MM Chinese Art Indices 2023

Cheung Kong Graduate School of Business' Professor of Finance, Mei Jianping, releases his annual MM Chinese Art Indices 2023, which comprise of a price index, sentiment index, liquidity index and four new classification indices for ink painting, oil painting, modern art and contemporary art. He also released a new individual artist index for Zao Wu-Ki. Michael Moses, a retired professor at New York University, and Jiang Guolin, a retired researcher at the Shanghai Academy of Social Sciences contributed to the research.

The indices aim to serve as a systematic scheme for evaluating Chinese art, to better track trends in the Chinese art market, to price Chinese art more rationally, and to promote the sustainable development of the market. According to the 2022 Art Basel and UBS Global Art Market Report, China accounts for 17% of the global art market, third after the United States and United Kingdom.

The indices analyze the sales of works from 371 Chinese artists who are either based in Greater China or works overseas from 1988 to 2023. They are taken from three major auction houses – Sotheby's, Christie's and Phillips – from Beijing, Shanghai, Singapore, Paris, London and New York, with an average transaction rate of 85%. Compared with the 2023 Spring auction, 44 more artists were added during the 2023 Fall auctions. The indices' theoretical model and compilation method are based on the Mei-Moses Fine Art Index published in the American Economic Review in 2002 and their latest research results.

1. Comparison of Chinese Art, Impressionist and Contemporary Art

The MM Chinese Art Price Index rose from 1 in early 2001 to 9.5 at the end of 2023, with a compound annual growth rate of 10.3%. The index shows that the market fell by 11.7% in 2023, at a lower rate than the previous two years. (See Figure 1). Despite that, in the period from 2001 to 2023, the MM Chinese Art Price Index outperformed the ARTDAI Impressionism Art Price Index (with an annual compound growth rate of 2.1%), and the ARTDAI Contemporary Art Price Index, dominated by European and American artists (with an annual compound growth rate of 6.4%). Impacted by the 2008 global financial crisis, the

impressionism and contemporary art markets remained sluggish. Both indices in 2023 are only slightly higher than in 2007. Due to the global pandemic and other factors that have taken hold, recovery of the Chinese art market may also take some time.

Figure 1：MM Chinese Art Price Index
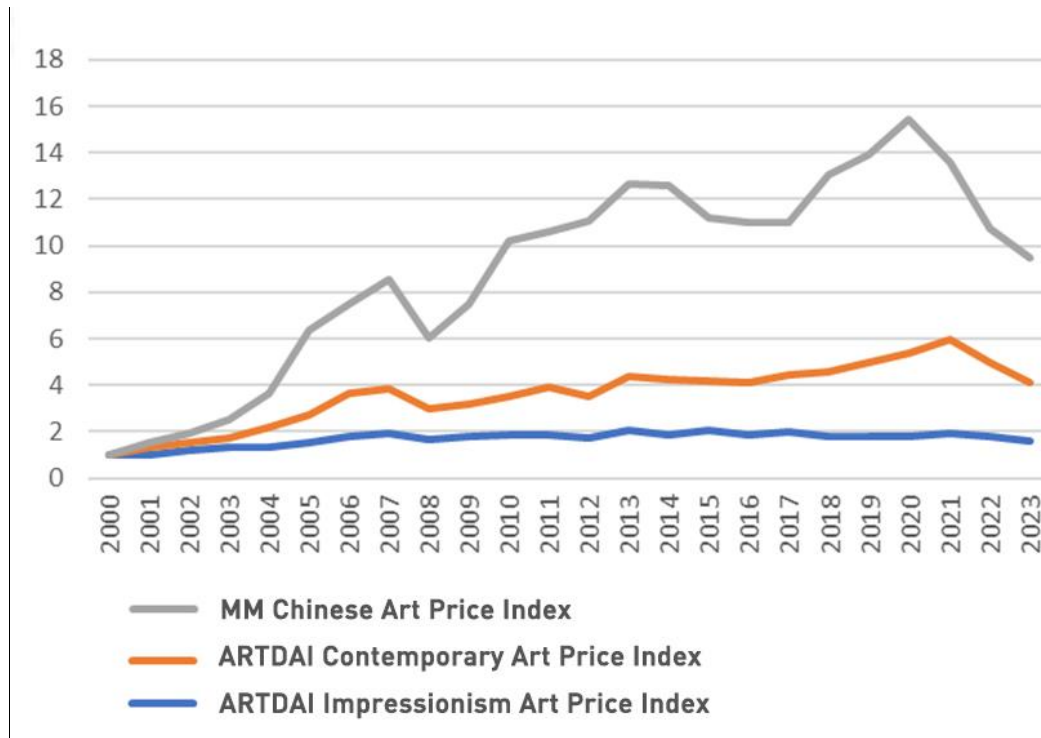
Blue: ARTDAI Impressionism Art Price Index
Red: ARTDAI Contemporary Art Price Index
Grey: MM Chinese Art Price Index

