

The British Art Market in 2014

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Prepared for:

AMF

British Art Market Federation

By:



Summary

- In 2013, the value of the British market for fine and decorative art and antiques reached £8.0 billion, down 3% year-on-year. By contrast global art sales grew 10% in 2013.
- Over the period 2010 to 2013, as the value of global sales rose 3%, and sales in the US grew over 16%, the UK has seen a decline of 4%.
- The UK was the third largest market globally in 2013, with a share of 20% of world sales by value, down 3% on 2012.
- The fine art sector accounted for over 62% of sales by value in the UK in 2013.
- In the UK, Post War & Contemporary art was the largest sector of the fine art market accounting for 39% of all sales by value in 2013. Modern art was the second largest (with 31%).
- Auction sales in Post War & Contemporary art in the UK dropped 12% year-on-year over 2013, while the global market grew by 11%. Sales in the US market advanced by 20% and China by 17%.
- The UK's share of the global market for Post War & Contemporary art more than halved in the five years from 2008 (from 35% to 15%).
- Over the period 2010 to 2013, the UK's share of sales of Old Master paintings and Impressionist and Post-Impressionist works remained stable.

- In the market for the work of living artists, sales in the UK fell by 22% from 2009 to 2013, whereas in the US they grew by 70%. In terms of market share, the UK dropped 21 percentage points from 37% in 2008 to just 16% in 2013.
- Works by artists deceased within 70 years of the date of the sale (the “heirs’ market”) accounted for 48% of fine art auction sales by value in 2013 in the UK. In 2012 sales in the UK in this sector stagnated, and then in 2013 they fell by 10% in value. In contrast, the US market grew 62% in value in the period from 2011 to 2013.
- Imports, which support the UK’s status as a global hub, fell substantially year-on-year in 2013, dropping 25% to £3.7 billion, driven largely by a drop in imports of fine art. Exports also fell 6% to £4.5 billion, with fine art again seeing the largest fall in values.
- The British art market continues to make a significant contribution to the economy, in terms of the employment and the skills it generates. In 2013 there were in excess of 7,850 businesses in the British art trade, directly providing around 41,420 highly knowledge-intensive and gender-balanced jobs.
- The art market also contributes to the UK economy through the taxes and levies paid directly to the Exchequer on sales, trade, incomes and profits, which amounted to a conservatively estimated £1.6 billion in 2013.
- The British art market spent £3.6 billion on specialised services in ancillary industries, employing a conservatively estimated 101,880 people.

1. The British Market for Art and Antiques

This study analyses the position and performance of the British art and antiques market, focusing particularly on its performance since Arts Economics' last report on the British art market published in 2010.

In 2013, the value of the British market for fine and decorative art and antiques reached a total of £8.0 billion, down 3% year-on-year (in GBP terms). This was the second year of negative growth for the UK and was in marked contrast to the trend in global sales, which grew 10% year-on-year to just under £40 billion.

The British market, as with most other major art markets worldwide, grew rapidly in the period from 2003 through 2008, averaging growth of 23% per annum and peaking at £13.5 billion, its highest ever recorded level. However in the fallout from the global financial crisis of 2008/2009, art sales throughout the world contracted (by 36%). In the UK they fell by 57%. Many of the larger art markets recovered relatively well in 2010: the US by 66%, China by 90%, while the UK was weaker at 46%, and the EU as a whole recovered by only 30%.

The fine art sector was the major driver of the recovery, with strong sales and high prices, and this sector continues to dominate decorative art and antiques in terms of values, accounting for over 62% of sales in the UK in 2013.

The years since 2010 have shown a significant divergence in performance between the UK and other major markets, with the UK marked by stagnant growth. In the period from 2010 to 2013, the global market rose 3%, with sales in the US growing over 16%, while the UK declined by 4%.

In 2013, the negative growth in the UK was part of a general decline in sales in the EU as a whole, which saw values fall by 2% year-on-year (in Euro terms) in stark contrast to the US, where sales grew by 25%, reaching close to their highest ever recorded level (£12.0 billion).

Figure 1 - Total Sales in the British Art and Antiques Market



Table 1 shows the relative performance of the various regions of the art market in the last decade¹. While it is clear that the UK market’s performance excelled in the boom years up to 2008, since then it has lagged behind other major markets such as the US and China, as has the EU as a whole.

Table 1 Change in the (Euro) Value of Total Sales of Art and Antiques

% Change from:	2004-2008	2009-2013	2012-2013
US	31%	107%	25%
UK	120%	50%	-5%
CHINA	144%	121%	3%
EU	77%	25%	-2%

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1. The global statistics are taken from Arts Economics (2014) *TEFAF Art Market Report 2014: The Global Art Market with a Focus on the US and China*. TEFAF: Helvoirt. These were originally reported in Euros and the changes in value and market shares in Table 1 and Figure 2 are measured in Euro terms.

2. Britain and the EU in a Global Context

While the British art market remains the largest market in Europe, its global share, and that of the EU as a whole, has declined in recent years.

The UK was the third largest market globally in 2013, with a share of 20% of world sales by value, down 3% on 2012. China was the second largest market (with 24%) and the US ranked number one (with 38%). Until 2010, the UK maintained second position in the global rankings by a sizeable margin.

In 2006 the UK held a 27% share of the market. But China's emergence in the ranks of top global art markets from that time fundamentally changed the division of worldwide sales. China overtook France to become the third largest market worldwide in 2007 and in 2010 become the second largest, overtaking the UK. Most dramatically, in 2011, at the peak of the boom in the market in China, it temporarily ousted the US from its number one position (by just 1% share) to become the largest art market.

While China has gained over 20% in terms of global market share in the last decade, Europe has lost 20%, and within it, the UK has dropped 8%.

The EU as a whole has lost global share, falling 3% in share year-on-year to 32% in 2013. This is down 21 percentage points from 2003 when it accounted for 53% of the value of the global market.

