The global contemporary art market contracted in 2015, but smaller regional art markets outperform. Gloom hangs over China’s economy and low oil prices could weigh down the art market sentiment in 2016.

After record sales in 2014, our last year’s Outlook Report predicted that global art market sales were going to slow down. In 2015, the two biggest contemporary art markets, US & Europe and China experienced a market contraction, which resulted in 7.8% lower sales of Modern and Contemporary art across all the markets covered in this report. However, whilst Chinese contemporary art has seen auction sales down by 41%, other Asian markets such as India and Southeast Asia have seen positive sales growth of 14% and 28% respectively.

Global vs Local art markets– diverging trends emerging

So where is the global art market heading in 2016? Is the art market slowdown experienced in the US & European and the Chinese contemporary art markets a precursor for a broader value adjustment across all art markets? Or could we see a divergence in performance across different regional art markets? Based on results from a series of different art market surveys conducted by ArtTactic in December 2015 and January 2016, we have outlined some broad art market trends and expert predictions for this year. Although the general sentiment looks less optimistic compared to last year, the outlook for 6 out of 8 regional art markets analysed in this report remains neutral-to-positive for the coming 12 months. It’s only the Chinese and Russian art markets that has a negative outlook for 2016.

Economic uncertainty

Despite relatively neutral-to-positive pre-Christmas economic forecasts for 2016, the year has kicked off on a pessimistic note. Heightened concerns about the slowdown in the Chinese economy and a rapidly falling oil price, have dragged the parts of the global equity market into bearish territory for the first time since 2009. The ongoing stock market volatility and uncertainty around China’s ability to manage a potential ‘hard landing’ is likely to continue to spook the markets in coming months, and is likely to trickle down and dampen the confidence in the global contemporary art market this year. The majority, 62% of the experts surveyed in January 2016, said that economic uncertainty

Modern and Contemporary art

What do you consider the biggest risks to the global contemporary art market?

* Chinese contemporary art only.

is the largest risk to the outlook for the global contemporary art market in 2016.

Post-War and Contemporary art auction sales down in 2015, but offset by a 14% increase in Modern & Impressionist sales

Overall auction sales of Post-War & Contemporary, Modern & Impressionist, Old Masters and Chinese art at Sotheby’s and Christie’s, decreased by 5.9% in 2015. Every sector, except for Modern & Impressionist art, registered a decline in sales during 2015. Post-War & Contemporary art saw auction sales decline by 6% in 2015, Old Master sales were down 57% after a record year in 2014, and Chinese works of art dropped 11% in 2015. On a positive note, the Modern & Impressionist art market saw a positive 14% growth in auction sales, boosted by a number of record prices for Picasso, Giacometti and Modigliani.

Christie’s and Sotheby’s rivalry about to enter a new phase

Christie’s ended 2015 with a 58.1% market share in the Post-War and Contemporary Art Evening sales (down from 65.4% in 2014). However, with a string of recent hires and the acquisition of Art Agency, Partner in January 2016, Sotheby’s is preparing to reclaim market share from its rival. Although the majority, 62% of the experts surveyed, still believe Christie’s will have the upper hand in 2016, and increasing number, 38% (up from 21% in January 2015) of respondents believe Sotheby’s will take the throne by the end of the year.

Art Market Risks 2016

What do you consider the biggest risks to the global contemporary art market?
How do you feel about the OUTLOOK for the global contemporary art market in 2016?

Where do you see the following contemporary art price segments heading in 2016?

Who do you predict to be the best performing global auction house in 2016 (in terms of contemporary auction sales)?
Market Review 2015

Slowdown in contemporary auction sales: Christie’s, Sotheby’s and Phillips’ Post-War and Contemporary Evening Sales in New York and London raised $2.81 billion in 2015, down 3.3% from 2014. Whilst New York auction sales were down 8%, this decrease was offset by an 11% increase in London sales.

London gains market share: London gained market share in the auction market for Post-War and Contemporary art (based on Evening sales), up from 25.4% in 2014 to 28.6% in 2015.

Lower market share for contemporary art market: Although the Contemporary sector remains the largest category by value (45% in 2015), it is the Modern & Impressionist art market that has seen the biggest gain in market share, currently 33% up from 27% in 2014.

