Profile

WORLD FILM PRODUCTION/DISTIBUTION

Global production total soars as local films gain market share

KEY TRENDS IN WORLD FILM PRODUCTION

- US film production is at its highest level for six years, but investment falls overall
- Western Europe film production reaches a new high
- Of total West European feature films in 2005, 44 per cent were co-productions
- Highest volume of Asian feature film production since 2002
- India regains its mantle as the largest film-producing bloc from the EU 25
- China is the fourth most prolific film-producing nation

WORLD TRENDS IN PRODUCTION

World film production hit 4,603 feature films in 2005—a sharp 7.8 per cent increase on the previous year and the highest level recorded since 1990. The increase was led by European film production, particularly in Western Europe, where 1,009 feature films were produced, the highest total in that region since records began. However, co-productions accounted for over 44 per cent of titles produced in Western Europe in 2005, up from 39.7 per cent in 2004, and this may lead to a certain degree of double-counting. In Eastern Europe, there were an additional 40 films coming out of the region in 2005 to 278.

In South America, feature production continued to rise, with Brazil leading the charge. In North America, independent producers were mostly responsible for the additional 88 feature films from the US. In Asia, the increase in feature production was led by the major feature film territories of India and China. However, some smaller production territories also experienced a small burst of activity led by Vietnam, Bangladesh and Indonesia, while other more established feature film nations experienced overall declines such as Hong Kong. Only Middle East and African regions recorded a slight dip in total feature production.

TERRITORAL REVIEWS

EUROPE: THE BIG FIVE

The production sector in **France** continued its impressive growth in 2005, with a record 240 films produced. This is an increase of 18.2 per cent over the 203 in 2004. Of the 240 films, 187 were of French initiative (up from 167 in 2004), of which 61 were co-productions. Total investment in film production rose by 22.6 per cent to €1.28bn ($1.53bn). There were 53 minority co-productions in 2005, up 17 on 2004. This is put down to new regulations making it possible for foreign investors to work in France with local companies. Foreign investment in French films hit €96.3m ($116m) in 2005—over double what it was five years ago.

The total number of films produced in **Germany** hit 146, of which 43 were documentaries, bringing total feature film production closer to 103, but nonetheless an 18.3 per cent increase on the 87 features produced in 2004. There were 60 German-origin films, which was constant with the previous year. The major growth came from the number of co-productions which rose to 43 from just 27 the previous year. Of the co-productions, 18 were majority led German co-productions leaving 25 features in which Germany had a minority production status. The total number of films originating from Germany reached its highest for at least 10 years in 2005 (103) against 64 in 1996.

Italy produced 98 films. Companies from the production capital Rome participated in 78.0 per cent of film projects. The total investment from the Italian film business sector reached €214.4m, of which 85.8 per cent was provided by Rome.

Spain's production boom continued into 2005, and market share success of local-interest films is also rising. In 2005, 142 feature films were produced in Spain, of which 53 were international co-productions. This is a rise of nine films compared with 2004, and 49 compared with 2000.

The **UK** production sector recorded a poor year. Figures from the UK Film Council, show production fell by nine films, to 123. There were 37 British films, 25 films of 'inward investment' and 61 co-productions. Production investment for all films stood at £568m ($981.5m)—down 31 per cent on 2004, which itself was down 30 per cent on the previous year. The reason is clear: foreign investment fell from £548.5m ($963.3m) in 2004 to £312.0m ($548m) in 2005.

There were a total of eight big budget films produced in 2005 (those produced with budgets of £30m), the same number as in 2004. Investment in British films rose to £159.8m ($280.6m) in 2005. The uncertainty caused by expected changes in the fiscal environment is partly behind this drop, as is price-led competition from other countries, and an unfavourable exchange rate.

In December 2005, the UK government unveiled a new long-awaited tax credit proposal ending months of uncertainty. Credits will provide up to a 20 per cent rebate on qualifying production expenditure for films which cost less than £20m to produce, 16 per cent for those over £20m.

The scheme applies to co-productions that have at least 40 per cent spend in the UK. However, this applies only to the amount spent in the UK, not the entire budget as before. Previously the UK's existing film relief scheme was based on the sale and leaseback system, which was no longer regarded as overly competitive against other schemes in Europe.

The wider implications for UK independent film producers are that they are expected to benefit from the increased and available film network infrastructure such as post-production facilities as a result of companies wanting to do more of the process in the UK. It is also expected to reduce so

Most prolific feature film producing nations

		2004	2005
1	India	934	1,041
2	EU (25)	965	1,035
3	EU (15)	892	937
4	USA	611	699
5	Japan	310	356
6	China	212	260
7	France	203	240
8	Russian Fed	120	160
9	Spain	133	142
10	UK	132	124
11	Germany	87	103
12	Bangladesh	90	102
13	Italy	134	98
14	Brazil	81	90
15	Korea, Rep	82	82
16	Canada	133	80
17	Argentina	78	80
18	Hong Kong	64	55
19	Sweden	40	54
20	Mexico	54	53
21	Indonesia	31	50
22	Switzerland	44	47
23	Denmark	26	41
24	Philippines	53	40
25	Thailand	46	39
26	Turkey	27	30
27	Belgium	23	28
28	Hungary	21	26
29	Poland	17	26
30	Iran	28	26
31	Austria	24	24
32	Netherlands	24	24
33	Egypt	24	23
34	Australia	16	22
35	Czech Rep	16	20
36	Romania	21	20
37	Malaysia	22	20
38	Norway	22	19
39	Pakistan	25	18
40	Taiwan	24	17
41	Greece	22	16
42	Portugal	15	16
43	Chile	14	15
44	Colombia	7	14
45	Finland	15	13
46	Ireland	12	12
47	Vietnam	15	12
48	Israel	13	12
49	Morocco	10	12
50	South Africa	15	11
51	Slovenia	7	10
52	Peru	5	8
53	Singapore	7	8
54	Cuba	5	7
55	Puerto Rico	3	7
56	Tunisia	6	7
57	Croatia	5	5
58	Slovakia	2	5
59	Venezuela	3	5
60	New Zealand	4	5

