
The British Art Market 2017

An Economic Survey
prepared for
The British Art Market Federation
by Arts Economics

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The UK's Place in the Global Market

The art market represents a sector in which the UK has excelled.

The UK was the second largest market worldwide in 2016, with a 21% share of all global art and antique sales by value.

The UK dominated the EU art and antiques market in 2016 and accounted for 62% of the value of all EU sales.

Figure 1 The UK's Global Art Market Share

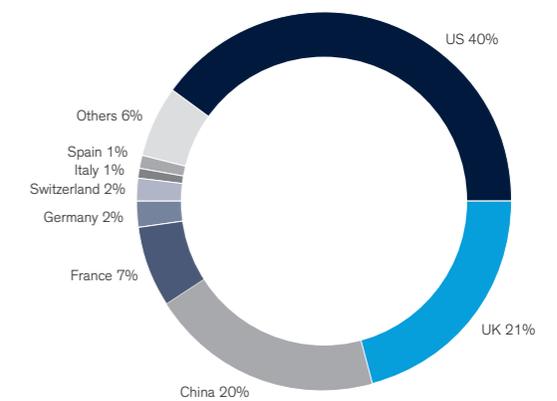


Table 1 Global Share by Value of Major Art Markets 2014 – 2016

	2014	2015	2016
US	39%	43%	40%
UK	22%	21%	21%
China	22%	19%	20%
Rest of World	17%	17%	19%

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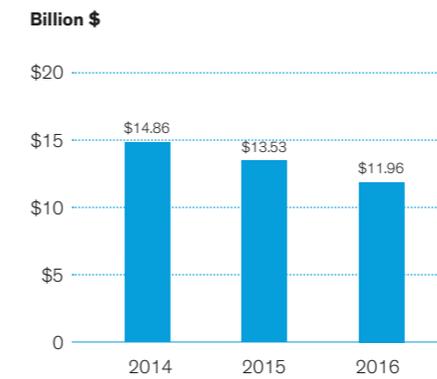
In 2016, the overall value of all sales in the British art and antiques market was just under \$12 billion (£9.2 billion).

This represented a 19% decline from 2014 in US dollar terms, but the decline was roughly on par with the trend in global sales, which fell by 17% from their peak of \$68.2 billion in 2014 to \$56.6 billion in 2016.

Nonetheless, in the decade between 2006 and 2016, while global sales values have advanced by 4%, sales in the UK have fallen by 18%.

The largest declines in 2016 were in the auction sector, which fell in value by almost 30% in US dollar terms, while dealer sales appear to have been more stable, rising 3% year-on-year.

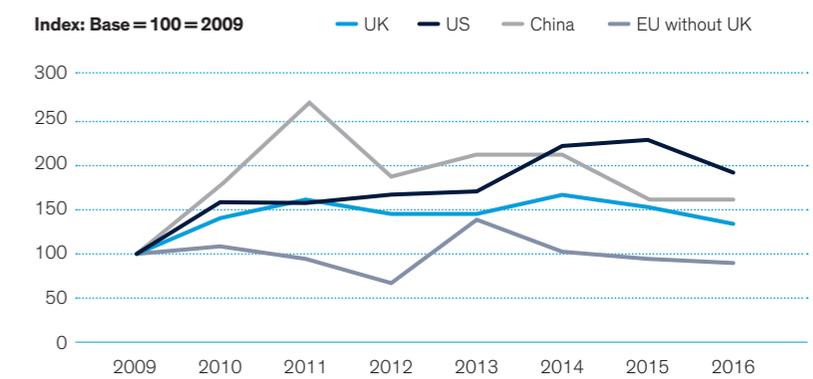
Figure 2 Total Sales in the British Art and Antiques Market 2014 – 2016



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Note: The accepted currency for measurement of the global art market is the US dollar, however exchange rate fluctuations do influence reported results. When measured in Pound Sterling the market was stable year-on-year in 2016, and declined 2% in value from 2014 (when it reached £9.4 billion).

Figure 3 Growth in the Value of Sales



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The UK's Status as a Global Art Market Hub

The global art market is dominated by regional hubs, which account for the majority of all art sales.