The guarantee-race starts to cool: There were signs during the November sales season last year that the auction houses might start to take a more careful approach to financial guarantees. Christie’s has significantly reduced the number of guaranteed lots from 51.4% of total lots in May 2015 to 26% of total lots in November 2015. With the overall art market slowing down, we expect less appetite for this type of risk in the coming year. This, in turn, is likely to have a further dampening effect on prices.

Outlook 2016

Experts turn neutral to market growth in 2016: 32% of the experts believe the market will go up in the next 12 months (down from 41% in January 2015). A larger number of the experts, up from 45% in January 2015 to 52% in January 2016, believe that the contemporary art market will remain flat in the next 6 months. 16% of the respondents believe the market will fall in the next 12 months. This indicates that there has been a slight shift towards a less positive, more neutral stance on the Post-War and Contemporary art market in 2016.

Increasing economic uncertainty could undermine confidence in the art market: Since the beginning of 2016, economists and market commentators have gone from bullish to bearish in less than three weeks, which signals that low oil prices, and stock market volatility and slowdown in China could weigh on global growth prospects in 2016. With the US & European contemporary art market already showing signs of cooling, 62% of the experts surveyed stated that ‘increasing economic uncertainty’ remained the biggest risk to art market growth and confidence in 2016.

Christie’s and Sotheby’s rivalry will intensify in 2016: 38% of the experts surveyed by ArtTactic (up from 21% in 2015), believe Sotheby’s will reclaim the top position in the Post-War and Contemporary art market this year, after falling behind Christie’s in 2012.
**Market Review 2015**

**Contemporary Chinese art sales in freefall:** The Chinese contemporary art auction market has gone through a volatile period in the last 5 years, but 2015 became a particularly weak year for this sector. Overall sales from Christie’s, Sotheby’s, China Guardian and Poly Auction dropped 41% compared to 2014. It was Sotheby’s and Christie’s sales of Chinese contemporary art that saw the biggest decline of 59%, versus 9% among the two domestic houses.

**Steady overall market sales:** After a 10.7% drop in Chinese art auction sales (all categories) between 2013 and 2014, the Chinese art market has stabilised and came in at the same level in 2015 compared to 2014, based on auction results from Christie’s, Sotheby’s, China Guardian and Poly Auction.

**Domestic auction houses gain market share:** Poly and China Guardian gained significant market share in 2015, and accounted for 52.2% of sales compared to 47.8% in 2014. Whilst Sotheby’s saw a 15.1% decline in overall sales of Chinese art, Poly Auction posted a 19.1% gain in sales during 2015. Both Christie’s and China Guardian experienced lower sales in 2015, with 2.6% and 5.6% decrease respectively.

**Sotheby’s and Christie’s struggle to make inroads in the Chinese mainland market:** Both Sotheby’s and Christie’s entered the Chinese domestic art market in autumn 2013. However, both houses have failed to create any significant impact on this market. Sotheby’s sales in Beijing was 69% lower than 2014. Christie’s sales in Shanghai were 39% lower than 2014.

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**Outlook 2016**

**Chinese art market direction in 2016 suggests more uncertainty with a negative outlook for Chinese contemporary art:** Based on experts surveyed by ArtTactic, 45% believe the market will come down (against 16% in January 2015), 26% believe that the Chinese Contemporary art market will go up in the next 12 months (against 61% in January 2015) and the remaining 29% believe that the market will remain flat (against 23% twelve months ago).

**International art auction houses are shifting their attention to other Asian markets:** There has been a significant drop in sales of Chinese contemporary art by Sotheby’s and Christie’s in 2015, partly as the auction houses are increasingly focusing on artists from Japan, South Korea and Southeast Asia instead. With increasing economic uncertainty in China we believe this trend will continue in 2016.

**Domestic Chinese auction houses exposed to economic uncertainty:** With both Sotheby’s and Christie’s failing to make any significant inroads in the Chinese Mainland art market in 2015, and with Poly Auction and China Guardian gaining market share since 2013, we could see a reversal this year. The confidence in the domestic Chinese art market is likely to be affected by increasing financial market volatility and slowdown in economic growth. Although this uncertainty could also hit Sotheby’s and Christie’s sales in Hong Kong, their more diverse client base, it is likely to offset some of these risks.
India

Indian Modern & Contemporary Auction Sales* (USD) (Sotheby’s, Christie’s and Saffronart)

![Bar chart showing Indian Modern & Contemporary Auction Sales](chart)

INDIA OUTLOOK: Where do you see the art market heading in 2016?