4 each: Bulgaria, Estonia

3 each: Iceland, Bolivia

2 each: Luxembourg, Malta, Latvia, Lithuania

1 each: Cyprus, Jamaica

Feature films produced

								of which co-productions			
	1975	*1985*	*1995*	*2002*	*2003*	*2004*	*2005*	*2002*	*2003*	*2004*	*2005*
Austria	6	12	19	16	17	24	24	8	3	15	13
Belgium	14	7	8	11	12	23	28	9	11	20	26
Denmark	18	9	13	19	24	26	41	8	12		20
Finland	5	15	8	11	10	15	13	1	1	5	5
France	222	151	141	200	212	203	240	94	107	73	114
Germany	73	64	63	84	80	87	103	45	26	27	43
Greece	70	33	18	18	22	22	16	3	3	3	3
Ireland	2	2	22	9	10	12	12	9	4	0	4
Italy	230	89	75	130	117	134	98	34	19	38	30
Luxembourg	0	1	0	1	3	2	2	1	3	2	2
Netherlands	16	13	18	28	29	24	24	7	4		5
Portugal	10	9	14	13	17	15	16	12	13	9	7
Spain	110	77	59	137	110	133	142	57	42	50	53
Sweden	20	17	15	21	27	40	54	9	13	14	15
UK	81	47	76	119	175	132	124	66	102	108	87
EU (15)	877	546	549	817	865	892	937	363	363	364	427
EU (25)					942	965	1,035		378	377	460
Cyprus	:	1	3	1	2	1	1	1	2	1	:
Iceland	0	5	7	9	3	6	3	3	1	2	1
Malta	0		0	0	1	1	2	0	1	1	1
Norway	15	12	15	14	18	22	19	5	3	8	4
Switzerland	15	44	38	37	35	44	47	19	13	8	11
Western Europe	907	608	612	878	924	966	1,009	391	383	384	444
Bulgaria	25	40	6	5	12	7	4	3	2	1	0
Croatia	–	–	6	0	1	5	5	0	0	0	1
Czech Republic	–	53	23	14	16	16	20	0	3	1	7
Estonia	–	4	6	3	3	4	4	2	2	1	2
Hungary	19	21	19	33	21	21	26	10	1	4	9
Latvia	–	–	1	2	2	3	2	1	0	2	1
Lithuania	–	–	3	1	1	1	2	0	0	1	2
Poland	36	39	23	13	20	17	26	4	2		6
Romania	24	27	9	9	17	21	20	1	10	12	11
Russian Federation	–	–	65	62	68	120	160	:	:	:	:
Serbia	–	–	8	:	:	14	:	:	:	4	:
Slovakia	–	13	3	6	5	2	5	5	3	1	4
Slovenia	–	5	4	9	6	7	10	1	1	1	1
Ukraine	–	–	5	7	7	:	:	2	2	1	3
Central/Eastern Europe	358	410	182	164	179	238	284	29	26	29	47
all Europe	1,265	1,017	791	1,041	1,101	1,203	1,292	419	407	412	491
Canada	39	58	38	66	151	133	80	16	104	107	:
USA	258	356	631	543	593	611	699	:	:	:	:
North America total	297	414	669	609	744	744	779	16	104	107	0

continued

Source: Screen Digest

called 'tax tourism' from foreign producers. In terms of Hollywood studios, the new deal is hoped to put the UK back on the film-making map.

OTHER EUROPEAN COUNTRIES

In 2005, **Austria** produced 24 feature films of which 13 were co-productions, eight of these with Germany, Austria's major co-producing partner. Austria also co-produced two features with the UK and one each with Russia, France and Italy. The average budget of an Austrian movie is reported to have increased from €3m to around €3.5m in 2005.

A total of 28 features qualified as **Belgian** productions, although the vast majority of these (26) were co-productions. Belgium had a minority role in 20 feature productions, and major partner status in six. The most frequent co-production partner was France, which it partnered on 25 films, up from 19 in 2004. Belgium also had a more diverse range of production partners: 13 nations in 2005, against seven in 2004. In 2005, Belgium joined the UK on four productions and also worked with the US, Israel, Romania and Algeria.

An amendment to the cinematography bill in the **Czech Republic** is expected to triple the size of state-based funding from the current Ckr 70m ($3m) to at least Ckr 222m ($9.6m) from 1 July 2006, if ratified. This move is expected to result in higher budgets to allow Czech producers to become equal partners in European co-productions. However, the bill appears to have foundered and may need to go back to the drawing board.

Films produced per million head of population

	2004	2005
Iceland	20.48	10.17
Hong Kong	9.35	7.98
Denmark	4.81	7.58
Switzerland	6.09	6.48
Sweden	4.45	5.99
Slovenia	3.53	5.04
Luxembourg	4.42	4.39
Norway	4.85	4.18
France	3.37	3.96
Spain	3.12	3.28
Ireland	2.97	2.93
Austria	2.94	2.92
Estonia	2.90	2.90
Japan	2.43	2.79
Belgium	2.21	2.68
Hungary	2.08	2.58
Finland	2.87	2.48
Canada	4.16	2.48
EU	2.32	2.43
USA	2.08	2.36
Singapore	1.99	2.25
Argentina	2.05	2.08
UK	2.19	2.06
Czech Republic	1.57	1.95
Korea, Rep	1.71	1.70
Italy	2.32	1.70
Israel	1.87	1.68
Portugal	1.43	1.51
Netherlands	1.47	1.47
Greece	1.99	1.44
Germany	1.05	1.25
Cyprus	1.24	1.23
New Zealand	0.98	1.22
Croatia	1.19	1.20
Australia	0.80	1.08
Russian Fed	0.81	1.08
Taiwan	1.34	0.93
Slovakia	0.37	0.93
India	0.85	0.93
Chile	0.87	0.92
Latvia	1.36	0.92
Romania	0.94	0.89
Malaysia	0.95	0.85
Bangladesh	0.66	0.74
Poland	0.45	0.68
Tunisia	0.57	0.66
Cuba	0.42	0.59
Thailand	0.66	0.55
Bulgaria	0.92	0.54
Lithuania	0.26	0.51
Mexico	0.52	0.50
Philippines	0.66	0.49
Brazil	0.40	0.44
Turkey	0.36	0.40
Morocco	0.32	0.38
Jamaica	0.00	0.36
Colombia	0.17	0.33
Bolivia	0.44	0.32
Iran	0.35	0.32
Egypt	0.33	0.31
Peru	0.17	0.27
Indonesia	0.14	0.22
South Africa	0.30	0.22
Venezuela	0.12	0.20
China	0.16	0.20
Vietnam	0.17	0.14
Pakistan	0.17	0.12

