Overview of the World Art Market in 2019–2022

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Abstract: The research aims to evaluate the damage caused to the world art market by the outbreak of the COVID-19 pandemic and geopolitical instability in the designated period and determine the ways of development of the world art market in the near future. The authors apply the method of comparative analysis to match the economic indicators of the main actors of the world art market for 2019–2022 and determine the significance of digitalization, the growth rate of which exploded with the onset of 2020. As a result of comparing the economic indicators of the world art market for the specified period, the authors note a decrease in the share of sales at fairs and, accordingly, a decrease in the importance of this area, an improvement in the performance of auction houses. Moreover, the authors note the mobility and adaptability of dealers, who actively accelerated the digitalization of the world art market in the COVID-19 realities. The development of the NFT sector's influence on art market sales is considered separately. In conclusion, the authors summarize the review of the world art market and come to the opinion that the global art market, despite the slowdown in the growth of its digitalization in 2021 and 2022 (compared to 2020) and the unequivocal desire of the actors of the art market to interact mainly in the real world, as well as due to the ongoing geopolitical crisis, will maintain a trend towards ubiquitous digitalization of trade in 2023.

Keywords: Art market, Digitalization, Crisis overcoming, Art development, NFT

JEL codes: D21, D22, D25, D44, D47, F17, O31, O57, Z11

The COVID-19 pandemic, which broke out in January 2020, covered the entire globe in two years of active spread and led to several severe socio-economic consequences for most countries of the world. The closure of borders, the ruined logistics of transporting goods, quarantine measures, and bans on moving around some countries could not but affect the world market, particularly the art market. Moreover, the pandemic caused particularly serious consequences in two leading countries of the modern art market: (1) China, where the most severe quarantine measures were introduced, and (2) the USA, where the largest number of cases of infection (more than 105 million people) has been registered over the past three years.

To determine the trends in the development of the art market and predict how it will develop in the upcoming years, it is necessary to understand what damage was done to the art market in 2020–2022, how this market adapted to new conditions, and what it eventually came to by the end of 2022. To accomplish this task, the authors will look at the main trends in the development of the art market in 2019 and compare these statistics with stats from the next three years, which have already been significantly affected by the COVID-19 pandemic. Primarily, the authors will consider the most profitable sectors of this market and, concurrently, its main structural pillars: auction houses, dealers, galleries, fairs, and the online trade sector.

At the end of the research, the authors will highlight the share of the Russian art market from the general statistics of world sales and analyze the prospects for developing the Russian segment of the world art market in the upcoming years.

Methodology

The analysis of the art market is complicated by the fact that most of the data are not publicly available, and the final statistics are based on fragmentary data provided by auction houses, dealers, collectors, fairs, experts, etc. The most comprehensive statistics are offered by the annual report of Art Economics, which has been produced in cooperation with the Art Basel art fair and investment company UBS (McAndrew, 2020-2023). Claire McAndrew, PhD in Economics, founded art Economics. Since 2005, her firm has been issuing the main annual report on the state of the global art market.

However, because financial information is provided by the art dealers, the organizers of commercial galleries, and the management of auction houses, and a considerable percentage of the data remains unpublished, statistics taken from the main French analytical database dedicated to the auction sector of the art market (artprice.com by Thierry Ehrmann) will also be used in the work to achieve greater relevance and complementarity of the research (Ehrmann et al., 2020-2023). The same applies to statistics provided by the London-based research company for analyzing the art market – ArtTactic (Bellingham, 2023). Statistics of the Russian segment of the world art market are provided by the Internet portal artinvestment.ru, the scientific nature of the information of which was confirmed by the State Tretyakov Gallery and other leading art museums of Russia (Bykovsky, 2023; Onuchina, 2022).

Thus, to identify the main trends in the development of the art market from 2019 to 2022, the authors will use databases of leading analytical firms. The authors will be guided by the method of comparative analysis.

Results

By the time the COVID-19 epidemic began, the art market was already in a state of a certain recession. This was facilitated by the world's unstable political and economic situation, particularly the impeachment of US President Donald Trump, the constantly postponed hearings on the UK's withdrawal from the EU and the protests in Hong Kong in 2019–2020. According to Art Basel, the global art market sales made up $64.4 billion in 2019, which is 5% less compared to 2018. Sales growth in total worsened by 11% compared to 2018 (McAndrew, 2020).

