

This analysis covers dealers and auctioneers of antique jewellery, clocks and watches, paintings, drawings, prints/maps, sculpture and ceramics, antique furniture, silver and coins, 20th century memorabilia and textiles, costumes, carpets and rugs.

SECTION 03 | ART AND ANTIQUES MARKET

INDUSTRY REVENUES

The total turnover of the UK art market industry in 1996 is estimated to have been just over £2.2bn and to account for 50% of the total EU art market.

UK MARKET SIZE

The UK is the second largest market in the world, worth around £1.8bn and second only to the US in size.

BALANCE OF TRADE

Exports in 1997 were estimated at £1.3bn,¹ of which about two-thirds, some £853m, is attributable to export of fine arts. Exports therefore account for about 60% of the UK industry's revenues.

Trend in Balance of Trade²

	Exports £m	Imports £m	Balance of Trade £m
1991	1,454	1,168	286
1992	1,470	1,311	159
1993	1,594	1,397	197
1994	1,132	1,187	19
1995	1,174	924	250
1996	1,060	665	395
1997	1,302	866	436

The export trend during the 1990s has been variable, but the recent trend is upwards, with exports reaching a four-year high of £1.3bn in 1997.

Total imports in 1997 had declined to £927m, from £1,168m in 1991. The British Art Market Federation attributes this fall, at least in part, to the imposition of a 2.5% rate of Import VAT in accordance with the 7th EC Directive.

In 1997, the UK therefore enjoyed its most favourable balance of trade position in recent years, of £436m. There has been a positive balance of trade throughout the 1990s.

EMPLOYMENT

The UK market employs over 26,300 full-time and 13,500 part time staff.

INDUSTRY STRUCTURE

Structure of the UK Art Market

Turnover	Number of Businesses	Full-time Employees	Part-time Employees	Total Staff
Dealers <£50k	4,164	6,246	1,666	7,912
Dealers £50-250k	4,239	8,054	1,271	9,325
Dealers >£250k	1,060	4,558	954	5,512
Total Dealers	9,463	18,858	3,891	22,749
Big 4 Auctioneers	4	2,076	170	2,246
Auctioneers <£50k	72	104	468	572
Auctioneers £50-250k	241	778	6,507	7,285
Auctioneers >£250k	436	4,491	2,529	7,020
Total Other Auctioneers	750	5,373	9,504	14,877
Total Art Market	10,217	26,307	13,565	39,872

¹ Excludes intra-EU trade for which no figures are available

² Source Antiques Trade Gazette

SECTION 03 | ART AND ANTIQUES MARKET

Structure and Size of UK Art Market

Type of Business	Total Number of Businesses	Total Employees ¹	Total Sales (£m)
Dealers	9,463	22,725	1,446.9
Big 4 Auctioneers	4	2,246	837.8
Other Auctioneers	750	14,903	661.3
Net Inter-trade Sales			(739.4) ²
Total Art and Antiques Market	10,217	39,874	2,206.6
Support Services	1,689 ³	11,089	250.8 ⁴
Total	11,906	50,963	2,457.4

The market comprises over 10,200 businesses.

The total number of auction houses is estimated to be 754. The "Big Four" – Christie's, Sotheby's, Phillips and Bonhams – in 1996 accounted for 56% of auction sales and 28% of all art and antiques markets sales. Some 58% of other auction houses have a turnover of more than £250,000 per annum.

There are just under 9,500 dealers in Britain. Almost two-thirds of dealers are sole traders. The vast majority – some 89% – have a turnover of less than £250,000 per annum and 44% a turnover below £50,000.

Notes

- 1 Full-time and part-time
- 2 Sales made between auctioneers and dealers, and between dealers and other dealers
- 3 Fairs, shippers, insurers and conservators and restorers only
- 4 Sales to both the art market and other companies within the support sector