Feature films produced continued

								of which co-productions			
	1975	*1985*	*1995*	*2002*	*2003*	*2004*	*2005*	*2002*	*2003*	*2004*	*2005*
Costa Rica	:	:	:	:	0	1	0	:	:	:	:
Cuba	2	7	2	5	5	5	7	3	4	1	4
Jamaica	:	:	:	2	0	0	1	:	:	:	:
Mexico	40	60	5	14	36	54	53	6	16	:	:
Puerto Rico	:	:	0	1	1	3	7	:	0	0	1
Argentina	34	21	13	34	61	78	80	:	:	:	:
Bolivia	:	2		0	2	4	3	:	:	:	:
Brazil	90	83	18	48	50	81	90	:	:	:	:
Chile	:	:	1	7	7	14	15	4	3	3	2
Colombia	2	9	3	7	6	7	14	1	0	2	2
Peru	1	:	2	2	2	5	8	1	1	2	2
Venezuela	5	15	6	2	3	3	5	1	2	1	3
Latin America	175	198	52	122	173	255	283	16	26	9	14
all Americas	472	612	721	731	917	999	1,062	32	130	116	14
Bangladesh	34	63	:	98	96	90	102	:	:	:	:
China	27	127	146	100	140	212	260	:	:	30	:
India	471	905	795	1,200	877	934	1,041	:	:	:	:
Indonesia	73	62	30	17	12	31	50	0	0	:	:
Iran	68	42	:	33	30	28	26	:	:	1	4
Malaysia	4	8	16	11	26	22	20	0	0	:	:
Pakistan	111	92	:	48	40	25	18	:	:	:	:
Thailand	130	102	47	30	50	46	39	:	:	:	:
Turkey	124	185	:	9	15	27	30	:	:	:	4
Vietnam	7	:	:	10	10	15	12	:	:	:	:
Asia total	1,146	1,615	1,034	1,556	1,296	1,430	1,598	0	0	31	8
Hong Kong	109	105	154	92	77	64	55	:	12	30	:
Japan	333	319	289	293	287	310	356	:	:	:	:
Korea, Rep [S]	91	80	63	78	80	82	82	5	0	2	0
Philippines	143	158	175	97	90	53	40	:	:	:	:
Singapore	4	25	6	7	9	7	8	3	3	2	2
Taiwan	:	:	28	21	14	24	17	:	:	:	3
Far East total	680	724	715	588	557	540	558	8	15	34	5
all Asia	1,826	2,340	1,752	2,145	1,855	1,971	2,157	9	17	66	13
Israel	15	14	9	14	14	13	12	3	4	2	4
Egypt	49	75	13	8	10	24	23	:	:	:	:
Morocco	:	:	3	6	8	10	12	:	:	:	:
South Africa	30	85	13	3	7	15	11	:	:	5	2
Tunisia	3	0	3	:	:	6	7	:	:	:	:
Australia	24	42	18	32	17	16	22	2	2	1	3
New Zealand	2	11	6	11	9	4	5	4	4		2
Australasia/Oceania total	26	53	24	43	26	20	27	6	6	1	5
WORLD TOTAL	3,692	4,202	3,329	3,991	3,938	4,261	4,603	469	564	602	529

Source: Screen Digest

The increase in funds will derive from increased contributions from cinema exhibitors, distributors and TV stations. Currently, the Czech government contributes between 10 and 15 per cent of film budgets, but this could increase to up to 75 per cent of costs under the new legislation. The law, however, does not detail a procedure for awarding funds or qualifying criteria.

In **Estonia**, a total of seven feature film productions included three theatrically released TV dramas, of which two were co-productions, with Finland and Germany respectively. The average budget per movie increased to Ekr 9.4m ($0.8m), up from Ekr 8.7m ($0.7m) in 2004.

Latvia produced two feature films in 2005, co-productions with Germany and Sweden respectively. Average film production budgets in Latvia rose by 44 per cent year-on-year in local currency to reach an average of $0.6m, up from just $0.21m in 2004.

Of a total of 26 feature films produced in **Poland** in 2004, six were co-productions with other territories; four majority and two minority co-productions. Partners included China, Russia, Italy and Germany. There were also 11 documentaries, five animations and 12 independent TV features, not included in the above total.

According to the newly formed Polish Film Institute, the total amount invested by the Ministry of Culture amounted to 26m zloty ($8.3 m) in 2005, while the average budget of a Polish feature film was around 4m zloty ($1.29m).

