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Global trade redefined: Entertainment and media

Dealing with tariff uncertainty

July 2025

This report has been developed in collaboration with the Strategy& team, PwC's global strategy house. Together, we transform organisations by developing actionable strategies that deliver results.

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Ref: *Accessing the situation and What could happen next*

Introduction

The UK entertainment and media sector has continued to grow strongly, despite a backdrop of market headwinds that include limited ad budgets, high inflation, consumer pressures and wider uncertainty.

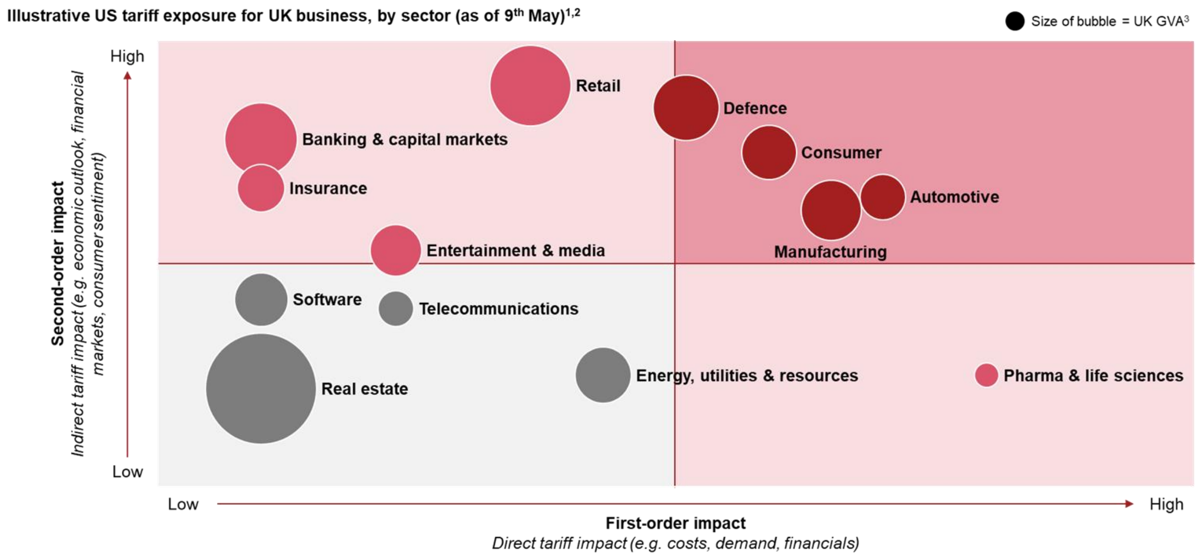
It would be easy to conclude that the sector can continue to weather the impact of changing global trade dynamics - particularly given less direct impact from the introduction of US tariffs, reciprocal tariffs and ongoing bilateral negotiations relative to other sectors of the UK economy (e.g. automotives and pharmaceuticals).

However, an environment of lower global economic growth, delays to decision making, and global trade rebalancing threaten to put additional pressure onto a sector that is already under strain in many parts.

Businesses in the sector will need to continue to show high levels of agility and flexibility as end markets are disrupted and be prepared to do ‘more with less’.

Some common industry actions:

1. Assess first-order impact versus second-order impact
2. Understand variation by sector within an industry and interdependencies across industries
3. Adopt a mix of ‘no regret moves’ in the short term and strategic choices in the longer term
4. Identify both risk mitigants and growth opportunities
5. Embed ongoing resilience to respond to geoeconomic shocks



Notes: 1. Estimated tariff impact assumes measures stay in place for a prolonged period, in line with Strategy&’s ‘Break and reorder’ scenario; 2. Featured sectors account for c.60% of UK GVA (Gross Value Added); 3. Estimated 2024 GVA based on ONS data

Assessing the situation

On 2 April 2025, the US administration announced a sweeping package of tariffs on imported goods. This marked the beginning of a tumultuous period, during which sector-focused tariffs have been implemented, pauses have been extended, and tariff letters have been issued. Businesses continue to face a materially more volatile and uncertain global trading environment as a result.

What happened on 'Liberation Day'?

An Executive Order introduced a dual framework of US import restrictions: (1) broad-based 'baseline' tariffs; and (2) targeted 'reciprocal' measures. The UK was subject to the 10% baseline rate, while other partners were subject to much higher rates.