Table 1 The share of online sales in the global art market

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2022	2021	2022
Global sales value ($ billion)	39.5	57	64.6	56.7	63.3	68.2	63.8	56.9	63.7	67.7	64.4	50.3	65.9	67.8
Global sales volume ($ million)	31	35.1	36.8	35.5	36.5	38.8	38.1	36.1	39	39.8	40.5	31.4	37.3	37.8
Online sales ($ billion)					3.1	4.4	4.7	4.9	5.4	6	6	12.4	13.3	11
NFT art value ($ billion)											0.001	0.02	2.8	1.4
NFT collectibles value ($ billion)											0.004	0.01	10.2	11.8

Source: Compiled by the authors based on (McAndrew, 2023) and own calculations

More than half of sales in 2019 accounted for sales carried out by dealers and galleries ($36.8 billion). This total revenue increased by 2% compared to 2018. Sales at public auctions achieved $24.2 billion. In this sector, in all the world's leading markets, there was a sharp drop, collectively reaching 17% compared to last year. Art fairs gained $16.6 billion in 2019. However, we need to realize that 45% of this income should be attributed to the sector of dealers, who took part in these fairs and spent $4.6 billion in total to participate in exhibitions. Thud, the income from art fairs was about $9.13 billion.

Online sales are traditionally recorded by Art Basel in the general information statistics on the results of the year. In the conditions of 2020 and 2021, this market segment played one of the key roles. Thus, we should be aware of the position it occupied in 2019. A total of $5.9 billion was brought in 2019 by the online sales market (the primary criterion for recording a transaction as an online sale asset is the absence of a preliminary assessment of a painting or other work of art "right on the spot") (McAndrew, 2021).

Describing the main sales sectors of the global art market, we have already announced its main leaders. These are the USA (44% of global sales in 2019), China (18%), and the UK (20%). The remaining 18% is distributed among other countries, among which the closest pursuer of the top three is France, with 7% of global sales (Figure 1).

Large cities and capitals play a special role in global sales, where many high-income individuals, or High Net Worth Individuals (HNWI), live. This small percentage of people accounts for the absolute majority of sales with million-dollar receipts. New York, Hong Kong, and London are the main centers of the global art market. The main factor in the importance of large cities lies in the activities of the largest auction houses on their territory. Such houses are the American company Sotheby's and the British company Christie's (Ehrmann et al., 2020).

