The 2017 NAMM Global Report
A MESSAGE FROM THE CHAIR AND PRESIDENT/CEO

One of the driving themes of the past several years has been the relentless pace of change in the way the products are manufactured, marketed and sold around the globe.

As we shared at this past January’s opening keynote breakfast session, “Change only becomes useful when one adapts to it.” This report is part of our commitment to provide you with the latest industry information so you can adapt and seize the opportunities that lie ahead. This comprehensive review will help you discern industry trends as you shape the vision for your company and make important decisions in the coming year.

The 2017 NAMM Global Report captures a snapshot of 25 countries, with Belgium being added most recently. With more than 130 countries now attending The NAMM Show, we recognize that a global perspective of our industry is an ever-increasing need.

On behalf of the NAMM Board of Directors and staff, we appreciate your continued support and membership. NAMM remains dedicated to your growth, and we sincerely hope you find the enclosed information useful to your business.

Sincerely,

Mark Goff, Chair
Joe Lamond, President/CEO
METHODOLOGY

The NAMM Global Report is a collection of information gathered from many sources, agencies and associations around the world. NAMM does not verify any of the information and cannot and does not guarantee the accuracy of the data.

The statistics NAMM receives are summaries; NAMM personnel do not see or manipulate any individual company information. Sources for each piece of data are listed at the beginning of each section and can be summarized as follows:

U.S. domestic sales information and commentary is provided by The Music Trades magazine, and import and export numbers are collected by the U.S. Census Bureau.

Sales information and commentaries in the International section are provided by associations in each country. International economic, demographic and trade data are gathered from the CIA World Factbook, and the International music industry numbers are provided by The Music Trades magazine.

UNDERSTANDING THE U.S. DATA

The unit sales and retail values in this report were compiled by the staff of The Music Trades magazine, which provides the following overview of the methodology used.

How do you get sales data in an industry where most business is done by privately held companies, and there are few, if any, reporting sources? The answer is, you spend a lot of time digging. The data in these pages comes from a variety of sources—import and export data as compiled by the World Trade Organization, data gleaned from regular Music Trades retail surveys, filings from the industry’s publicly held enterprises, association data and informed estimates.

The result is a “snapshot” of the volume of music products that move through the specialized channel of approximately 5,000 MI dealers in the United States. In the case of portable keyboards and karaoke products, however, mass merchant volumes are also included. In addition, sales of software products, specifically in the recording segment, include an estimate of the value of direct-to-consumer downloads that bypass the retail channel altogether.

The numbers presented in these columns represent the retail value of wholesale shipments. Retail value is determined by estimating an average retail markup and then applying it to an estimated wholesale value.

Data in these pages reflects wholesale shipments to U.S.-based retailers. Using an average industry margin that varies from category to category, we estimate retail sales value. This methodology, although not perfect, yields a consistent picture and allows for reasonable year-to-year comparisons.
UNITED STATES SNAPSHOT

Demographics

Population in millions  324.0

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<th>Female</th>
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<td>31.18</td>
<td>29.85</td>
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<tr>
<td>15–64</td>
<td>106.61</td>
<td>106.92</td>
</tr>
<tr>
<td>65 &amp; Over</td>
<td>21.90</td>
<td>27.53</td>
</tr>
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</table>

Median Age 37.9
Population Growth 0.81%

Economy

GDP (PPP) $18.56 trillion
GDP Per Capita $57,300
GDP-Real Growth Rate 1.60%
Unemployment Rate 4.70%
Inflation 1.30%

Data Source: Demographics, Economy and Trade from CIA World Factbook, Music Industry from The Music Trades.
GDP (PPP): Gross Domestic Product based on purchasing-power-parity (PPP) valuation of country GDP in U.S. dollars.
Trade

<table>
<thead>
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<th>Total Export</th>
<th>$1.5 trillion</th>
<th>Export as % of GDP</th>
<th>7.92%</th>
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<tr>
<td>Total Import</td>
<td>$2.2 trillion</td>
<td>Import as % of GDP</td>
<td>11.91%</td>
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Export Partners (2016)

Import Partners (2016)

Music Industry

<table>
<thead>
<tr>
<th>Music Market</th>
<th>$7.1 billion</th>
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</thead>
<tbody>
<tr>
<td>Sales Per Capita</td>
<td>$22.08</td>
</tr>
<tr>
<td>Global Share</td>
<td>43.40%</td>
</tr>
</tbody>
</table>

Music Sales Per Capita (U.S. $)

United States Music Market (U.S. $ in billions)

Share of Global Music Market (Percent)
2016 Industry Sales Gains and Declines

- Portable Keyboards: 9.05%
- Keyboard Synthesizers: 9.03%
- DJ Gear: 8.25%
- Effects: 6.74%
- General Accessories: 5.00%
- Rhythm Machines: 4.95%
- Fretted Products: 2.60%
- Microphones: 2.55%
- Electronic Player Pianos: 2.36%
- Wind Instruments: 1.72%
- Stringed Instruments: 0.81%
- Digital Pianos: 0.25%
- Other Electronic Products: 0.07%
- Karaoke Products: 0.00%
- Pro Audio: -1.10%
- Percussion: -1.19%
- Computer & Recording Products: -1.48%
- Printed Music: -2.50%
- Multi-Track Recorders: -3.06%
- Institutional Organs: -3.37%
- Cables: -4.24%
- Instrument Amplifiers: -5.56%
- Home Organs: -6.32%
- Acoustic Pianos: -7.55%
INTRODUCTION

2016 Music Industry Analysis

For 2016, the common yardstick for measuring industry performance is dollar value. On that front, the music products industry had a lackluster year. The retail value of the diverse collection of products tracked in this report amounted to $7.1 billion in 2016, just marginally ahead of last year’s performance. However, if product selection, value and consumer satisfaction were taken into account, 2016 could be considered a banner year. Lost in the numbers tracking unit volumes and dollar value are the continued improvements in the array of products offered to the market. As more than one observer has noted, it’s never been a better time to be a buyer of music and audio gear.

Some speculate that a tumultuous presidential election adversely impacted industry sales growth. Others point to the stubbornly sluggish national economy. Still others cite residual consumer caution in the wake of the 2008 financial meltdown. While these forces may have trimmed a fraction of a percentage point off the industry’s top line, the real culprits are more direct and fundamental—improving technology and an increasingly accessible inventory of used products.

The same extraordinary technology that has made it possible to cram $500 billion worth of 1970s-era computing power into a pocket-sized cell phone has had a similarly momentous impact on a wide range of music products. The rack-mounted digital delay that cost $3,000 in 1982 is now available as a $29 software plug-in. The currently available reissue of an analog synthesizer that retailed for $5,000 in 1983 now costs a paltry $399. Portable audio systems that once involved a discrete power amp, mixer and signal processing have been supplanted by “all-in-one” units at roughly half the price. These are just a few examples that illustrate how better technology combined with improved manufacturing methods have pushed down prices for roughly half the products tracked in this report.

The music products industry’s technology-driven deflation is hardly unique. The same trends are evident in every segment of the consumer electronics industry, in the computer industry and even in industrial equipment (where inexpensive 3-D printing systems are supplanting high-priced production machinery). The good news is that these trends should propel ongoing improvements in product value and performance. The bad news is that manufacturers and retailers can no longer rely on rising prices for sales growth.

For the products that don’t incorporate advanced technology, the market for previously owned products is arguably the toughest competitor. Used instruments have factored prominently in the market dating back to the fine Italian violins of the 1600s. As of late, however, the used market has been elevated thanks to digital marketplaces like Craigslist and Reverb.com. In addition to providing ready access to a nearly limitless selection of inventory, these sites have strengthened buyer confidence by establishing consistency in pricing, not unlike the Kelley Blue Book used in valuing used autos. As long as vintage instruments retain their allure, expect used gear to factor heavily in the market.

What is referred to in this report as the music products industry is actually a collection of discrete industries that have little in common other than a shared distribution network. Violins and recording software or ukuleles and synthesizers are about as far removed as possible in terms of customer base, market challenges and required skill sets. However, they can occasionally be found in the same stores. With such a diverse product offering, not surprisingly, there were sizable disparities in performance. DJ gear was up, acoustic pianos were down, school music held steady and accessory products enjoyed continued growth.

Historically, new technology has been the biggest driver of industry growth. The electric guitar in the 1950s, the first synthesizers in the 1960s, readily available digital products in the 1980s, and more recently, software technology—all spurred sales by providing musicians with improved tools. Unfortunately, innovations like these don’t arrive on a predictable schedule, nor can they be conjured at will. Used products, sliding prices and the current absence of major product innovation are likely to limit industry growth for the near term. One caveat: given limited knowledge about the future, a common tendency to assume that the status quo will continue indefinitely. Over the past ten decades, in nearly every case, the status quo has been upended for the better by something entirely unexpected.
Fretted Products and Effects
Includes acoustic guitars, electric guitars, basses, ukuleles, amplifiers, strings and guitar-related effects.

An uptick in the average selling price of guitars, rising demand for ukuleles and continued strength in the sale of effects pedals in 2016 drove a 2.2% increase in the retail value of fretted products to $1.8 billion. Although much has been written in recent years about the death of the guitar and the end of rock ‘n’ roll, fretted instruments and related products remain the industry’s largest product category in both dollar and unit volume. In 2016, guitar volumes, measured in units, were 14% lower than a decade ago, yet no other musical product comes close to matching the current level of 2.4 million guitars sold.

The different products that make up the fretted instrument market were impacted by a combination of shifting consumer preferences and advancing technology. In a reversal of a decade-long trend, the sales of electric guitars advanced while acoustics retreated. In 2016, electric guitar units were up 6.5% to 1.1 million, and retail value advanced 8.6% to $540.3 million. By contrast, acoustic unit volumes dipped 4.1% to 1.39 million, while retail value trended down 2.1% to $681 million. There was no obvious catalyst for the divergent sales trajectories, other than the desire of consumers.

New guitar sales continue to be adversely impacted by the vast inventory of high-quality used instruments that have become increasingly available thanks to online marketplaces like eBay, Craigslist and Reverb. While used gear has always been a factor in the guitar market, a plausible case can be made that the dollar volume of used gear now exceeds the new instrument market.

There have been three ukulele booms in history: in 1915, after the Pan Pacific Exhibition triggered a national fixation with all things Hawaiian; in the mid-1950s, when they were popularized by TV personality Arthur Godfrey; and around 2005 when, for no apparent reason, the world developed a renewed affinity for the four-string instrument. The current uke boom is the longest in history and shows no signs of slowing down. Unit volumes advanced 17% in 2016 to a staggering 1.4 million instruments.
For most of the past six decades, amplifying an electric guitar required a wooden box containing a loudspeaker and electronics—some variant on the amplifier design pioneered by Leo Fender.

Today, there are an increasing number of alternatives, running the gamut from high-end digital modeling devices that allow the guitarist to plug directly into a P.A. system to inexpensive apps that turn a smartphone or tablet into a passable, if not exceptional, amp. As a result, sales of conventional guitar amps continued their downward trend, declining 5.6% in units and retail value.

While guitarists may be purchasing fewer amps, their enthusiasm for outboard effects remains undiminished. Sales of multi-effects devices increased 1.8% in retail value on higher selling prices, while stomp boxes posted a 9.6% rise to $93.9 million in retail value. The growth in stomp box sales has been driven in large part by an increasing number of boutique manufacturers. A greater range of effects has sparked the curiosity of guitarists, and created new sales.