FILM PRODUCTION INVESTMENT

		local currency					*US dollars*				
		2001	*2002*	*2003*	*2004*	*2005*	*2001*	*2002*	*2003*	*2004*	*2005*
		m	*m*	*m*	*m*	*m*	*$m*	*$m*	*$m*	*$m*	*$m*
Austria	€	21.0	32.0	30.6	72.0	84.0	23.5	33.8	27.0	57.9	67.5
Belgium	€	51.0	19.9	29.9	60.2	102.7	45.7	18.8	33.8	74.9	127.9
Denmark	Dkr	220.0	228.0	500.0	477.5	802.0	26.4	28.9	76.0	79.7	133.7
Finland	€	11.6	11.9	12.6	20.6	21.8	10.4	11.3	14.3	25.6	27.1
France	€	905.0	860.0	1,153.0	1,048.0	1,286.3	810.2	813.0	1,304.6	1,303.5	1,601.3
Germany	€	456.0	473.0	510.0	565.0	679.0	408.2	447.2	577.1	702.7	845.3
Greece	€	10.2	10.4	11.8	12.1	9.1	9.1	9.8	13.4	15.0	11.4
Ireland	€	52.4	42.2	50.2	60.8	34.0	46.9	39.9	56.8	75.6	42.4
Italy	€	210.0	277.0	301.7	284.4	214.4	188.0	261.9	341.4	353.7	266.9
Luxembourg	€	0.0	1.2	5.9	3.0	3.5	0.0	1.1	6.7	3.7	4.4
Netherlands	€	92.2	52.7	80.8	68.4	64.0	82.5	49.8	91.4	85.1	79.7
Portugal	€	19.3	22.0	23.3	24.0	20.8	17.3	20.8	26.4	29.9	25.9
Spain	€	241.8	321.9	253.2	315.2	347.9	216.5	304.3	286.5	392.0	433.1
Sweden	Skr	347.3	296.0	386.0	576.0	780.3	33.6	30.4	47.8	78.4	104.4
UK	£	596.8	566.8	1,160.0	811.0	568.8	859.1	851.6	1,895.6	1,486.6	1,042.6
EU							2,777.2	2,922.8	4,798.6	4,764.4	4,813.4
Iceland	Ikr	279.0	752.0	282.0	676.3	418.7	2.9	8.2	3.7	9.6	6.7
Norway	Nkr	111.0	290.0	244.0	261.0	231.8	12.3	36.3	34.5	38.7	36.0
Switzerland	Sfr	108.5	131.4	134.0	167.2	180.9	64.2	84.4	99.6	134.5	145.2
Bulgaria	lev	5.2	4.0	9.6	8.6	5.6	2.4	2.5	5.6	5.5	3.6
Czech Republic	Ckr	500.0	300.0	400.0	360.0	505.0	13.1	9.1	14.2	14.0	21.1
Estonia	kroon		16.8	15.6	35.0	65.8	0.0	1.0	1.1	2.8	5.2
Hungary	forint	2,585.0	3,660.3	2,415.0	2,100.0	2,860.0	9.0	14.2	10.8	10.3	14.3
Latvia	lat	0.6	0.3	0.4	0.5	0.7	0.9	0.5	0.7	0.8	1.2
Lithuania	litas	2.1	2.3	2.3	2.3	4.8	0.5	0.6	0.8	0.8	1.7
Poland	zl	52.5	33.8	53.2	59.1	102.9	12.8	8.3	13.7	16.2	31.8
Romania	leu	175,000	121,500	272,000	378,000	400,000	6.0	3.6	8.0	11.3	13.6
Slovakia	Skr		129.0	175.0	72.0	190.0	:	2.8	4.8	2.2	6.1
Slovenia	tolar	924.0	1,226.0	870.0	1,190.0	2,000.0	3.8	5.0	4.1	6.1	10.3
all Europe							2,905.2	3,099.5	4,999.9	5,017.4	5,110.2
Canada	C$	230.0	200.0	483.0	438.0	288.0	148.5	127.4	344.7	336.5	237.7
USA	$	11,217	14,661	14,607	14,716	13,945	11,217	14,661	14,607	14,716	13,945
Argentina	peso	25.0	36.0	73.7	85.8	96.0	25.0	11.6	24.6	29.0	32.8
Brazil	real	105.0	168.0	150.0	243.0	270.0	44.6	57.5	48.8	83.0	110.9
Chile	peso	2,891.8	2,266.1	2,280.0	4,564.0	4,935.0	4.5	3.2	3.2	7.3	8.8
Colombia	peso	2,429.0	3,052.0	2,700.0	3,150.0	6,300.0	1.0	1.2	0.9	1.2	2.7
Mexico	peso	294.1	175.0	496.0	810.0	795.0	31.5	18.1	46.0	71.7	73.0
Venezuela	bolivar	900.0	900.0	1,290.0	1,548.0	2,985.1	1.2	0.8	0.8	0.8	1.4
Latin America		5,450.8	5,522.1	5,203.7	8,042.8	11,601	76.4	74.3	78.3	121.4	156.5
Bangladesh	taka	620.0	637.0	650.0	603.0	683.0	10.9	10.7	10.8	9.9	10.6
China	yuan	369.0	480.0	700.0	1,128.0	1,850.0	44.6	58.0	84.6	136.3	225.8
India	R	6,710.0	8,400.0	5,500.0	5,203.0	6,454.2	142.1	172.7	118.1	115.0	146.7
Indonesia	Rup	26,000	44,200	31,860	55,755	105,000	2.5	4.7	3.7	6.2	10.8
Malaysia	ringgit	140.0			42.0	40.0	36.8	0.0	0.0	11.1	10.6
Thailand	baht	273.0	750.0	1,368.5	1,365.3	1,267.5	6.1	17.4	32.9	33.9	31.5
Turkey	TL					74.5	0.0	0.0	0.0	0.0	55.1
Vietnam	dong	6,000	10,000	10,000	30,000	42,000	0.4	0.6	0.6	1.9	2.6
Hong Kong	HK$	1,260.0	920.0	770.0	672.0	605.0	161.5	118.0	98.9	86.3	77.8
Japan	¥	148,585	157,084	154,980	168,950	202,693	1,222.2	1,254.5	1,336.4	1,562.2	1,840.8
Korea, Rep [S]	won	172,900	273,000	332,800	341,120	327,426	133.8	234.0	210.0	211.0	212.0
Philippines	peso	1,003.9	1,004.5	1,075.5	633.0	600.0	19.6	19.4	19.8	11.3	10.9
Singapore	S$	3.0	6.6	9.9	8.0	5.7	1.7	3.7	5.7	4.7	3.4
Taiwan	NT$	340.0	420.0	280.0	480.0	348.5	10.1	12.2	8.1	14.4	10.8
Israel	I£	56.0	49.0	44.8	40.3	46.5	13.3	10.3	9.8	9.0	10.3
Egypt	E£	65.0	37.3	45.6	114.7	134.3	16.0	8.0	7.7	18.4	23.0
South Africa	R	41.5	25.6	63.0	164.0	161.0	4.8	2.4	8.3	25.5	25.3
Australia	A$	163.9	170.7	70.2	141.0	106.0	84.7	92.8	45.8	103.8	80.8
New Zealand	NZ$	300.0	149.0	219.0	89.1	410.0	126.1	69.2	127.4	59.2	289.0
WORLD TOTAL							16,415	20,068	22,204	22,681	22,598