The three dominant market hubs are the US, UK and China, which together accounted for 81% of the value of all art sales in 2016.

Smaller, domestic art markets tend to have a high volume of sales at lower values.

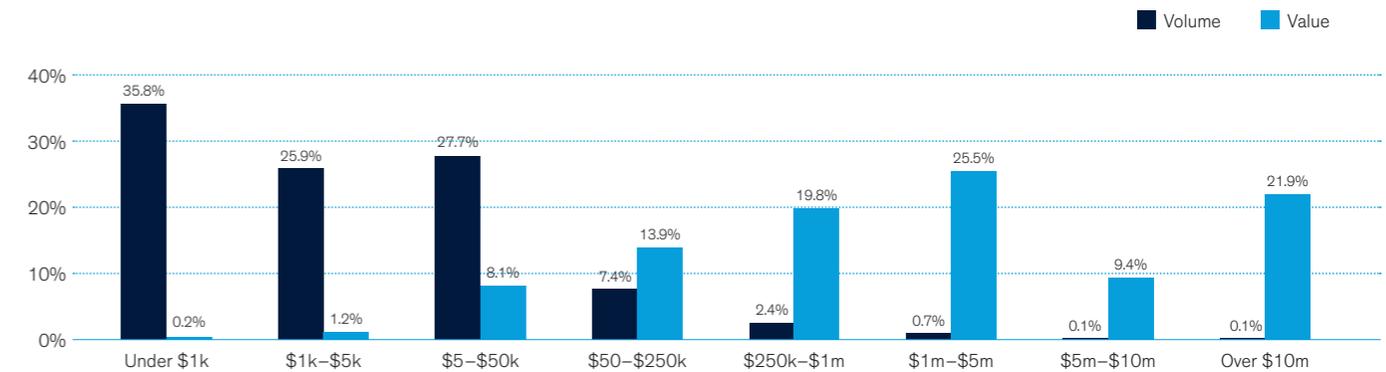
The dominance of higher priced lots is most evident in larger art markets such as the UK and the US, where lots over \$1 million make up the majority of values.

In order for the UK to maintain its status in the global art market it must attract the highest priced art available for sale worldwide by providing the most favourable and most competitive conditions.

Fine art (paintings, drawings, prints and sculpture) dominates the art market, accounting for 64% of all sales by value in the UK in 2016. The analysis of fine art sales at auction in Figure 4 demonstrates the significance of high value art sales to the British art market. (For a breakdown of the fine art market by sector see pages 16–21.)

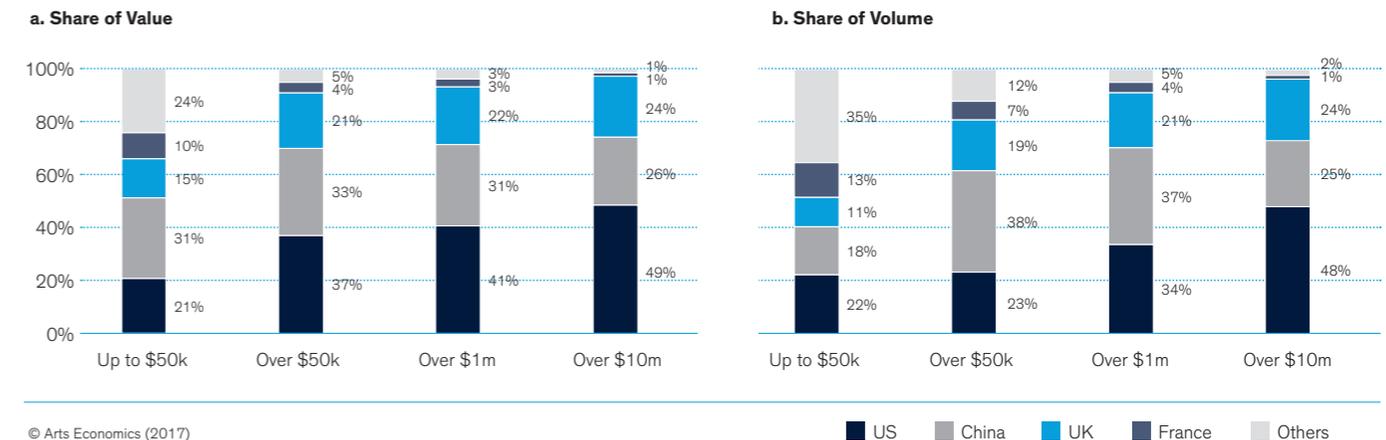
In the UK, although 89% of the volume of all transactions in the market was accounted for by works priced at less than \$50,000, they made up just 10% of the value of all sales. 90% of the overall value of the market was accounted for by individual sales of over \$50,000. Works priced at over \$1 million represented a 57% share, despite accounting for just under 1% of the number of individual transactions.