Stagnant sales of new guitars have raised concerns that the instrument is losing its appeal for millennials. However, given the robust sales of used instruments, new instrument sales are no longer the most accurate proxy for consumer demand. And, in an increasingly fragmented popular music scene, guitars remain the most prominent instrument, ensuring stable, if not increasing demand for the foreseeable future.
Instrument Amplifiers category includes tube, digital and solid-state amplifiers; amplifier heads; speaker enclosures; and other self-contained amplifiers for guitars, basses and other musical instruments.
Total Fretted Instruments

Retail Value in $ billions

2016 Summary: Retail -0.02%
10-Year Trend: 1.80%

Effects Pedals

Retail Value in $ millions

2016 Summary: Retail 52.18%
10-Year Trend: 10.68%

Effects Pedals category includes floor pedal units, tabletop units and other products that incorporate complex processing power.

Multi-Effects Floor Processors

Retail Value in $ millions

2016 Summary: Retail -31.60%
10-Year Trend: -45.99%

Units x 1,000

Music USA
Fretted Products and Effects, continued

The Piano and Organ Market
Includes acoustic grand pianos, acoustic vertical pianos, electronic player pianos, digital pianos, and organs.

Fifty years ago, a piano manufacturer inadvertently anticipated 21st-century market conditions when he lamented, “the pianos we build are lasting too long.” Sales of acoustic grand pianos and uprights continued to decline in 2016, in large part due to the swelling inventory of used instruments. Aging baby boomers who are moving or downsizing are disposing of the pianos they acquired in the ‘70s, ‘80s and ‘90s. This massive inventory liquidation is reflected in the volume of used inventory available on websites like Craigslist, which approximates, or in some cases exceeds, the historic sales levels of new instruments. The available used inventory also addresses a wide range of consumers, with a comprehensive selection of brands, product types and price points.

Despite a rising stock market—typically a positive indicator of piano sales—in 2016, grand piano sales were down 15.8% to 8,630 units, while verticals dipped 5.7% to 18,655 units. Acoustic pianos equipped with player devices also declined, slipping 7.1% to 3,501 units. Declining acoustic piano sales were offset somewhat by rising digital piano sales, which advanced 6.1% in 2016 to 150,000 units. Digital piano quality continues to improve as average selling prices decline; thus, the unit increase resulted in a nominal gain in retail value.

The changing dynamics of the piano market are having an impact on the retail landscape. Retailers adept at refinishing used instruments are generally faring well, while those that focus primarily on new pianos are scaling back their fixed costs and lease expenses to adjust to lower volumes. On a positive note, the downward trend in new piano sales tends to obscure the continued interest in playing the piano. Music publishers, for their part, report continued strength in piano method book sales.
The retail value of organs declined 4.5% in 2016 to $41.1 million. Manufacturers and retailers alike have long argued that there was never an existing consumer demand for home organs; it had to be created through a combination of teaching and marketing programs. Although their ranks have diminished, the retailers offering these proven but labor-intensive teaching efforts continue to generate new organ customers. As for institutional organ sales, business continues to be adversely impacted by the transition from traditional to contemporary music worship services and a general decline in church attendance.

**Pianos**

Retail Value Market Share

<table>
<thead>
<tr>
<th>Type</th>
<th>2016 Market Share</th>
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<tbody>
<tr>
<td>Digital Pianos</td>
<td>34.8%</td>
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<tr>
<td>Grand Pianos</td>
<td>32.1%</td>
</tr>
<tr>
<td>Electronic Player Pianos</td>
<td>14.3%</td>
</tr>
<tr>
<td>Vertical Pianos</td>
<td>18.8%</td>
</tr>
</tbody>
</table>

**Grand Pianos**

![Grand Pianos chart]

**Vertical Pianos**

![Vertical Pianos chart]
Total Acoustic Pianos

Electronic Player Pianos

Digital Pianos

Total Pianos

Total Pianos category includes grand pianos, vertical pianos, electronic player pianos and digital pianos.
The School Music Market

*Includes woodwind instruments, brass instruments and stringed instruments.*

The retail value of woodwinds, brasswinds and stringed instruments inched up 1.6% to $702 million, driven by a combination of modest unit and price increases. Industry analysts have spent decades trying to find connections between economic data such as unemployment, GDP growth, housing starts, consumer confidence and the sales of music products. The search for “correlations” has been largely futile, with one significant exception. Unit sales of woodwinds, brasswinds and strings have closely tracked total K–12 enrollment levels for at least the past five decades. Once again, the 2016 uptick of .09% in unit volumes was equal to the rise in total school enrollment.

The durability of school music programs is a testament to their value, both in real and perceived terms: They enjoy strong parental support, even from those whose children are not enrolled. Given the local control of most schools, the success of music education programs can vary dramatically from region to region. In aggregate, however, they remain strong.
Stringed Instruments

<table>
<thead>
<tr>
<th>Year</th>
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<td>2009</td>
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<td>250</td>
<td>50</td>
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<tr>
<td>2007</td>
<td>275</td>
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</tbody>
</table>

2016 Summary: Retail value increased by 2.8%. Unit sales decreased by 1.3%. Average price increased by 0.3%.

10-Year Trend:
- Retail value increased by 12.6%.
- Unit sales increased by 6.3%.
- Average price increased by 2.2%.

Woodwind Instruments

<table>
<thead>
<tr>
<th>Year</th>
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<th>Units</th>
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<tbody>
<tr>
<td>2016</td>
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Total Wind Instruments category includes brass and woodwind instruments.

Total Wind Instruments

<table>
<thead>
<tr>
<th>Year</th>
<th>Retail Value</th>
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Total School Music

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The Pro Audio Market

Includes speaker enclosures, power amplifiers, mixers, cables and microphones.

The retail value of the pro audio segment was essentially unchanged in 2016 at $1.5 billion. The lack of growth was less a reflection of stagnant demand for sound systems, and more the result of falling prices for the types of products sold through the M.I. distribution channel. By all indications, houses of worship, music venues, portable DJs—the key markets for small audio systems—are as interested as ever in high-quality sound. However, thanks to dramatic improvements in technology, they can now satisfy that need with significantly less cash. The evolution of 15-inch loudspeakers, long a mainstay of the market, powerfully illustrates how advancing technology has crimped industry revenue growth. Many of today’s powered speakers now include a small mixer, extensive onboard signal processing, and in some cases, even feedback-elimination technology.

These “all-in-one” units are well suited to a number of applications and reduce the need to purchase a wide range of discrete components. They also provide exceptional value and convenience, especially for the typical M.I. customer, who lacks audio engineering skills. For manufacturers and retailers, they have seriously cut into the sales of small mixers, outboard effects and discrete power amps. With more and more audio being processed in the digital realm, lightweight Ethernet cables are replacing traditional copper wire cables and snakes, further chipping away at industry revenues.

Despite these technology-induced pricing pressures, the audio market has become an increasingly important source of profit for brick-and-mortar retailers. Expertise in recommending or installing an audio system provides them with an effective buffer against online competition.
Data represents an estimate of pro audio products sold by approximately 5,000 retailers in the U.S. Excluded from the data are sound products for the cinema, tour sound, broadcast and large fixed-installation markets.
Data represents estimates of only those microphones sold by the approximately 5,000 M.I. retailers in the United States, and excludes products aimed at broadcast markets.

All data represents an estimate of pro audio products sold by the approximately 5,000 M.I. retailers in the United States. Excluded from data are sound products for the cinema, tour sound, broadcast and large fixed-installation markets. Data includes non-powered mixers, power amplifiers, powered mixers, speaker enclosures, cable, cable microphones and wireless microphones.
The Percussion Market

Includes drum kits, educational percussion, individual drums and hardware, sticks and mallets, cymbals, heads, and hand percussion.

After nearly a decade of losing ground to electronic alternatives, the traditional percussion products market appeared to have stabilized in 2016. The retail value of the category, which includes drum kits, hand percussion, orchestral percussion, sticks, cymbals and hardware, declined 1.5% to $375.8 million.

Percussion products have faced headwinds from the combination of advancing technology and the substantial inventory of readily accessible used gear. On the technology front, users ranging from entry-level players to professionals have continued to embrace electronic drum kits for several practical reasons, including the fact that they offer superior volume control and are easier to record and set up. The retail value of drum kits was effectively unchanged in 2016, suggesting that the shift to electronics may have run its course.

This shift to electronic drum kits has also adversely impacted the sale of heads, sticks and conventional cymbals. Players using an electronic kit don’t break as many sticks, don’t need traditional heads and are less likely to use cymbals. Retail value for all of these categories declined modestly in 2016.

On the positive side, the retail value of educational percussion advanced 3.3%, reflecting the strength of both the school and drum corps markets.
Educational Percussion category includes timpani, marching percussion, mallet instruments, snare drum kits and orchestral percussion instruments.

Individual Drums and Hardware category includes individual snare drums, toms and bass drums for drum kits, along with pedals, stands and related percussion hardware products.
The DJ Market

Includes CD and digital media players, turntables, DJ mixers, digital DJ controllers, and special effects lighting units.

Reflecting the unpredictability of popular tastes, the retail value of DJ products was driven higher by renewed interest in vinyl records and the traditional turntables used to play them. Turntable retail value advanced 51% to $16.5 million in 2016, and the retail value of all DJ products, including controllers, lighting and mixers, was up 9.5% to $159 million. In trying to explain the renewed interest in previously discarded vinyl technology, some point to its “warm” sonic quality; others mention the tactile appeal of a moving disc. Whatever the reason, turntables are making a comeback among professional DJs. Computer-based systems continue to be the mainstay, with retail value advancing 3.8% on slightly higher average selling prices.

Lighting, which experienced a significant 25% gain in 2016, has benefitted from LED technology, which has made high-impact lighting effects more accessible. The retail channel has responded by placing more emphasis on the category.
A new category, Digital DJ Controllers, was added in 2010 and is included in Total DJ Sales.
The Recording and Computer Music Market

(Multi-Track, Software and Computer Music)

Includes hard disk multi-track recorders, hand-held digital recorders, rack-mounted processors, sound cards and related hardware, recording and sequencing software and plug-in software and loops.

The market for the software and hardware products that are used to capture audio has been buffeted by macro trends: one positive and two negative. On the positive side, the American public has developed a nearly insatiable desire for recorded music. Last year, they downloaded a staggering 2 trillion songs, according to data compiled by the Recording Industry Association of America (RIAA). That works out to 62 songs for every man, woman and child in the country. Five years ago, only a relatively meager 100 million songs were downloaded. In response to this surging demand, more music is being recorded than at any time in history. In theory at least, this kind of demand surge should be reflected in increased sales of recording equipment. In reality, however, plunging selling prices of most products have kept the market value essentially flat at $495 million retail, down 1.2% from 2015 levels. Aggravating the situation is the dire condition of the recorded music industry itself. The public may love music, but they don't want to pay for it, as evidenced by the slumping sales of recorded music (including legal downloads such as iTunes purchases): from $15 billion in 2000 to just $6.5 billion last year.

A recording studio today is basically a computer, outfitted with software, an array of input/output devices and some other specialized hardware. Just as computer prices have plummeted over the past decade, so too have the prices of recording gear. These price declines are exacerbated by the fact that hard-pressed record companies are far less likely to provide financial assistance to aspiring artists.