Figure 2 Global Art Market Share 2013

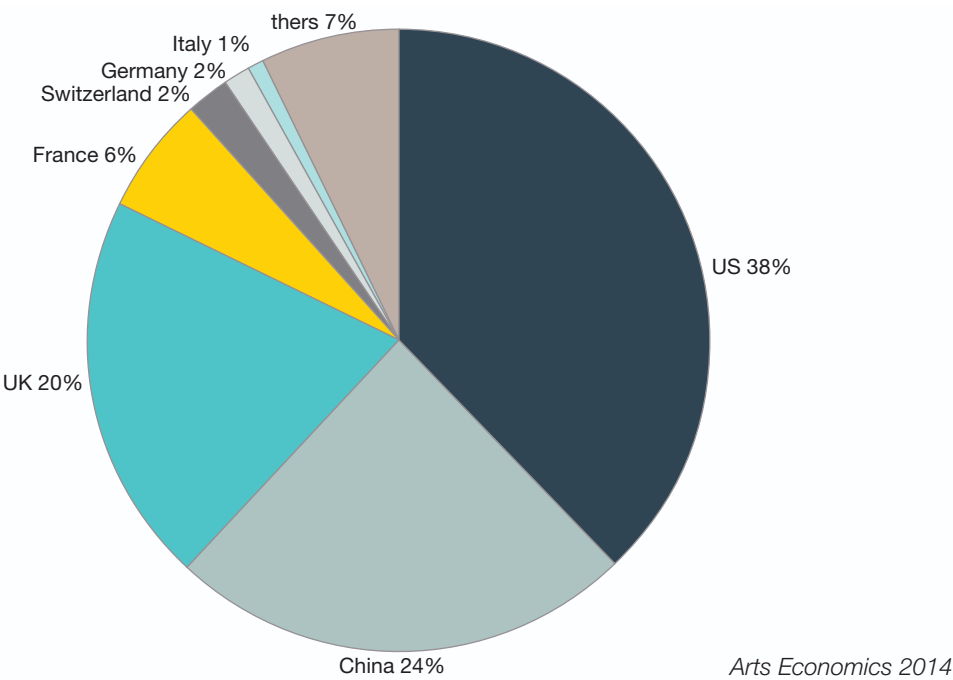


Table 2 Change in the Global Share of the Three Largest Art Markets

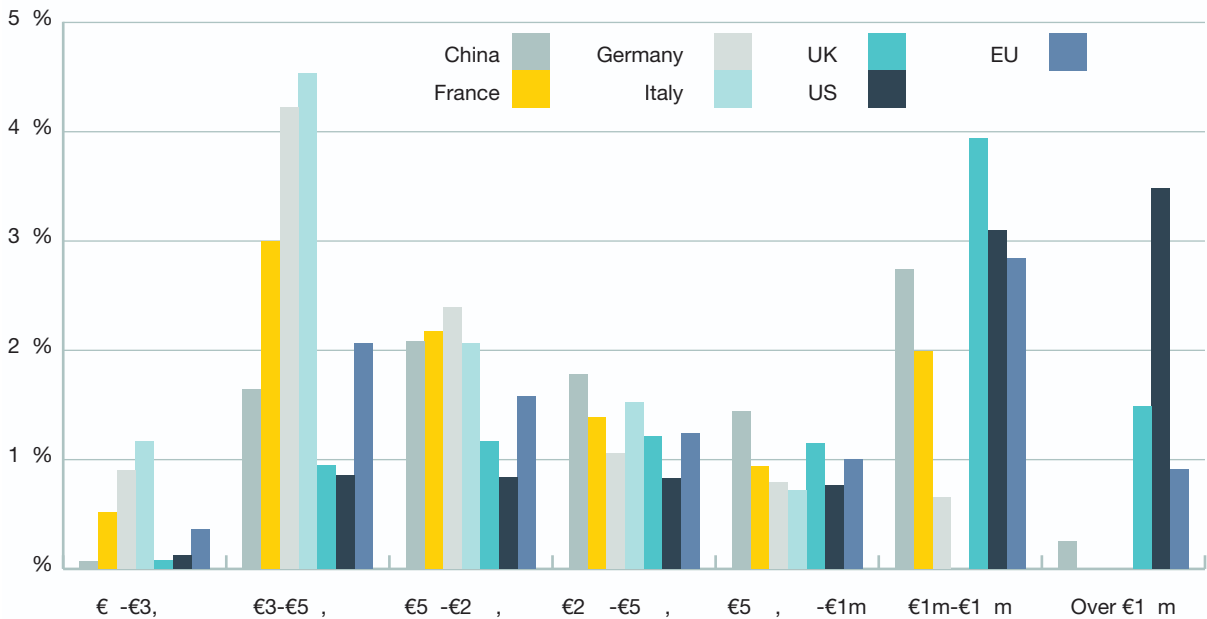
Share of Global Sales in:	2008	2009	2010	2011	2012	2013
US	35%	31%	34%	29%	33%	38%
CHINA	9%	18%	23%	30%	26%	25%
UK	34%	23%	22%	22%	23%	20%

However, internally within the EU, the hierarchy of markets has remained stable over the last ten years, with the UK consistently having by far the highest total sales by value. The UK was the largest market again in 2013 with 63% of total EU sales. The UK's high market share within Europe is driven by its higher average prices. The average price at fine art auctions in the UK in 2013 (£57,110) was over three times the EU average (of around £16,600) and nearly five times that of France.

While in terms of the number of transactions, auction lots priced at less than €50,000 dominate all markets, in the largest markets worldwide, including the US, UK and China, individual lots over €50,000 account for by far the largest element in the overall value of the market.

In the UK, although lower value lots dominate the number of transactions, individual works priced over €1 million (around £850,000), accounted for over half the value of sales in the market in 2013. This is in marked contrast to the other large markets in Europe, such as France, where works at this level accounted for just 20% of sales.

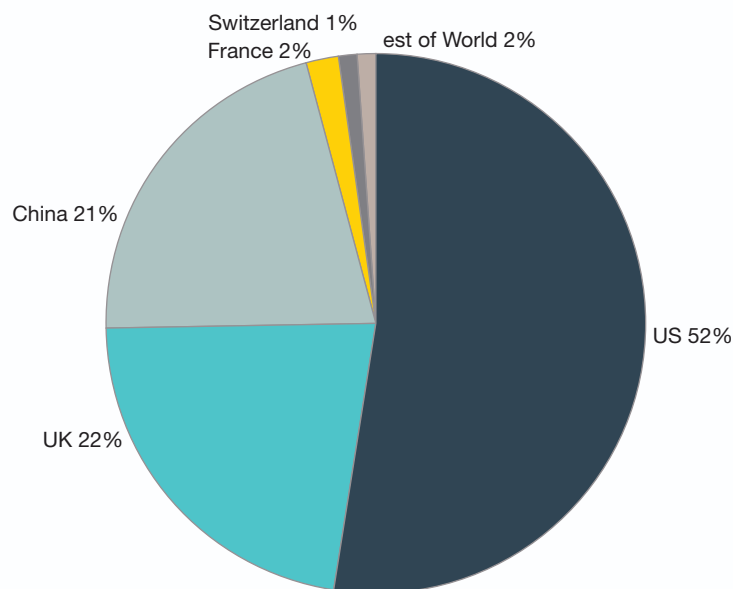
Figure 3 Share of Value of Sales in National Markets by Price Bracket



