

# music

## CHINA

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



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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

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Should you need more information, please contact:

Messe Frankfurt (HK) Ltd

Music China Team

Tel: +852 2238 9901 / 2230 9245

Fax: +852 2598 7887

Email: [music@hongkong.messefrankfurt.com](mailto:music@hongkong.messefrankfurt.com)

Website: [www.musikmesse-china.com](http://www.musikmesse-china.com)



## Economic Highlight<sup>1</sup>

- China's GDP grew by 6.6% in 2018.
- Fixed assets investment grew by 5.9% between Jan-Dec 2018, staying flat from Jan-Nov 2018
- Retail sales raised by 9% between Jan-Dec 2018, slightly down from 9.1% between Jan-Nov 2018.
- In January 2019, exports (in terms of US dollars) went up by 9.1%, while imports (in terms of US dollars) decreased by 1.5%, resulting in a trade surplus of US\$39.2 billion.

### Key Market Indicators

Major Economic Indicators	2017		2018	
	Value	Growth (%)	Value	Growth (%)
Gross Domestic Product (in RMB bn)	82,712.2	6.9 <sup>1</sup>	90,030.9	6.6
Fixed Assets Investment <sup>2</sup> (in RMB bn)	63,168.4	7.2	63,563.6	5.9
Consumer Goods Retail Sales (in RMB bn)	36,626.2	10.2	38,098.7	9.0
Exports (in US\$ bn)	2,263.5	7.9	2,487.4	9.9
Imports (in US\$ bn)	1,841.0	15.9	2,135.6	15.8
Utilized Foreign Direct Investment (US\$ bn)	131.0	4.0	135	3.0
Foreign Currency Reserves (in US\$ bn)	3,139.9	4.3	3,072.7	-2.1

Notes:

<sup>1</sup> Real growth

<sup>2</sup> Urban investments in fixed assets

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

### Major International Ranking of China

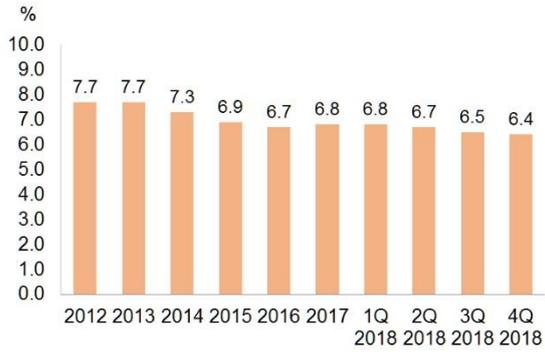
1. As stated by the World Bank, China is the second-largest economy in the world, behind the United States, ahead of Japan.
2. Based on UNCTAD World Investment Report, in terms of Foreign Direct Investment (FDI) Inflows, China was the second-largest recipients in the world in 2017 while it was the third-largest 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

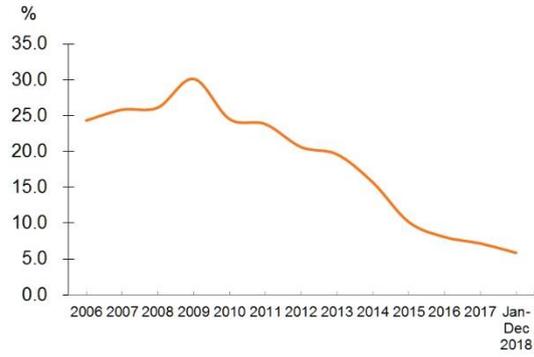
The Chinese economy grew steadily over the past 6 years. China's GDP grew by 6.7% in the first three quarters of 2018 and 6.4% in the last quarter of 2018.

The Growth of Fixed asset investment is prominently one of the critical factors in analyzing current economic situation. In Jan-Dec 2018, the growth of fixed asset investment was 5.9%, a slightly down from the growth of 2017.

