

THE CHINA ART MARKET

Darker than expected outlook for China's art market based on TEFAF 2019 report findings

Published on March 15, 2019, at TEFAF fair in Maastricht, the 2019 European Fine Art Foundation (TEFAF) report digs deep into the past, present and future of the Chinese art market. He predicts that in the next five to ten years, the Chinese art market will be much less prosperous than in recent years and will look a bit more like 2018, when the Chinese market fell by more than 16% in the midst of the country's biggest economic recession in 28 years.

Kejia Wu, the author of the report, is currently a professor at the Sotheby's Institute of Art after more than a decade in China advising museums, biennials, and art fairs.

According to the report, sales in China's second-largest market are not expected to return to their peak in 2011. According to the annual report produced by Artnet and the China Association of Auctioneers (CAA), auction sales of fine art and antiques in mainland China reached a record \$ 5.1 billion in 2011. But Kejia Wu assumes that much of that activity was done by pure speculators, most of whom have left the art market during the turbulence of the succeeding 8 years and China has not yet generated enough genuine buyers to fill the resulting void.

The report also reinforces the idea that the elite tier of Chinese collectors and the next generation (especially buyers born in the 1980s) have developed a strong enthusiasm for international contemporary art. This change has prompted a growing number of Western galleries to tour China through art fairs and new permanent premises, and once there, to offer works by artists from East as well as West. This enthusiasm, as confirmed by the *Le Monde* newspaper, explains the success in Shanghai of contemporary art fairs Art021 and West Bund Art & Design, despite the economic slowdown. The Swiss Hauser & Wirth Gallery, which participates in five shows a year in Hong Kong, Taipei and Shanghai, has seen its share of local buyers double in five years. Chinese collectors now represent 15% of the clientele of the American Pace gallery, based in Beijing and Hong Kong.

Given the underwhelming growth in the number of buyers, it is likely that Western contemporary art will naturally cannibalize some of the sales pie dominated by Chinese artists before the global financial crisis of 2008.

Artists must be prepared for serious consolidation in the galleries and art fairs of China. This conclusion naturally follows from the rise of Western galleries and contemporary Western artists in China, as well as the growing interest of Chinese collectors in buying at international art fairs. 61% of Chinese collectors surveyed say they want to buy Western art in the next five years. As a result, as a limited number of Chinese buyers spends more money on contemporary art in Western galleries, many contemporary Chinese galleries are likely to suffer. And if contemporary Chinese galleries begin to collapse in proportion, so too will the number of local Chinese art fairs that rely on them as exhibitors (and customers). In the end, Westerners could grab it all.

However Kejia Wu considers that minor regulatory reforms may be the best the art trade can hope for. It suggests that Beijing could soften some of the fiscal and monetary restrictions that have limited the growth of the art market, particularly concerning import

levies on foreign acquisitions (if domestic sales houses reduce their lobbying efforts) and limits the amount of money that Chinese citizens can move out of the country (if the country's economy improves).

Based on her interviews with private-museum owners, Wu concludes that the operating costs of these endeavors, which ran from about \$1 million to \$6 million annually within her limited sample, are unsustainable without a major shift in state tax policy.

China has about 5,000 museums, of which about 1,500 are privately owned. When asked why they opened private museums, collectors honestly say, "It was good for my collection. It is easier to acquire quality works as an institution," says Qiao Zhibing, founder of TANK Shanghai. Qiao Zhibing's collection of Western and Chinese contemporary art, much of which is now presented in his karaoke club, Shanghai Night, will soon be receiving a dedicated space, called Tank Shanghai, along the West Bund, on banks of the Huangpu River in Shanghai

TEFAF Art Market Report: The Chinese Art Market,
<https://www.tefaf.com/about/art-market-report>