Figure 4 Value and Volume of Sales at Fine Art Auctions in the UK in 2016



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Figure 5 Global Share of Fine Art Auctions by Price Level



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■ US ■ China ■ UK ■ France ■ Others

For individual sales over \$1 million, the UK accounted for a 22% share by value and 21% by volume of the world market. Within the EU as a whole, 81% of the number of transactions at this level in 2016 were in the UK and an 87% share by value.

Figures 5a and 5b demonstrate the importance of high value sales to the leading global art market centres, the US, the UK and China.

In the market for works priced below \$50,000, the US, UK and China accounted for a 67% share by value and 51% of all individual transactions. However in the market priced over \$1 million, their combined share rose to 94% (by value) and 92% (by volume).

For individual sales over \$1 million, the UK accounted for a 22% share by value and 21% by volume of the world market. Within the EU as a whole, 81% of the number of transactions at this level in 2016 were in the UK and an 87% share by value.

For individual works sold for over \$10 million, the UK accounted for a 24% share by value and volume in 2016.

Only 2% of the total value of auction sales over \$10 million took place outside the top three markets, and just 3% of all individual transactions.

Within the EU as whole, the UK accounted for 91% by value and 89% of all individual transactions above \$10 million.

3

The Importance of Cross Border Trade to the UK Art Market

In order to maintain its position, it is necessary for the UK to attract the highest value works of art available for sale at any one time in order to create a critical mass of art and antiques to attract international buyers. Imports into an entrepôt market such as the UK are therefore driven by the existence of the market itself as a centre for trade.

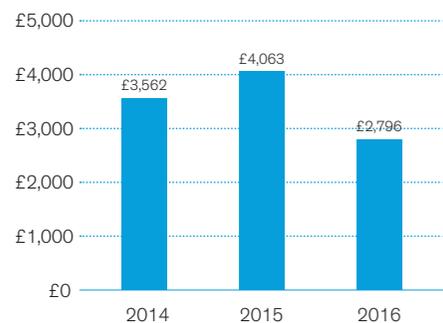
HMRC records indicate the vital importance of cross border trade to the UK art market.

The value of art imports has varied between £2.8 billion and £4.1 billion in the past three years.

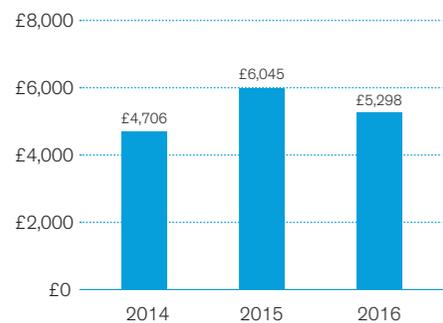
Exports have ranged between £4.7 billion and just over £6 billion.

Figure 6 Cross Border Trade in Works of Art and Antiques from the UK

a. Imports (£ million)



b. Exports (£ million)



© Arts Economics (2017) with data from HMRC

Although HMRC's official figures suggest that the bulk of the trade both in and out of the UK by value is with countries outside the EU, with just 16% of imports into the UK coming from within the EU, and just under 3% of exports destined to countries within the Single Market, this picture is incomplete.

HMRC statistics understate the extent of intra-EU trade, because many EU sales under the VAT margin scheme are not necessarily recorded.