### Real GDP Growth



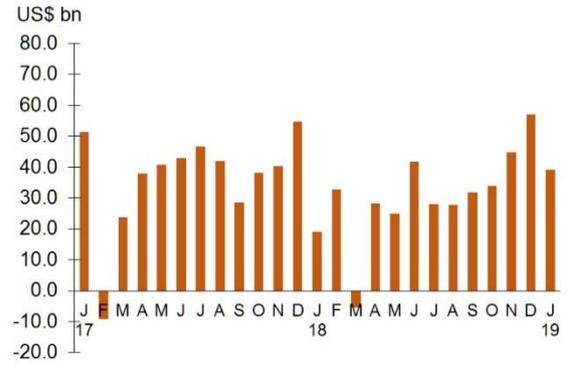
### Fixed Assets Investment Growth



### Growth of Trade



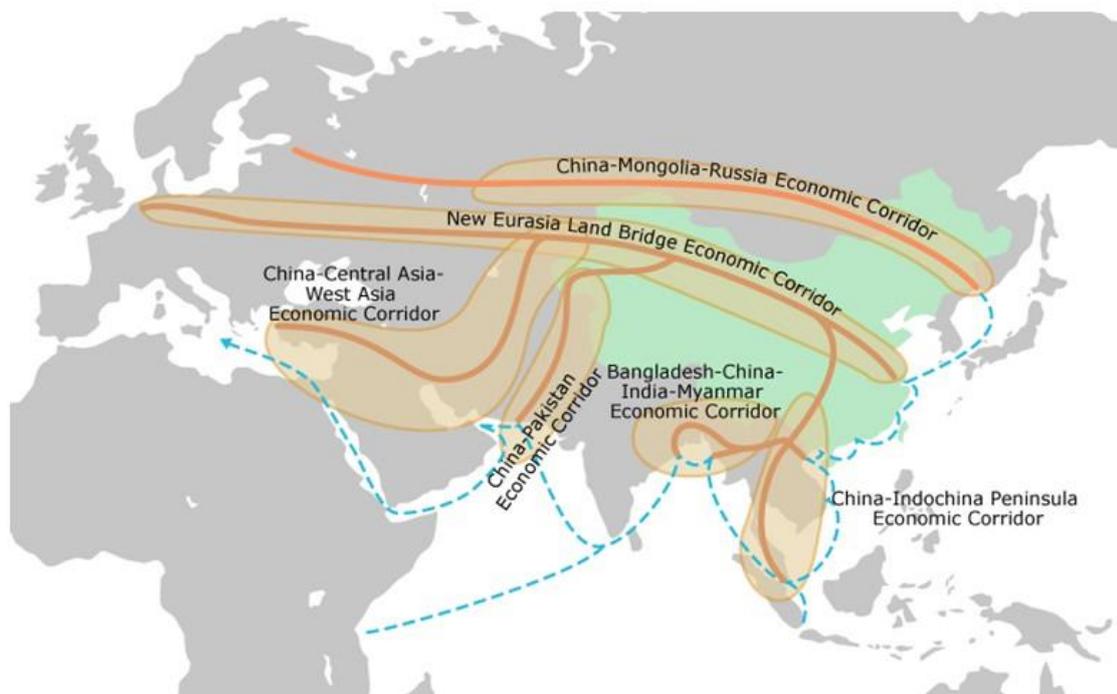
### Trade Balance



## Key Chinese Government Initiatives

1. The National People's Congress (NPC) adopted the 13<sup>th</sup> 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 21<sup>st</sup> 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. China is shifting towards a consumption-driven economy by lowering its tariffs. China 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. The provisional import and export tariffs on a range of goods were revised as of 1 January 2019 in line with a prior announcement by the State Council Customs Tariff Commission. This has seen new provisional tax rates applied to such items as food stuffs and various categories of industrial equipment, while duty on several information technology products will be removed and the rates for a raft of other IT products reduced as of 1 July 2019.
  