ISSN: 2578-725X, e-ISSN: 2578-7268

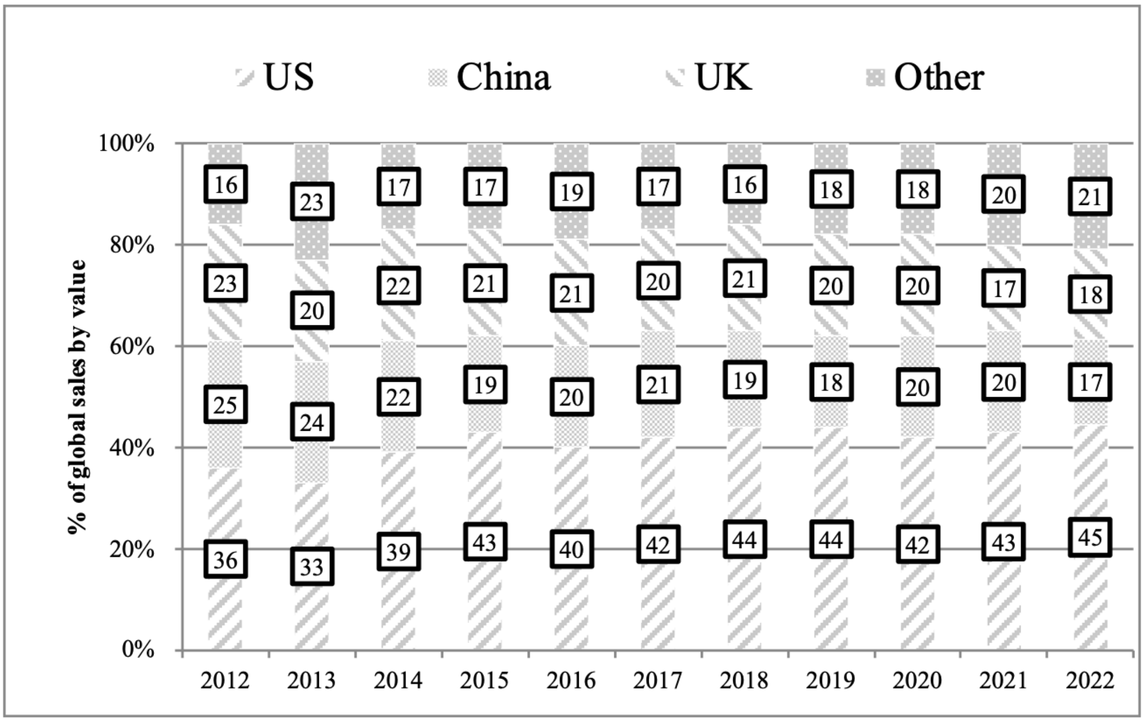

Figure 1

The sales volume ratio of the world art market between countries.

Source: Compiled by the authors based on (Ehrmann et al., 2023)

Now that we understand the main factors in the global art market by the beginning of the pandemic 2020, we can analyze how serious was the damage caused to the art market. For the global art market, 2020 can be described as the first major recession in ten years. Businesses were forced to close their physical premises; art fairs, auctions, and other events were canceled. Despite the attempts to switch to the rails of online platforms, the COVID-19 pandemic has had a profound impact on the art business (McAndrew, 2022).

The first quarantine measures disrupted the ecosystem of the art market, which directly depends on the activity of potential collectors. During the first half of the year, auctions were regularly canceled, which led to a significant drop in turnover, amounting to about 60% in the West and 91% in China (Ehrmann et al., 2021).

Dealers were also limited in moving between countries and finding new customers. Thus, they set their main task to preserve and exaggerate the former customer base through active work on social networks and email newsletters. Dealer sales outperformed public auctions in terms of sales growth in 2018 and 2019 because less stable conditions prompted more sellers to sell privately.

Fairs suffered the most from the COVID-19 pandemic because they were closed in most cases in the first months after the COVID-19 outbreak. They could not react so quickly to the changed market conditions (Figure 2).

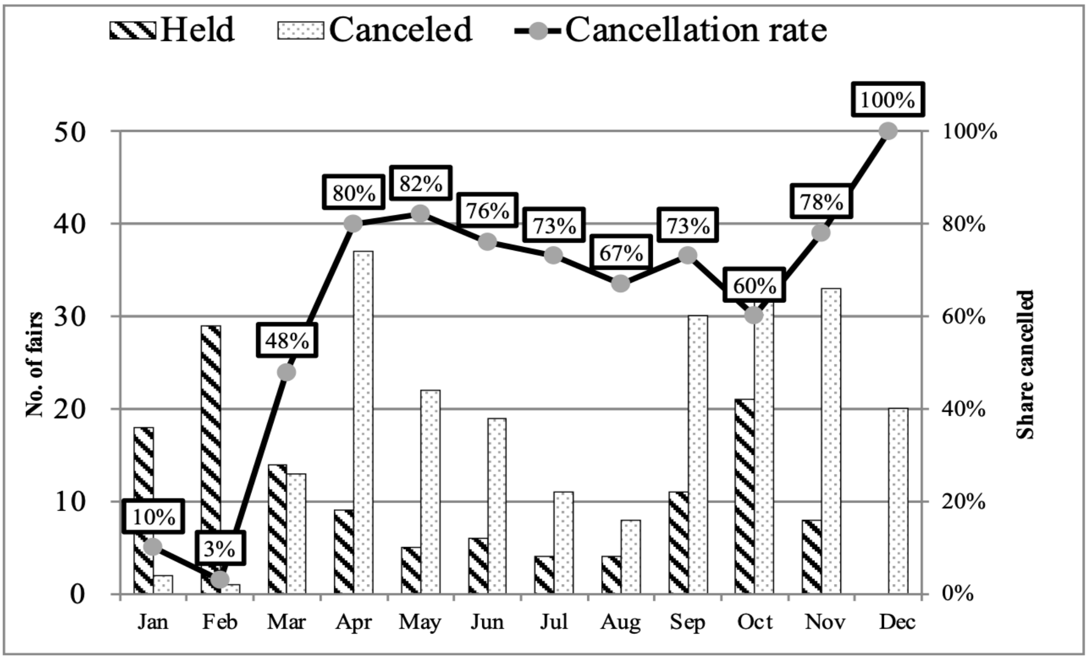

Figure 2

The percentage of postponed and canceled fairs in 2021

Source: Compiled by the authors based on (McAndrew, 2023)

