

music

CHINA

International Exhibition for Musical
Instruments and Services
中国(上海)国际乐器展览会



INTEX

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Market Information:

Overview of Chinese Market Development in Musical Instruments

International Exhibition for Musical Instruments and Services

Shanghai New International Expo Centre (SNIEC), Shanghai, China

10 – 13 October 2019

Should you need more information, please contact:

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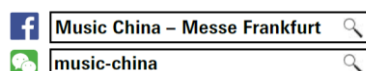
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Economic Highlight¹

- China's GDP grew by 6.8% and 6.7% in the first and second quarter of 2018 respectively. In the third quarter of 2018, GDP increased by 6.5%.
- Fixed assets investment grew by 5.9% between Jan-Nov 2018, slightly up from 5.7% between Jan-Oct 2018.
- Retail sales raised by 9.1% between Jan-Nov 2018, slightly down from 9.2% between Jan-Oct 2018.
- In November 2018, exports (in terms of US dollars) went up by 5.4%, while imports (in terms of US dollars) increased by 3%, resulting in a trade surplus of US\$44.8 billion.

Key Market Indicators

Major Economic Indicators	2017		Jan-Nov 2018	
	Value	Growth (%)	Value	Growth (%)
Gross Domestic Product (in RMB bn)	82,712.2	6.9 ¹	65,089.9 ³	6.7
Fixed Assets Investment ² (in RMB bn)	63,168.4	7.2	60,926.7	5.9
Consumer Goods Retail Sales (in RMB bn)	36,626.2	10.2	34,509.3	9.1
Exports (in US\$ bn)	2,263.5	7.9	2,272.0	11.8
Imports (in US\$ bn)	1,841.0	15.9	1,972.4	18.4
Utilized Foreign Direct Investment (US\$ bn)	131.0	4.0	107.7 ⁴	6.5
Foreign Currency Reserves (in US\$ bn)	3,139.9	4.3	3,061.7	-1.8

Notes:

¹ Real growth

² Urban investments in fixed assets

³ Jan-Sep 2018

⁴ Jan-Oct 2018

Sources: The National Bureau of Statistics, Ministry of Commerce, and General Administration of Customs.

Major International Ranking of China

1. As stated by the World Bank, China is the second-largest economy in the world, behind the United States, ahead of Japan.
2. Based on UNCTAD World Investment Report, in terms of Foreign Direct Investment (FDI) Inflows, China was the second-largest recipients in the world in 2017 while it was the third-largest source of outward FDI flows in the world in 2017.
3. In accordance with the World Trade Organization, China became the world's largest exporter of merchandise trade in 2017, reaching US dollars 2,263 billion.
4. According to International Monetary Fund, China had the largest foreign currency reserves as of December 2017, attaining US dollars 3,140 billion.

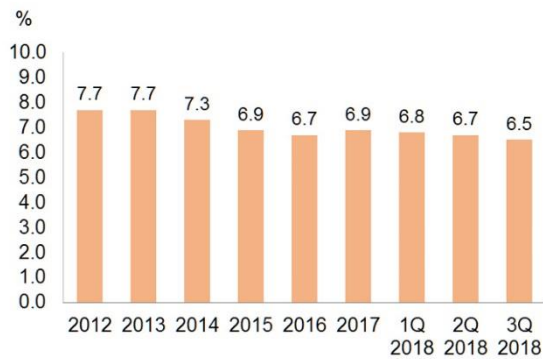
Current Economic Development in China

The Chinese economy grew steadily over the past 6 years. In the first three quarters of 2018, the real GDP growth was 6.8%, 6.7% and 6.5% respectively, resulting in an average growth of 6.6% from January to September 2018.

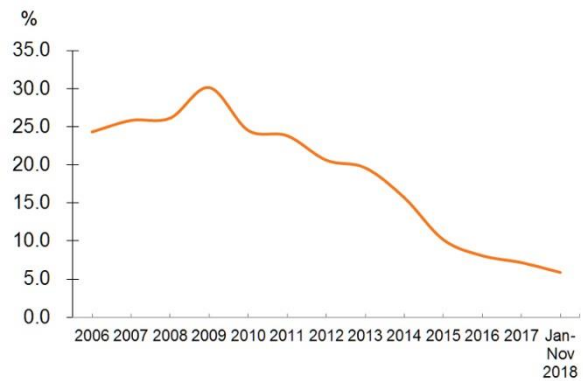
The Growth of Fixed asset investment is prominently one of the critical factors in analyzing current economic situation. In Jan-Dec 2017, fixed asset investment was 7.2% whereas it significantly dropped to 5.4% in the

first three quarter of 2018.

