

MM Chinese Art Indices

On September 5, 2023, CKGSB Professor of Finance [Mei Jianping](#) launched the MM Chinese Art Indices, a biannual reference guide that determines changing popularity of the Chinese art market by measuring repeat auction sales, in collaboration with Michael Moses, a retired professor at New York University, and Jiang Guolin, a retired researcher at the Shanghai Academy of Social Sciences.

The Chinese art market has demonstrated more vibrancy as we entered the 21st century amid a continued boom in the Chinese economy. China now accounts for 20% of the global art market, second only to the US, according to the 2021 Art Basel and UBS Global Art Market Report. Data released by Statista shows that art transactions worldwide rose in value to 67.8 billion US dollars, among which works by Chinese artists living in Greater China and overseas (referred to collectively as Chinese artists) have been among auction houses' most noteworthy. The MM Chinese Art Indices came into being in response to this trend: to track developments, rationally value artworks, and support the healthy growth of the Chinese art market.

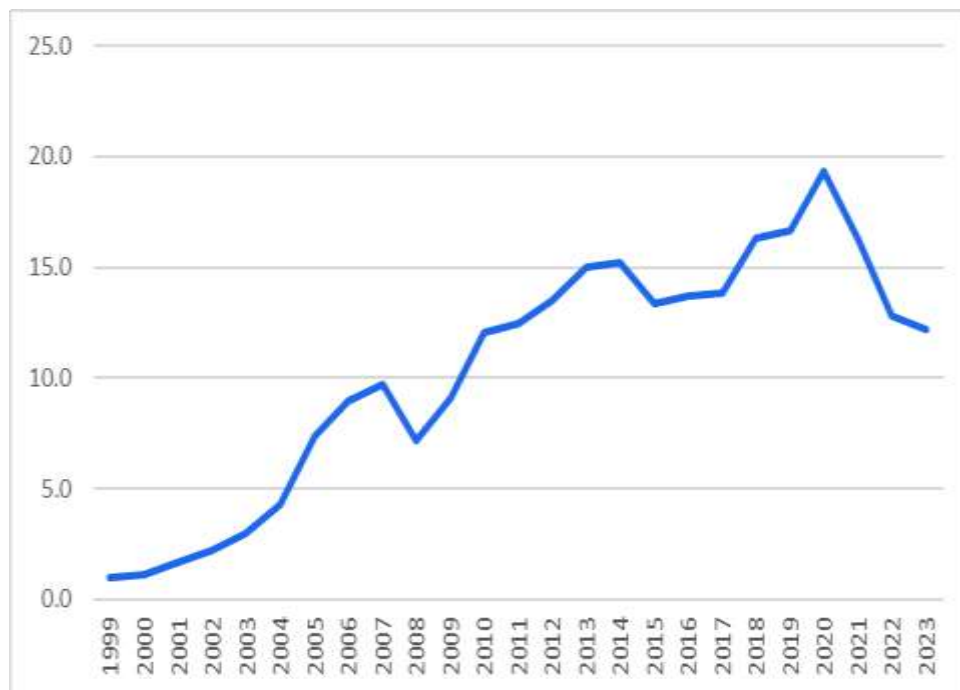
The MM Chinese Art Indices examine prices, sentiment, liquidity, and artists' popularity. The aim is to offer a scientific, systematic, and comparable system that can aid decision-making when investing in Chinese art, a black box to many in the art investment world.

Given resource limitations, the study is based on the auction records of Sotheby's, Christie's and Phillips in Beijing, Shanghai, Singapore, Paris, London and New York. The data comes from the official websites of these three major auction houses and artprice.com, an art price database, of artworks by a total of 327 Chinese artists which have been repeatedly put up for auction between 1988 to 2022. These artworks include 148 lots by Wu Guanzhong, 128 lots by Sanyu, and 328 lots by Zao Wou-ki, which saw an average sale rate of 85%. The theoretical model and compilation method behind the Indices are based on the Mei Moses Indices published in the American Economic Review in 2002, as well as our latest research.