Additional research carried out in the auction sector in 2016 showed that while the US was the most important trading partner by value, for some of the major auction houses, consignments from EU member states accounted for up to 25% of their UK sales on average, while up to 20% of their exports were destined to EU buyers. In the dealer sector also, the main dealer associations reported that on average between 10% and 22% of dealers' purchases for subsequent sale were made in the EU, and EU purchasers accounted for 15% – 20% of all their sales.

4

The Art Market's Contribution to the UK

The British art market makes a substantial contribution to the economy in terms of the high-value jobs and skills it generates.

Employment

In 2016 there were over 7,580 businesses operating in the British art market, directly providing an estimated 41,700 knowledge-intensive and gender-balanced jobs.

Ancillary Expenditure

The British art market also creates substantial revenue and jobs through a range of support services and ancillary businesses used by the trade, many of which are specialised services that would possibly not exist without it. Skills such as conservation and restoration are fostered by the art trade, and have developed into specialised industries of their own, with their own academic and training infrastructures. Although insurance, packing and shipping are used in many industries, the art market has spawned the development of high value, niche businesses to cater for the specialised needs of buyers and sellers of art.

In 2016, auction houses and dealers spent over £3.3 billion on specialised services in ancillary industries, including art fairs, packing and shipping, conservation and restoration, advertising and marketing, IT and others.

It is estimated that this expenditure directly supports a conservatively estimated 94,710 further jobs in the economy.

The art market contributed £1.46 billion to the UK economy in 2016 through taxes and levies paid to the Exchequer on sales, trade, incomes and profits.

Fiscal Contribution

The art market contributes to the UK economy through taxes and levies paid to the Exchequer on sales, trade, incomes and profits. These amounted to an estimated £1.46 billion in 2016. It is worth noting that the fiscal contribution of the art trade has grown at more than double the rate of underlying sales since 2013: sales in the art market increased in value by 15% between 2013 and 2016, whereas the contribution made through taxation increased by 22%.

Table 2 Estimated Fiscal Contribution from the Art Trade in 2016 (£ million)

Year	Total	Corporation Tax	Net VAT ¹	Income Tax
2016	£1,462.2	£607.9	£414.7	£439.6

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¹ Net VAT is VAT on sales less input taxes plus net import VAT. In estimating import VAT, estimates were used in the past based on extra-EU imports. The estimates in Table 2 are based on actual import VAT collected in 2013 and 2016 as reported directly from HM Treasury. In 2016, just under £50 million in import VAT duties were collected on works of art in the UK. Given that there was a reported £2,795 million in imported art from outside of the EU, this implies that over 60% of the art imported was imported under temporary import admission conditions or in some other way that exempted them from duties.

The art market attracts high value inbound visitors to events such as art fairs, major auction sales and exhibitions, who spend much more than average tourists.

The Art Market as an Attraction for Foreign Visitors

The art market has many positive links to other high-value sectors of the economy, notably the tourism industry, with cultural tourism estimated as accounting for around 40% of the UK tourism sector in 2016. The tourism industry is estimated to account for over 7% of the UK's GDP with revenue receipts of over £127 billion.²

Cultural industries generally play a key role in promoting cities as destinations for such cultural tourism.³ The art market attracts high value inbound visitors to events such as art fairs, major auction sales and exhibitions, who spend much more than average tourists.

Apart from their economic contributions, art fairs, major auctions and exhibitions provide cultural benefits by bringing great works of art to the UK that would not otherwise be seen here.

² Figures from 2015 from Tourism Alliance (2016) *UK Tourism Statistics 2016*.

³ Cultural industries generally are being increasingly recognized as one of the dominant sectors for future economic growth, and have already significantly surpassed older, less knowledge-intense industries such as manufacturing in critical areas like job creation. Recent studies of cultural and creative industries have estimated that these now account for 3% of global GDP and employ 1% of the world's active population. See Ernst and Young (2015) *Cultural Times* (published in December 2015).

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An Examination of Art Sales by Sector

In 2016, over half the value of sales in the British art market were in the Post War & Contemporary and Modern sectors.