These tariffs sat alongside a number of product-level distinctions (e.g. automobiles, steel, and aluminium), and exemptions (e.g. pharmaceuticals and critical minerals).

Activity in overdrive

On 9 April, reciprocal tariffs were paused for 90 days - creating a window for intense diplomatic engagement between the US and its main trading partners.

As only three 'agreements' were reached within the initial 90-day window, this pause has since been extended to 1 August. This extension was announced alongside the issuance of formal 'tariff letters' which confirmed and, in some cases, revised rates.

While these letters provided clarity, they have also sparked new complexities. Some countries such as Japan and Brazil saw steep increases, while others received conditional relief. Countries must now consider how to respond, either through acceptance, retaliation, or renewed deal-making efforts.

It remains unclear exactly what will happen next as we pivot from a predictable trading environment into uncharted territory, but it is evident that **global trade is being redefined**.

Extended fragmentation

While the initial focus has been on goods, trade disruption is likely to spill into other domains. For instance, some service sectors may see sharper regulatory divergence, while others trend towards regionalisation.

Labour mobility, too, is under pressure. Migration constraints and shifting geopolitical alliances are limiting access to global talent pools, while heightened restrictions on knowledge exchange and capital flows risk slowing innovation - particularly in sensitive areas like AI and tech.

These shifts may feel abstract for UK businesses, but they carry real implications. Fragmented capital markets could restrict cross-border investment, divergent data standards might hinder digital growth, and scaling innovation across borders may become more challenging.

Businesses that once optimised for cost and efficiency must now account for robustness and agility - embedding **resilience** as a guiding principle across supply chains, partnerships, and talent strategies.

Organisations must adapt to this redefined world, with success likely to belong to businesses that can bridge the divides that others can't yet see.

> "Trade is the hinge between economic theory and political reality. When it swings, the whole house can shake."
>
> **Barret Kupelian,** Strategy& and PwC UK Chief Economist

What could happen next

The contours of a new trading system

While US trade policy remains volatile, there are three defining themes which we expect will underpin the future path. Most notably, it is our view that stronger protectionism will be a guiding principle for the US - a stance which may continue to evoke retaliatory action across the globe.

As the direction of trade policy becomes clearer, businesses must shift from reactive decisions to long-term strategic planning. This means developing investment strategies, risk management frameworks, and supply chain designs that build resilience against potential future changes.

US protectionism is here to stay

Enhanced US protectionism is likely to remain for a number of reasons:

Political sensitivity – the White House has framed the tariffs as a national security issue, making it difficult to roll back policy.

Tax revenue – tariffs may generate up to 6% of total US federal income in 2025.[1]

Business backlash – businesses that have adapted operations in response to tariff announcements would be stung by policy U-turns.

New measures – even if the US decides to move beyond tariffs, other protectionist measures such as domestic subsidies or local content requirements, may be considered.

Shields will vary by sector

Policy specifics will evolve over time, but the US is likely to ‘shield’ particular sectors:

Tariffs will focus on industries where the US sees domestic opportunities, such as steel, automotives, and semiconductors.

Priority industries are likely to evolve over time, as the US administration better understands domestic capability and international reliance.

The US is open to carving out exemptions for partners who are willing to negotiate, as illustrated by the trade agreement reached with the UK.

Policy will remain dynamic and unpredictable

US policy will continue to evolve at pace, and is likely to remain somewhat unpredictable:

Dynamic – the US weighted average tariff rate has fluctuated through 2025, with continued volatility likely.

Unpredictable – ongoing Section 232 investigations into steel and aluminium hint that fresh measures could drop without warning.

Escalating – if threats towards trading partners such as Brazil, Mexico, and the EU materialise, the US weighted average tariff rate could climb to c.35% by 1 August 2025.[2]

Less credible – some Wall Street commentators have viewed US announcements as negotiation tactics rather than true policy direction, with policy credibility further eroded with each cycle of delay and de-escalation.

