

# Investing in the creative economy to make a creative impact

*When you think of the 'creative economy', what likely springs to mind is people working in the arts, advertising and film industries, or perhaps social media, 'influencer' marketing and gaming. And all that is undoubtedly correct - it is a wide-ranging collection of sectors operating across the economy - but what is arguably less well-known is the sheer impact the creative industries are having, and can have, on social and environmental issues.*

Temps de lecture : minute

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The UN is one institution which does know this. It named 2021 as the International Year of Creative Economy for Sustainable Development, and not only is this a striking recognition of the role of the creative industries in tackling some of the world's most urgent problems, it is also a further sign of how businesses and investors are realigning their strategies and leading the charge for change.

## Investing for change

One of the key ways in which this trend is manifesting itself is through the adoption of impact investing strategies. 'Impact investment' is a phrase which has entered the lexicon over the course of the last decade and today is one of the most important developments in finance today. For the uninitiated, impact investment is, broadly speaking, an investment approach which seeks to achieve a positive - and measurable - social and environmental impact alongside a financial one. It looks to marry

traditional profit-making with a 21<sup>st</sup> century social conscience, harnessing the skills and tools of the private sector to bring about genuine change and find solutions for some of the world's greatest challenges.

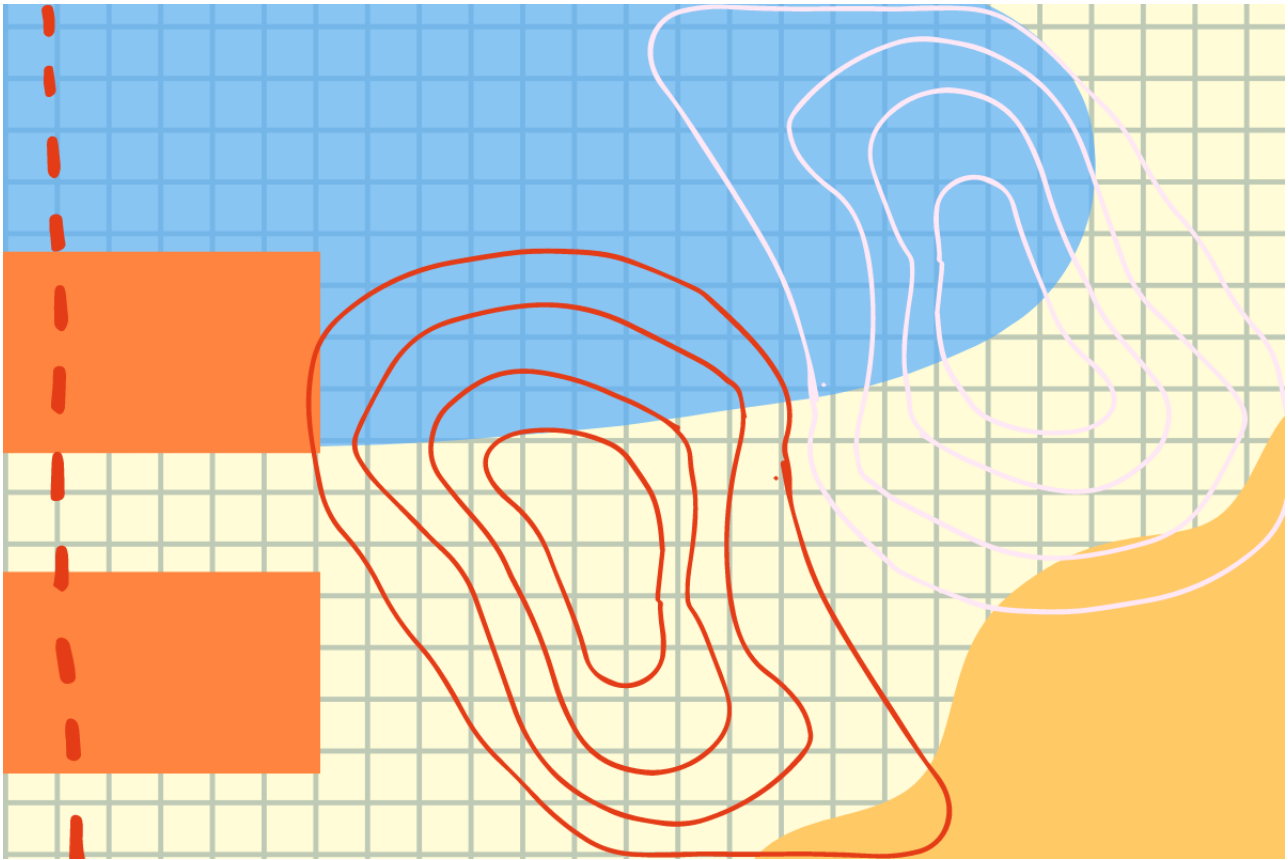
Impact investment today is mainstream. Research by the *Global Sustainable Investment Alliance* found that at the start of 2020 sustainable and impact investment assets under management reached \$35.3T, a 15% increase over the previous two years and representing 36% of all assets managed across the world. These numbers are only set to go up with 69% of impact investors saying the market is growing, whilst a further 21% reckon it is "about to take off" according to a survey by the *Global Impact Investing Network*.