1. The MM Chinese Art Price Index

The Price Index rose from 1 to 12.8 between 2000 and 2022, a cumulative rise of 11.8 times in 23 years, with a compound annual growth rate (CAGR) of 11.7%. We can consider the index in three stages: 2000-2007, 2008-2013, and 2014-2022. In the first stage – the post-WTO accession period between 2000 and 2007 – China’s economy boomed as its Internet industry gathered momentum, and with it the Chinese art market. The index rose from 1 at the beginning of 2000 to 9.7 at the end of 2007, an increase of 8.7 times in 8 years, indicating a veritable bull market. In the second stage – the global financial crisis era – the market plummeted 26.5% in 2008, but it then resumed its rise to 15 by the end of 2013 with a CAGR of 9%. In the third stage, the unprecedented pandemic and interest rate hikes in the US put a massive dampener on the market, slowing compound annual growth to -2%. In Spring 2023, the market fell 4.7%, indicating some stabilization in price. (See Figure 1)

Figure 1: The MM Chinese Art Price Index



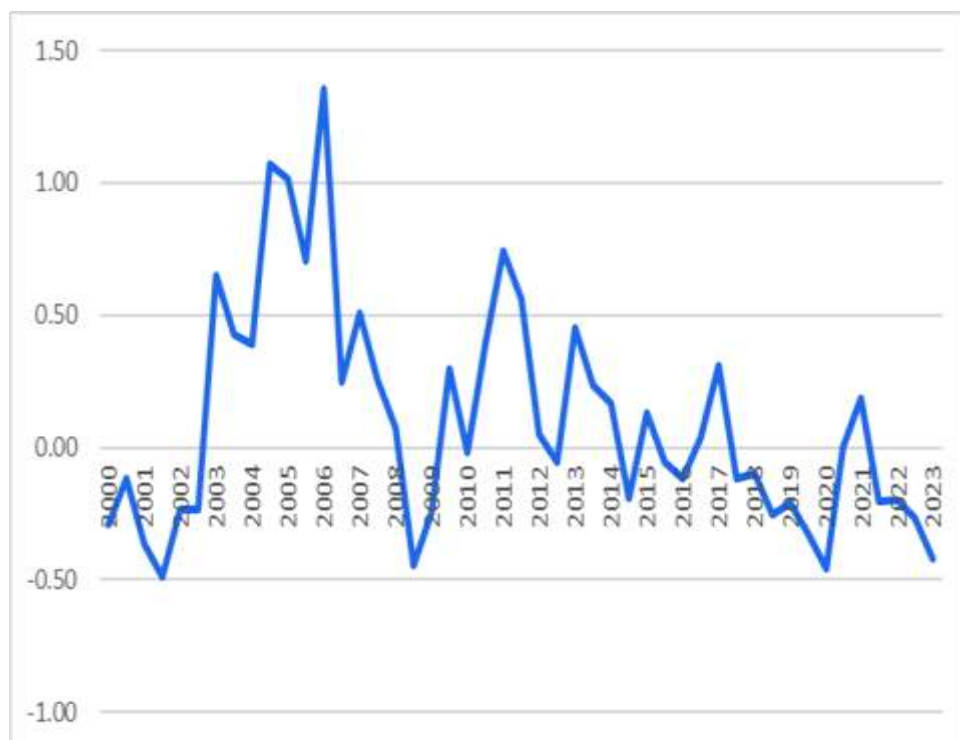
2. The MM Chinese Art Sentiment Index

The MM Chinese Art Sentiment Index measures the mood of the market, starting with a mean value of zero. Since the data requirements of the Sentiment Index are not as strict as

those of the Price Index, we may track the art market biannually, dividing each year into Spring and Fall periods. According to Figure 2, the Chinese art market's sentiment went through three distinct periods: Spring 2000 to Spring 2008; Fall 2008 to Spring 2014; Fall 2014 to Fall 2022. In the first period, impacted by the burst of Internet bubble and the 9.11 terrorist attacks, the Sentiment Index for Chinese artworks dwelt under zero. It then entered a major bull market – the Sentiment Index rose above zero, and in most years exceeded 0.5, meaning that competition at auctions was fierce, and many artworks were sold for an average of 50% more than expected. In the second stage, amid the financial crisis, the Sentiment Index fell to -0.41, indicating that bidding went cold: artworks sold for an average of 40% less than their price estimates. The market gradually warmed up again, up until the Spring of 2014. At the tail-end of the third period, in Spring 2020, due to the COVID-19 pandemic, the Chinese Art Sentiment Index fell to -0.45 and has remained mostly below zero amid interest rate hikes in the US.