2. Four newly added sub-indices of the MM Chinese Art Index

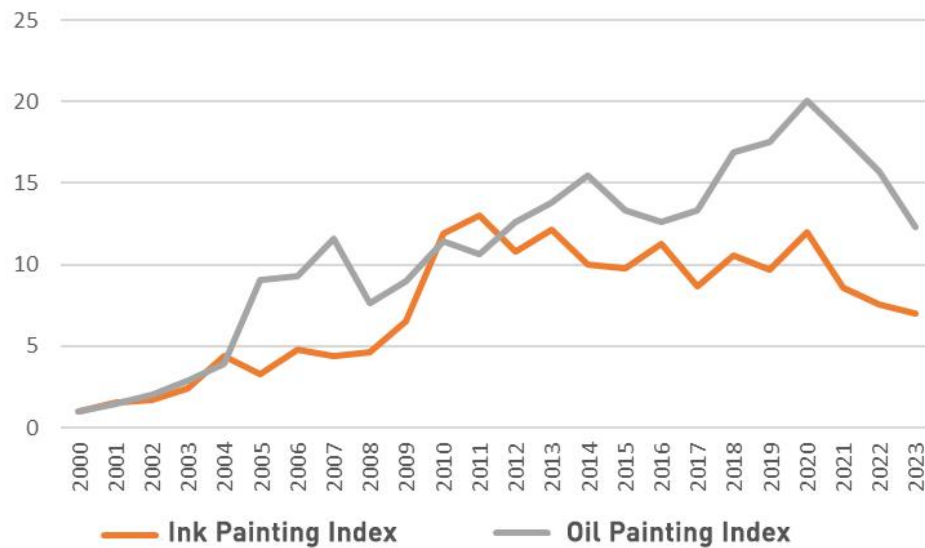**MM Chinese Art Ink Painting Index and MM Chinese Art Oil Painting Index**

The MM Chinese Art Index has added two sub-indices for ink and oil paintings respectively, as a considerable number of artists engaged in traditional Chinese ink paintings, a unique feature of Chinese art. The Ink Painting Index studies painters who mainly paint with ink, while the Oil Painting Index covers painters who specialize in oil painting. From 2001 to 2023, the annualized

rate on investment on oil paintings was 11.5%, higher than that for ink paintings. However, ink paintings had a good ROI (8.8%), and lower volatility than oil paintings. (See Figure 2)

MM Chinese Art Modern Index and MM Chinese Art Contemporary Index

To study the relation between the artistic era and the art market, the MM Chinese Art Indices introduced two new sub-indices: Modern Index and Contemporary Index. The Modern Index studies Chinese painters born before 1911, and the Contemporary Index covers Chinese painters born after 1911. During 2001 and 2023, the Contemporary Index (11.8%) outperformed the Modern Index (9.1%), while the former showed more volatility than the latter. (See Figure 3)
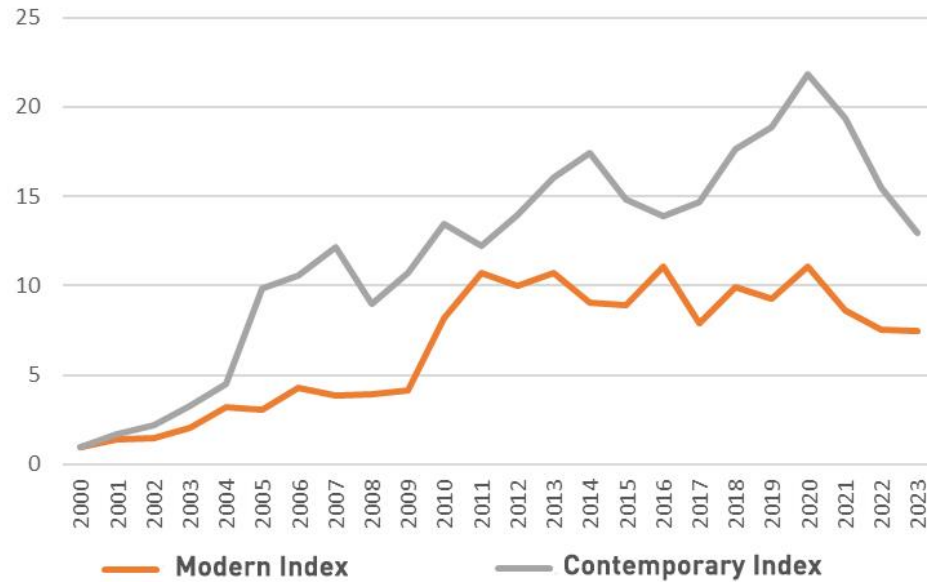
Figure 2: MM Chinese Art Ink Painting Index and MM Chinese Art Oil Painting Index