One bright spot has been the sale of “plug-ins”: those specialized programs that provide digital effects, pitch correction, instrument sounds, etc. They tap into the desire to find new ways to enhance a recording. The trajectory of the recording market is one where the consumer’s gain comes at the expense of retailers and manufacturers.
Hard Disk Multi-Track Recorders

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Rack-Mounted Processors

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Hand-Held Digital Recorders

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Rack-Mounted Processors category includes compressors, limiters, pre-amps, EQs and multi-effects.
**Recording and Computer Music Market, continued**

**Recording and Computer Music Market**

**Retail Value Market Share**

- Sound Cards & Related Hardware: 51.4%
- Recording & Sequencing Software: 39.0%
- Plug-In Software & Loops: 9.6%

**Plug-In Software & Loops**

- Retail Value in millions:
  - 2016 Summary: $25.0 million
  - 10-Year Trend: -35.42%

Plug-In Software & Loops category includes signal processing effects, tune-correction software and mastering programs.

**Total Software**

- Retail Value in millions:
  - 2016 Summary: $250.0 million
  - 10-Year Trend: -56.08%

Total Software includes recording software packages, virtual instruments, sampling software and educational software.

**Recording & Sequencing Software**

- Retail Value in millions:
  - 2016 Summary: $200.0 million
  - 10-Year Trend: -32.34%
Computer Music Hardware category includes interfaces, digital audio work surfaces (DAWS) and other USB-enabled hardware.
The Electronic Music Market

Includes keyboard synthesizers, controller keyboards, electronic pianos, rhythm machines, and electronic drums.

Cutting-edge technology has always been the mantra of the electronic musical instrument industry, with words like “newer,” “faster” and “better” figuring prominently in all promotional materials. Thus, it’s a bit ironic that the market’s revenue gains in 2016 came from technology that was written off as “out of date” three decades ago. We’re referring to the analog tone generation that was the basis of the original synthesizers but was largely displaced by digital technology in the mid-1980s. Under the heading of “everything old becomes new again,” a new generation of musicians is enthusiastically rediscovering the distinctive tonality of analog sound, giving rise to a vibrant boutique analog synth market.

The retail value of electronic musical instruments advanced 4.9% to $250 million in 2016, largely due to the sale of higher-priced analog synthesizers. Keyboard synthesizers advanced 9.0% to a retail value of $125 million. Other product categories were afflicted by the technology-driven price compression that has impacted audio and recording segments. To illustrate this price compression, consider that the current crop of 1980s analog synth “reissues” are priced to sell for about one-tenth the cost of the originals. The trajectory of keyboard controllers is similar: in 2016, the average selling price was $159, versus more than $700 a decade ago.

Lower prices have led to additional unit sales, particularly in electronic percussion, where entry-level kits have taken significant market share from traditional drum kits. However, like other maturing tech-based products—think flat panel televisions and laptop computers—the lower prices have made generating top-line sales growth a major challenge.
In 2010, the Sound Modules and Drum Machines categories were merged to form this new category, Rhythm Machines/Production Centers.

Starting from 2010, the Controller Keyboards category includes both under 44 note and 44-88 note. Previously, this category only included 44-48 note.
The Print Music Market

Includes method books, instructional materials, popular folios, and related print music products.

Printed music is a broad category, encompassing pop, educational and religious titles for every conceivable instrument and ensemble type, and thus resists easy generalizations. In 2016, the retail value of print declined 2.5% to $492 million, largely due to online competition. The ready access to popular music titles online, which in some cases are unlicensed, continues to take a toll on the sale of popular titles, particularly for fretted instruments. The vast trove of free instructional videos available on YouTube has also had an adverse impact. However, this has been offset by strong sales of method books for band, orchestral and choral programs. Publishers have also effectively responded to online competition with innovative products that combine traditional print with online instructional and accompaniment features.
The Portable Keyboard Market

The retail value of portable keyboards advanced 9.1% to $175 million in 2016. Close to 50% of the products are sold during the fourth-quarter holiday season, so the gain can be partially attributed to an improving economy. However, the category has also benefited from a blurring of the lines between portables, digital pianos and professional synthesizers. Not too long ago, these categories were distinct. That’s no longer the case, given that the performance of portables in many cases approximates that of digital pianos and professional synths. Thus, some of the gains in the portable category came at the expense of other keyboard alternatives.
The Karaoke Market

Although the interest in singing is undiminished, the market for karaoke hardware remains flat. M.I. dealers have largely ceded the product category to mass merchants, and the manufacturers face stiff competition from karaoke apps and software that is available at a nominal cost.
The General Accessory Market

The accessory category includes cases, stands, straps, aftermarket products such as replacement pickups and hundreds of other small goods that line the counters of music stores everywhere. The category is the perennial market leader, posting revenue gains in just about any type of market. A steady stream of innovative new products, including foot controllers for turning pages or hardware to affix a table to a mic stand, help generate the rising top line. Low selling prices also make accessories less sensitive to the economy. In addition, there is broad consensus that consumers like to buy accessories when they’re not in the market for a new instrument.
MUSIC AND SOUND
U.S. INDUSTRY SUMMARY

The purpose of the following data is to provide a review of the 10-year trend of music products activities in the U.S. music industry. The data comes from information gathered by The Music Trades magazine over the past decade.

IMPORTS AND EXPORTS

The import and export statistics are provided by the U.S. Census Bureau and offer a snapshot of U.S. music products import and export activities. This section also provides an overview of the countries where U.S. music products were exported, and the countries the United States imported music products from during 2016.
## U.S. INDUSTRY SUMMARY (in millions of dollars)

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## U.S. INDUSTRY SUMMARY – UNITS SOLD (in thousands)

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U.S. Industry Summary

Industry Total

GDP Per Capita

Music Sales Per Capita

GDP Per Capita and Music Sales Per Capita

Source: CIA World Factbook

Source: The Music Trades

Source: The Music Trades
A new category, Digital DJ Controllers, was added in 2010 and is included in Total DJ Products.
### U.S. IMPORTS OF MUSIC AND SOUND PRODUCTS

#### 2016 Data

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U.S. Imports and Exports

U.S. IMPORTS OF MUSIC AND SOUND PRODUCTS

2016 Data

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The United States exported music products to a total of 177 countries in 2016.

The United States imported music products from a total of 111 countries in 2016.
Drum & Percussion Imports

Drum & Percussion Exports

Brasswind Imports

Brasswind Exports

Woodwind Imports

Woodwind Exports

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## INTERNATIONAL DATA

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<td>South Korea</td>
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<td>Switzerland</td>
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<td>United Kingdom</td>
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UNDERSTANDING THE INTERNATIONAL DATA

To present a global overview of the music products industry, we are pleased to feature 24 countries in the International section this year: Argentina, Australia, Austria, Belgium, Brazil, Canada, China, Czech Republic, Finland, France, Germany, Hungary, India, Italy, Japan, Mexico, Netherlands, Norway, Russia, South Korea, Spain, Sweden, Switzerland, and the United Kingdom. The demographic, economic and trade data shown in each country/region’s “Snapshot” section are gathered from the CIA World Factbook, unless otherwise noted. The music industry data are provided by The Music Trades, also unless otherwise noted, and reflects a 10-year historical trend, with the year 2015 being the most recent published by The Music Trades.
ARGENTINA

Since December 10, 2015, a new alliance of parties, called CAMBIEMOS, has been in control of the government administration in Argentina. The president is Ing. Mauricio Macri heads the alliance formed by PRO (his own party, which successfully administered the city of Buenos Aires during the previous eight years); UCR, the centennial radical party (responsible for the return to democracy after decades of military governments); and CC, the party headed by Mrs. “Lilita” Carrio, a lawyer and well-respected defender of the good practices and honest administration.

It was the end of 12 years of populism that left the country in a very negatively compromised economic situation, with very high inflation, millions under the poverty line, more millions depending on survival plans from the government, and most regional businesses broken or close to bankruptcy. It included a period where buying foreign currency was very difficult or even illegal. Imports were very restricted and exports were at a very low level due to an artificially strong exchange rate of our peso against the main currencies.

The new government released the exchange rate assuming a lower devaluation than expected, something that was welcome as a positive sign, and slowly started to rebuild the basics of the economy. This was a long and difficult process.

Among the first effects was a strong rise in prices, which affected purchasing power. Sales dropped drastically in all areas, and the economy fell into a recession that persists as of the writing of this report, but the situation is improving. It seems like we touched bottom and now are starting a recovery period.

Many people lost their jobs during the first six months of the new administration, and obviously people were not happy, but most kept their support of the government because they understood that the situation was difficult.

The year 2016 was entirely a reorganizing year. All federal construction projects were stopped in order to be revised and to cut corruption (the cost of these projects went down drastically), and by early 2017 a lot of public work resumed, generating a big impact on the economy that will improve the situation of most sectors connected to the construction industry.

Import Restrictions
The new government did not want to open the economy to importation until the recession is over and the economy has come back to create new jobs. They want to avoid more job losses, particularly from local manufacturers.

So, the situation of importers did not improve very much, but the relationship with the government is much more professional and open. Most products require a new SIMI approval form (http://www.afip.gob.ar/simi/), which is released automatically, but also many products remain under LNA (Non-automatic Import Licenses), which may delay up to 60 days or more to obtain.

Minimum FOB prices are requested for classic guitars, strings, drum sets and others; otherwise the LNA certificate may never see the sunlight.
Also, parallel restrictions are in place that request safety approval for all electric devices, a very serious and expensive restriction that must be renewed every 180 days. This procedure requires manufacturers to send products to labs to test them for safety, many times destroying the product in the process, which increases even more the cost to get these certificates live and updated. This operates as a very severe barrier to importing new products and even with small quantities, it does not make this process affordable.

So the situation is not easy. Many financial barriers were removed, but others were not or even became worse.

**Inflation**
The inflation rate is very high (40% in 2016 and projecting 20–25% in 2017) and as the exchange rate of the peso has been almost fixed for more than a year, local production is suffering from the rise in costs and lack of competitiveness. This in turn affects jobs and salaries, so demand is slow.

**Demand**
Demand for musical products and equipment decreased by 40% average, despite the very low prices in local currency due to the again-strong peso. Some brands have been changing hands, looking for better distributors or for direct distribution. It is a challenging time.

**Mid-Term Elections**
In October, the nation will go through mid-term elections where half of the Congress must be renewed. Many big decisions that may impact the economy will be delayed until after the elections.

**Positive Future**
Most people stay positive about the future and understand that all the serious and painful decisions being made today are necessary to rebuild the economy and the nation for a bright future.

Commentary by Alfredo Campanelli, Founder of Import Music Argentina

**DOING BUSINESS IN ARGENTINA**

**Market Overview**
- The United States exported US$10.8 billion in goods to Argentina in 2014 and purchased US$4.4 billion. In services, the United States exported US$7.1 billion and Argentina sold US$1.9 billion. The United States supplies raw materials, intermediate goods and capital goods to feed Argentina’s industrial sector, while Argentina exports food, wine and agricultural products as well as intermediate goods.
• About 90% of U.S. exports to Argentina are used in local industry and agriculture such as computers, industrial and agricultural chemicals, agricultural and transportation equipment, machine tools, parts for oil field rigs, and refined fuel oil. Argentine exports include goods such as wine, fruit juices, crude oil and intermediate goods like seamless pipe, tubes and other iron-based products.

• More than 500 U.S.-based companies operate in Argentina, employing 360,000 Argentines directly and supporting millions more indirectly. The stock of U.S. investment in Argentina reached US$15.2 billion in 2013 and is concentrated in energy, manufacturing, information technology and finance.