7. 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 World<sup>1</sup> (All values are indicated by USD million)**

Description	Unit	2017		2018		Change in % (2017 & 2018 year-on-year)	
		Quantity	Value	Quantity	Value	Quantity	Value
Upright Piano	Set/PC	165,432	135.761	177,378	159.099	7.22%	17.19%
Grand Piano	Set/PC	7,246	63.693	8,203	76.363	13.21%	19.89%
Harpsichord & others	Set/PC	347	1.439	352	1.107	1.44%	-23.07%
Stringed Instruments with bow	Set/PC	1,611	2.009	1,418	2.443	-11.98%	21.60%
Stringed Instruments without bow	Set/PC	149,206	13.843	228,412	20.513	53.08%	48.18%
Brass-wind Instruments	Set/PC	6,302	4.477	6,735	5.987	6.87%	33.73%
Wood-wind Instruments	Set/PC	249,169	10.666	456,628	17.450	83.26%	63.60%
Percussion Musical Instruments	Set/PC	1,807,408	20.602	2,342,001	24.744	29.58%	20.10%
Keyboard Instruments	Set/PC	86,760	37.589	107,938	47.146	24.41%	25.42%
Electronic & Electrical Instruments	Set/PC	35,801	10.594	73,153	19.695	104.33%	85.91%
Music Boxes	Set/PC	13,755	0.311	14,184	0.410	3.12%	31.83%
Fairground Organs & Whistles	Set/PC	455,143	0.459	552,268	0.614	21.34%	33.77%
Parts & Accessories	KG	10,330,254	104.002	10,843,246	112.996	4.97%	8.65%
Sheet Music	KG	12,736	0.397	15,592	0.599	22.42%	50.60%

**China Export Statistics from World<sup>2</sup> (All values are indicated by USD million)**

Description	Unit	2017		2018		Change in % (2017 & 2018 year-on-year)	
		Quantity	Value	Quantity	Value	Quantity	Value
Upright Piano	Set/PC	19,172	28.974	17,875	28.363	-6.77%	-2.11%
Grand Piano	Set/PC	5,946	20.656	11,275	26.553	89.62%	28.55%
Harpsichord & others	Set/PC	16,658	2.004	28,546	2.039	71.37%	1.75%
Stringed Instruments with bow	Set/PC	1,696,557	78.919	1,522,462	81.315	-10.26%	3.04%
Stringed Instruments without bow	Set/PC	10,209,143	299.926	10,626,972	323.262	4.09%	7.78%
Brass-wind Instruments	Set/PC	637,058	83.802	664,713	88.519	4.34%	5.63%
Wood-wind Instruments	Set/PC	16,321,331	101.485	16,037,716	106.849	-1.74%	5.29%
Percussion Musical Instruments	Set/PC	8,268,317	122.555	9,471,599	133.883	14.55%	9.24%
Keyboard Instruments	Set/PC	5,019,959	351.906	5,660,601	390.403	12.76%	10.94%
Electronic & Electrical Instruments	Set/PC	2,773,380	168.184	2,512,842	159.434	-9.39%	-5.20%
Music Boxes	Set/PC	16,528,330	45.318	16,028,794	41.942	-3.02%	-7.45%
Fairground Organs & Whistles	Set/PC	74,288,273	16.435	81,204,008	18.356	9.31%	11.69%
Parts & Accessories	KG	28,388,944	239.874	30,989,628	239.755	9.16%	-0.05%
Sheet Music	KG	90,535	0.229	56,649	0.591	-37.43%	158.08%

<sup>1</sup> Source: HKTDC (Data from China Customs)

<sup>2</sup> 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 December 2018 had reached 104.33% and 85.91% 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.<sup>3</sup>

Wood-wind instrument is the second-largest increase in terms of quantity and value in the figures from Jan-Dec 2018, which recorded 83.26% and 63.60% correspondently. In terms of import quantity, stringed instruments with a bow had dropped to -11.98%. Meanwhile, the largest decrease in USD values is Harpsichord, which accounts for -23.07%.

By taking into account of China export data, the quantity of grand piano had achieved an overwhelming growth rate of 89.62% in Jan-Dec 2018, whereas the upright piano marked a negative growth of -6.77% and -2.11% 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.<sup>4</sup>

Sheet Music should also be highlighted for its value as the growing rate gained 158.08%, by which should not be overlooked in the musical instrument market in China.

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<sup>3</sup> Source: Xinhua Net, 15 October 2018

<sup>4</sup> Source: Xinhua Net, 13 October 2018