Source: Screen Digest

Average budget per film 2005

	local m	$m
New Zealnd	NZ$82	57.8
USA	$19.9	19.9
UK	£4.6	8.4
Germany	€6.6	8.2
France	€5.4	6.7
EU		5.4
Japan	¥569.4	5.2
Belgium	€3.7	4.6
Australia	A$4.8	3.7
Ireland	€2.8	3.5
Netherlands	€2.7	3.3
Denmark	Dkr19.6	3.3
Switzerland	Sfr3.8	3.1
Spain	€2.5	3.1
Canada	C$3.6	3.0
Austria	€3.5	2.8
Italy	€2.2	2.7
Korea	won3,993	2.6
South Africa	R14.6	2.3
Iceland	Ikr139.6	2.2
Luxembourg	€1.8	2.2
Finland	€1.7	2.1
Sweden	Skr14.5	1.9
Norway	Nkr12.2	1.9
Turkey	TL2.5	1.8
Portugal	€1.3	1.6
Hong Kong	HK$11	1.4
Mexico	peso 15	1.4
Estonia	Ekr16.5	1.3
Brazil	real 3	1.2
Slovakia	Skr38	1.2
Poland	zl 4	1.2
Slovenia	tolar 200	1.0
Egypt	E£5.8	1.0
Bulgaria	lev 1.4	0.9
China	yuan 7.1	0.9
Israel	I£3.9	0.9
Lithuania	litas 2.4	0.9
Thailand	baht 32.5	0.8
Greece	€ 0.6	0.7
Romania	leu 20,000	0.7
Taiwan	NT$20.5	0.6
Chile	peso 329	0.6
Latvia	lat 0.3	0.6
Hungary	ft 110	0.6
Malaysia	ringgit 2	0.5
Singapore	S$ .7	0.4
Argentina	peso 1.2	0.4
Venezuela	bol 597	0.3
Philippines	peso 15	0.3
Vietnam	dong 3,500	0.2
Indonesia	R 2,100	0.2
Colombia	peso 450	0.2
India	R 6.2	0.1
Bangladesh	taka 6.7	0.1

Sixteen feature films were produced in **Portugal** in 2005, of which seven were co-productions, three of these with a majority production status. Portugal participated in four co-productions with Brazil, one of which was also with Mozambique (both Portuguese-speaking nations). Its other main co-production partners were Tunisia and France, and a single collaboration with neighbouring Spain. All of the 16 features received investment from national film agency ICAM in the range of €150,000 to €650,000, including co-productions.

Total film production in **Slovakia** reached five feature films, up from just two the previous year, according to the Slovak Film Institute, plus one local documentary. Four of the five feature films were co-productions, of which three had a minority status. Slovakia's main production partner was the Czech Republic with which it partnered on three films in 2005. It also had feature level involvement with Germany, France, Italy and Belgium.

NORTH AMERICA

Total feature production rose to 699 in the **USA**, the highest level of output for six years. The overall increase in movies came despite a 5.2 per cent drop in total investment in feature production, (not including marketing costs). This is due to the fact that US major productions dipped to just 190 releases in 2005, therefore affecting overall levels of investment. In addition, average MPA member negative costs (production) dipped to $60.0m in 2005, from $62.4m in 2004.

MIDDLE EAST/AFRICA

In 2005, there has been a small revival in **Egyptian** film production which has also caused investment to rise, although the spurt could be short lived if audiences fail to take to the new films. Generally, Egypt has spent the past decade churning out basic comedies.

The film *Omaret Yaqoubian* (The Yacoubian Building) based on a best-selling novel, is now the highest budgeted film ever produced in Egypt—around E$20m (US$3.5m) in 2005, of which only two films have even come close: *Tito* and *Mafia* with estimated budgets of E$11m (not including prints and advertising expenditure). In particular, *Tito* also made good use of product placement, one company paying E$600,000 for an appearance.

ASIA-PACIFIC

There were 260 films made in **China** in 2005—an 18 per cent increase from 2004 levels (212 films). Of the total, 20 per cent (52) were shot in a digital format. This is a significant rise from the number of digital films shot in previous years, indicating that the Chinese government's strategy to install digital cinemas is having an impact at the production level.

In a clear sign that the old state-controlled sector is moving on, only 25 per cent of films (65) were wholly made by the state-owned film studios, whilst 37 per cent (96 films) were made by private or non-governmental studios. The balance was made up by co-productions between state and private studios (62 films) and state-owned, private and foreign studios (37).

As well as an increase in levels of production, average budgets have also been rising. A modest film is now reported at 8m yuan ($990,000). In 2005, *The Promise* became the largest budget production in mainland China to date, with a reported cost of $35m. It is also expected that average budgets will continue to rise following the opening up of the film production sector to foreign firms. One such example is Warner Brothers, which launched a new firm in tandem with China Film Group—Warner China Film, which will produce, market and distribute Chinese-language feature films, TV movies and animation. The company plans to produce feature films with production budgets in the 12m-50m yuan range, ($1.5m-$6.0m), therefore higher than the market average.

Meanwhile, marketing costs for Chinese movies have also reportedly risen and can account for the equivalent of a third of production spend, although this is rare and Chinese films generally still suffer from too little marketing expenditure.

The previously underdeveloped film industry in **Vietnam** has experienced a small resurgence due to the emergence of over 30 private film studios, the increased availability of finance for feature films and a pool of local industry talent. Private film studios such as Thien Ngan Galaxy also tend to act as distribution and exhibition chains, such as the Thien Ngan Galaxy cinema with three screens which opened in May 2005.

The government invested 16bn dong ($1m) in the film industry in 2005 and 18bn dong ($1.1m) in 2004. Currently, bigger budget Vietnamese films are produced for between 7bn dong ($0.4m) to 12bn dong ($0.8m) range. Following on from the end of the state run monopoly of film production in 2001 there are expected to be further amendments in 2006, including the opening up of all feature films on the distribution market.

The number of films produced in the **Philippines** continued to shrink to its lowest level in years with around 40 features. An emerging digital film production industry, spurred on by smaller independent local producers, accounted for perhaps another 40 films in 2005. The growth in digital films has been stimulated by new proposals, such as a five-year tax holiday for digital films, as well as exemption from taxes for all film-related equipment. Digital movies can also be produced for less, usually under 1m pesos ($18,000)—such as *Ilusyon*, which was made with a budget of $16,900 in 2005. Leading cinema chain SM Prime has also responded to the trend, installing 10 digital projectors (of the low-end variety) in 2005.