• U.S. firms operating in Argentina impact the Argentine economy and society positively and are widely respected for their corporate governance, the quality of the work environment they provide to their Argentine employees, their transparency and their work in corporate social responsibility.

Top Five Reasons for Doing Business in Argentina
- Argentina is a resource-rich country with huge potential.
- Its population is highly literate and well-educated. There are strong cohorts of professionals in medicine, business, law, accounting, engineering, architecture, etc.
- The country is digitally capable, with high Internet and smartphone penetration.
- Income distribution is more equal than in most Latin American countries, with a broad and deep middle class that enables more consumer buying power.
- Argentina’s infrastructure requires major updating and renewal, providing significant opportunity for exporters of equipment and services for roads, ports, railroads, telecommunications, water and sanitation, and electric power, among others.

Market Challenges
- Slowing economic growth, import and foreign exchange restrictions, and sharply lower prices for Argentina’s principal exports (soy products and corn) make the outlook for the Argentine economy uncertain in 2015, with growth estimates of slightly negative to 3%.

- Inflation estimated at 30% or higher in 2014 and 20–24% in 2015 by private economists has raised costs and resulted in a more challenging business environment, especially as the real effective exchange rate has significantly appreciated since a January 2014 devaluation.

- Limits on profit, royalty and licensing remittances have discouraged new investment in Argentina. Lack of transparency and a public comment period for new regulations adds to business uncertainty, as do questions about government statistics.
• All importers must request approval from the Argentine Tax and Customs Authority (AFIP) prior to making each purchase for import and, separately, to purchase the foreign currency to pay for it. The GOA's policy of tying approvals to changes in the trade balance and foreign exchange levels has added to uncertainty. The United States, EU and Japan won a WTO trade complaint against Argentina; final resolution is pending.

Argentina's continuing dispute with investors who did not accept the 2005 and 2010 restructurings of its foreign obligations has led to Argentina being currently ineligible for coverage under U.S. programs (Exim Bank, OPIC and the Trade Development Agency) designed to assist American companies.

Market Opportunities
• Argentina is an attractive market for American exporters, with a large (42 million) and educated population, abundant natural resources such as in agriculture, mining and unconventional hydrocarbons, and important infrastructure needs.

• As Argentina addresses its current economic challenges, opportunities will increase. This is an excellent time to begin exploring the market and establishing relationships.

Market-Entry Strategies
• Marketing U.S. products and services in Argentina requires a high level of research, preparation and involvement.

• Companies intending to export to Argentina need to ensure that their customers fulfill all import requirements before they ship any product and must be careful to follow all regulations precisely.

• U.S. companies exporting to Argentina typically market their products and services through Argentine agents, representatives and distributors.

• Close personal relationships are important.

• U.S. companies must consider Argentina's unique economic, demographic and cultural characteristics that distinguish it from other Latin American countries.

• It is increasingly difficult to establish a “typical customer” due to new consumption habits and the dynamics of income distribution and demography.

• Promotion is an important marketing component. Companies are encouraged to visit or exhibit at local and regional trade shows, and to visit trade shows in the United States attended by Argentine buyers.

• Protect your intellectual property and engage qualified local professionals and lawyers in contract negotiations.
“Doing Business in Argentina” article is provided by the U.S. Commercial Service, the trade promotion arm of the U.S. Department of Commerce’s International Trade Administration. For more information on doing business in Argentina, you may visit their website at www.export.gov/Argentina.

The following charts are based on import and export data obtained from the website of the International Trade Centre (ITC)
ARGENTINA SNAPSHOT

Demographics

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<td>65 &amp; Over</td>
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Demographics

Population in millions 43.9
Median Age 31.5
Population Growth 0.93%

Economy

GDP (PPP) $879.4 billion
GDP Per Capita $20,200
GDP-Real Growth Rate -1.80%
Unemployment Rate 8.00%
Inflation 42.80%

Data Source: Demographics, Economy and Trade from CIA World Factbook, Music Industry from The Music Trades. GDP (PPP): Gross Domestic Product based on purchasing-power-parity (PPP) valuation of country GDP in U.S. dollars.
Trade

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<th>Total Export</th>
<th>$58.4 billion</th>
<th>Export as % of GDP</th>
<th>6.64%</th>
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<tr>
<td>Total Import</td>
<td>$57.2 billion</td>
<td>Import as % of GDP</td>
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Export Partners (2016)

Export Partners (2016)

Import Partners (2016)

Music Industry

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<td>Sales Per Capita</td>
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<tr>
<td>Global Share</td>
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Music Sales Per Capita (U.S. $)

Argentina Music Market (U.S. $ in millions)

Share of Global Music Market (Percent)
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<th>Year</th>
<th>Value in U.S. $ millions</th>
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**Acoustic Pianos**

**Fretted & Stringed Instruments**

**Keyboard Instruments**
Argentina Imports and Exports

**Wind Instruments**
- Imports
  - Value in U.S. $ millions
  - Year: 2007 to 2016
- Exports
  - Value in U.S. $ thousands
  - Year: 2007 to 2016

**Percussion**
- Imports
  - Value in U.S. $ millions
  - Year: 2007 to 2016
- Exports
  - Value in U.S. $ thousands
  - Year: 2007 to 2016

**Accessories**
- Imports
  - Value in U.S. $ millions
  - Year: 2007 to 2016
- Exports
  - Value in U.S. $ millions
  - Year: 2007 to 2016
The year 2016 saw an uplift in the overall market, with a 3.5% increase in value over 2015 and around 12% over two years ago. With the currency finding its present level in to 70s (explained below), a continuing rise in value is welcome news for most of the industry. Import value of AUS$265 million outstripped 2015, which was the best year in terms of industry value since 2009 import values getting down to the low AUS$200 million mark. The United States has largely bounced back year-on-year since the financial crisis and aftermath, and again, this is reflected in our numbers over a similar period.

The Keyboard category posted a good result overall in 2016, and continued the upward trajectory it has been achieving over the last three or four years. A solid increase in value of 7.9%, year-on-year and an impressive 19% improvement on 2015, see the retail value of this segment at around AUS$120 million, adding some AUS$20 million to the market over a two-year period.

Electronic keyboards were significantly up, but we suspect some crossovers to digital pianos in these numbers, and grand pianos had a big December quarter in high-value units—Germany, Austria and Italy—boosting import value well above recent averages. The Australian Music Association is currently auditing the Pianos and Keyboards categories to compare reported imports to actual, to ensure an accurate picture is painted by this and future reports.

Band and Orchestra surprised, especially the December quarter results. Brass mostly improved—except for average unit value (AUV) but certainly a decent jump in volume for the year, almost all of it effectively came in the December quarter similar to the 2015 experience. Major woodwind units were more or less static. Orchestral strings were a bit soft but after a strong 2015, perhaps this was a rebalancing to do with timing of last year’s imports.

Percussion generally marked time in 2016, which, given the drops of the last five years or so, is probably a positive sign.

The overall volume in the Guitar segment fell 10% in 2016; value was flat across the category.

Electric guitars continued what is becoming a free-fall in units over the last three–five-year period particularly. A further year-on-year drop of 23.5% in units could indeed be called a worrying slump. This decline extends to amplifiers over the last two years as well. The figures showed some high-value imports in the December quarter, continuing from last quarter—U.S. imports, for example, rose 17% by volume but by 50% value. This has resulted in a significant jump in AUV and the 10% rise in value of the category. It could also be an indicator that the market is maturing and the customer is too.

Acoustics are powering on with another record year of 160,000 units imported, with a big value increase over the last two years. However, value dropped by nearly 8%; this could be a sheep in wolf’s clothing as it may indicate more entry-level business in 2016. Some significant ups and downs in the Guitar sector resulted in the relatively tepid performance of the category as a whole.
The electric guitar market continues to be soft, along with acoustic percussion, perhaps revealing a worrying trend in the product markets that have driven the industry for so long. Live performance and a buzzing live scene drive our market, and there has been a notable shift in the way many people make music. Amplifiers have continued a downward slide, which might be explained by the many options available for guitarists to amplify their sound. Fewer electric guitar sales, however, appears to be the main cause.

In Electronic Instruments, we observe another increase in synths in 2016, while the “Other” segment (thought to be driven by e-drums) slowed its growth pattern of the previous two years. Turntables showed an increase in 2016.

Audio numbers revealed that some big, high-value mixers were reported in the last quarter, helping to push up value and an AUV increase of 15%, despite units being well down for the year at the same time. The rest of the category marked time for the year, with speakers and power amps showing a reasonable increase in units followed by the usual drop in AUV—however, segments were up significantly from 2014: 10% and 16%, respectively.

The wireless mic replacement peak may be over. In terms of volume, the number of units has held at around 155,000, perhaps establishing another benchmark following the peak of the replacement of radio mics in 2014 when units topped 165,000. This benchmark, it must be said, was better than expected.

Traditional products bounced back in 2016 from a surprise contraction in 2015, and working hard to make ground on a good 2014. As was observed last year, it felt as though a shipment was late such was the downturn, and this may have been the case, given that it has jumped back up. Ukuleles are accounted for in this segment—there seems to be no stopping the popularity of this most accessible instrument.

General Accessories were up in value by a significant 25% and 40% above 2014 in dollar terms. For the first time, imports totaled nearly AUS$20 million. Guitar strings leveled off in 2016 after a big dollar increase in 2015 over 2014, most likely reflecting currency shifts.

Print music held its own on 2016. After several years of significant decline year-on-year, the last couple of years has seen perhaps a new normal established, with retail sales of AUS$20 million being reported two years in a row.

The continuing decline in international online would reflect the perceived “threat” to the industry diminishing somewhat, especially with the way the exchange rate finished the year at around AUS$1 to US$0.72. Our market is extremely sensitive to international currency trends, and the Aussie dollar has found a new normal at the time of this writing: hovering around the mid-70s. The trend we hope will continue as the abolishment of the Low Value Threshold on Goods and Services Tax (GST) on July 1, 2017, further dampens the attractiveness of buying off-shore.

The value of the music retailer to the industry is something the association is keenly interested in promoting. The industry must get better in the online sales space, so that
buying locally is an attractive proposition. Our industry training efforts are aimed here. Capitalizing on this current environment is important.

_The Music Trades_ reports that the retail value of the U.S. market was flat in 2016, being just marginally ahead of 2015. Its positive note was the huge variety of products available these days, and that there has never been a better time to be a consumer of music products. The U.S. economy is stubbornly sluggish, and market conditions again are reflected in Australia.

Like in Australia, some categories performed well and others, not so much. The sales value gain of just 0.8% over 2015 did not keep pace with official U.S. economic growth rate of 2.1%, while in Australia the 3.5% dollar value exceeded our own GDP increase of 2.4% and certainly in excess of inflation, which sat at 1.5%.

**2016 Snapshot – Reserve Bank of Australia**

- 2.4% economic growth (GDP), better than forecast after negative growth in the September quarter
- 1.5% inflation
- 6% unemployment
- Interest cash rates 1.5%
- 1.4% population increase to 24.1 million
- Year closed with national savings declining to 7.6%
- CPI rose 1.5% for the 12 months ended December 2016.

Consumer confidence was at a 15-year high according to Neilson Research, with the Index sitting at 116 in February 2017, rising from 111 in January. In the December quarter of 2016, final consumption expenditure rose 0.7%. Household spending went up 0.9%, adding 0.5 percentage points to GDP growth.