Sales by Sector

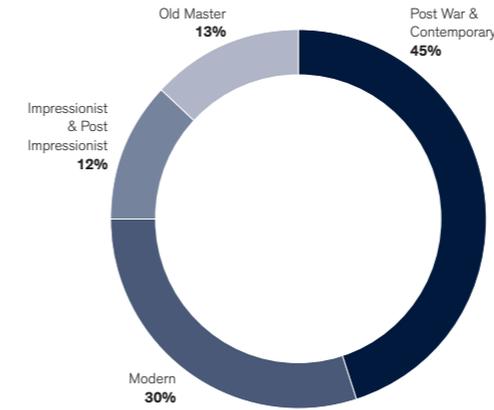
Sales in the art market are divided into those related to Fine art, which includes paintings, sculptures and works on paper (including watercolours, prints, drawings and photographs); and Decorative art, which includes furniture and decorations (in glass, wood, stone, ceramic, metal or other material), couture, jewellery, ephemera and textiles.

The fine art sector dominates in terms of values and accounted for close to 64% of all sales by value in the UK in 2016.

Given the significance of the fine art sector, the analysis in this section looks at the sectors that comprise the fine art market.

While both dealer and auction data is used to research trends within the market and estimate total sales, precise analyses of prices and individual sales within sectors of the art market relies primarily on auction data, which provides the only large scale, global and publicly available information on individual transactions. The sectoral analysis that follows is based only on auction results.

Figure 7 Sales by Sector in the UK Fine Art Auction Market (Share of Value)



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Within the art market there are many different definitions of the various sectors of the market. To provide a consistent analysis, it is necessary to delineate the sectors based on specific criteria, which include an artist's date of birth, the date of creation of their works and also the importance of artists to a particular movement. For this analysis by sector, the following definitions are used:

Post War & Contemporary, defined as artists born after 1910. (Leading artists in this sector whose work was sold in 2016 included Jean-Michel Basquiat, Andy Warhol and Francis Bacon.)

Living artists, defined as artists alive in 2016, which are analysed as a sub-set of the Post War & Contemporary sector. (These include artists such as Gerhard Richter, Jeff Koons and David Hockney.)

Modern, defined as artists born between 1875 and 1910. (These include artists such as Pablo Picasso, Amedeo Modigliani, and Marc Chagall.)

Impressionist and Post-Impressionist, which are defined as artists born between 1821 and 1874. (These include artists such as Claude Monet, Edvard Munch and Henri Matisse.)

Old Masters, defined as artists born between 1250 and 1821. This sector covers artists of all nationalities and includes Chinese Masters (such as Ren Renfa, Wu Zhen and Wang Duo) alongside all other Old Master painters.

European Old Masters, defined as Old Master artists of European origin, which are analysed separately as a sub-set of the Old Master sector. (These include Peter Paul Rubens, John Constable and Rembrandt.)

With a share of 45%, Post War & Contemporary art remained the largest sector of the fine art market in the UK.

In the UK fine art auction sector, Modern and Post War & Contemporary art accounted for a 75% share of sales by value in 2016, a percentage which reflects the global market as a whole. Considering both dealers and auctions, these two sectors represented just over half of the value of the UK art market in 2016.

While **Post War & Contemporary art** remained the largest sector of the fine art market in the UK (with a share of 45%), after two years of growth from 2013 to 2015, sales declined significantly in 2016 (by 32%) to \$976 million. Worldwide, sales in this sector also fell in 2016 by 18%. Sales in this sector in the UK are now 37% lower than their peak in 2008 of \$1.6 billion.

The UK's share of global sales in the Post War & Contemporary sector fell 3% in 2016 to 14%, and has declined ten percentage points since its high point in 2008 of 24%.

However, the UK is by far the largest Post War and Contemporary market in the EU, accounting for 65% of the value of sales and 24% of all transactions in 2016.

Within the Post War & Contemporary art sector, sales of work of living artists at auction accounted for 20% of total sales in UK fine art auctions in 2016 (or 44% of the Post War and Contemporary sector by value). Sales in this sub-sector reached \$434 million in 2016, a decline of 41% year-on-year (against a global decline of just 7%).

The UK accounted for 19% global share of the value of living artists sales at auction in 2016, down from 30% in 2015.

Within the EU, the UK accounted for the largest share of sales, with 72% by value and 30% by volume in 2016.

Modern art was the second largest sector with a share of 30% of sales in the fine art auction market in the UK in 2016.