![Bar chart showing INDIA OUTLOOK](chart)

*All prices are excluding buyer’s premium

Market Review 2015

Indian auction market sales up in 2015: The overall sales of Modern and Contemporary Indian art saw an increase of 13.5% from 2014, predominantly driven by strong growth in domestic auction sales.

Stronger domestic demand: Domestic sales (auction sales taking place in India) accounted for 61% of the overall total, up from 55% in 2014 and 46% in 2013. The growth is led by Pundole and Saffronart, where both auction houses have experienced strong growth during 2015.

Christie’s Mumbai sale strategy a success: Christie’s India sale in Mumbai in December 2015 was a success, raising a total of $14.67 million, up 20% from 2014. The Mumbai sale has become the auction house’s most important season for Indian Modern and Contemporary art.

Increasing auction competition in the Indian art market: Christie’s remained the market leader in the Indian Modern and Contemporary art market in 2015, with a 35.7% market share (down from 38% in 2014). Saffronart has increased its market share to 26% in 2015 (up from 23.5% in 2014), which puts it ahead of Sotheby’s market share of 16.2% (down from 19.8% in 2014). Pundoles has increased its market share to 11.7%, up from 5% in 2014.

Outlook 2016

Positive-to-neutral outlook for the Modern Indian Art market in 2015: 53% of the experts believe the Indian Modern & Contemporary art market will go up in the next 12 months (down from 61% in January 2015). A further 42% believe it will remain flat (up from 26% in 2015). This signals that the positive momentum in the Indian art market is likely to continue this year.

Domestic Indian auction market set to grow in 2016: Whilst New York and London used to dominate the Indian Modern and Contemporary sales, there has been a clear shift towards auctions held in India in the last 3 years, with Saffronart and Pundole strengthening their market position in 2015. We expect this trend to continue this year.

Collecting taste is broadening: Whilst the Indian art market has been largely dominated by Modern Indian art in the last 5 years, Saffronart and Pundoles are introducing a wider programme of antiquities, fine and decorative art, design and jewellery. The focus on single-owner collections has also brought freshness, new material and interesting provenance to the Indian art market, something that has been lacking in the past.
Southeast Asia

Market Review 2015

Southeast Asian art continues to be one of the best-performing markets: Since the global art market downturn in 2009, the Southeast Asian Modern and Contemporary art market has been on a steady climb, with 28% growth in auction sales in 2015, based on sales at Sotheby’s and Christie’s.

Southeast Asian contemporary artist in vogue as Chinese contemporary art weakens: Whilst Chinese contemporary art has seen a steady decline in the last 3 years, Christie’s and Sotheby’s have increasingly directed their attention towards Southeast Asian artists in their Asian contemporary sales in Hong Kong.

Modern art dominates with several new records in 2015: Modern Southeast Asian art accounted for a 87% share of the sales total in 2015 (up from 80% in 2014). Blue chip Indonesian works have performed well, with Indonesian artist Hendra Gunawan selling a painting for an artist record of $3.4 million through Sotheby’s in Hong Kong.

Indonesian art dominates: Indonesian art dominates the region’s art market with a 54% market share based on total auction sales at Sotheby’s and Christie’s.

High sell-through rates: In October 2015, Sotheby’s presented the largest-ever evening sale grouping of Southeast Asian Modern and Contemporary art, which achieved an exceptional sell-through rate of over 90%.

Outlook 2016

Positive-to-neutral outlook for 2016, although there are concerns about the sustainability of the booming market: The positive auction sales trend in 2015 is likely to continue into 2016, but possibly at a slower pace. A recent survey conducted by ArtTactic among international collectors shows that 40% believe the Southeast Asian Modern and Contemporary art market will go up further in 2016 (down from 53% in 2014), with 40% believing the market growth will flatten out this year (down from 44% in 2014). 19% believe there is a significant downside risk in this art market in the next 12 months (up from 4%).

Improved art market infrastructure will help the regional art market to prosper: Art Stage Singapore, the premier art fair in the region, is holding its 6th edition of the fair in January 2016. The fair has acted as a catalyst for the Southeast Asian art market and encouraged new investment in art market infrastructure such as Gillman Barracks (gallery district) and the launch of the National Gallery Singapore. The coordination of these efforts has enabled Singapore to finally put itself on the international art map and a serious contender to other Asian hubs such as Hong Kong.

