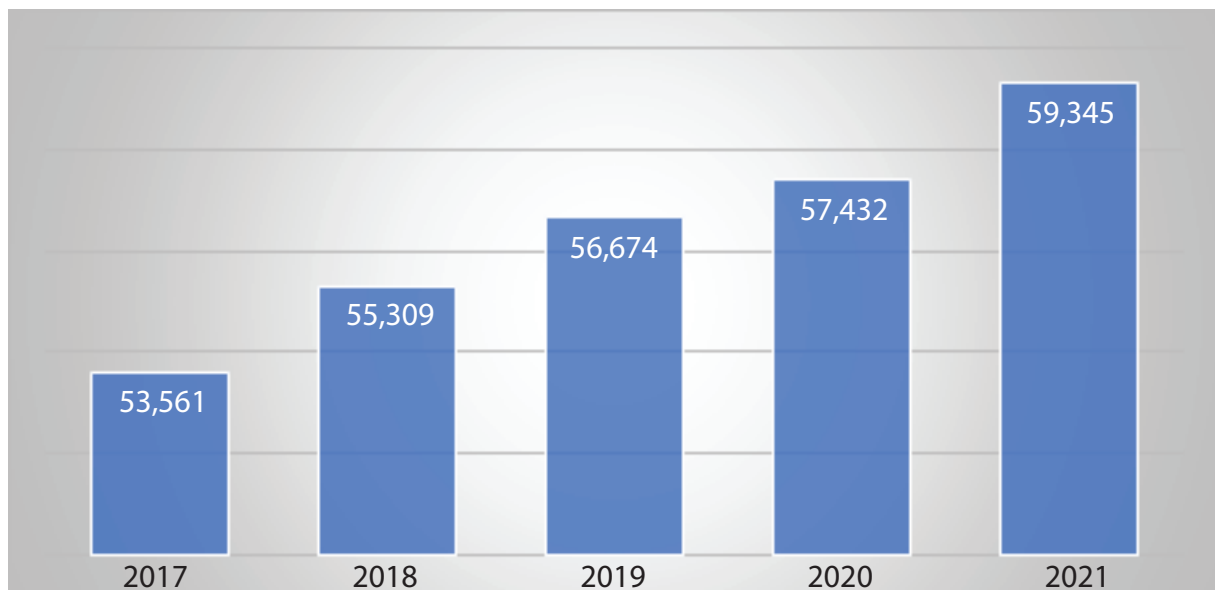
Graph 3. Number of entrepreneurs in the creative industry



Source: Bulletin of the Creative Industry Association for 2021, Chamber of Commerce and Industry of Serbia, Belgrade 2022, p. 12

According to the data provided by the Statistic Office of the Republic of Serbia (cf. Graph 4), the total number of employed person in 2021 was approximately 2.2 million, while the total number of employed persons in the creative industry sectors reached 59,345, which is 3.3% more than in 2020. Employees in the activities of the creative industry participate with 2.7% in the total employment in

the Republic of Serbia (Bulletin for the Creative Industry Association for the second quarter 2022, 2022).

**Graph 4.** Number of employees in the creative industry

Source: Author's according to data of Statistical Office of the Republic of Serbia

On the basis of the data available on the Chamber of Commerce and Industry of Serbia's website, a comparative presentation of the number of employees according to the

activity of the creative industry in the second quarter of 2021 and 2022 was made (cf. Table 1).

Table 1. Number of employees according to creative industry activities in the second quarter of 2021 and 2022 in the Republic of Serbia

	Number of employees	
	Q2 2021	Q2 2022
Republic of Serbia	2,208,783	2,247,857
Printing and duplicating audio and video recordings	9,508	9,381
Publishing activities	6,537	6,512
Cinematographic, television and music production	3,708	4,251
Program activities and broadcasts	8,347	8,444
Other professional, scientific and technical activities	7,032	7,472
Creative, artistic and entertainment activities	9,728	10,116
Activities of libraries, archives, museums and galleries	6,861	7,046
Advertising and market research	7,338	7,773
In total	59,059	60,995

Source: Bulletin of the Creative Industry Association for the second quarter of 2022, Chamber of Commerce and Industry of Serbia, Belgrade, 2022, p. 15

The above data indicate that there was a slight increase in the number of employees in all the sectors of creative industry in the second quarter of the current year compared to the same period of the previous year. Exceptions are publishing activities as well as printing and duplicating audio and video recordings, which show a tendency to

decline, which can be expected in the coming period due to the advent of IT and the application of digital marketing.