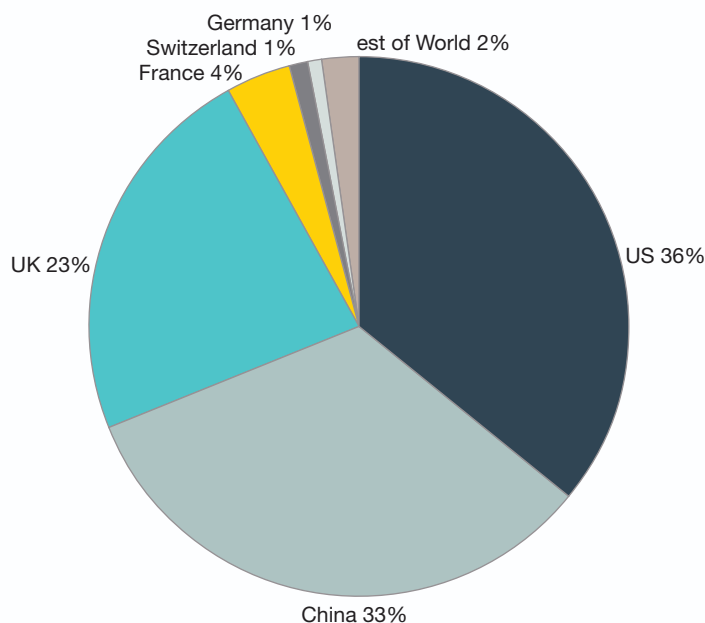
Arts Economics 2014 with data from Artnet

In the auction market for works priced at over €1million, the UK accounted for 82% of all transactions in Europe and almost 90%, by total value. The UK was also the only country in the EU where works for over €10 million were sold at auction in 2013. This, along with generally higher average prices in both the dealer and auction sector, reflects the UK's position as a key global player in the art market, attracting high-value art for sale from throughout the world.

Figure 4a. Share of Value of Sales at Global Fine Art Auctions for over €1 million



Arts Economics 2014 with data from Artnet

Figure 4b. Share of Volume of Sales at Global Fine Art Auctions for over €1 million

Arts Economics 2014 with data from Artnet

3 Key Sectors: Modern and Contemporary Sales in the UK

In terms of value, fine art has dominated decorative art and antiques over the last few years, especially at the higher end of the market. Within the fine art market, the highest individual prices and the largest aggregate sales in 2012 and 2013 have been in Post War & Contemporary art, which showed the fastest growth and accounted for the highest prices. Globally in 2013, Post War & Contemporary art accounted for 46% of the value of the fine art auction market and, together with the Modern art sector, made up 75% of all sales². In the UK, Post War & Contemporary was also the largest sector of the market with 39% of sales by value (and 34 % of all transactions). Modern art was the second largest with a share of 31% of the value of fine art auction sales and 26% of transactions in 2013.

While the UK has held its position in some older sectors of the market since 2010, its share of Modern and Post War & Contemporary markets declined.

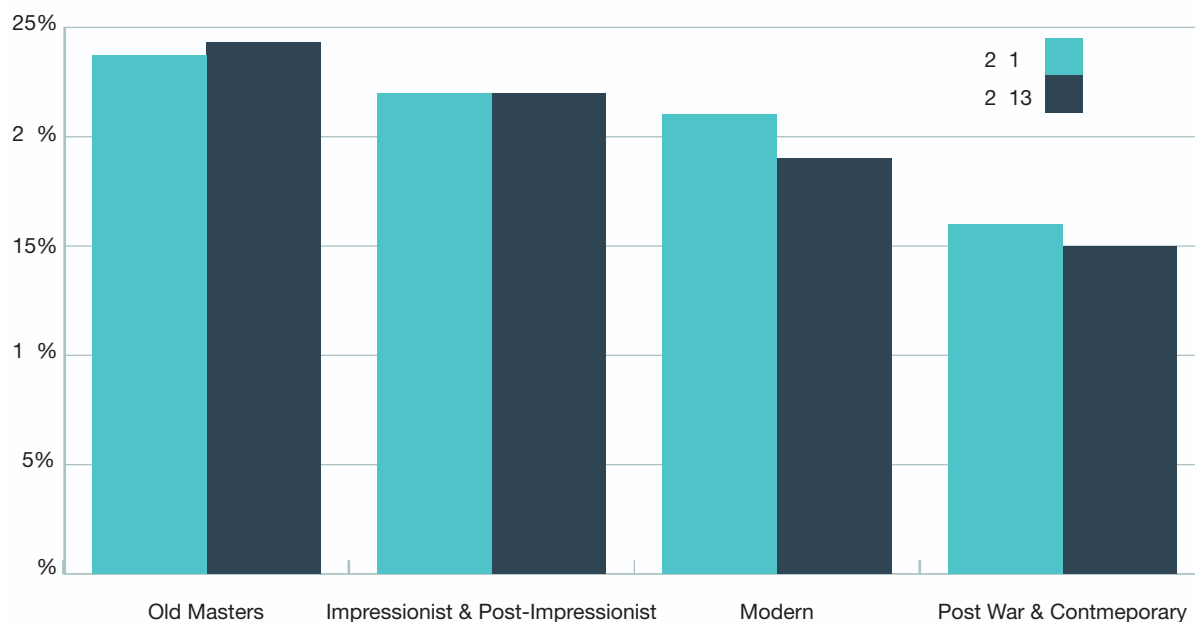
2. Post War & Contemporary art is defined here as artists born after 1910 (with the addition of a small number of exceptional names that are included in the cohort based on their relevance). Modern is defined as artists born between 1875 and 1910. Data on the global market is from Arts Economics (2014).

Significantly, auction sales of Post War & Contemporary art in the UK dropped 12% by value over 2013, in marked contrast to competing markets. In 2013 the global market increased in value by 11%, reaching its highest ever recorded level of €4.9 billion in auction sales alone. The US market saw growth of 20% in value (and had the highest market share of 44%), while sales in China advanced 17% year-on-year (maintaining the second highest market share of 26% by value).