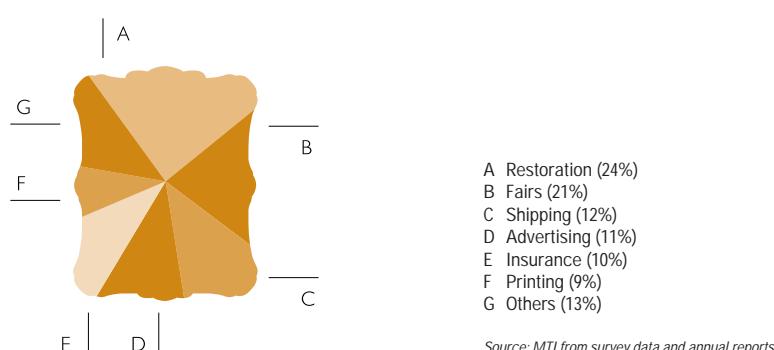
Source: MTI from survey data and industry data

INTERNATIONAL CRITICAL ACCLAIM

The UK art market receives considerable press coverage at home and overseas, and its activities generate significant public interest.

SECONDARY ECONOMIC IMPACT

Spending on Support Services, 1996



The art and antiques market itself spent an estimated £207m in 1996 on support services, including fairs, shipping and freight, insurance, conservation/restoration, advertising and printing. The largest area of spending was in conservation and restoration, which attracted some £51m, followed by fairs and exhibitions (£44m) and shipping and freight (£25m). In their turn, these support businesses spent a further £44m within their own sector.

Directly related employment in support service industries is estimated at 11,000, of which around 6,700 are full-time.

SECTION, 03 | ART AND ANTIQUES MARKET

POTENTIAL FOR GROWTH

The UK art market currently enjoys a dominant position internationally. It stands second only to New York.

In a very flexible global marketplace, in which vendors have considerable freedom to choose in which country to sell their goods, the UK must remain competitive in terms of price in order to attract works of art to Britain for sale elsewhere.

The immediate outlook is perceived by most of the industry to be good. However, in the medium term considerable uncertainty currently hangs over the art market, with proposals for the harmonisation of EU Import VAT and for the imposition throughout the EU of artist's resale rights ("Droit de Suite").

Until 1995, no *Import VAT* was payable on works of art imported for sale into the UK. Currently, the UK benefits from a special rate of 2.5%, negotiated by the Government in response to the 5% stipulated in the 7th EC Directive. This special rate will apply until 1999, when the Commission plan to have reviewed the working of the Directive. Any increase in Import VAT applying in the UK could affect the market's global competitive position.

Droit de Suite, a royalty which artists receive when one of their original works of art is resold by a dealer or auctioneer, currently has legal force in all EU countries except the UK, Ireland, the Netherlands and Austria. The Commission have proposed that *Droit de Suite* be harmonised throughout the EU with a minimum threshold of ECU1,000 and thereafter at a rate tapering from 4% to 2% of the sale price. An alternative put forward by the European Parliament would set a rate of between 1% and 4% of the *profit* on the sale.

Market Tracking International have calculated that if it had been in force in the UK in 1996, *Droit de Suite* would have applied to £242.8m of auction house sales, resulting in payments of £6.5m. Art dealers would have faced payments of £3.4m on the same basis.

Neither of the UK's two main competitors – the US and Switzerland – collect *Droit de Suite*, and the UK industry is concerned that harmonisation across the EU will severely dent the UK's competitive position with regard to these rival markets. Most at risk would be business from outside the EU, which accounts for three-quarters of eligible items sold by the leading auction houses. Studies carried out by government departments estimate that lost earnings for the UK art trade could be as high as £68m, with the loss of 5,000 jobs.

The industry believes there is a risk that, were *Droit de Suite* to apply in the UK, the UK market could become almost entirely a domestic one, as has happened in France.

The growth prospects for the UK art market are therefore impossible to assess ahead of EU-wide decisions on Import VAT and *Droit de Suite*.

GROWING THE SECTOR – ISSUES FOR CONSIDERATION

The UK market is currently in a strong position in a highly competitive and flexible global market. The international market accounts for 60% of industry revenues and is therefore vital to the future prosperity of the industry.

The industry believes that the principal issues which will help determine its position in that market in the future concern the EU harmonisation measures outlined above, and is lobbying strongly against any measures which could adversely affect its international competitiveness.

More broadly, with its dependence on the international market, the UK industry would benefit from initiatives to promote its profile overseas, such as attendance at overseas trade fairs and exhibitions and the capacity to mount fine art shows in London, which are currently hampered by the lack of suitable central exhibition facilities.