Australian workers continue to face record low wage growth, with the downturn in the mining sector driving the weak outcomes. The Bureau of Statistics Wage Price Index rose 1.9% over the past year and by 0.5% over the December quarter, on a seasonally adjusted basis.

Over the past 12 months the Reserve Bank of Australia (RBA) has cut the official interest rate twice by a combined total of 0.5% to a cash rate of 1.5%.

The Australian dollar, after starting the year at around US$0.72, had a range of about US$0.10 over the course of the year, dipping to as low as US$0.68 early in the year, recovering to US$0.78 by April/May, only to return to US$0.72 by Christmas. The Aussie dollar fared better against other major currencies. As these are our trading partners, that’s certainly helping our exporters by making them more competitive and helping to rebalance
the economy. However, a weaker dollar will make imports more expensive. That could hurt discretionary spending, which is key to driving growth.

The price of oil is 45% below where it was 12 months ago, with benefits to both industry and households.

The GDP reading shows the economy would grow annually at 2.4%, with 1.3% still largely mining related, so consumer, business and government activity accounting for the balance of 1%.

The optimism of economic certainty that followed the leadership change last year has been followed by a period of consumer optimism has been veiled somewhat by sluggish growth.

Annual growth in job ads fell 6.9% year-on-year for February, compared to 7.1% in January.

Retail sales were flat for the first part of the year, reflecting an overall feeling of economic uncertainty. The monthly rate of growth was strong in August (+0.6%), September (+0.6%) and October (+0.5%). November and December failed to reach expectations—an overall growth in real consumer spending of 2.7% for the year.

Year-on-year growth of online sales also slowed from 14.6% to 13.5%. The revised trend estimate for online retail sales continues to slow, currently at 0.5%, down from 0.7% last month.

The National Australian Bank (NAB) estimates AUS$21.08 billion (up from AUS$19.1 billion in 2015) was spent online over the 12 months to October 2016. This is equivalent to 7.0% of spending at traditional brick-and-mortar retailers as measured by the Australian Bureau of Statistics (ABS) in the 12 months to September 2016.

In terms of growth, sales experienced relatively strong month-on-month (MOM) growth of 2.0% in December, seasonally adjusted. This is a considerable improvement on the sales weakness in October (-0.1%). The December result was driven by domestic online sales growth (+2.5%), while international contracted (-0.7%). In year-on-year (Y.O.Y) terms, domestic online retailers (15.4%) continue to outpace international (-4.1%). Comparable Y.O.Y growth in traditional brick-and-mortar retail (up 4.7% in December) was still outpaced by the improvement in online retail (11.2%).

Focus Economics reports: “The Australian economy seems to have recovered in Q4 from Q3’s shock contraction, a trend which is likely to have carried over into Q1 2017. Retail sales were up over the course of Q4, as were exports, which benefited from improving commodity prices. Consumer and business confidence continued to improve at the outset of 2017, which could have positive knock-on effects on consumer spending and business investment. However, January labor market data showed continued strong growth in part-time employment, which together with soft wage growth, could temper any benefit to retail sales from improving consumer confidence.”

Commentary by Rob Walker, Executive Officer of the Australian Music Association (AMA)
DOING BUSINESS IN AUSTRALIA

Market Overview
Australia is the world’s 12th largest economy with a GDP of US$1.2 trillion and a per capita GDP of US$48,800 in 2016.

Growth in commodity exports to Asia buoyed Australia through the global financial crisis but adversely affected the manufacturing and services sectors because of a strong Australian dollar. With significant declines in global commodity prices, the 2015 downturn in the commodity cycle has impacted Australia’s economy.

Despite this decline in resource-related investment, Australia remains a vibrant and important market for U.S. goods and services.

- The United States has one of its largest trade surpluses with Australia.
- In the Organization for Economic Co-operation and Development (OECD), Australia ranks in the top five in terms of average household disposable income.
- There is a Free Trade Agreement between the United States and Australia that has effectively eliminated tariffs on most goods.
- International trade holds a proportionately larger share of the Australian economy. Australians are accustomed to sourcing from overseas.

Australia is welcoming to U.S. foreign investment. In 2014, the United States was Australia’s largest source of Foreign Direct Investment (FDI) stock, totaling US$159 billion of investment or approximately 24% of all FDI in Australia. In 2014, the U.S. direct investment position in Australia was US$180.3 billion, an increase of 6.1% from 2013. Australia is the United States’ 15th largest export market. U.S. direct investment in Australia is led by the mining, finance and insurance, and manufacturing sectors.

Since coming into force on January 1, 2005, the Australia-United States Free Trade Agreement (AUSFTA) has reduced tariffs, increased quotas and investment thresholds, provided greater intellectual property protection, and fostered greater two-way investment. Australian companies have gained access to the U.S. federal government procurement market, and over 99% of U.S. exports of consumer and industrial goods now enter Australia duty-free. Since the introduction of the AUSFTA in 2005, U.S. goods exports to Australia have risen from a nominal US$13.96 billion in 2004 to US$24.7 billion in 2015, an increase of 77% in dollar terms.

In accordance with tariff eliminations agreed to as part of the AUSFTA, a number of changes occurred on January 1, 2015, in line with the 10th anniversary of the agreement coming into force. There was an increase in the duty-free tariff rate quotas for Australian exports of beef, dairy, tobacco, wine, cotton, peanuts and avocados, and the remaining Australian tariffs on textiles and apparel were also removed.
Australia has a well-established legal and court system for the conduct or supervision of litigation and arbitration, as well as alternate dispute processes. The country is a world leader in the development and provision of non-court dispute-resolution mechanisms, and is a signatory to all the major international dispute-resolution conventions. There are few disputes that involve foreign investors.

Australia has an AAA international credit rating with a well-developed, deep and sophisticated financial market, regulated in accordance with international norms. Australia's four leading banks are highly ranked in terms of financial security and international rankings.

Australia has a large services sector (over 70% of GDP), but is also a significant resources, energy and food exporter. Australia's abundant and diverse resources attract high levels of foreign investment and include extensive reserves of coal, iron ore, copper, gold, natural gas, uranium and renewable energy sources. A series of major investments, such as the US$542 billion Gorgon Liquefied Natural Gas project led by Chevron, will significantly expand the resources sector. Currently there is a large investment pipeline, but slowing commodity prices and high project costs have led to a significant decline in the value of the investment pipeline.

We advise U.S. firms examining the Australian market to pay attention to macro measures of opportunity, which give the latter country more purchasing power relative to that in less developed economies. Along with the Free Trade Agreement, the case for entering or expanding in the Australian market is stronger than the population of 24 million might suggest.

Australia's relative market appeal remains convincing, with few barriers to entry, a familiar legal and corporate framework, sophisticated consumer and industrial sectors, and a straightforward, English-speaking business culture. The AUSFTA enhanced the long and successful trading relationship by eliminating tariffs on almost all U.S. manufactured and agricultural goods.

We expect 2017 to continue to show demand for American companies with innovative products and technologies in the Australian market. We invite you to contact us to help you analyze and execute your objectives for the Australian market.

**Market Challenges**

Australia's distance from the rest of the world, large land area and relatively small population has led to market dominance by a few large firms in certain sectors.

Australia is integrated into the world economy and remains a commercial and financial center for the region. American companies will find that Australian and third-country competitors in Australia have some long-established brands with strong reputations and existing supplier relationships.

Australia has ready access to Asian and other low-cost producers. American firms must therefore demonstrate sufficient added value to overcome the costs of getting the product to market, and to compete.
Market Opportunities
In terms of broad merchandise trade categories, the United States is a major exporter to Australia of transportation equipment, machinery, chemicals, electronic products, fabricated metal products, processed foods, electrical equipment, plastics, rubber, primary metal products and agricultural products and equipment.

Specific service sectors that we have identified as representing strong prospects for U.S. exporters include financial services, healthcare services, information technology services and travel and tourism services.

Market-Entry Strategies
- Understanding the market, selecting the optimal partner and providing ongoing support to that partner in the market.

- A common language and familiar business framework may lead Americans to overlook Australia’s cultural and market differences. It is vital to first gain an understanding of the Australian context for a product or service, its competitors, standards, regulations, sales channels and applications.

- Success in the Australian market often requires establishing a local sales presence. For many American exporters, this means appointing an agent or distributor. The bounds of that appointment are negotiated, and may include only certain states of Australia, the entire country or New Zealand as well.

- The distance from many of their trading partners and the sheer size of the Australian continent—comparable to the continental United States—causes Australian firms to stress the importance of local support and service. American companies should visit Australia both to meet prospective partners and demonstrate ongoing support, as this is the common practice of their competitors.

Most of the criteria American firms use to select agents or distributors are applicable to Australia, with expectations adjusted to the scale of the market given the population of 24 million. Performing due diligence is just as important in Australia as in the United States. We offer resources to assist in this area.

“Doing Business in Australia” article is provided by the U.S. Commercial Service, the trade promotion arm of the U.S. Department of Commerce’s International Trade Administration. For more information on doing business in Australia, you may visit their website at www.export.gov/Australia.

The following charts are based on import data as a proxy to the domestic markets collected by the Australian Bureau of Statistics (ABS) in association with the Australian Music Association (AMA).
AUSTRALIA SNAPSHOT

Demographics

Population in millions: 23.0

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<th>Age</th>
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<tr>
<td>65 &amp; Over</td>
<td>1.68</td>
<td>1.95</td>
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</tbody>
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Median Age: 38.6

Population Growth: 1.05%

Economy

| Data Source: Demographics, Economy and Trade from CIA World Factbook, Music Industry from The Music Trades.
| GDP (PPP): Gross Domestic Product based on purchasing-power-parity (PPP) valuation of country GDP in U.S. dollars. |
| GDP (PPP) | $1.19 trillion |
| GDP Per Capita | $48,800 |
| GDP-Real Growth Rate | 2.90% |
| Unemployment Rate | 5.80% |
| Inflation | 1.40% |

Australia GDP (PPP) (U.S. $ in trillions)

Unemployment Rate (Percent)

Inflation (Annual Percent Rate)
Trade

<table>
<thead>
<tr>
<th>Total Export</th>
<th>$184.3 billion</th>
<th>Export as % of GDP</th>
<th>15.50%</th>
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<tr>
<td>Total Import</td>
<td>$203.1 billion</td>
<td>Import as % of GDP</td>
<td>17.08%</td>
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</table>

Export Partners (2016)

Import Partners (2016)

Music Industry

<table>
<thead>
<tr>
<th>Music Market</th>
<th>$363.0 million</th>
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<tbody>
<tr>
<td>Sales Per Capita</td>
<td>$15.79</td>
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<tr>
<td>Global Share</td>
<td>2.30%</td>
</tr>
</tbody>
</table>

Music Sales Per Capita (U.S. $)

Australia Music Market (U.S. $ in millions)

Share of Global Music Market (Percent)
Australia Domestic Sales

Digital Pianos

Brasswind

Portable Keyboards

Woodwind

Orchestral Stringed Instruments

Percussion

Percussion category includes drum kits, individual drums, cymbals, and educational and other percussion.
Australia Domestic Sales

Printed Music

Computer Music Software

Microphones & Stands

DJ Products

Sound Reinforcement

Digital Electronics

Sound Reinforcement category includes speakers, self-contained amplifiers, guitar and bass amplifier sets (combo), signal processors, mixers, and multi-track systems.