The UK's share of the global market for Post War & Contemporary art more than halved in the five years from 2008 (from 35% to 15%). In the last four years, while other markets have recovered and stabilised, the UK has continued to lose share.

This has not been the case in other fine art sectors. From 2010 to 2013, for example, the UK's share of sales of Old Master paintings, and Impressionist and Post-Impressionist works, increased slightly or remained stable.

Figure 5 The UK's Global Market Share by Sector of the Fine Art Auction Sales 2010 v 2013



Arts Economics 2014 with data from Artnet

Sectors Liable to Artists' Resale Royalties (ARR)

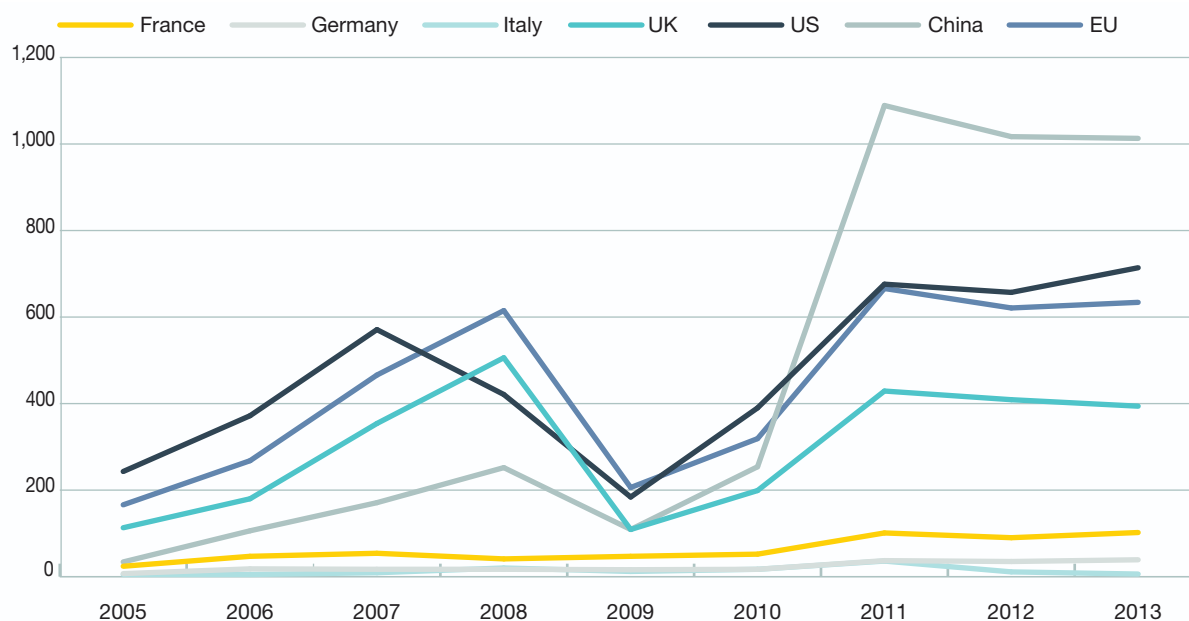
On January 1st 2006, Artists' Resale Royalties (ARR), a levy on art resales intended to benefit artists and their heirs was introduced throughout the EU under Directive 2001/84EC. This Directive imposed a uniform system of ARR throughout all EU member states. In January 2012 it was extended in the UK to the heirs of deceased artists for up to 70 years after the artist's death.

Given that ARR is in place in the EU and not in the other major art markets such as the US and China, there has been considerable debate regarding its impact on the UK art market and the potential diversion of trade in the high value Contemporary and Modern sectors. To assess the effects the Directive has had on sales in recent years, it is necessary to focus on the parts of the Modern and Contemporary market potentially affected by ARR: the resale market for works by living artists and the resale market for works by artists deceased within 70 years of the date of the sale, or the "heirs' market".

In terms of overall value, the market for the works of living artists accounted for 21% of fine art auction sales by value in 2013 in the UK, and 31% of all transactions. Between 2006 and 2008, UK sales in this sector grew against a background of a worldwide boom in Contemporary art. Like most markets, they then contracted severely in 2009. The UK achieved a stronger recovery than many other European markets in 2010, increasing by 83%, versus the rest of the EU where sales rose by only 24%. These increases were significantly less than in China and the US (which saw a rise in sales values of 112% and 133% respectively).

Since 2010, the UK market has been stagnant or has declined. From 2011 to 2013 sales in the UK dropped 8% in value, whereas US sales grew 6%. In the five-year period from 2008 to 2013, sales in the UK fell by 22% whereas in the US they grew by 70%.

Figure 6 Sales of Works by Living Artists at Auction 2005-2013



Arts Economics 2014 with data from Artnet

In terms of global market share, the UK has lost share in the market for living artists' works since 2008, dropping 21 percentage points to just 16% in 2013. China made significant gains, albeit from a very low base, and was the largest market by value in 2013 (with a 40% share). The US had the second largest share of the sector, with a 28% share of total sales.³

Table 3 shows the change in the share in the market for the works of living artists over the last five years at varying price points. The UK, and the EU generally, have lost the most share at the higher priced ends of the market. Although the UK still retained a 20% share of the market for works priced over €200,000, this share has more than halved over the five year period from 2008 to 2013.

3. It is worth noting that 20% of the 8,728 artists whose work was sold at auction in the US in 2013 were European. The share of European artists selling in the US has increased 2% from 2011. In the UK, 44% of the 3,540 living artists whose work was sold at auction in 2013 were European.

Table 3 Market Share by Value of Living Artists at Auction 2013

	All Works			Works Over €50,000			Works Over €200,000		
	2008	2013	Change	2008	2013	Change	2008	2013	Change
France	2.9%	4.1%	1.1%	1.6%	2.7%	1.1%	1.1%	2.2%	1.0%
Germany	1.2%	1.6%	0.3%	0.5%	0.8%	0.2%	0.1%	0.4%	0.3%
Italy	1.5%	0.3%	-1.2%	0.8%	0.5%	-0.3%	0.3%	0.3%	0.1%
Sweden	0.4%	0.6%	0.2%	0.1%	0.3%	0.2%	0.1%	0.3%	0.2%
Switzerland	0.3%	0.4%	0.1%	0.1%	0.2%	0.1%	0.0%	0.2%	0.2%
Austria	0.5%	0.6%	0.2%	0.1%	0.3%	0.2%	0.0%	0.1%	0.1%
UK	36.4%	15.6%	-20.8%	40.7%	18.0%	-22.7%	44.5%	19.7%	-24.8%
EU	44.2%	25.1%	-19.1%	44.3%	22.9%	-21.4%	46.3%	23.1%	-23.2%
US	30.3%	28.3%	-2.0%	31.0%	31.9%	0.9%	31.6%	36.3%	4.6%
China	18.2%	40.1%	21.9%	19.5%	41.0%	21.5%	18.6%	37.9%	19.3%

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Against the background of the EU's general decline in global market share, the UK still remains the EU's largest market for living artists' works, accounting for 62% of sales by value in 2013. Average prices in this sector in the UK were also over five times those in France and Germany and over ten times most of the smaller markets in Europe. The UK accounted for 90% of the value of the EU market for living artists works sold over €500,000 and 92% of those sold over €1million.