South Korea produced 82 feature films, of which none were co-productions, compared with two majority co-productions in 2004. Total feature production was stable with last year. The average production cost per movie dropped to won 3.9bn ($4.1m) in 2005, from won 4.1bn in 2004, reflecting a trend toward a growing number of successful mid-budget films.

Contrarily, these types of films have become scarcer in other territories such as Hong Kong and now even mainland China, where the emphasis is on big budget features mixed with some lower budget independent fare. However, total production in Hong Kong reached its lowest level

Methodological note

Total levels of feature film production include the number of majority and minority co-productions, therefore inflating the actual number of individual projects. It is also worth noting that minority co-productions are more popular among European films, with often several partners per film.

Number of active distributors 2005

Austria	23
Belgium	27
Denmark	14
Finland	11
France	108
Germany	55
Greece	10
Ireland	13
Italy	32
Netherlands	25
Portugal	13
Spain	50
Sweden	25
UK	62
Iceland	4
Norway	14
Switzerland	46
Bulgaria	9
Czech Republic	17
Czechoslovakia	46
Estonia	11
Hungary	11
Latvia	6
Lithuania	6
Poland	17
Romania	25
Slovakia	10
Slovenia	12
Canada	38
Argentina	23
Brazil	17
Mexico	18
Venezuela	7
China, PDR	50
Cyprus	4
India	22
Indonesia	30
Malaysia	14
Thailand	25
Turkey	27
Hong Kong	40
Japan	25
Korea, South	61
Philippines	36
Singapore	32
Taiwan	75
Israel	8
South Africa	14
Australia	34
New Zealand	24

Source: Screen Digest

for over 20 years, with a total of 55 films, down from 64 in 2004 and 126 in 2001.

In **Australia**, total feature production rose by five to 22, of which three were co-productions. Australia's only co-production partner over the past two years has been the UK— three films in 2004/05 and one the previous year. Total investment in Australian feature production decreased by 24.8 per cent to reach A$101.0m ($77.1m) against A$141.0m ($107.7m) the previous year.

More significantly, the average production budget of Australian features dropped by 42 per cent to just A$4.8m ($3.7m) against A$8.3m ($6.3m) the previous year. It should be noted that where low production levels are concerned, an absence of one or two larger budget films can have a dramatic effect on overall and average figures.

The **New Zealand** Film Commission provided funds for three feature films in 2005, with a total investment of around NZ$10m ($6.4m). Following the territory's reputation as a world-class film base, big budget Hollywood blockbusters *King Kong* and *The Chronicles of Narnia* were produced in the territory in 2005 with total production costs of around NZ$400m ($256.1m). The high production costs were inflated by *King Kong*, which has the third highest movie budget ever reported, and one of only five movies produced with a reported budget of over $200m.

DISTRIBUTION

In 2005, 25 per cent of the world's box office was accounted for by just 10 films (see table). They earned over $5.8bn in gross global box office revenues, split between $2.4bn in the US and $3.5bn internationally. Bearing in mind that total global film production stands at just under 4,600 titles, this means that 0.2 per cent of the world's films account for one quarter of box office. It is striking how similar the share taken by these 10 films is in the US, in international markets and in the world market (a range between 24.9 per cent and 26.5 per cent).

The highest global take was the 2005 outing of the *Harry Potter* franchise, *Goblet of Fire*, which earned £892.2m globally—32.5 per cent of which was in the US. This indicates the global appeal of the title. At the other end of the scale lies a film, *Batman Begins*, whose appeal lies mainly in the US, with 55.5 per cent of its take coming from its domestic territory. This suggests the movie underperformed considerably in the international arena.

Three titles stand way above the rest in 2005 in earning power: *Harry Potter and the Goblet of Fire*; *Star Wars: Episode 3*; *The Chronicles of Narnia*. These movies have universal appeal, earning over $700m worldwide.

Among the top 10 global films, the range of takings earned in the US market averages out at 41.9 per cent. The international market therefore accounts for an average of 58.1 per cent of the leading films, which themselves account for 25 per cent of global box office. This highlights the crucial nature of international markets to US studios.

There was a sharp increase in local feature releases in **Australia** to 27—up from 16 the previous year. At the same time the number of film releases from the US dipped to 175, a reduction of 25 films compared with 2004. The market share of Australian films rose slightly from a recent lull in 2004 (1.3 per cent) to 2.8 per cent. But due to the increase in the total number of releases, the average revenue per Australian move edged up by 15 per cent to reach US$0.85m—nonetheless the second lowest total over the past 10-year period.

In **Brazil**, cinema admissions slumped 21.7 per cent in 2005—one of the more severe box office declines around the globe, according to data from local research firm FilmeB. The result is Brazil's lowest cinema attendance record since 2001. Top distributor was Warner Brothers with 20.8 per cent of the market in 2005, whilst top local distributor was Playarte with 6.0 per cent. The market share of Brazilian films dipped to 12.0 per cent, the lowest market share in the past three years. Despite this fall in popularity of local films, the government has decided to maintain screen quotas for local films at the same level as last year.

Local movies in **Hong Kong** suffered their worst year since at least 1995 as a recent low of 55

Top 10 worldwide grosses 2005

	studio	studio ranking	US gross $m	int'l gross $m	total gross $m	US % of global $m
Harry Potter and the Goblet of Fire	Warner Bros	1	290.0	602.2	892.2	32.5
Star Wars: Episode 3	Fox	2	380.3	468.5	848.8	44.8
The Chronicles of Narnia	Disney/Buena Vista	4	291.7	452.0	743.7	39.2
War of the Worlds	Paramount	6	234.3	357.1	591.4	39.6
King Kong	Universal	3	218.1	331.1	549.2	39.7
Madagascar	DreamWorks/UIP	7	193.6	334.8	528.4	36.6
Mr and Mrs Smith	Fox	2	186.3	291.9	478.2	39.0
Charlie and the Chocolate Factory	Warner Bros	1	206.5	268.5	475.0	43.5
Batman Begins	Warner Bros	1	205.3	166.6	371.9	55.2
Hitch	Sony	5	179.5	188.6	368.1	48.8
top 10 total			2,385.6	3,461.3	5,846.9	
Box office totals			8,999.0	13,905.0	22,904.1	
top 10 as % of total gross			26.5	24.9	25.5	41.9

Source: Screen Digest, www.boxofficemojo.com feature releases achieved just 31.4 per cent of the box office. In 2005, there were only two local films in the top 10, led by car racing drama *Initial D*, which was also the number one grossing movie of 2005 with HK$37.8m ($4.9m), according to local industry association MPIA. The results are especially poor compared with 2004, when five local films entered the year's top 10 and local movies recorded 46.0 per cent of the box office.