Digital Electronics category includes synthesizers, modules and other electronics.
AUSTRIA

- Weak economic development
- Unstable political situation
- Increasing online sales from abroad (mainly Germany, approximately 30% of our total market)
- Contracts that could not be fulfilled, particularly by small dealers
- E-guitars and their accessories, keyboards, synthesizers and acoustic drums are slow now as before
- Brass, digital pianos, grand pianos, acoustic pianos and acoustic guitars are stable
- Woodwinds at the entry level decreased
- The overall turnover has been kept due to price increases
- Shops closed, new foundations are almost none

Commentary by Otmar Hammerschmidt, Chairman of the Austrian Musical Instruments Retailer’s Association

DOING BUSINESS IN AUSTRIA

Market Overview

Strengths

Austria (population 8.7 million) is a rich market with the 27th largest GDP globally. This is comparable to much larger countries such as Poland (population 38 million) or South Africa (population 53 million). Austria is also a safe country, where democracy and the rule of law are firmly established. There is little crime, corruption is low and transparency is high (Austria ranks 16th of 168 countries on the transparency international index).

The Austrian economy is diversified and highly international, with 60% of its manufacturing output destined for export. Unemployment rates are among the lowest in the EU and social stability is among the highest in the world. Though GDP growth was sluggish in 2014/15, Austrian economic forecasters expect growth to pick up in 2016/17 to just under 2%.

One measure of the robustness of the Austrian economy is its AAA rating with Moody’s and DBRS (Standard & Poor’s and Fitch rate it at AA+), and the fact that Austrian government bonds up to six years currently have a negative yield. Austria is a desirable location for U.S. companies to establish regional operations, with its central location, low corporate tax rates, and Vienna, Austria’s capital, as one of the most livable cities in the world.
Weaknesses
Austria's GDP growth has been slow, and even the projected recovery predicts only moderate growth in the coming years. Exchange rate volatility is another area of concern. Depending on the dollar/euro exchange rate, even positive growth in domestic currency may translate into a market contraction in dollars. Companies considering establishing operations in Austria may find that U.S. nationals have trouble conducting banking activities, as local banks, confronted with new IRS reporting requirements, are refusing all but the most basic services to U.S. citizens. Another potential challenge is the $36.10 unit cost of labor (EU average is $27.78).

Austria’s two main political parties (the liberal Social Democrats and the conservative People’s Party) control vital sectors of the economy including rail transportation, utilities, healthcare and telecommunications through appointments of managers/executives within state-controlled enterprises. The parties split leadership of ministries, which in turn staff bureaucracies and state-controlled businesses. This has created a long-standing system of patronage and politicized management decisions.

Trade
The Austrian economy is highly international. In 2015, Austria imported goods and services valued at US$147.6 billion and exported US$146.02 billion in total. Austria’s most important trading partners are Germany, Switzerland, Italy and the United States, whereby the European Union accounts for 70% of Austria’s foreign trade and Germany alone over 33%. While Austria is a net exporter of technology to Germany, Switzerland and Russia, it is a net technology importer from the UK and the United States.

The United States is Austria’s fourth largest trading partner and second largest export market after Germany. In 2015, U.S. exports to Austria rose by a record 19.3% to US$5.8 billion. Austrian exports to the United States were nearly twice that at US$10.07 billion, an increase of 16.7%. Leading U.S. exports to Austria are organic chemicals, pharmaceutical products, aircraft/spacecraft and parts, machines/engines/pumps, medical and technical equipment, electronic equipment, and vehicles.

Market Challenges
There are three main challenges for U.S. exporters when entering the Austrian market. Here is how to best approach them:

First is the challenge of distance. Your main competitors are likely to be in Germany, a country located in the same time zone with a similar culture and the same language. Overcoming this challenge will require that you arrange calls to fit the Central European time zone, that you speak clearly, and that you make an extra effort to understand your customer and keep the lines of communication open.

A second significant challenge in Austria is the burden of regulation, often in addition to EU minimum standards. Because business processes are highly regulated, expect your Austrian business partner to request detailed information about your product in order to investigate what kinds of registration, transportation, storage and disposal regulations will apply. The process for entering the market is likely to take longer than it would in other countries.
Finally, most Austrians are risk-averse. Where an American might see an opportunity, an Austrian might see danger. This characteristic can make it difficult to introduce new products or present business innovations. The best way to combat this tendency is to mitigate your business partner’s fears by focusing on proven results, spending enough time to carefully plan various contingencies, and being flexible about minimum purchasing requirements.

**Market Opportunities**
Best prospect sectors for U.S. exporters include healthcare, information technology, electric power equipment, drugs and pharmaceuticals, and aerospace. Here are a few highlights:

- Austrian electricity providers plan to invest approximately US$10.6 billion in power generation, distribution and efficiency upgrades between now and 2020. Several major tenders are expected for smart meter roll-outs in 2017.

- Health IT is taking off in Austria as the national health record infrastructure (ELGA) rolls out in 2016. We expect spending to surpass US$1 billion/year as hospitals, pharmacies, physicians and other healthcare providers adopt systems that fully digitize patient records, provide pharmaceutical information, monitor patient clinical values and more.

- In the information technology sector, some of the fastest growing areas are cloud computing, big data analytics, virtualization and multifunctional security systems. We estimate the total IT market to reach US$6.8 billion in 2016.

**Market-Entry Strategies**
Clearly, the strategies you choose will depend on the sector and your business objectives. Here are a few tips:

- If you are interested in working with the government of Austria, you will fare better with a local partner on board.

- If you are looking for an agent or distributor, think outside national borders. You may fare well with a distributor in Germany if that company has a commitment to serving the Austrian market, or you may find an Austrian distributor with offices throughout Central-Eastern Europe.

- Invest a little time into researching market size, drivers, distribution channels and the regulatory environment for your product or service. That investment will pay off when you sit down with Austrian partners or potential customers.

“Doing Business in Austria” article is provided by the U.S. Commercial Service, the trade promotion arm of the U.S. Department of Commerce’s International Trade Administration. For more information on doing business in Austria, you may visit their website at www.export.gov/Austria.

The following charts are based on import and export data obtained from the website of the International Trade Centre (ITC)
AUSTRIA SNAPSHOT

Demographics

Population in millions  8.7

<table>
<thead>
<tr>
<th>Age</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>0–14</td>
<td>0.63</td>
<td>0.60</td>
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<tr>
<td>15–64</td>
<td>2.92</td>
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<td>65 &amp; Over</td>
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</table>

Median Age 43.8
Population Growth 0.51%

Economy

GDP (PPP)  $415.9 billion
GDP Per Capita  $47,900
GDP-Real Growth Rate  1.40%
Unemployment Rate  6.10%
Inflation  0.90%

Data Source: Demographics, Economy and Trade from CIA World Factbook, Music Industry from The Music Trades.
GDP (PPP): Gross Domestic Product based on purchasing-power-parity (PPP) valuation of country GDP in U.S. dollars.
Trade

<table>
<thead>
<tr>
<th>Total Export</th>
<th>$141.9 billion</th>
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<th>34.12%</th>
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<td>Total Import</td>
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Music Industry

<table>
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<tr>
<th>Music Market</th>
<th>$78.0 million</th>
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<tbody>
<tr>
<td>Sales Per Capita</td>
<td>$8.95</td>
</tr>
<tr>
<td>Global Share</td>
<td>0.50%</td>
</tr>
</tbody>
</table>
Austria Imports and Exports

Acoustic Pianos
- Imports
- Exports

Fretted & Stringed Instruments
- Imports
- Exports

Keyboard Instruments
- Imports
- Exports

Value in U.S. $ millions
DOING BUSINESS IN BELGIUM

Market Overview
Belgium is a compact and diverse market, sitting on the cultural and linguistic border of Germanic and Latin Europe. It is composed of the Francophone Wallonia region to the south, the Dutch-speaking Flanders region in the north and the bilingual capital region of Brussels. There is also a small enclave of German speakers. This diversity makes it an ideal market for many U.S. firms to test their products before expanding distribution throughout Europe. With a population of 11.1 million people in a territory comparable in size to the state of Maryland, it is densely populated. It enjoys one of the highest per capita incomes in Europe, with a relatively balanced income distribution, resulting in widely distributed purchasing power.

Belgium GDP was a total of US$494.6 billion in 2015. Bilateral trade was worth over US$53 billion for the year 2015. With its major ports (Antwerp is the second largest port in Europe) and excellent logistical infrastructure, a significant portion of bilateral trade either originates in, or is destined for, other countries in Europe. The United States ranks as Belgium’s fifth principal trading partner, with Belgium ranked as the 12th largest recipient of U.S. exports.

Often referred to as “the capital of Europe,” the Belgian capital of Brussels is home to the headquarters of the European Union (EU) and of the North Atlantic Treaty Organization (NATO), as well as hundreds of international institutions, associations and multinational corporations.

Market Challenges
Economic forecasts by the National Bank of Belgium predict Belgium’s economy will grow 1.6% in 2017. In 2015, the Belgian economy grew by 1.4%, which was slightly higher than the eurozone average growth of 0.9%. However, it is expected that the terrorist attacks of March 2016 will have a serious economic impact in the order of magnitude of 0.5% of GDP growth, negatively affecting the above-mentioned forecasts. The 2015 unemployment rate of 8.5% remained well below the eurozone average of 10.9%. Belgium’s harmonized inflation in 2015 was 0.6%, well above the eurozone area average of 0%. Belgium’s 10-year government bond rates continued to decline, dropping to 0.55% in May 2016. Belgium’s 2015 budget deficit of 2.9% failed to meet the target of 2.2% set by the European Commission. The country’s national debt was at 106.9% of GDP at the end of 2015, above the target of 100%. This occurred after the Belgian authorities were asked by the European Commission to put several creative debt constructions back onto the books and thus revise their original cumulative debt percentage back above the critical 100% of GDP threshold. The European Union, Organization for Economic Co-operation and Development (OECD) and others have continued to call for additional structural reforms in Belgium to ensure it remains below its debt and deficit targets, and strengthens its competitiveness and energy supplies. The Michel I government installed in September 2014 has taken some of these recommendations to heart and has subsequently increased the retirement age, drastically cut government spending and announced several tax measures aimed at reducing the cost of labor.

Market Opportunities
The leading Belgian sectors for U.S. exports and investments are automotive, civil nuclear energy, information and communication technologies, medical devices, renewable fuels, safety and security, and travel and tourism. As the host of NATO and EU headquarters, and
hundreds of other international organizations, Belgium also offers opportunities for specific projects.

Belgium’s central location in the wealthiest region of Europe makes it an ideal gateway for exports to Europe. Within a radius of 300 miles, 140 million EU consumers can be reached, representing 60% of Europe’s purchasing power.

Belgium is also seen as a test market. Indeed, Belgium contains a few distinctly separate socio-demographic groups such as the Germanic Flemings and the Latin Walloons, governed by the same legal system. The Belgian economy largely reflects the overall European economy and consumer, making it a mini-Europe that is easier to enter than starting with larger European markets. Moreover, Belgian productivity levels are the result of high investment in the quality of its labor force. Because of its location and history, the educational system in Belgium is highly oriented toward the instruction of foreign languages. U.S. companies contemplating the Belgian market will be encouraged by the large number of English speakers in the country.

The Notional Interest Deduction (NID) of 2005 introduced an annual deduction on taxable income and is very attractive for foreign businesses as it reduces the taxable base. The American Chamber of Commerce (AmCham Belgium) has tracked the impact of NID on U.S. companies operating in Belgium. Changes to the NID have been debated by the federal government.