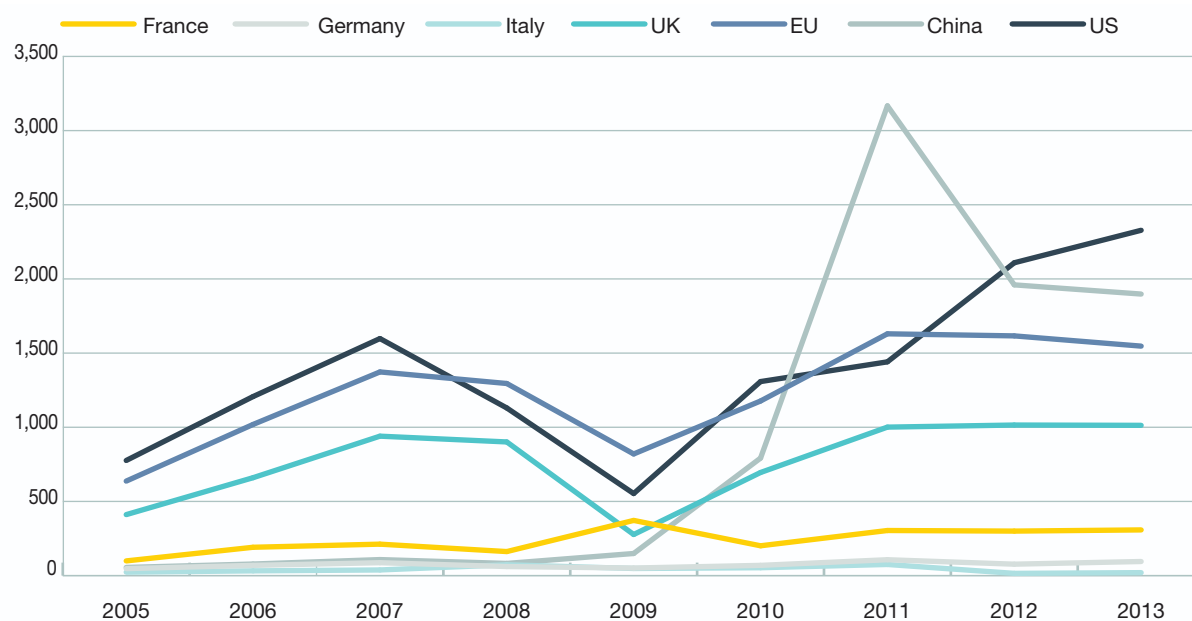
In the context of the ARR Directive it is worth noting that there were altogether 1,255 qualifying living artists whose work was sold at auction in the UK in 2013 for prices making them eligible to receive ARR payments. This includes both British and other European artists. Of these eligible artists, 600 were British. The UK Labour Force Survey states that there were 52,000 visual artists working in the UK in 2013. This is likely to substantially understate the total number of artists in the UK as many work primarily in other creative and non-creative industries and register other jobs such as teaching,

design and other work as their first profession on the Census⁴. Even given this low estimate of the total number of artists in the UK, ARR could only have benefitted one in 100 British artists.

The “heirs’ market” (works of artists deceased within 70 years) accounted for 48% of fine art auction sales by value in 2013 in the UK and 42% of all transactions. Despite some volatility, including a strong contraction in the market in 2009, the sector fared relatively well until 2012 (the year that ARR was extended in the UK to this category), growing 54% in value from 2006 to 2011.

However, during 2012 sales stagnated, growing by just 1%, and in 2013 fell by 10% in value. In contrast the US market grew 62% in value in the period from 2011 to 2013. China also boomed over 2010 and 2011, and despite a slow down in the market in 2012, it has still seen its market grow by over 20 times in the last ten years.

Figure 7 Sales in the Heirs’ Market at Auction 2005-2013



Arts Economics 2014 with data from Artnet

4. Figures from the DCMS compiled in their *Creative Industries Economics Estimates 2014* show that of the 2.6 million individuals employed in the creative industries in the UK, there were at least 102,000 involved in crafts, 166,000 in design and 277,000 in the visual and performing arts and music. Many of these individuals are visual artists, although may not be classified as such in the Census and Labour Force Surveys.

In terms of market share, the UK held 15% of this market in 2013, down 2% year-on-year. The US dominated the sector, with 38%, as it became the leading marketplace for sales of the highest priced works of art. At the higher end of the market (works priced over €1 million), the share of the US is 58%.⁵

Table 4 shows that the UK and EU generally lost share in this sector from 2012 to 2013, as higher value sales increasingly took place in the US. As in the living artists' sector however, the hierarchy of sales within the EU did not change year-on-year, with the UK remaining by far the largest market with a share of just under 60% of sales by value, with France at 20% and Germany in third rank with 6%. Within the EU, the UK has consistently accounted for the highest average prices in this sector, and in 2013 these were five times those in the next largest market, France, and up to 15 times those in smaller European markets.

Table 4 Share by Value Heirs Market

	All Works			Works Over €50,000			Works Over €200,000		
	2012	2013	Change	2012	2013	Change	2012	2013	Change
France	5.0%	5.1%	0.0%	4.1%	4.1%	0.0%	3.6%	3.4%	-0.2%
Germany	1.3%	1.6%	0.3%	0.7%	0.9%	0.2%	0.4%	0.6%	0.2%
Italy	0.3%	0.3%	0.1%	0.5%	0.6%	0.1%	0.4%	0.4%	0.0%
Sweden	0.7%	0.5%	-0.2%	0.5%	0.3%	-0.1%	0.3%	0.2%	-0.1%
Austria	0.4%	0.5%	0.1%	0.2%	0.3%	0.1%	0.2%	0.1%	-0.1%
UK	17.0%	15.1%	-1.9%	18.4%	16.1%	-2.3%	19.8%	17.0%	-2.8%
EU	27.1%	25.5%	-1.5%	25.2%	23.2%	-2.0%	25.0%	22.2%	-2.8%
China	32.8%	31.3%	-1.5%	32.7%	31.6%	-1.1%	29.5%	28.9%	-0.6%
US	35.3%	38.4%	3.1%	38.5%	41.8%	3.3%	42.8%	46.5%	3.7%

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5. Considering works sold in the heirs' market, it is interesting to note that 42% of the artists whose works were sold for over €1 million in the US were European.