Notes: (1) January 2025 Congressional Budget Office projections – prior to the announcement of Liberation Day tariffs (2) US weighted average tariff rate reflects the average tariff imposed on goods imports to the US, considering both country-specific and sector-specific rates due to be implemented on 1 August. **Sources:** WITS, the Budget Lab at Yale, Reuters, Congressional Budget Office

Taking stock of tariffs

Understanding the impact on the entertainment and media sector

A sector already facing headwinds is reckoning with increased input costs from cross-border tariffs, and a wider impact from second-order effects suppressing budgets and confidence across end-customer markets.

01 **Advertising budgets challenged in affected end-sectors**
Brands from more directly affected sectors, such as consumer and automotive, may look to scale back advertising budgets in the short term. Ad-supported business models, such as broadcasters and online platforms with exposure to these end-sectors, are potentially vulnerable in this climate.

02 **Higher input costs for content production**
Content production sectors such as film and television face some direct impacts. These businesses often rely on imported production equipment or operate under fixed-price contracts with US-based suppliers/clients. They are exposed to higher input costs, changing inflation rates, with limited ability pass through potential.

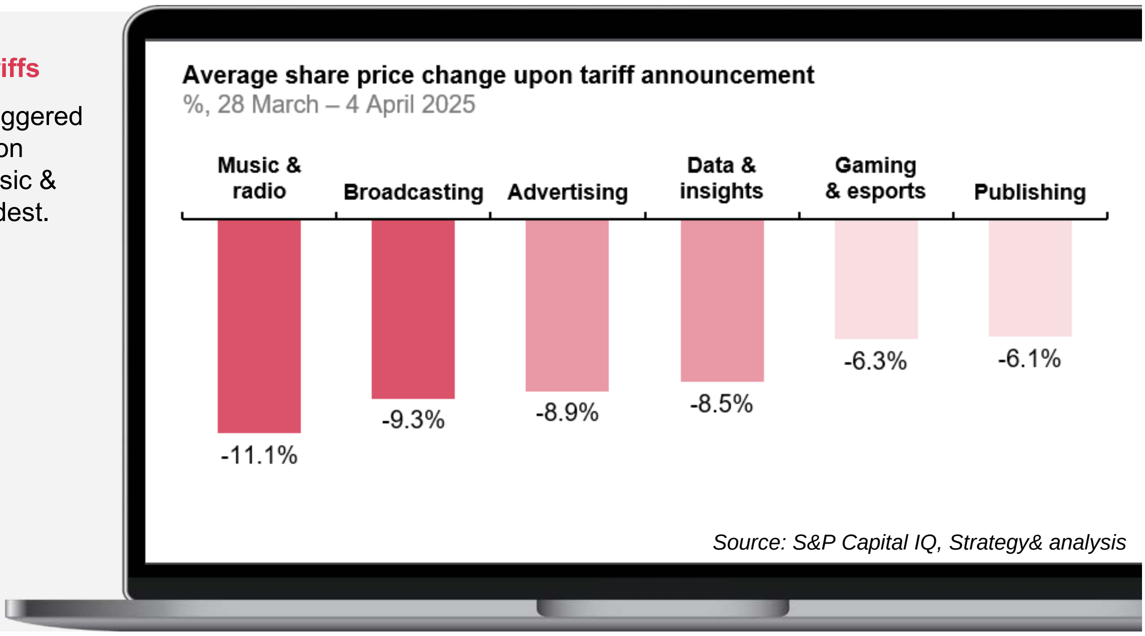
03 **Additional risk from global Goods and Services Tax (GST) disputes**
The threat of a Digital Services Tax (DST), while not part of the original tariff announcements, remains a latent risk. Although currently dormant, a re-emergence of this issue could introduce further complexity, especially given the cross-border nature of most digital platforms.

04 **Uncertainty in financial markets leading to short-term pause in capex heavy decision making…**
Wider volatility and uncertainty is leading to short-term delays in decision making, as businesses look to take stock and see the full impact of uncertainty, impacting all elements of the industry value chain.

05 **...but accelerating the business case to invest in GenAI to support defensibility and resilience**
Organisations are seeking to manage their cost base and drive efficiencies to manage margins and navigate any potential slowdown. GenAI presents opportunities to do this across the industry (e.g. production processes, content generation, advertising execution, back office efficiencies).

Public market reaction to tariffs

The announcement of tariffs triggered a negative stock market reaction across media sectors, with music & radio and broadcasting hit hardest.