Since the Sentiment Index is calculated biannually (Spring and Fall), some inconsistencies can be observed between the Sentiment Index and the annual Price Index.

Figure 2: The MM Chinese Art Sentiment Index



3. The MM Chinese Artist Liquidity Score

The MM Chinese Artist Liquidity Index is compiled from three indicators of liquidity: years on auction, turnover, and liquidity. The number of years on auction counts how long an artist's works were on auction between 2000 and 2022, the turnover rate counts the percentage that an artist's work on auction is sold successfully, and the liquidity rate combines years on auction with turnover. Table 1 shows that in the 23 years from 2000 to 2022, Wu Guanzhong's work was on auction for 22 years, with a turnover rate of 91.9% and a liquidity score of 87.9%. Table 1 shows that between 2000 and 2022, the three Chinese artists with the best liquidity scores were Wu Guanzhong, Zao Wou-ki and Sanyu.

Table 1: Liquidity Index Ranking (Top 10 Chinese Artists)

Rank	Artist Name	Years on Auction	Turnover Value	Liquidity Score
1	Wu Guanzhong	22	91.90%	87.90%
2	Zao Wou-ki	23	86.60%	86.60%
3	Sanyu	21	92.00%	84.00%
4	Zhang Daqian	23	80.00%	80.00%
5	Zhang Xiaogang	21	86.70%	79.10%
6	Zhu Dequn	20	83.80%	72.90%
7	Lin Fengmian	20	83.70%	72.80%
8	Liu Ye	18	89.70%	70.20%
9	Yue Minjun	18	88.50%	69.30%
10	Qi Baishi	17	92.20%	68.10%

4. The MM Chinese Artist (Selected) Popularity Index

The MM Chinese Artist (selected) Popularity Index measures the market performance of repeatedly auctioned individual works of selected well-known artists. It shows how well an artist's work outperforms the market on average. From Table 2 we see that in the past 23 years, contemporary artist Xu Bing's works have outperformed the market by an average of 22% annually, while well-established artists with mature market interests, such as Qi Baishi

and Zhang Daqian, only marginally outperformed the market. Due to space limitations, we only show the market popularity of 10 of these Chinese artists.

Table 2: The MM Chinese Artist (Selected) Popularity Index

Rank	Artist Name	Popularity Index
1	Xu Bing	22.0%
2	Liu Ye	11.0%
3	Zao Wou-ki	9.7%
4	Zeng Fanzhi	8.8%
5	Zhang Enli	7.8%
6	Sanyu	7.1%
7	Wu Guanzhong	6.0%
8	Zhang Daqian	1.5%
9	Chen Yifei	1.4%
10	Qi Baishi	0.2%

Chinese artworks have solid long-term investment value, as demonstrated by the MM Chinese Art Indices. As real assets, they can be seen as good inflation hedges, especially when liquidity continues to flood the global economy. If the world can continue along its general trajectory of peace and development, and China’s economy continues to grow, we foresee the demand for Chinese art growing steadily. This will inevitably push market prices higher. In particular, masterpieces by well-known artists have good liquidity and are received with considerable market enthusiasm. For this reason, the authors are confident that Chinese artworks will gain increasing attention from collectors and investors around the world.

Since the 1990s, China’s auction market for art has developed rapidly. In 2019, more than 680 companies were licensed to engage in cultural artifact and art auctions. The MM Chinese Art Indices have not yet made use of data from Chinese auction houses, which means they only cover a small portion of the Chinese art market’s total trading volume, and cannot represent in its entirety the vast Chinese market. When the time is ripe, the MM Chinese Art

Indices will cover domestic market transactions, so that they can offer a more comprehensive, objective and accurate overall picture of the state of the Chinese art market.

The launch of the MM Chinese Art Indices will help provide more information on the growth trend of the Chinese economy. It will provide a measure on the rise and fall of Chinese fortunes around the world. It will enhance market liquidity and help global collectors better understand the Chinese art market. Thus, its launch is quite timely amid rapid change in China's as well as the world's economic structure.