**Market-Entry Strategies**

U.S. exporters can penetrate the Belgian market through importers/distributors, wholesalers or specialized retailers, depending on their products and their company size. Interested U.S. exporters will have to focus on innovation, quality and competitive pricing to successfully enter the market.

In support of U.S. commercial interests in Belgium, the U.S. Embassy in Brussels uses the combined resources of the various U.S. government agencies to promote exports of U.S. goods and services. It also supplies information on trade and investment opportunities and serves as an advocate for U.S. firms.

"Doing Business in Belgium" article is provided by the U.S. Commercial Service, the trade promotion arm of the U.S. Department of Commerce’s International Trade Administration. For more information on doing business in Belgium, you may visit their website at [www.export.gov/Belgium](http://www.export.gov/Belgium).

The following charts are based on import and export data obtained from the website of the International Trade Centre (ITC)
BELGIUM SNAPSHOT

Demographics

Population in millions 11.4

<table>
<thead>
<tr>
<th>Age</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>0–14</td>
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<td>0.95</td>
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<tr>
<td>15–64</td>
<td>3.70</td>
<td>3.65</td>
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<tr>
<td>65 &amp; Over</td>
<td>0.91</td>
<td>1.19</td>
</tr>
</tbody>
</table>

Median Age 41.4
Population Growth 0.73%

Economy

- GDP (PPP) $508.6 billion
- GDP Per Capita $44,900
- GDP-Real Growth Rate 1.40%
- Unemployment Rate 8.40%
- Inflation 1.60%

Data Source: Demographics, Economy and Trade from CIA World Factbook; Music Industry from The Music Trades.
GDP (PPP): Gross Domestic Product based on purchasing-power-parity (PPP) valuation of country GDP in U.S. dollars.
Trade

Total Export $250.8 billion  Export as % of GDP 49.31%
Total Import $251.7 billion  Import as % of GDP 49.49%

Export Partners (2016)

Import Partners (2016)

Music Industry

Music Market $140.0 million
Sales Per Capita $12.27
Global Share 0.90%

Belgium Music Market (U.S. $ in millions)

Share of Global Music Market (Percent)
Belgium Imports and Exports

Belgium Imports and Exports

Belgium Imports and Exports

Belgium Imports and Exports

Belgium Imports and Exports

Belgium Imports and Exports

Belgium Imports and Exports

Belgium Imports and Exports
BRAZIL

Brazil will breathe again. But do not expect too much.

Despite all the turmoil Brazil has endured due to corruption and political scandals in the last three years, the macro economy has started to settle. However, not much change is to be expected. The official unemployment is still around 13 million citizens, and the recession is clearly obvious.

Recapping: former President Dilma Rousseff was impeached in late August 2016 amid several corruption charges surrounding the government. Her dismissal increased consumer confidence in Brazil since Temer, the new president, was likely to introduce pension and labor reforms. Pension reforms are expected to reduce the pension deficit as well as the public deficit. Although the reform is vital to help correct fiscal imbalances, it is deeply unpopular among voters and has led to large-scale protests. The reform still needs to clear a number of votes to be passed, which may prove too much of a challenge with an election looming in 2018.

Importers
Imported musical instruments and accessories represent around 90% of the market share. The predicted scenario for 2018 is all about finding a conservative behavior for distributors. From 2014 to 2016, classical instruments, for example, fell 45%, while the electric bass and guitar market fell 65% during the same period. Customs M.I. data for 2017 showed an 8% growth in comparison to 2016. Another market change was the “give-up syndrome” for many intermediate foreign brands.

Many big distributors started their own OEM brands and are investing in entry-level products. This can be viewed as a threat for part of the international brands. The solution is simple: stay close and invest in yourself to retain your brand awareness.

Considering the high taxes (around 45% of the product cost), OEM brands are the most common way to make importers profitable in Brazil. This is always a huge opportunity for Asian companies.

Brazilian manufactures
Considering the currency flotation and economic instability, dealers are seeking new opportunities with Brazilian manufactures due to a lack of inventory for some important brands. At the same time, these companies are looking forward to exporting since they never had the experience before.

Offices in Brazil
Following the example of Japanese companies, despite the crises, some American companies have opened their own offices in Brazil.

Commentary by Daniel Neves, President of Música & Mercado
DOING BUSINESS IN BRAZIL

Market Overview
The Federative Republic of Brazil is Latin America's largest economy. With 3.3 million square miles, bordering 10 other countries and with 4,650 miles of coastline, Brazil is the largest country in Latin America and fifth largest in the world. Brazil's 2015 GDP of US$2.2 trillion ranks Brazil as the world's eighth-largest economy. Annual growth during 2015 dropped 3.8% due to political and economic turmoil and exchange rate fluctuations.

Brazil is Latin America's largest country, and the ninth largest economy in the world. According to the United Nations Conference on Trade and Development (UNCTAD), Brazil was the eighth largest destination for global Foreign Direct Investment (FDI) flows in 2015. Brazil typically receives close to half of South America's total incoming FDI. The United States is a major foreign investor in Brazil; according to the Brazilian Central Bank (BCB), the United States had the largest single-country stock of FDI (US$112 billion) in Brazil in 2014.

Brazil's GDP fared worse than almost any other major economy in 2015, contracting by 3.8% and setting GDP back to 2011 levels. Economists are expecting GDP to shrink a further 3.5–4.0% in 2016, marking the country's longest and deepest recession since Brazilian Institute of Applied Economic Research (IPEA) records began in 1901. By any measure, 2015 was a tough year for Brazil: GDP per capita decreased almost 5%; unemployment hit a six-year high of 9%; inflation ended the year at 10.7% (a 12-year high); the Brazilian currency, the real, shed a third of its value against the dollar; investment levels dropped more than 14%; industrial output contracted by 8.3%; and the fiscal deficit ballooned to a record 10.8% of GDP.

Brazil is expected to return to growth within the next two years. Inflation should slow down soon. The depreciation in the value of the Brazilian currency should also lead to higher exports in the coming years, and as the economy strengthens again, more imports.

Improvements in infrastructure and education, trade expansion, a broader presence of multinational businesses and the development of Brazil's huge oil reserves will mitigate slower labor force growth and help to sustain labor productivity growth. If improvements in policymaking and the business environment were to exceed expectations, faster annual growth rates than those currently forecast would be achievable. Brazil's large and diversified economy makes it attractive for investors, and the country will continue to attract the lion's share of foreign direct investment (FDI) in Latin America. It's important to take a long-term view in Brazil. From that perspective, it makes sense for companies to focus on the market now, with the expectation that it will return to growth in the future.

During the past two decades, the country has prioritized macroeconomic policies that control inflation and promote economic growth. Recently, inflation has increased, reaching 10.7% in 2015. Urban unemployment was at 6.9% at the end of 2015. Brazil's Central Bank has been steadily raising reference interest rates to combat inflation, from a historic low of 7.3% in October 2012 to 14.3% at the end of July 2015.

In 2015, the United States was the second largest exporter to Brazil, accounting for 15.4% (Global Trade Atlas) of Brazil's total imported goods; behind China and followed by
Argentina, Germany and South Korea. In 2015, Brazil imported more than US$171 billion of total goods, including US$26.4 billion from the United States (a 24% decrease from 2014). Brazil ranked as the United States’ eleventh largest export market for goods in 2015. Brazil is also a large market for U.S. services, accounting for an additional US$27.8 billion in exports in 2015. The United States maintains a trade surplus in services that has increased during the past decade, reaching US$19 billion in 2013, and plateauing at that level since then.

Brazil represents an excellent export partner for experienced U.S. exporters. Major reasons to export to Brazil include:

- Brazil’s population of 202 million is the fifth largest in the world, representing nearly 3% of global consumers.

- At the same time, Brazil has the highest per-capita income of any of the BRICS (Brazil, Russia, India, China and South Africa), with more than half of its population defined as middle class, earning between US$11,500 and US$29,000 per year.

- Brazil is also a traditional leader among emerging markets. A BRICS member, it is now considered by many multinational companies as an essential market for truly global businesses.

- Brazil has a natural affinity for the United States and a high regard for our products, brands and technology.

- The Brazilian government is actively cultivating relationships with international and U.S. businesses and prioritizing macroeconomic stability. President Rousseff’s visit to Washington, DC, in June 2015 highlighted the shared commitment of the United States and Brazil to work together to grow trade and investment.

**Market Challenges**

Brazil has a large and diversified economy that offers U.S. companies many opportunities to partner and to export their goods and services. Doing business in Brazil requires intimate knowledge of the local environment, including both the direct as well as the indirect costs of doing business in Brazil (referred to as “Custo Brasil”).

- Such costs are often related to distribution, government procedures, employee benefits, environmental laws and a complex tax structure.

- Logistics pose a particular challenge, given the lack of sufficient infrastructure to keep up with nearly a decade of economic expansion.

- In addition to tariffs, U.S. companies will find a complex customs and legal system.
The Government of Brazil (GOB) is the nation’s largest buyer of goods and services. Navigating the government procurement process can be challenging.

- U.S. exporters may find themselves at a competitive disadvantage if they do not have a significant in-country presence—whether via established partnerships with Brazilian entities or some type of company subsidiary—as well as the patience and financial resources to respond to legal challenges and bureaucratic issues.

The scandal connected to energy giant Petrobras poses another challenge to government and business, increasing uncertainty and creating a drag on growth.

- In response, senior government officials have pledged to support the ongoing legal and investigative processes, and Petrobras has taken concrete steps to improve internal compliance mechanisms and restore confidence.

- While the economic and public relations consequences have been severe, Brazil may yet seize a silver lining: a comprehensive commitment to fight corruption could ultimately improve the business climate, benefitting local and international companies alike.

The uncertain current political climate has slowed the Government of Brazil’s policy-making infrastructure.

- It is expected that business processes will return to normal once the political turmoil is resolved. However, it will still take time for legislators to catch up with the backlog of work that has built up during this period.

- Nevertheless, government ineffectiveness, a burdensome tax system, inadequate infrastructure, deficiencies in factor markets and skills shortages will impair businesses amid little progress in structural reforms.

Market Opportunities
The first-ever Olympic Games in South America that took place in Rio de Janeiro in the summer of 2016 have generated numerous business opportunities for U.S. companies in several sectors.

- The main projects include logistics upgrades at seaports, airport modernization, and mass transit build-out and water sanitation.

- The Government of the State of Rio de Janeiro estimates that investments in the State between 2010 and 2016 will reach US$50 billion, in sectors including infrastructure, construction, transportation and others. Most of these investments will be done under Brazil’s Public-Private Partnerships (PPPs).

Market-Entry Strategies
Success in Brazil’s business culture relies heavily on the development of strong personal relationships, the keystone of productive business partnerships. It is essential to work with a qualified representative or distributor when developing new business in the Brazilian market.
It is difficult for U.S. companies to get involved in public-sector procurement at the federal or state levels without a Brazilian partner, or a physical presence in Brazil.

- In most cases, U.S. firms need a local presence and thus should invest time in developing relationships through frequent visits to Brazil.
- Some firms may need to establish an office or joint venture in Brazil.
- The U.S. Commercial Service encourages U.S. companies visiting Brazil to meet one-on-one with potential partners.
- We also lead delegations of Brazilian buyers to connect with U.S. businesses at more than 30 International Buyer Program trade shows in the United States.