Red: Ink Painting Index
Grey: Oil Painting Index

Figure 3: MM Chinese Art Modern Index and MM Chinese Art Contemporary Index

Red: Modern Index

Grey: Contemporary Index

3. The LizaWei (LW) Index One: Newly added Individual Artist Price Index (Zao Wou-ki)

Inspired by *The Way is Infinite: Centennial Retrospective Exhibition of Zao Wou-Ki* held at The Museum of Contemporary Art at the China Academy of Art, we launched a new Zao Wou-ki individual artist price index in 2023. From 2020 to 2023, Sino-French artist Zao Wou-Ki's art went through 1,087 transactions at the three major auction houses with a total transaction volume of USD 1.58 billion, ranking 28th and 6th respectively among contemporary artists. Affected by the pandemic, Zao's transaction volume dropped from USD 190 million in 2019 to USD 30 million in 2023. His artworks' price has been growing steadily, with a compound growth rate of 11.9% from 2001 to 2023, outperforming the overall MM Chinese Art Index. (See Figure 4)

Figure 4：LW Index One/MM Individual Artist Price Index of Zao Wou-Ki
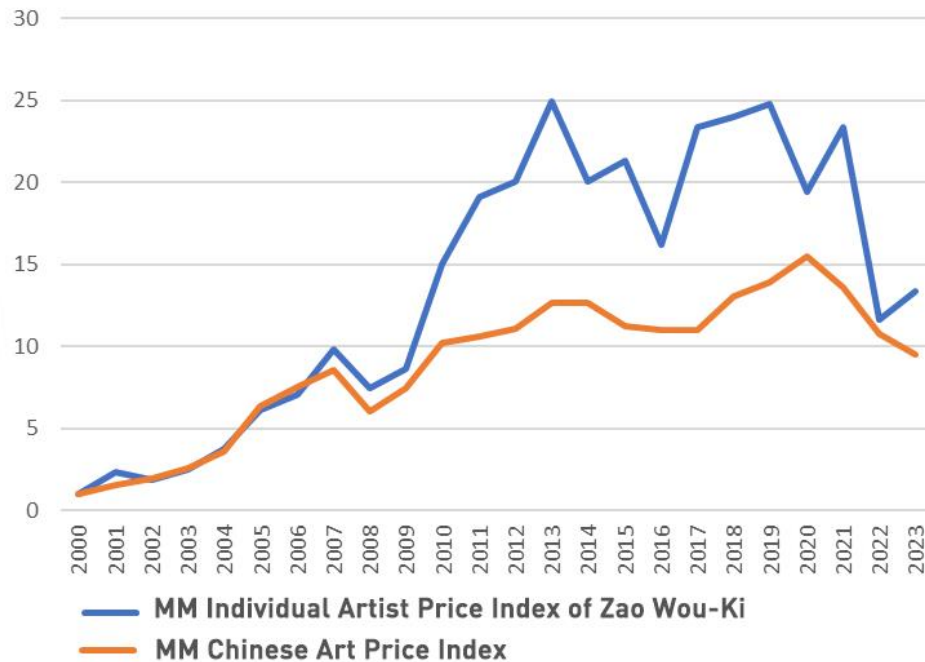
Blue: MM Individual Artist Price Index of Zao Wou-Ki
*Red: MM Chinese Art Price Index*

In the future, we aim to develop a series of individual artist indices based on market demand, and by studying these artists' artistic journeys, to better understand when they are most valuable and creative in their lives. We also aim to have a genre index. In honor of departed loved ones, this individual artist and genre indices series will be called the LizaWei (LW) Index. The Zao Wou-Ki Index is the first in the LW Index series.

The data for the LW Index comes from all auction records of the three major auction houses in Beijing, Shanghai, Singapore, Paris, London and New York. It does not require repeated sales. Its methodology and model are based on articles and research published by Professors Mei Jianping, Michael Moses, and Zhou Yi in the *Journal of Cultural Economics* 2023. This model can estimate an artist's age at the time of their highest creative output, their period of most exploration, and their sensitivity to market fluctuation. The results will come to the aid of investment collections and art historical research.