4 UK Cross Border Trade

Historically, the success of the UK as a global art market hub has not simply been built on local supply and demand but on importing and assembling art sales from overseas. The UK's ability to do this has depended on having a relatively favourable legal and fiscal environment and on accumulating the necessary skills and services to support the trade.

Despite a wider geographical distribution of buyers participating in the art market, the bulk of the art trade at the highest values still takes place each year through key established international hubs, most notably the US and UK, which accounted for a combined 65% of exports and 69% of imports by value, despite the fact that the eventual buyers may reside elsewhere⁶.

The UK is by far the largest importer and exporter of art and antiques in Europe. In 2013, it accounted for 54% of all imports to the EU by value and 55% of exports. It is especially dominant for extra-EU trade: in 2013, 58% of all extra-EU exports from the EU were from the UK (versus only 24% of intra-EU exports) and 58% of extra-EU imports to the EU were into the UK (versus only 37% of intra-EU imports).

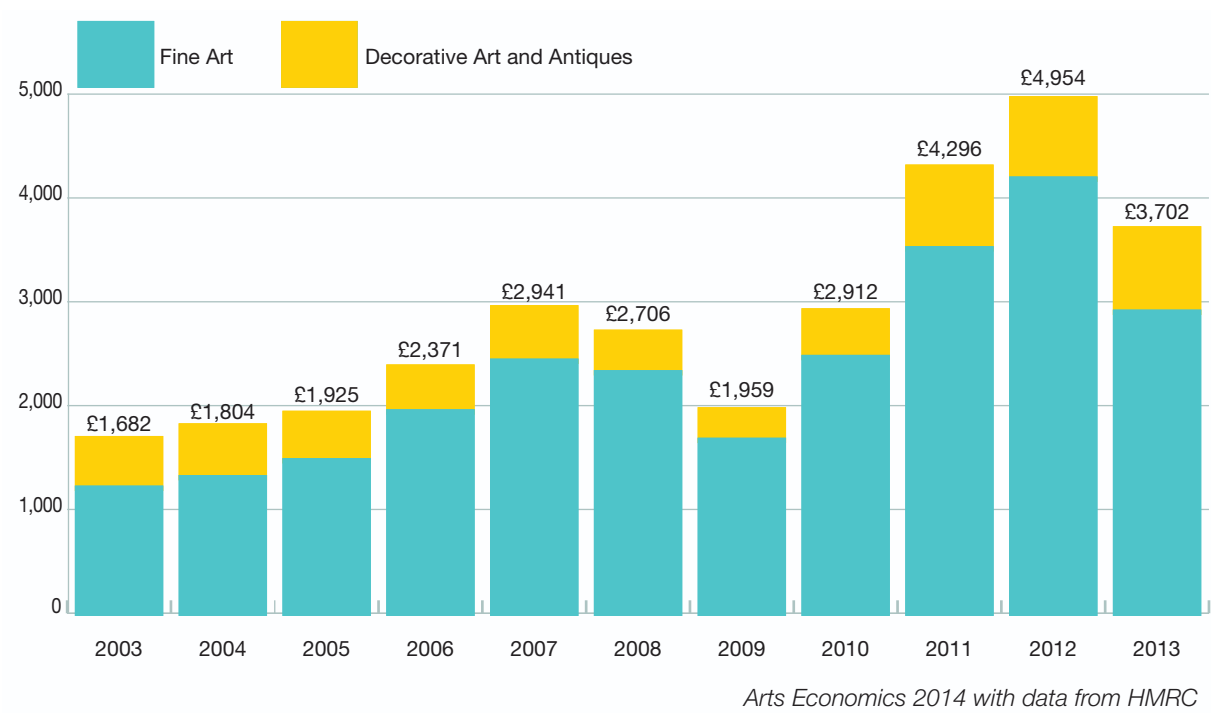
However, there are signs that imports, which support the UK's status as a global hub, may now be in decline. After three years of growth from their lowest point in ten years in 2009, imports reached a high of £4.9 billion in 2012, but then fell substantially in 2013, dropping 25% to £3.7 billion⁷. This contraction was driven largely by a drop in imports of fine art, which fell proportionally more (-31%), while imports of decorative art and antiques actually grew 4%.

Fine art (including paintings, works on paper, prints and sculpture) has always accounted for the bulk of art imports into the UK, amounting to a 78% share by value in 2013 (and averaging 80% over the last ten years). A reduction in fine art imports will therefore have a significant impact on the value of the British art market should this decline continue.