Real GDP Growth



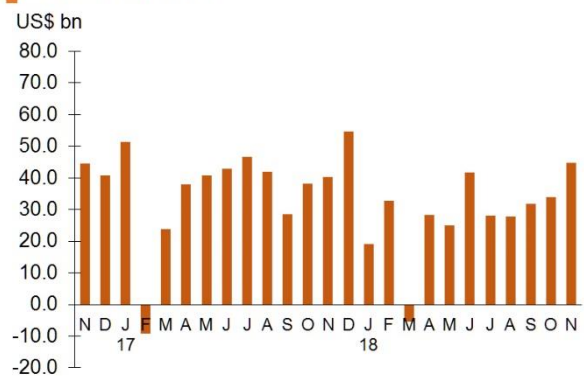
Fixed Assets Investment Growth



Growth of Trade



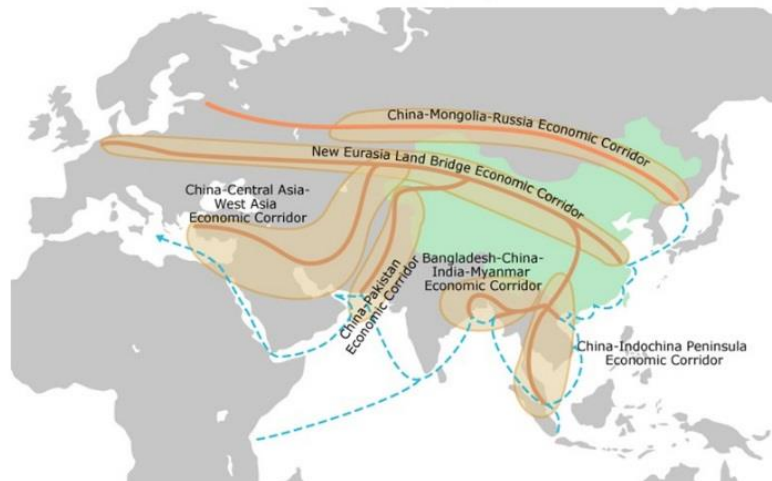
Trade Balance



Key Chinese Government Initiatives

1. The National People's Congress (NPC) adopted the 13th Five-Year Plan in March 2016, with the concept of "innovation, coordination, green growth, opening up and sharing". The aim is to enhance the quality of development in order to ensure the establishment of a prosperous community. Amid the plan, it also launched the 6 key scientific and technological (S&T) projects and 9 major projects under "Scientific Innovation 2030" initiative, as well as the implementation of "Made in China 2025" strategy for shaping a stronger manufacturing country.
2. Since March 2015, the Chinese government had introduced "The Belt and Road Initiative" as one of the significant development strategies. It refers to the Silk Road Economic Belt and 21st Century Maritime Silk Road, promoting the economic co-operation among countries along the six Belt and Road routes. It is believed that the initiative can further intend the market integration and deepen mutually beneficial co-operation in the areas of trade, investment, finance, transport and communication.

The Belt and Road Initiative: Six Economic Corridors Spanning Asia, Europe and Africa



3. The development of Guangdong-Hong Kong-Macau Bay Area was one of the main feature in China's national strategies. The *Framework Agreement on Deepening Guangdong-Hong Kong-Macau Co-operation in the Development of the Bay Area* was signed on 1 July, 2017. A number of key areas were designated as co-operation priorities for infrastructure connectivity, market integration, global technology, innovation hub, industry network and international co-operations, etc.
4. Addressing on Chinese President Mr. Xi Jinping in his keynote speech at the opening ceremony of Boao Forum on April 10, China will expand its opening-up and continue to advance co-operation with its economic partners in the future. A series of measures will be undertaken to broaden market access, enhance alignment with international economic and trade rules, improve the country's investment environment, strengthen the protection of intellectual property rights (IPR) and lower the import tariffs.
5. In respect of lowering import tariffs, China had cut the import tariffs on 187 foreign daily consumer goods from an average 17.3% to 7.7% in December 2017. From 1 July 2018, China had further reduced the import tariffs on 1,449 items from averagely 15.7% to 6.9%. In addition to lowering import tariffs, China had applied the Most-Favored-Nation (MFN) tariff reductions on 1,585 taxable items since 1 November 2018. It will coincide with the provisional MFN tariffs being abolished for 39 import items, while the existing MFN provisional tariff rates will remain in force for all goods unaffected by this latest round of cut. To sum up, the tariff reductions applied 19% of all taxable import items with an average tariff rate falling from 10.5% to 7.8%.
6. China carried out the policy of "Quarantine Inspection before Customs Declaration" in customs clearance. Import Goods Clearance Slips and Export Goods Clearance Slips stamped with the special seal of inspection and quarantine authorities are issued to goods subject to entry-exit inspection and quarantine. The Customs will examine and release the goods against the Import Goods Clearance Slip or Export Goods Clearance Slip issued by the entry-exit inspection and quarantine authorities at the place of customs declaration. Inspection is compulsory for all import and export goods listed in the Catalogue of Import and Export Commodities subject to Inspection and Quarantine by Entry-Exit Inspection and Quarantine Authorities, or subject to inspection pursuant to other laws and regulations.

Below tables highlight the categories of musical instruments in both imports and exports of China.