Taking stock of tariffs

Understanding the impact by entertainment and media sub-sector

Some entertainment and media sub-sectors are more exposed than others, reflecting their end-market exposure and wider resilience of that spend for customers.

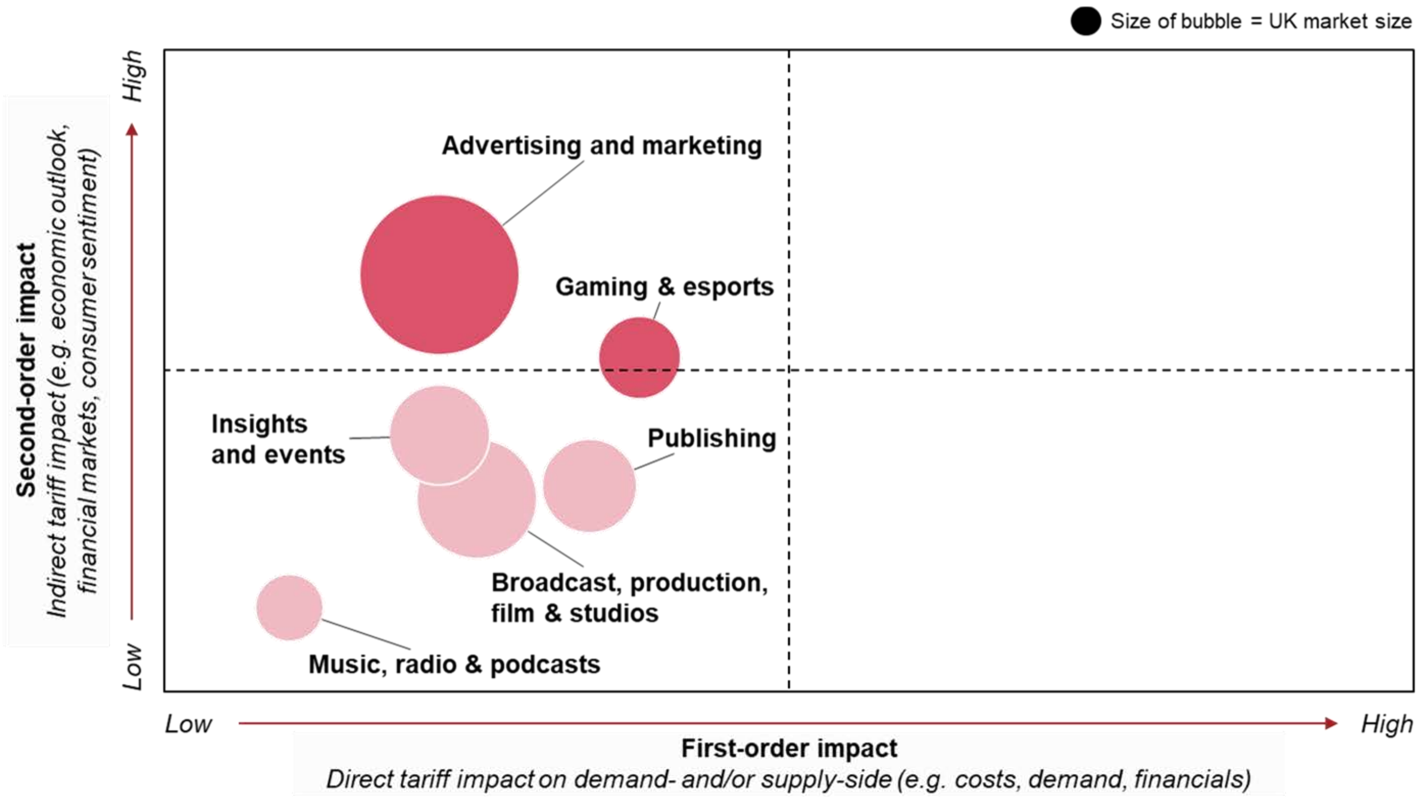
Advertising and marketing spend is impacted by business confidence and may see a slowdown within challenged end sectors. This could result in a shift to more innovative, low-cost campaigns, and focus on channels with greater certainty on delivering RoI for brands.

Console video games are often tied to hardware release cycles. This is likely to be impacted as some hardware launch schedules are changed due to complex, cross-border supply chains and higher end-customer price points.