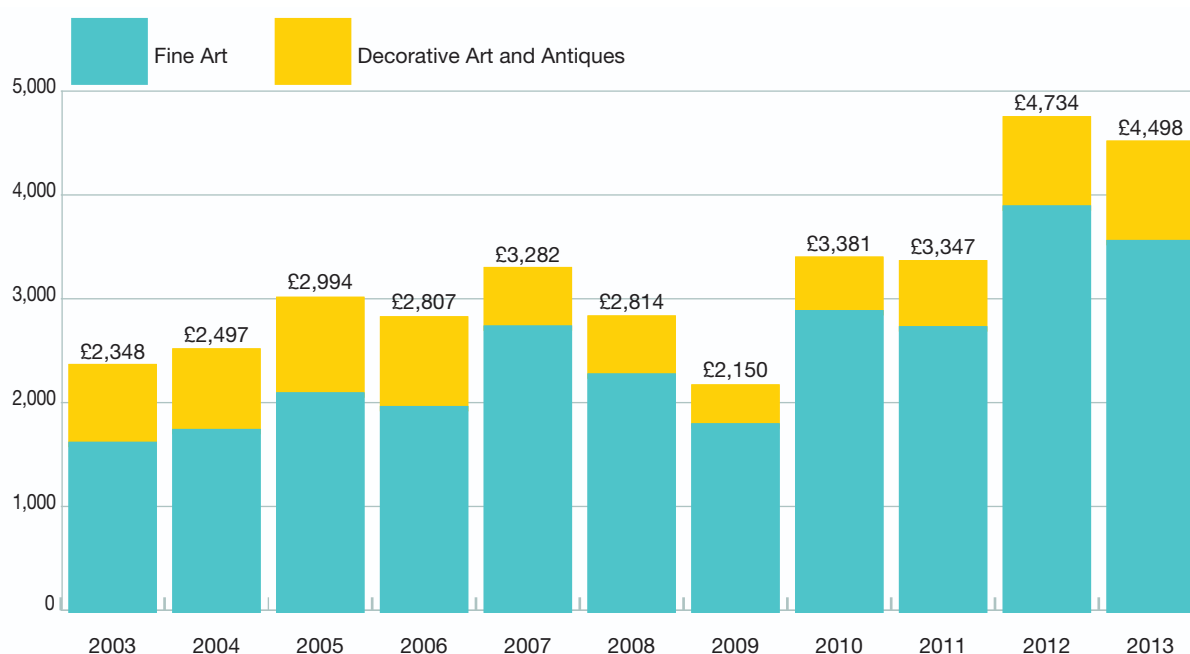
6. These statistics relate to 2012 trade data, the latest full year for full reporting across all countries globally. Although there have been some minor fluctuations year-on-year, the dominant position of these two markets has not changed significantly since the 1980s. In 1985 for example, the combined share of the US and UK for world exports and art and antiques was 69% for import and 62% for exports.

7. Figures 8 and 9 records report "general trade" statistics which includes all those goods entering or leaving the UK, including goods imported into a freezone or customs warehouse, regardless of whether the goods are intended for subsequent entry into home use or for re-export. This data includes temporary imports and exports, which are an important part of the UK's cross-border trade as a global entrepôt for Europe. It is interesting to note that the share of temporary importing as implied by the differences in the import statistics between special trade (reported by Eurostat) and general trade (reported by the HMRC) has expanded steadily over the last ten years. In 2003, the differences between the data implied some 34% in temporary or other non-permanent import. However by 2013 this had reached 56%.

Figure 8 Total Imports of Art and Antiques to the UK (£ Million)



UK exports of art and antiques from the UK reached a peak of £4.7 billion in 2012, more than doubling in value from their lowest point in 2009. However in 2013, they fell 6% year-on-year, with fine art again seeing the largest fall in values (at 7%, versus a 3% drop in decorative art and antiques). As with imports, fine art accounts for the bulk of the value of all art leaving the UK, with a 79% share of the value of total exports in 2013, and an average of 77% over the last ten years.

Figure 9 Total Exports of Art and Antiques to the UK (£ Million)

Arts Economics 2014 with data from HMRC

Extra-EU trade dominates UK imports and exports. In 2013, imports from outside the EU accounted for 85% of total imports of art and antiques, and this has averaged 91% over the last ten years. The main source countries for imports in 2013 were the US (with a 48 % share by value), Switzerland (21%) and China (4%). In 2013, exports to destinations outside the EU accounted for 97% of the value of total exports of art and antiques, and this has averaged 96% over the last ten years. The main destination countries for exports in 2013 were the US accounting for 48% of their value, Switzerland (25%), China (8%) and Qatar (2%).

5 Economic Impact

Despite its declining in status in recent years, the art market continues to make a significant contribution to the British economy, in terms of the employment and skills it generates. The value added by the sector comes both from the businesses directly engaged in the industry and through a range of support services creating a significant multiplier effect throughout the economy.

Businesses and Employment

In 2013 there were in excess of 7,850 businesses in the British art market, directly providing around 41,420 high-value jobs. This figure covers only galleries, dealers and auction houses that specialise in art and antiques, and it excludes many of the other businesses related to the art trade such as fairs and other events.

Although the size of businesses varies, the British art and antiques market is mainly composed of relatively small and highly knowledge-intensive businesses, employing a gender-balanced mix of very well educated individuals.

Turnover in the UK's auction sector reached £3.2 billion in 2013, down 6% on 2012. Auction houses range from the larger multi-national companies of Sotheby's and Christie's, with a combined share of 53% of all public auction sales, to a number of significant second-tier auction houses.

There is a large variation in the employment numbers of companies in the auction sector. The top multi-national auction houses of Christie's, Sotheby's, and Bonhams employed a combined total of around 4,000 staff in the UK in 2013. The second tier auction houses averaged around 16 according to survey evidence, with a median of ten.

There are in the region of 6,850 dealers in fine and decorative art currently operating in the UK. Turnover in the dealer sector is estimated to have totalled £4.8 billion, down 1% on 2012. Survey evidence from British art and antique dealers reveals that the median numbers employed in 2013 was four people (with an average of seven), classifying them as "small to medium enterprises" (SMEs). The majority were also categorised as small companies in terms of the size of their turnover (less than £8.5 million per annum), with just 10% of those surveyed being medium or large companies.

The art market generally tends to be a gender-balanced employer. In the top-tier auction houses in the UK, the average female share of employment was 59% in 2013, significantly more biased towards female employment than the average of 47% in the general labour force⁸. This gender balance also exists in the second-tier auction houses, with an average of 56% female employees in 2013. The art dealer sector in the UK is slightly more male dominated, with an average gender breakdown similar to the wider labour force with a 48% female share.

Employment in the top-tier auction houses tends to be predominantly full-time, with only 10% of workers in part-time or temporary positions, which is nearly one third of the rate of part-time employment in the general UK labour force at 27%. This proportion is significantly higher in the second-tier auction houses which showed, on average, that 46% of workers were in part-time and temporary employment. The art dealer sector is similar to the workforce overall, with 23% of those working in the sector in 2013 in part-time or temporary positions.

Cultural workers tend to be more highly educated than the wider labour force, with 48% of workers having attained a third level or university education (versus 40% of the UK labour force as a whole, 31% of the labour force in the EU and 42% in the US). In the top-tier auction houses, it is estimated that the share of employees with a university education is above 90%. In the second-tier houses there is much more variation between individual companies, but on average the share of those with university degrees is around one third. In 2013, it was reported that 73% of those employed in the UK art and antiques dealers' sector held similar third level qualifications, making it a very knowledge-intensive sector of the economy.

Knowledge, skills and creativity have been identified for several years as essential elements that have given the British a competitive edge, and the cultural industries continue to play a leading role in the move towards a knowledge economy. A strong artistic infrastructure attracts skilled workers to an economy, creating a "brain gain" effect, and making regions more attractive to businesses, with subsequent positive multiplier effects throughout the economy. Several studies have shown that arts and cultural industries foster innovation and growth in commercial creative industries and support the productivity of the labour force as a whole.