## The creative footprint

The creative economy has a crucial role to play in changing society for the better. It is already one of the world's fastest growing sectors, worth over \$2.2T globally, and supporting 29.5 million jobs. In the UK for example, 2.1 million people were employed directly in the creative industries prior to the COVID-19 pandemic, and a further 1.4 million jobs were supported by the sector through its supply chains, according to research from *Creative UK Group and Oxford Economics*. This represents more than 1 in 10 jobs in the whole of the UK.

It is a natural source of innovation given its stock in trade relies on imagination and inventiveness, yet private sector investment in the sector has remained relatively muted, barring a few exceptions. The reasons for this come down to risk and size. Banks and other financial institutions tend to look at creative businesses as high-risk ventures, and many of them are also very small - many of them just individuals - and therefore do not need nor attract investment. Much of the investment that does take place does so in the form of small-business loans, microfinance or Government-backed initiatives, and in the UK, creative entrepreneurs are

three times more likely to use their own money, or investment from family and friends, compared to small-medium businesses in general.



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## Realising potential

Yet for all these challenges, the creative economy has a hugely transformative effect on income generation, social mobility and job creation, and is a natural destination for impact investment.

The creative economy provides a route to career success for those who have struggled to follow the traditional route to the job market through academic credentials. Neurodiversity is common in the creative industries - those which can think differently often have a greater propensity for

creativity. Great minds don't necessarily think alike and with imagination being a critical aspect of much of the creative economy, there is a significant opportunity to be had for those who operate outside traditional frameworks.

In addition, It employs more people aged 15–29 than any other sector, and nearly half of the people working in the cultural and creative industries are women. And it is not just a London phenomenon. Between 2011 and 2020, jobs in the creative economy grew by 68% in the North East of England, 61% in Yorkshire and the Humber and 60% in the West Midlands.

*Despite these impressive numbers, the potential of the creative economy has yet to be realised, and without investment from the private sector, it may never be.*

COVID-19 hit all parts of the economy, few more so than the creative industries, which in the UK saw its economic contribution drop by £12B and the loss of 110,000 jobs. Creative UK Group has rightly called on the Government to provide further support, which it has since, but there is also a huge opportunity for private sector investors as well.

Whilst investing in creative businesses is in its very early stages, Edge is one of the more established, among several specialised investors emerging in the UK, France, Germany and the US, making the connection between their positive investment opportunities, returns and corporate responsibilities and the creative industries.

At a time of social and political upheaval in a world facing unprecedented environmental challenges, the creative economy has a vital role to play in

accelerating inclusive and sustainable development, powered by innovative entrepreneurs and specialist investors.

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