Broadcast and film studios may face greater equipment costs from imposed tariffs, while broader protectionist policies and trade barriers may require an increased focus on locally produced and culturally relevant content. Adoption of AI in content generation may accelerate as they seek efficiencies.

Insights and events: Insights providers may benefit from heightened demand for knowledge and clarity given volatility (offset by any end market slowdown). Events may benefit in the short term from customers seeking alternative suppliers as they reassess their supply chains.

Illustrative impact of US tariffs by entertainment and media sub-sector



Taking stock of tariffs

Assess the impacts and short-term actions

Tax and operational assessment

While the medium to long-term structural impact on the entertainment and media sector may ultimately be significant, such shifts are likely to unfold gradually. Any operational responses or strategic interventions will need to be carefully phased over time. In the near term, however, the immediate priority should be to thoroughly assess and quantify the tariff implications from a tax and operational perspective. The following actions can be taken now and may have a meaningful impact on your business's overall exposure.

01 Conduct/validate impact assessments, including understanding the physical product/material flows.

02 Review eligibility for tariff exemptions and exclusions, for example goods in transit before 12.01am EDT on 5 April 2025.

03 Understand the country-of-origin rules and place where goods are substantially manufactured.

04 Understand the value build up of the price to ensure the custom value is correct and review cost components.

05 Consider from a transfer pricing perspective that intercompany product pricing is correct and that any revised pricing (of product or wider services) adheres to the arm's length principle (and aligns with customs considerations).

06 Consider the US specific valuation principles.

07 Review contracts to confirm whether they include a tariff cost adjuster/escalator in terms of cost.

08 Consider the impact on any changes to the above on the income tax position in the US and other jurisdictions.

Navigating the potential fallout

Actions you should take

Entertainment and media businesses need to prepare for a new world order which is characterised by regional power blocs, state capitalism and bilateral relations. This transition will create geopolitical volatility in the short term and global trade realignment in the medium term.

Businesses can make some ‘no regret moves’ now to mitigate initial risks to margin and more structural changes to transform the business model – that collectively embed resilience to counter any geopolitical shocks (tariffs or otherwise).

	Short-term ‘no regret’ moves	**Medium-term strategic moves**
Themes	Absorb initial shock from US tariffs and navigate geoeconomic volatility	Make structural changes to future-proof business against global trade realignment
Sourcing and supply chain	• Review and understand the value chain and the potential impacts of tariffs and economic policies on production costs, supply chains, and margins, and identify areas where costs can be cut or efficiency improved.	• Examine where supply chains can be shifted locally, such as through partnerships with local production houses. • Examine potential to leverage GenAI within content production workflows.
Product and geo portfolio mix	• Review pricing levels for products/services (subscriptions, purchases, advertising fees) • Consider short-term incentives to ensure that (i) key clients continue to spend and (ii) key suppliers can deliver core services	• Assess health of end-markets and revenue streams, and consider diversification from the US market • Explore expansion into other territories or open up new channels and partnerships
Financial and liquidity	• Manage any working capital risk associated with supply chain disruption. • Pre-empt refinancing and credit requirements.	• Review and adapt contracting and legal agreements, and ensure the robustness of clauses that can handle tariff impacts • Reset margin and cash thresholds under new global trading regime.
Overall	• **Rapid tax impact assessment** • **Scenario planning** • **Risk mitigation**	• **Sources of defensible and scalable differentiation** • **Business model transformation**

“

The secondary effects of tariffs are going to exacerbate issues that media businesses have been facing for a while - but there is an opportunity to navigate through the disruption by building agility and flexibility.”

Ben Bird, PwC UK Media and Entertainment Sector Leader

Key contacts

Contact us to discuss how best to respond to the changing rulebook for global trade.

Mary Shelton-Rose

PwC UK Leader of Industry for Technology, Media and Telecommunications

maryshelton.rose@pwc.com

Ben Bird

PwC UK Media & Entertainment sector leader

ben.bird@pwc.com

Dan Bunyan

Strategy& Technology, Media and Telecommunications sector leader

daniel.j.bunyan@pwc.com

Mike Emes

PwC UK Entertainment & Media Tax Leader

michael.emes@pwc.com

Barret Kupelian

Strategy& and PwC UK Chief Economist

barret.g.kupelian@pwc.com

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