4. MM Chinese Art Sentiment Index

The MM Chinese Art Sentiment Index measures the popularity of Chinese art across the entire market, with a mean of zero. Since the Sentiment Index does not require as stringent data collection as the Price Index, it is subdivided into Spring and Fall datasets. As shown in Figure 4, the climate of the Chinese art market can be divided into three stages, Spring 2000-Spring 2008, Fall 2008-Spring 2014, and Fall 2014-Fall 2023. In the first stage, the Sentiment Index exceeded 0.5 for many years, meaning that market bidding was fierce and works were sold for an average of 50% higher than estimated. In the second stage, affected by the global financial crisis, the Sentiment Index fell to -0.41 before the market enthusiasm gradually improved. In the third stage, affected by multiple factors, the Sentiment Index fell to -0.44 in the Spring of 2020 and the Spring of 2023 respectively. The index rebounded in the Fall of 2023, indicating that collector confidence has been partially restored. (See Figure 5)

Figure 5：MM Chinese Art Sentiment Index
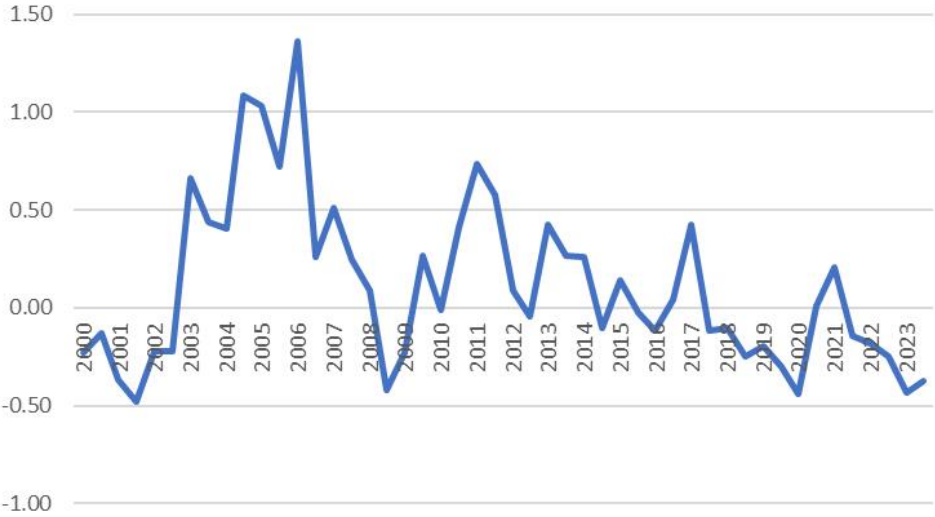
5. MM Chinese Art Liquidity Index

The MM Chinese Art Liquidity Index is designed to measure the liquidity of artists' works. It consists of three indicators: years at auction, transaction rate and liquidity. The number of 'years at auction' counts how much time artists' works have spent being auctioned between 2000 and 2023, the 'transaction rate' counts the transaction rate of artists' works at auction, and 'liquidity'

is calculated based on the number of years at auction and the transaction rate. According to the Liquidity Index Ranking in Table 1, the three Chinese artists with the most liquid works between 2000 and 2023 are Wu Guanzhong, Zao Wou-Ki and Lin Fengmian.

Table 1: 2023 Mei Moses Artists Liquidity Ranking (Top 10)

	Name	Years at Auction	Transaction Rate	Liquidity
1	Wu Guanzhong	23	90%	0.86
2	Zao Wou-Ki	24	85%	0.85
3	Lin Fengmian	23	85%	0.81
4	Zhang Xiaogang	22	85%	0.77
5	Zhang Daqian	23	79%	0.76
6	Liu Ye	20	90%	0.75
7	Yue Minjun	20	89%	0.74
8	Zhu Dequn	21	85%	0.74
9	Sanyu	20	89%	0.74
10	Liu Wei	19	85%	0.67

The annual index for 2023 shows that the Chinese art market is still in a consolidation phase, but market sentiment has improved. The latest data further proves that Chinese art has long-term investment value. As a real asset, it has good anti-inflation properties at a time when global liquidity is rampant. Moreover, famous works have good liquidity and considerable market popularity. Therefore, with the development of the China's economy and the growing global

wealth, I believe that Chinese art will receive increasing attention from collectors and investors worldwide.