China Import Statistics from World¹ (All values are indicated by USD million)

Description	Unit	2017 (Jan – Dec)		2018 (Jan – Nov)		Change in % (Jan-Nov 2018)	
		Quantity	Value	Quantity	Value	Quantity	Value
Upright Piano	Set/PC	165,432	135.761	163,527	145.268	-1.15	7.00
Grand Piano	Set/PC	7,246	63.693	7,523	70.935	3.82	11.37
Harpichord & others	Set/PC	347	1.439	321	0.989	-7.49	-31.27
Stringed Instruments with bow	Set/PC	1,611	2.009	1,338	2.269	-16.95	12.95
Stringed Instruments without bow	Set/PC	149,206	13.843	211,428	18.315	41.70	32.31
Brass-wind Instruments	Set/PC	6,302	4.477	5,853	5.044	-7.12	12.66
Wood-wind Instruments	Set/PC	249,169	10.666	398,499	15.733	59.93	47.51
Percussion Musical Instruments	Set/PC	1,807,408	20.602	2,209,864	23.086	22.27	12.06
Keyboard Instruments	Set/PC	86,760	37.589	100,724	43.595	16.09	15.98
Electronic & Electrical Instruments	Set/PC	35,801	10.594	65,387	17.927	82.64	69.21
Music Boxes	Set/PC	13,755	0.311	10,504	0.378	-23.64	21.58
Fairground Organs & Whistles	Set/PC	455,143	0.459	535,807	0.575	17.72	25.12
Parts & Accessories	KG	10,330,254	104.002	10,165,419	104.841	-1.60	0.81
Sheet Music	KG	12,736	0.398	14,000	0.494	9.92	24.21

China Export Statistics from World² (All values are indicated by USD million)

Description	Unit	2017 (Jan - Dec)		2018 (Jan – Nov)		Change in % (Jan-Nov 2018)	
		Quantity	Value	Quantity	Value	Quantity	Value
Upright Piano	Set/PC	19,172	28.974	16,270	25.606	-15.14	-11.63
Grand Piano	Set/PC	5,946	20.656	10,885	24.740	83.06	19.77
Harpichord & others	Set/PC	16,658	2.004	23,121	1.748	38.80	-12.77
Stringed Instruments with bow	Set/PC	1,696,557	78.919	1,403,017	75.381	-17.30	-4.48
Stringed Instruments without bow	Set/PC	10,209,143	299.926	9,829,704	294.226	-3.72	-1.90
Brass-wind Instruments	Set/PC	637,058	83.802	617,269	81.529	-3.11	-2.71
Wood-wind Instruments	Set/PC	16,321,331	101.485	14,955,049	98.067	-8.37	-3.37
Percussion Musical Instruments	Set/PC	8,268,317	122.555	8,848,200	122.816	7.01	0.21
Keyboard Instruments	Set/PC	4,678,240	351.906	5,246,887	356.472	12.16	1.30
Electronic & Electrical Instruments	Set/PC	2,424,846	168.184	2,336,005	146.350	-3.66	-12.98
Music Boxes	Set/PC	16,528,330	45.318	14,258,459	37.228	-13.73	-17.85
Fairground Organs & Whistles	Set/PC	74,288,273	16.435	70,456,763	16.335	-5.16	-0.61
Parts & Accessories	KG	28,388,944	239.874	28,464,000	217.478	0.26	-9.34
Sheet Music	KG	90,535	0.229	56,000	0.587	-38.15	156.89

¹ Source: HKTDC (Data from China Customs)

² Source: HKTDC (Data from China Customs)

Brief Summary of China's imports and exports in musical instruments category:

From the perspective of China import statistics, the highest growth of musical instruments is Electronics and Electrical Instruments. The percentage change of quantity and value in between January to November 2018 had reached 82.64% and 69.21% respectively, by which implies the electronics and electrical instruments are increasingly demanding in current years in China. According to the latest news from Xinhua Net dated 15 October 2018, the size of Chinese users in electronics music in 2016 was 197 million, it is expecting to reach 358 million in 2018 and marked a break-through record of 400 million in 2019.³

Wood-wind instrument is the second-largest increase in terms of quantity and value in the figures from Jan-Nov 2018, which recorded 59.93% and 47.51% correspondently. In terms of import quantity, both stringed instruments with a bow and music boxes had dropped to -16.95% and -23.64% respectively. Meanwhile, the largest decrease in USD values is Harpsichord, which accounts for -31.27%.

By taking into account of China export data, the quantity of grand piano had achieved an overwhelming growth rate of 83.06% in Jan-Nov 2018, whereas the upright piano marked negative growth in both volume and value. As the data shown by China Musical Instrument Association, in the year of 2017, the number of pianos per hundred households in urban cities in China was 5.82, while the number of high-end musical instruments came up to 5.87. By 2020, it is estimated that the number of pianos and other high-end musical instruments per hundred households will be rising to 8.62 and 6.46 respectively.⁴

Sheet Music should also be highlighted for its value as the growing rate gained 156.89%, by which should not be overlooked in the musical instrument market in China.

³ Source: 电音会成新爆款吗？资本助推在线音乐市场“变音”，http://www.xinhuanet.com/fortune/2018-10/15/c_1123557111.htm, Xinhua Net, 15 October 2018

⁴ Source: 中国成为世界第二大乐器市场 音乐教育爆发式增长，http://www.xinhuanet.com/fortune/2018-10/13/c_129970558.htm, Xinhua Net, 13 October 2018