The paralysis of the ecosystem of the art market in 2020 caused an accelerated digitalization of the art market. In 2020, online sales of the art market increased two times. This jump led to establishing the final value of the online sales market in the amount of $12 billion, which was almost 25% of all sales compared to the global art market. In 2021, this growth continued and reached $13.3 billion (McAndrew, 2022). Digitalization has also had a noticeable impact on the auction sector. Thus, according to the British firm ArtTactic, online sales of auction houses Sotheby's, Christie's, and Philips totaled only $116 million in 2018, while this figure had grown almost eight times to just under $900 million by 2022 (Bellingham, 2023).

Discussing the widespread digitalization of the global art market, it is necessary to mention the growth of the NFT market. However, compared with the values of the auction sector, dealers, and fairs, the NFT sector seems quite insignificant: a total of $13 million in sales, 75% of which are not sales of art but of collectibles. Sales of NFT did not improve in 2022 either. They reached the same amount of $13 million as in 2021. However, the share of sales from art reached less than $1.5 million, falling by 49% compared to 2021. These figures do not go into any comparison with the billion-dollar turnover of other sectors of the global art market. Moreover, the collapse of FTX crypto exchanges that occurred in 2022, among which Ethereum and Bitcoin are listed, as well as an increased percentage of cases of forgery of NFT works and real digital thefts, which were actively reported in 2021–2022, affects the formation of a very cautious attitude towards the NFT sector among most of the collectors in the global art market these days (Skrynnikova, 2022).

Despite the crisis in 2021, the art market confidently restored the indicators of the pre-pandemic year. The recovery was facilitated by steady growth in the auction sector. The sales of private auction houses have grown by slightly more than a third by 2021 (McAndrew, 2022). The auction sector accounted for 47% of the global art market, which is 5% more than the results of 2020. Artprice does not doubt that the digital transformation of auctions has become a key factor in increasing transaction volumes. Thanks to Internet access, fully globalized auctions have constantly begun attracting new customers and subscribers (Bykovsky, 2023). Dealers and galleries reached 53% of total sales. This sector moved faster than others to a hybrid trading system, combining online sales and activity in the digital space with the organization of real exhibitions (McAndrew, 2023).

For the first time in five years, China surpassed the UK in sales on the global art market in 2021. Despite strict quarantine measures in China, the infrastructure of the mainland market has continued to expand. Since 2020, at least 25 new auction enterprises and about 30 new fine art galleries with specialized exhibition spaces have opened. Nevertheless, due to the postponement of many auctions scheduled for the beginning of 2022, China lost $2 billion in 2022. Thus, the total auction turnover in China fell to below $4 billion for the first time in ten years (Ehrmann et al., 2023). Moreover, quarantines in 2022 negatively affected other sectors of the Chinese art market. In total, due to the cancellation of deals and exhibitions, sales decreased by 14% in annual terms to $11.2 billion, which is the worst result since 2009.

The opposite situation happened in France. After the fall in total sales due to the COVID–19 pandemic in 2020, sales reached a completely new level, increasing by 30% compared to 2019. The total sales revenue reached $4.6 billion (the highest level in ten years) thanks to an increase in sales by international and local auction houses (ArtGuide, 2023).

The situation is more complicated in the Russian Federation. Online auctions have been developing in the country since 2012, primarily due to the aspirations of Alexander Kisilevsky and the Israeli company Bidspirit. According to ARTinvestment.RU, about 90% of all transactions of the Russian art market currently pass through this platform. In 2020, sales carried out through Bidspirit increased by 30% compared to 2019 to a total of $70 million. In 2021, when trading was almost entirely online, sales increased to $100 million. By 2022, the Russian website united about 180 auctions and galleries. However, due to the exacerbation of geopolitical problems, the total turnover dropped to $88 million (Bykovsky, 2023) (Table 2).