Philippine art market set to grow: Whilst the majority of the focus has been on Indonesian artists in recent years, the Philippine art market, with its well-developed auction market, international art fair and vibrant local gallery scene, is well positioned to grow into one of the leading regional Southeast Asian art market in the future.
Market Review 2015

Auction sales up 5% in 2015: Total auction sales of Modern and Contemporary Middle Eastern art were up 5% in 2015, as more auction houses started offering sales of art from the region. However, Christie’s sales in Dubai experienced a decrease in turnover of 22% during 2015.

Auction market is now split three ways: Christie’s dominant position in the Middle-Eastern Modern and Contemporary art market since 2006 has come under threat as both Sotheby’s and Bonhams increased their market share in 2015. Christie’s share has fallen to 56% from 85% in 2014. Sotheby’s has increased their market share to 28% (up from 16%) and Bonhams accounted for 16% in 2015 (there were no sales in 2014).

Sotheby’s and Bonhams add new auction sales: Both Sotheby’s and Bonhams have increased their presence in the Middle-Eastern Modern and Contemporary art market by adding more sales to the auction calendar. Bonhams added two London auction sales in 2015 focusing on Iraqi and Modern and Contemporary Middle-Eastern art. Sotheby’s organised their Contemporary sale in Doha in April, as well as included a number of Middle-Eastern artists in their ‘20th Century Art – A Different Perspective’ in December 2015.

Iranian, Lebanese and Egyptian artists dominate: Based on Christie’s recent sale in October 2015, 75% of the sales total was accounted for by artist from Iran, Lebanon and Egypt. At Bonhams Modern Iraqi artists accounted for 42% of the total sales in October 2015.

Outlook 2016

Neutral to positive outlook for 2016, but with more downside risk: A recent survey conducted by ArtTactic among international collectors shows that 45% believe the Middle-Eastern Modern and Contemporary art market will see further growth in 2016 (down from 56% in 2015), with 31% believing the market will remain flat. However, there are concerns about the next 12 months, with 24% (up from 16% in 2015) predicting the Middle-Eastern art market will go down. Wars, terrorism and geo-political tension in the region were cited as the main reasons.

More auction competition will stimulate demand: Up until 2015, Christie’s has been the only auction house with a long-term and continuous commitment to the Middle-Eastern Modern and Contemporary art market, through their biannual sales in Dubai. However, there are signs that both Sotheby’s and Bonhams are increasing their focus on the region. More competition will help increase the size of the Middle-Eastern art market and broaden the collector base.

Iranian art market could see a lift in 2016: With economic sanctions being lifted for Iran, economists and market commentators expect strong economic growth in the country in the years to come. We believe this could fuel the already active domestic art market, and further strengthen Iranian artists’ position in the international art market.
Market Review 2015

Auction sales higher in 2015, despite Brazil art market downturn: The auction sales for Modern and Contemporary Latin American art in 2015 came in 11% higher than 2014, and recorded the highest auction total for the Latin American Art market since 2008.

Phillips continues to gain market share in the Latin American auction market: Christie’s Latin American sales accounted for 50% of the total in 2015, up from 49% in 2014. Phillips saw the highest gain with 8% market share (up from 5% in 2014). Sotheby’s market share was 42%, down from 46% in 2014.

Mexican art dominates auction, with increasing demand for Cuban art: Mexican art continues to account for the largest share of the market with 29.2% of the overall sales. Colombian artists come in second place (the majority of this market share is accounted for by one artists, Fernando Botero). In third place, we have Cuban art, which accounted for 10.5% in 2015, up from 5.3% in 2014 and became one of the fastest growing segments of the Latin American art market in 2015.

The bottom falls out of the Brazilian art auction market: Brazilian art accounted for only 4.3% of the Latin American auction sales in 2015, down from 14.3% in 2014 and 26% in 2013. Economic and political uncertainty have had a significant in the Brazilian art market, once a darling of the global art market.

Outlook 2016

Neutral outlook for Latin American art market in 2016: 25% of the experts surveyed by ArtTactic in January 2016 (down from 44% in January 2015) believed the Latin American art market would see a positive growth trend this year, with 61% predicting the market to come in around the same levels as in 2015. 14% of the respondents believe the Latin American art market could deteriorate in the coming 12 months, citing economic uncertainty as the biggest risk.