A total of 731 films were released in **Japan** in 2005, the highest number of releases for 15 years, of which 48.7 per cent were of local origin and went on to record 41.3 per cent of the box office—their highest market share since 1997. Meanwhile, the revenue from foreign films dipped 11.7 per cent to gross 58.7 per cent of the box office, down from 62.5 per cent in 2005. Toho was again the top distributor with 25.0 per cent of the box office, followed by UIP with 12.7 per cent.

There were 57 active theatrical distributors in **South Korea**, releasing a total of 298 first-run movies, of which 83 were of local origin. The average P&A cost of a Korean movie dipped slightly to 1.26m won. Based on admissions data from the capital Seoul, the market share of Korean films reached 55 per cent in 2005, the highest market share achieved in the last ten year period, and a slight increase on 2004. This is in the context of the government reducing the screen quota requirements for local films.

MARKET SHARES

In **Belgium**, local films obtained their highest market share of the box office in at least 10 years with 4.2 per cent of the box office.

An admissions drop of only five per cent put **Denmark** as one of the best performing territories around the world, along with Korea and the UK, in 2005. The common theme among these three is the strong showing of locally produced films. In 2005, Danish titles captured the largest number of admissions since 1981. In all, 31 Danish films and 10 documentaries were released in 2005. Of these, six were in the top 10. The widest release and most successful local title was *Father of Four* (116 screens, 495,614 admissions)—second behind *Harry Potter and the Goblet of Fire*, which attracted 623,656 visits.

In **Germany**, the slump was one of the most severe in Europe, recording the territory's worst theatrical year for a decade. Gross revenues fell by 18.1 per cent. The deficit has been linked to a poor year for both local and US movies. German films recorded a 15.4 per cent share of admissions, down from a high of 23.4 per cent in 2004.

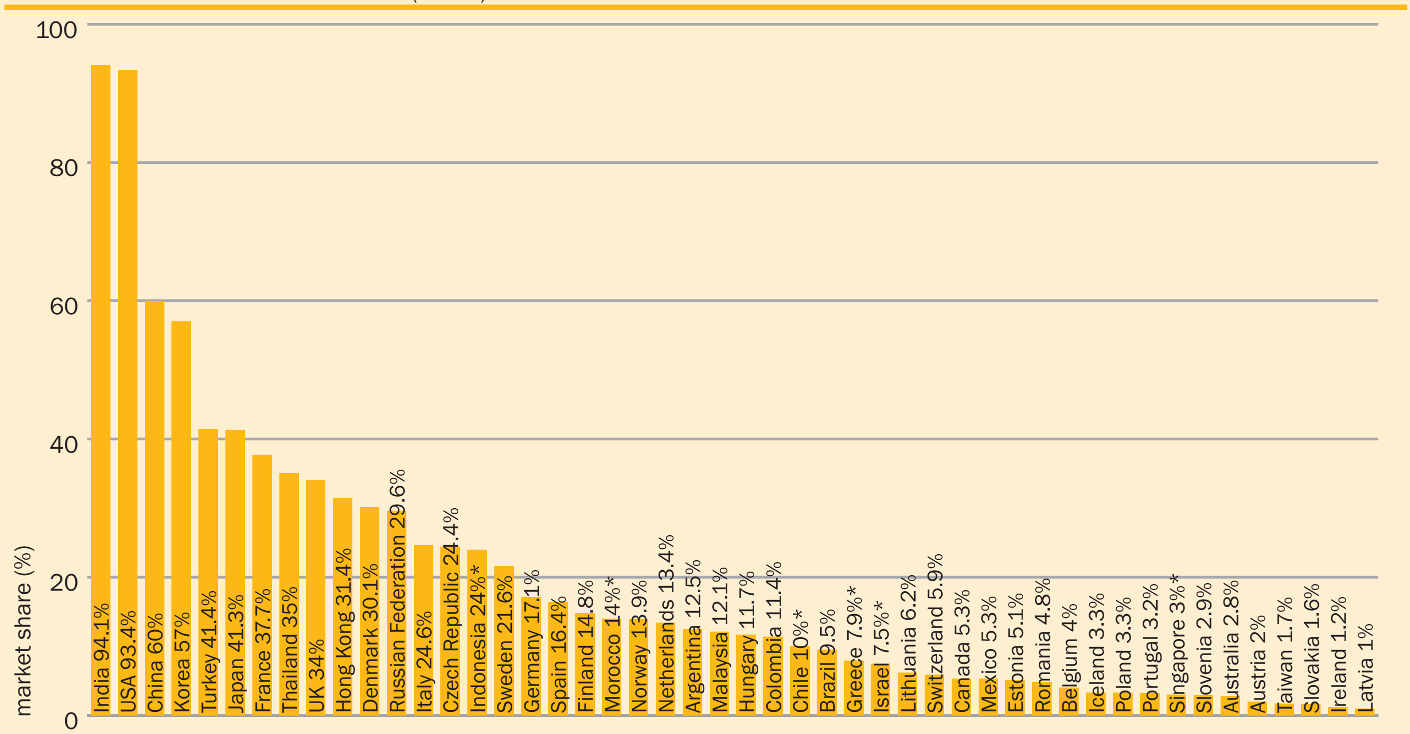
In **Norway**, admissions fell by five per cent, from 11.9m in 2004 to 11.3m in 2005. Norwegian films captured a 14 per cent market share. Top Norwegian film was fifth in the top 10: *Love Me Tomorrow*, with just over 300,000 admissions.

Box office in **Russia** increased by more than 25 per cent to finish 2005 at $311m ($340m including **Ukraine**). Russian growth can be attributed to an increase in multiplex cinemas in the territory, and not necessarily to excellent films.

Poland suffered a dismal year at the cinema. Admissions fell 27 per cent over 2004, from 33m to 24m. Revenues also fell by 28.7 per cent. The total number of admissions for the year's top 10 reached only 8.8m, compared with 16.5m for the top 12 in 2004.