Table 2

Statistics of Russian auction houses for 2020–2021

Indicator		**Year**		**Changes in %**	
		2020	**2021**		
Amount of auction houses		12	15	+	25
Number of trades		162	190	+	17
Sales volume ($ million)		9.87	11.65	+	18
The number of exposed lots (pcs.)		16217	12580	-	22
Number of sold lots	**No.**	9236	6369	-	31
	%	57	51	-	10
Average value of sold lots ($ thousand)		1.07	1.83	+	71

Source Compiled by the author based on (Bykovsky, 2023)

Russian art brought $409 million in 2019 at foreign auctions. In 2022, Russian art reached only $398 million and did not reach the pre-pandemic indicators. This was also facilitated by the closure of Russian auctions, where millions of dollars were previously traded annually in transactions.

However, to a greater extent, the Russian art market has progressed. Many auctions have moved online (Pulikova, 2023). New auction houses have appeared in Russia. In 2021, they held a total of 17% more auctions than in 2020 (Onuchina, 2022).

Discussion

Summing up, the main trend that the global art market has endured over these difficult years has been the inevitable growth of the digital segment. Traditional galleries and auction companies have stepped up their involvement in digital sales and marketing; collectors have begun to use e-commerce more widely. Online sales refer to sales made by galleries, dealers, and auction houses through their websites, other platforms, or via email, as well as sales carried out through third-party platforms and art fairs.

By 2022, e-commerce slowed down its growth rate. Exhibitions, auctions, and fairs began to take place on a much tighter schedule, and collectors returned to live events and sales. Online sales fell to $11.0 billion, which is 17% less than the 2021 peak of $13.3 billion. Online sales accounted for 16% of the total turnover of the global art market in 2022, compared with a peak of 20% in 2020. Online sales at Sotheby’s, Christie’s, and Philips accounted for only 7% of total sales at public auctions. However, considering online and offline sales, online auctions turned from an insignificant alternative to the dominant method of sales access, accounting for 91% of bids at Sotheby’s and 75% at Christie’s. Considering all auction houses, the share of online lots will be 20% of all transactions in 2022.

In 2020, dealers carried out 39% of their sales online. This share decreased to 22% in 2021 and 16% in 2022. However, according to the survey results, only 8% of dealers believe that e-commerce will decrease in the near future; 50% believe that it will remain stable; 42% are confident in online sales growth.

Thus, a significant result of the COVID-19 pandemic and the changes it has brought to the market over the past three years is that it has served as an impetus for the art market, which previously lagged in terms of the introduction of e-commerce, to catch up with other retail industries.

Conclusion

Having analyzed the changes in the global art market in 2019–2022, the authors conclude that although the industry was significantly damaged by the outbreak of the COVID-19 pandemic and the ongoing destabilization of geopolitical conditions in the world, it regained the losses of 20 years in 2021 and then reached a historical maximum. In 2022, sales in the global art market increased by another 3% annually, amounting to $67.8 billion.

The pandemic, the quarantine measures, and the logistical restrictions caused by it contributed to the accelerated digitalization of the global art market, as a result of which online sales increased by two times in 2020 and strengthened their positions in subsequent years. This process was also facilitated by the appearance of the first exhibitions based on NFT services. However, after the collapse of cryptocurrency exchanges and the growth of illegal shadow operations, leading to the theft of works of art, their forgery, and the typical art market process of laundering money, this market segment is perceived with great suspicion by the world community. Nevertheless, it seems that with the development of counterfeit and transaction control services and, consequently, increased transparency in transactions with NFT, this market segment has a promising future.

There is a slight decline in the Chinese market and a strengthening of the UK's position in Europe with the increasing growth of the French art market, which demonstrated the second result in terms of the number of completed transactions in 2022 after the unambiguous leader of the art market in the face of the USA (Ehrmann et al., 2022). In the Russian Federation, the volume of sales was stabilized. However, compared to the successful 2021, the political situation complicates international transactions, which is why sales figures in 2022 sank. However, the global digitalization trend in Russia persists despite the apparent geopolitical isolation. Russia is actively developing the NFT market and neural networks, the use of which will help in verifying works of art for authenticity and developing new and already established online platforms on the market (ArtGuide, 2022).

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