8. Data from the *European Labour Force Survey 2014*.

Fiscal Contribution

The art market continues to make a significant contribution to the UK economy through the taxes and levies paid directly to the Exchequer on sales, trade, incomes and profits. Table 5 is a highly conservative estimate of the total tax revenues generated by the art market. In 2013, at least £1.2 billion accrued in net taxes to the Exchequer. This table includes only auction houses and galleries/dealers and excludes all those working in art events, fairs and ancillary businesses and services to the art trade. These no doubt add considerably to the fiscal contribution made by the wider art market.

Table 5 Estimated Treasury Take from the Art Trade in 2013 (£m)

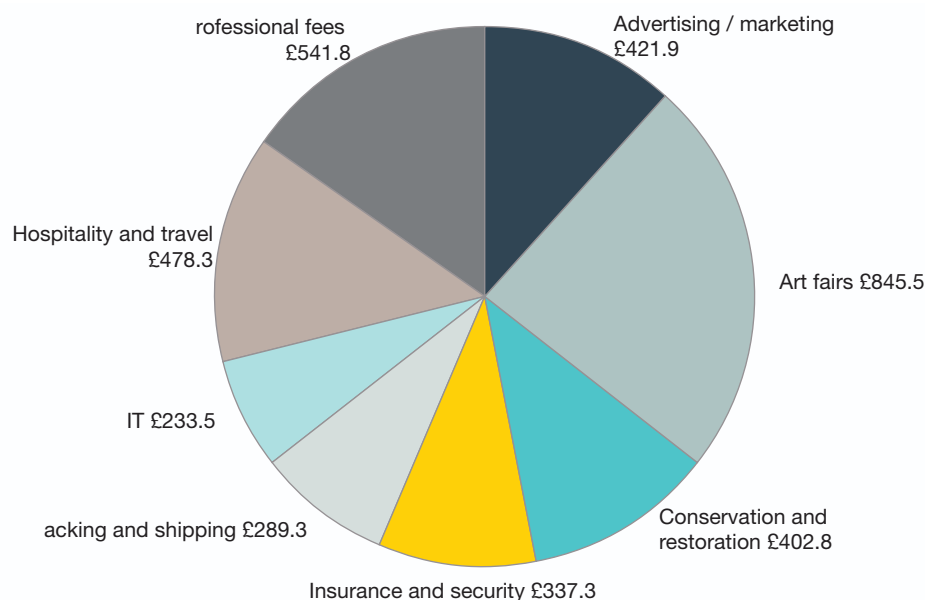
Year	Total	Corporation Tax	Net VAT ⁹	Income Tax
2013	£1,237.8	£555.0	£263.8	£419.0

© Arts Economics *VAT on sales less input taxes plus net import VAT

Ancillary Impact

The British art market creates substantial revenue and jobs through a range of support services and ancillary businesses used by the art trade. It is estimated that in 2013, auction houses and dealers alone spent £3.6 billion on such specialised services, employing a conservatively estimated 101,880 people.

9. Net VAT is VAT on sales less input taxes plus net import VAT. In estimating import VAT, import values from Eurostat measuring special/ non-temporary trade only are used (£1.6 billion rather than the £3.7 billion as reported by the HMRC for general trade) to account for those imports that may be exempt from VAT when entering the UK under temporary admission conditions.

Figure 10 Ancillary Spending by the UK Art Trade in 2013*Arts Economics 2014*

As seen in Figure 10, art fairs attract the highest expenditure with a 24% share of total spending, despite only being supported by the dealer sector. Art fairs also generate substantial economic benefits for the cities in which they take place, by attracting wealthy visitors over a number of days, who then spend on top hotels, restaurants and on other goods and services. London hosts several such important international art fairs, art weeks and other events that attract visitors from around the world.

Indirect Contribution

Besides the direct economic contribution of art businesses and ancillary services, the art trade also has many positive links to other high-value sectors in the economy.

Cultural tourism continues to be one of the largest and fastest growing global tourism markets, and the art market contributes to this by attracting high value tourists with an interest in culture. The World Tourist Organisation claims that cultural tourism represents between 35% and 40% of all tourism worldwide, and that it is growing at 15% per annum – three times the rate of growth in general tourism.

The travel and tourism industry in the UK was estimated to have made a direct contribution to GDP of £38 billion (or 7% of GDP) in 2013, and this is forecast to rise by 5% per annum over the next ten years reaching at least £60 billion by 2023. Including indirect contributions, the total contribution of the industry was £108 billion in 2013 and this is expected to grow to some £167 billion by 2023. The travel and tourism industry supported just over 1 million jobs in 2013 (and over 2.4 million including those indirectly linked to the sector), and these are expected to grow to 1.3 million by 2023 (or just over 3 million including indirect employment)¹⁰.

Cultural tourists have also been shown in various research studies to travel more often and for longer durations and to spend significantly more than the average tourist.

6 Outlook

There are signs that the UK's position as a global market hub is under pressure. In the key areas of Modern and Post War & Contemporary art, which together account for 48% of the UK art and antiques market, sales in the UK have continued to decline.

In the sector for works of living artists, sales have declined over the last few years, in marked contrast to the performance of markets such as the US. ARR was extended to the work of deceased artists in January 2012. Since then, sales in this category have also declined.

There has been much discussion about the effects on the British art market of the ARR levy since its introduction in 2006 and its extension to the work of deceased artists in 2012. The continued fall in both overall value and market share in the two sectors liable to ARR would suggest that the presence of this levy on sales in the UK, but not in competing overseas markets, is contributing to the UK's decline, particularly as the UK is experiencing better fortune in other areas of the fine art market that are not affected by ARR.

The British art market's dominance has to a very large extent been dependent on successfully competing with global rivals to attract the best works of art for sale in the UK. Britain's future position is therefore vulnerable to any fiscal and regulatory changes, which might disadvantage Britain in an increasingly competitive global art market.

10. World Travel and Tourism Council (2013) *WTTC Travel & Tourism Economic Impact 2013 United Kingdom*, from wtcc.org. The direct contribution of travel and tourism is based on internal spending by residents and non-residents. The indirect contributions include those industries directly supplying inputs and services to the industry and the induced spending (i.e. the GDP and jobs supported by the spending of those who are directly or indirectly employed by the travel and tourism industry.)