The slump in **Spain** came despite a relatively positive year for Spanish titles, which grossed a 16.5 per cent share, up by three per cent on 2004, although this includes international co-productions *Kingdom of Heaven* and *Sahara*. Top film was *Star Wars Episode III: Return of the Sith* grossing €18.7m, ahead of local comedy *Torrente 3: The Protector* with €17.9m, handled by UIP on a high of 436 copies.

Domestic films' share of local market 2005 (*2004)



Source: Screen Digest

Total box office revenues in the **UK** hit £840.4m ($1.44bn)—a small 0.8 per cent rise in local currency against the £833.0m in 2004, according to Nielsen EDI. The results, which include **Ireland**, represent a new high for gross box office. UK's substantial boost in the fourth quarter was due to a sharp concentration of blockbusters, including those with a dominant UK theme (*Harry Potter* and *Wallace and Gromit*). British films, including US major co-productions with UK, took 34 per cent of the market—up from 23 per cent in 2004—the highest market share for over 10 years.

In **Canada** the market share of local films has risen consecutively over the past five years to hit 5.3 per cent in 2005, up from 4.7 per cent in 2004 and in line with film agency Telefilm's stated target of 5.0 per cent by 2006. The rise in market share for Canadian productions comes despite an 8.6 per cent decline in total box office revenues in 2005. Note that films made in francophone Quebec have significantly more success than those from the English-language provinces. Audiences like to see films in their own language and reflecting their own cultures. It also highlights the power of US major productions in anglophone territories.

First-run releases

	total			*domestic*		*US*	
	2003	*2004*	*2005*	*2004*	*2005*	*2004*	*2005*
Austria	241	289	304	24	29	127	124
Belgium	518	666	700	50	49	215	236
Denmark	151	237	233	19	31	134	122
Finland	147	189	184	13	15	115	99
France	387	559	550	238	236	168	152
Germany	260	430	447	121	146	179	139
Greece		250	257	12	16	160	160
Ireland	126	243	253	8	7	:	:
Italy	330	369	392	104	98	152	:
Luxembourg	144	:	:	2	2	:	:
Netherlands	239	307	:	28	39	151	:
Portugal	190	296	260	21	13	120	99
Spain*	420	517	569	120	128	226	222
Sweden	185	254	237	36	43	134	
UK	395	450	467	93	99	178	189
Iceland	189	:	209	6	3	:	:
Norway	205	234	224	18	22	123	:
Switzerland	:	420	466	40	58	123	:
Czech Republic	131	186	193	21	22	105	:
Estonia	85	141	148	13	8	88	88
Hungary	143	148	220	28	17	79	:
Latvia	:	161	151	3	2	112	90
Lithuania	:	220	220	2	6	163	138
Poland	151	216	224	17	18		
Romania	110	171	178	12	10	114	113
Russian Federation	160	268	:	51	:	:	:
Slovakia	125	172	174	4	6	96	:
Slovenia	192	194	211	4	:	117	110
Canada		409	433	72	83	195	200
USA	370	562	535	350	320	350	320
Argentina	178	:	:	77	69	:	:
Brazil	222	300	288	51	47	154	140
Chile	:	:	:	9	12	:	:
Colombia	:	176	:	7	8	113	:
Mexico	:	265	274	17	25	154	156
China, PDR	204	120	120	100	90	20	20
Cyprus	:	190	190	:	:	:	:
India	:	:	:	934	1,041	:	:
Indonesia	:	200	200	21		120	120
Malaysia	:	245	248	22	20	:	:
Thailand	:	350	0	47	39	159	160
Turkey	:	205	221	18	27	90	77
Hong Kong	471	232	244	64	55	:	:
Japan	610	649	731	310	356	152	155
Korea, Rep [S]	:	268	279	74	83	119	113
Philippines	:	:	:	60	40	:	:
Singapore	:	:	:	3	6	:	:
Taiwan	422	280	:	7	25	:	:
Israel	:	180	200	16	14	149	:
Australia	253	318	329	16	27	200	175
New Zealand	:	210	:	4	5	:	:

Source: Screen Digest

MARKETING

Spending on film marketing by **UK** distributors rose by 5.8 per cent in 2005 to reach £300m ($521.7m). UK's Film Distributor Association (FDA) figures show that of this, spending on prints and trailers rose two per cent to $127m ($220.7m) and media advertising spend rose by 4.6 per cent to reach £165.8m ($290.3m), of which 75 per cent was spent on TV spots and outdoor posters. Further spending on premieres and publicity takes the total to just over £300m. P&A spend therefore makes up over one third of gross box office revenues (38 per cent of UK's take of an estimated £776m). Figures from tracking specialist Nielsen EDI show that 467 films were released into the market in 2005, which makes an average P&A spend per title of £0.65m ($1.1m).

In a difficult year for cinema in the **USA** in 2005, distributor spending on P&A (prints and advertising) costs rose in key markets, as distributors attempted to squeeze maximum revenues out of what some regarded as a poor product slate.

In the US, MPAA members' marketing costs rose by 5.2 per cent to $36.2m per release (from $34.4m in 2004)—still less than the all-time high of $39m per release registered in 2003. The marketing spend of MPAA member affiliates and subsidiaries, including the specialty divisions of studios, rose by 33 per cent to reach $15.2m (from $11.4m). The negative costs (production costs) of affiliate members dropped by 19 per cent (having fallen 38 per cent between 2003 and 2004), indicating a shift in emphasis from production to marketing.

Among studios, 36 per cent of ad spend went to television—down from 42.3 per cent in 2001. Other media and other non-media are on the rise: cable TV, radio, billboards, promotion and publicity and market research. For affiliates, 21.7 per cent of ad spend went on network TV, down from 42.8 per cent in 2001, whilst spot TV rose from 3.2 per cent in 2001 to 12.6 per cent in 2005. Other media went from 9.9 per cent of ad spend in 2001 to 23.3 per cent in 2005.

Internet/online spend has grown from 0.4 per cent in 2001 to 2.5 per cent in 2005. The severe drop in TV spend and rise of online and other media suggests that affiliates are looking to be more creative with their marketing spend because their films are so-called specialty in nature and require a more targeted approach to reach an audience other than mainstream studio fare.