Phillips will continue to lead the development the market for Latin American contemporary art: With Sotheby’s and Christie’s predominantly focusing on Modern Latin American art, Phillips has successfully carved out a niche in the contemporary segment of the market. During the November sales last year, contemporary Latin American art accounted for 44.8% of the sales, up from 22.1% in May 2015. With Phillips gradually building confidence in the contemporary Latin American art market, we could see both Sotheby’s and Christie’s increasing their share of contemporary art in 2016.

More geo-diversity in the Latin American art market: Mexican artists have dominated the Latin American art auction market in the last 8 years, except from 2013, when Brazilian art gained the largest market share. However, last year’s auction composition shows a more diverse picture, with artists from smaller peripheral markets such as Venezuela, Nicaragua and Uruguay, accounting for 18.3% in 2015 (up from 15.2% in 2014).
Market Review 2015

Bonhams sees increase in sales of contemporary African art: Bonhams organised three dedicated sales to African Modern and Contemporary art in 2015, up from one annual sale in previous years. Bonhams’ Africa Now auctions raised £1.64 million ($2.52 million) in 2015, up 53% from 2014.

Contemporary African art fair expands to New York: 1:54, the leading international fair dedicated to contemporary African art, launched its inaugural art fair in New York in May 2015, following two successful editions in London.

Nigerian corporate art collection comes to market: The corporate art collection of Afren, the troubled London-listed oil drilling company that was put in administration in July 2015, sold 100 works of art from its collection in October 2015 through Bonhams in London. The sale raised £375,000 ($575,000)

Nigerian auction market stabilises: The Nigerian auction house, Art House Contemporary, registered $1.3 million in overall auction sales in 2015 (up 10.5% from 2014). However, the 2015 total was still 24.5% lower than in 2013.

Outlook 2016

Neutral-to-positive outlook for the next 12 months: 39% of the experts surveyed in January 2016 believe the African modern and contemporary art market will go up in the next 12 months (down from 49% in January 2015), 51% expect that the market will remain flat and 11% think the market will come down in the next 12 months [against 12% who expected the market to decline in January 2015].

African art offers good relative value: With prices of high quality African Modern and Contemporary art selling in the $10,000 to $50,000 range - it offers new and existing collectors an attractive entry level into this new market.

Bonhams success is likely to attract competition: On the back of Bonhams’ success in the African art market, we could see Phillips, Sotheby’s and Christie’s starting to dedicate new sales to this region.

Low oil price could hit the Nigerian art market: With Nigerian collectors playing a key role in the African art market, there is a significant risk that we could to see the Nigerian economy slowing on the back of falling commodity prices this year. More economic uncertainty could weigh down on consumer confidence and the willingness to invest in art.
Market Review 2015

**Russian art market collapses in 2015:** Auction sales of Modern and Contemporary Russian art dropped by 68% in 2015, as the Russian art market is feeling the pinch of lower oil prices, stagnating growth and Western sanctions. Russia’s GDP contracted 4.1% in the third quarter of 2015. Crude oil prices have plunged by almost two-thirds from their high point last year and the Russian ruble is down more than 50% against the dollar.

**London consolidates its position as the choice for the international Russian art market:** Christie’s announced that it is ending standalone sales of Russian art in New York and focusing its Russian activities out of London. Sotheby’s ended its New York Russian sales in 2013.

**Sotheby’s dominates the Russian art market:** Despite a poor year, Sotheby’s has a clear lead in the Russian Modern and Contemporary art market with a 55% market share, against Christie’s 20% and MacDougall’s 25%.

Outlook 2016

**Negative outlook for 2016, although 42% believe the Russian art market will stabilise:** A recent survey conducted by ArtTactic among international collectors showed that 43% believe the Russian Modern and Contemporary art market will fall further in 2016 (up from 42% in 2015), with 41% believing the market growth will flatten out this year (up from 30% in 2015). 16% believe there is upside potential in the Russian art market (down from 28% in 2015).

**Economic recession expected to continue:** The Russian economy is expected to contract 3.7% in 2015, hit by falling oil prices and western sanctions. Whilst many thought that the peak of the crisis had been reached, the recent financial market turmoil and the further fall in oil prices have left Russians facing the prospect of a second successive year of recession.

**Bargain hunting:** With so much pessimism in the market, some art experts (16% of those surveyed) see this as great opportunity and time to buy Russian Modern and Contemporary art.
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