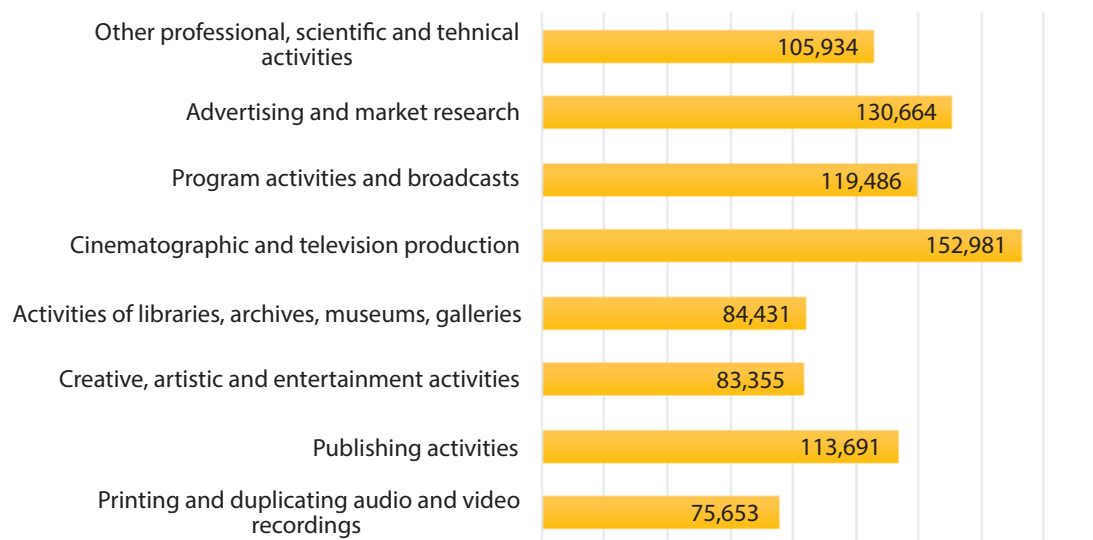
During 2022, there was an increase in gross and net earnings as compared to 2021. The average gross salary in Serbia was 100,250 dinars, while the net salary was 72,680 dinars. Based on the available data (cf. Graph 5),



the highest average salary (as much as 152,980 dinars) is achieved in cinematographic and television production and sound recording and publishing of music records, which is 50% more than the average salary in the Republic of Serbia. The lowest average wages are in the creative,

artistic and entertainment activities, the activities of libraries, archives, museums, galleries and other cultural activities, as well as the sector of printing and duplicating video records, whose incomes amount to only 75,653 dinars (Serbia S. O., 2022).

Graph 5. Average earnings of the creative industry sector in the second quarter of 2022 in the R. of Serbia



Source: Bulletin of the Creative Industry Association for the second quarter of 2022, Chamber of Commerce and Industry of Serbia, Belgrade, 2022, p. 18

According to the data on investments in the creative industry sector in 2020, most of the investments were made in domestic and imported equipment (45%), followed by investments in construction facilities (35%), while investments in intellectual property amounted to 20%. The presented data indicate that the primary goal is investment in technology, which represents a necessary element in the development of creativity and innovation in the modern world.

Based on the data of the Statistical Office of the Republic of Serbia, the Chamber of Commerce and Industry of Serbia, and on the data of the foreign trade exchange in the creative industry sector (cf. Table 2), during the period between 2017 and 2021, Serbia had a continuous decline in exports and an increase in the value of imports, so that, as of 2019, there has been an exchange deficit in creative industry. Although an increase in exports was recorded in 2021, imports also increased, resulting in a deficit of 12.5 million euros. The negative impacts caused by the pandemic of the COVID19 virus are still visible, resulting in the deficit during the previous three years (Bulletin of the Creative Industry Association for 2021, 2022).

Table 2. Foreign trade exchange of products of the creative industry sector

	Exports in millions EUR	Imports in millions EUR	Balance in millions EUR
2017.	81,7	61,1	20,6
2018.	69,0	60,2	20,6
2019.	67,8	68,4	-0,6
2020.	59,3	66,3	-7,1
2021.	63,8	76,2	-12,5

Source: Bulletin of the Creative Industry Association for the second quarter of 2022, Chamber of Commerce and Industry of Serbia, Belgrade, 2022, p. 17



4. CONCLUSION

The creative industry sector in Serbia in the period between 2017 and 2021 recorded an increase in share of the achieved GDP, which is among the key indicators of the importance of this sector for the economy of our country. The sector has a growing participation in the number of companies and employees. There are currently more than 30,000 registered companies that employ more than 115,000 people, or 3.2% of the total number of employees in our country. The majority of employees, more precisely 70% of them, are aged between 25 and 44, and more than half of them are women. The average salary of the creative industry sector for 2021 was higher than the average salary of other branches of the economy, which certainly represents an additional incentive for the inclusion and development of the creative economy in Serbia. And yet, since 2019, the sector has recorded a deficit in foreign trade exchange.

The Government of the Republic of Serbia has recognized the potential of the creative industry for Serbia's further growth and development. Investing and stimulating the development of this sector, particularly by supporting and motivating the young, highly educated and talented citizens to get involved, will lead to numerous economic and social benefits. Raising cultural awareness of the population by increasing its involvement in cultural trends will enable the promotion of Serbia, i.e., its own particular brand and image on the international market. The creation of a new brand and image of the country will require global repositioning of Serbia with an aim of establishing her as a country that owns, promotes and appreciates creativity, and for this purpose the Serbia Creates platform was created.

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