The analysis above includes auction sales only. It is important to note that, apart from a few very rare exceptions, auction sales represent transactions in the secondary or resale market only. The primary market is also an important and high value segment of the market, and includes sales of new works by artists and their dealers to the market for the first time. Sales in the primary market are, however, almost always conducted by dealers and the artists they represent. These sales are therefore not represented in the fine art auction data.

Modern art was the second largest sector with a share of 30% of sales in the fine art auction market in the UK in 2016. Sales in this sector also declined by 27% year-on-year to \$631 million, and are 35% below their peak in 2008. Modern art sales globally fell by 43% in 2016.

The UK accounted for 25% of the value of sales of Modern art at auction globally in 2016, an increase in share of 6% year-on-year. However this global share has also declined by 10% since 2008.

Within the EU, the UK accounted for 70% of the value of sales of Modern art in 2016 and 24% of the number of transactions.

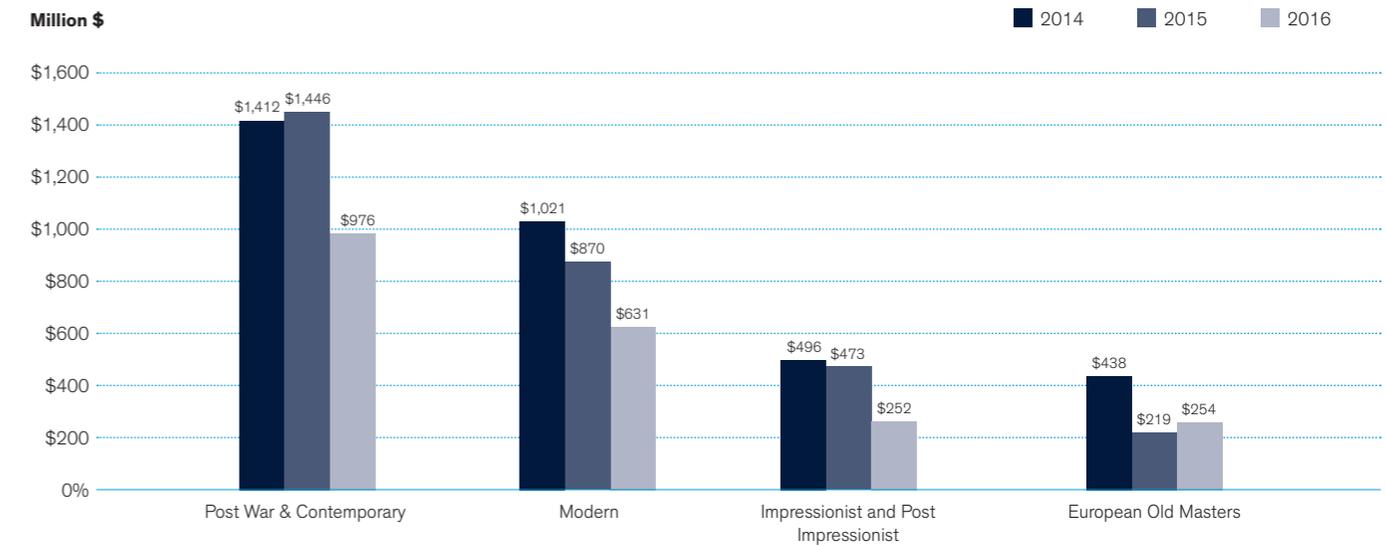
Sales of European Old Masters increased in the UK by 16% in value in 2016, by far the best performing of the fine art sectors.

European Old Masters dominate the Old Master sector in the UK, accounting for 94% of the value of Old Master sales in 2016, with only 6% of sales accounted for by non-European artists.

The UK was the largest sales centre for European Old Master works at auction in 2016 with a share of 43% (up 4% year-on-year). Sales of European Old Masters increased in the UK by 16% in value in 2016, by far the best performing of the fine art sectors.

The UK also has the highest share of sales in Europe in the sector, accounting for 71% of the value of EU sales of European Old Master works and 40% of number of lots sold.

Figure 8 Sales in Sectors of the UK Art Market 2014–2016



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