“Doing Business in Brazil” article is provided by the U.S. Commercial Service, the trade promotion arm of the U.S. Department of Commerce’s International Trade Administration. For more information on doing business in Brazil, you may visit their website at www.export.gov/Brazil.

The following charts are based on import data from the Brazilian Bureau of Business Development, Industries and Trade, and the Ministry of Trade.
BRAZIL SNAPSHOT

Demographics

Population in millions  205.8

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<tr>
<th>Age</th>
<th>Male</th>
<th>Female</th>
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<td>15–64</td>
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<td>71.81</td>
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<td>65 &amp; Over</td>
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Median Age  31.6
Population Growth  0.75%

Economy

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<tr>
<th>GDP (PPP)</th>
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<tbody>
<tr>
<td>GDP Per Capita</td>
<td>$14,800</td>
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<td>GDP-Real Growth Rate</td>
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<tr>
<td>Unemployment Rate</td>
<td>11.80%</td>
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<tr>
<td>Inflation</td>
<td>6.70%</td>
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</table>

Data Source: Demographics, Economy and Trade from CIA World Factbook, Music Industry from The Music Trades.

GDP (PPP): Gross Domestic Product based on purchasing-power-parity (PPP) valuation of country GDP in U.S. dollars.
Trade

<table>
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<th>Total Export</th>
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<td>Import as % of GDP</td>
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Export Partners (2016)

Import Partners (2016)

Music Industry

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<th>Music Market</th>
<th>$190.5 million</th>
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<tr>
<td>Sales Per Capita</td>
<td>$0.92</td>
</tr>
<tr>
<td>Global Share</td>
<td>1.20%</td>
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</tbody>
</table>

Music Sales Per Capita

(US $)

Brazil Music Market
(US $ in millions)

Share of Global Music Market
(Percent)
Brazil Imports

Imports (2016)

- Stringed Instruments
- Electric Guitars & Basses
- Wind Instruments
- Percussion
- Instrument Strings
- Synthesizers

Value in U.S. $ millions

Total Imports

Retail Value in U.S. $ millions
CANADA

The Canadian music industry is the sixth largest in the world, producing internationally renowned composers, musicians and ensembles. Music broadcasting in the country is regulated by the Canadian Radio-television and Telecommunications Commission (CRTC). The Canadian Academy of Recording Arts and Sciences presents Canada’s music industry awards, the Juno Awards, which were first awarded in 1970. The Canadian Music Hall of Fame, established in 1976, honours Canadian musicians for their lifetime achievements.

Well-known Canadian artists include Rush, Drake, Justin Bieber, Nelly Furtado, Sarah McLachlan, Gordon Lightfoot, Oscar Peterson, Joni Mitchell, Robbie Robertson, Celine Dion, Bryan Adams, Shania Twain, Diana Krall, Neil Young and many more. In March 2017, Drake was number 1 on the Billboard Top 100, and in the Top 100 were two other Drake albums.

Arts Funding

Canada has a very high degree of arts funding—especially compared to the United States. Billions of dollars flow from the federal, provincial and municipal governments to artists, music associations, music conferences, venues, concerts, schools and festivals.

During the nine years that the Harper Conservative government was in power, they made ongoing cuts to federal arts funding.

In October 2015, the Liberal Party under Justin Trudeau pulled off a landslide victory and took power as the new federal government in November 2015.

The new Liberal government unveiled its first budget on March 22, 2016, and in it the federal government made good on a number of campaign promises related to arts funding. In total, it committed $1.9 billion in new funding over five years to arts and culture programs and institutions.

In the 269-page budget, the government committed to investing an additional $675 million in the Canadian Broadcasting Corporation (CBC)/Radio-Canada over the next five years “to modernize and revitalize CBC/Radio Canada in the digital era.” This is divided into $75 million in 2017 and $150 million in each of the next four years.

The Canada Council for the Arts also received a major infusion of funding, with the government committing an additional $40 million to the council’s budget this year, which is below the $90 million promised during the campaign for this year, but there are incremental increases each following year up to $180 million in 2020–21. This equals $550 million in total new funding for the Canada Council for the Arts.

The Canada Cultural Spaces Fund will receive $168.2 million over two years to help regional arts groups and festivals with construction, renovations and repairs.

The National Arts Centre in Ottawa will also be getting an additional $114.9 million to renovate the building’s performance spaces and an additional $35 million will be spent promoting Canada’s cultural industries abroad.

Canadian corporations are also major sponsors of artists, venues, schools, conferences, tours and festivals.
Much of this funding has a major trickle-down effect on Canada’s musicians, facilities and music organizations.

**Musical Instrument Sales**

Musical instruments are available to consumers in Canada through musical instrument stores, music conservatories, department stores, electronics retailers, computer stores, gift stores and e-commerce websites. E-commerce sites are located primarily in Canada and the United States and are stand-alone operations or operated by brick-and-mortar musical retailers. Most products sold in Canada are imported from the United States, China and Europe but there is a growing Canadian manufacturing base.

Since the demise of Canada’s musical instrument trade show, MIAC, participation in The NAMM Show has increased. There were 2,521 Canadian attendees at the 2016 NAMM Show and 2,868 at the 2017 NAMM Show. There were 54 Canadian exhibitors at the 2016 Show and 64 at the 2017 Show.

One major success story is the growth of Long & McQuade, Canada’s largest M.I. retail chain. Long & McQuade currently operates 74 stores, up from 70 in 2016. They plan to launch six new stores in 2017.

In commenting on the Canadian retail market, Steve Long, the company’s president, stated:

“There is a lot of online competition in our industry. The expectations of our customers have increased. I often receive emails from customers wondering why a product is taking so long because they can ‘get it from Amazon in five days.’ This is not the reality, as often this is in reference to products that have not even been released yet by the manufacturer. This has also created an opportunity to offer great personalized service that people are not getting when they deal online.

“Rentals, trade-ins, lessons, financing, repairs and used products are all big market areas for us. Clinics, education and community involvement are all important parts of our marketing efforts. These are the opportunities that allow us to continue to grow. These days, if you have a plan and a program and are willing to work really hard at it, you can succeed. The days of just opening the doors and waiting for customers are gone.”

Statistic Canada tracks all products that come into Canada and are declared through Canada customs.

### Year-over-year changes in imports:

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Acoustic Fretted Instruments</td>
<td>14.2%</td>
<td>0.9%</td>
<td>1.0%</td>
<td>19.6%</td>
<td>-8.9%</td>
</tr>
<tr>
<td>Bowed Instruments</td>
<td>2.6%</td>
<td>5.1%</td>
<td>-13.7%</td>
<td>24.7%</td>
<td>15.6%</td>
</tr>
<tr>
<td>Brass Instruments</td>
<td>-1.0%</td>
<td>-2.8%</td>
<td>-13.0%</td>
<td>28.4%</td>
<td>14.6%</td>
</tr>
<tr>
<td>Electric Instruments (Guitars/Drums)</td>
<td>-2.1%</td>
<td>-7.3%</td>
<td>-0.9%</td>
<td>6.0%</td>
<td>-2.2%</td>
</tr>
<tr>
<td>Electronic Keyboards</td>
<td>5.1%</td>
<td>0.2%</td>
<td>-3.4%</td>
<td>12.9%</td>
<td>-2.2%</td>
</tr>
</tbody>
</table>
It should be noted that Canada supports an extensive and vibrant domestic music products manufacturing base as well, with world-leading names in percussion, fretted instruments, instrument amplifiers and pro audio gear being produced domestically for both the Canadian market and global markets. The quantity and value of these domestically produced products would not be included in the import statistics above.

Also not included are products that come into the country without being cleared through Canada customs.

**Current Industry Status**

*Canadian Music Trade* magazine conducted surveys of Canadian dealers and suppliers in June 2017 to determine the industry status for 2016 and the outlook for 2017.

**Dealer Survey**

*In 2016, did your revenue:*  
Increase - 53%  
Decrease - 32%  
Stay the same - 15%  

*In 2017, do you expect your revenue to:*  
Increase - 69%  
Decrease - 11%  
Stay the same - 20%  

*What is your biggest challenge for 2017?*

Finding and keeping great staff - 11%  
Getting your business more organized - 21%  
Taking on new, profitable lines - 16%  
Online competition - 26%  
Cross-border shopping - 11%  
Chain store competition - 11%  
Other - 3%
Supplier Survey

In 2016, did your revenue:

Increase - 76%
Decrease - 10%
Stay the same - 14%

In 2017, do you expect your revenue to:

Increase - 75%
Decrease - 20%
Stay the same - 5%

What is your biggest challenge for 2017?

Finding and keeping great staff - 5%
Getting your business more organized - 18%
Taking on new, profitable lines - 9%
Online shopping - 14%
Cross-border shopping - 5%
Currency fluctuations - 45%
Other - 4%

Information sources:

- *Canadian Music Trade* magazine
- *Canadian Musician* magazine
- Statistics Canada
- Wikipedia

Commentary by Jim Norris, president of Norris-Whitney Communications Inc. Established in 1979, NWC publishes Canadian Musician, Canadian Music Trade, Professional Sound, Professional Lighting and Production, Music Directory Canada, operates Music Books Plus and provides a variety of marketing services to the entertainment industry.
DOING BUSINESS IN CANADA

Market Overview
The United States and Canada enjoy the world's largest and most comprehensive economic relationship, which supports millions of jobs in each country. The magnitude of this US$1.3 trillion bilateral trade and investment relationship is broad and deep, accounting for nearly US$2 billion in cross-border trade each day. Canada is the top export market for 35 out of 50 states. So whether your company is a first-time or a seasoned exporter, Canada should be a key component of your export growth strategy.

U.S. exports to Canada totaled US$338 billion in 2015, representing 15% of total U.S. exports. Principal U.S. exports to Canada in 2015 were vehicles (US$47.6 billion); nuclear reactors, boilers, machinery (US$42.8 billion); electric machinery (US$24.8 billion); mineral fuel, oil (US$21.3 billion) and plastics ($12.6 billion).

Canada is a highly receptive, open and transparent market for U.S. products and services, with Canadians spending more than 60% of their disposable income on U.S. goods and services. Americans and Canadians "speak" the same language literally and figuratively. In addition to French in some areas, English is almost universally spoken, facilitating business communication. We share a similar lifestyle, engendering a certain level of cultural familiarity. Close geographic proximity and initiatives between our governments such as Beyond the Border, Regulatory Cooperation Council, and Trusted Traveler program make cross-border business increasingly seamless.

New and existing trade agreements enable companies on both sides of the border to enjoy robust business relationships. Since the implementation of the North American Free Trade Agreement (NAFTA) in 1994, trade between our two countries has more than doubled.

The ease of doing business in Canada attracts many U.S. exporters, yet the country’s subtle but important differences from the United States can trip up the unprepared. U.S. exporters must understand provincial regulations; conduct due diligence on market potential, sales channels, labeling and packaging requirements, certification standards, and customs procedures; and educate themselves on unique industry matters relevant to selling their goods or services in Canada.

The United States is Canada’s primary source of direct investment, with investment stock totaling US$386 billion in 2014. Canadian foreign direct investment (FDI) in the United States was US$311 billion in 2014, making Canada the fourth largest source of FDI in the United States. U.S. affiliates of Canadian firms employed 554,000 people in 2013, while Canadian affiliates of U.S. firms employed 1.14 million people.

Market Challenges
Canada remains among the most accessible markets in the world. Nevertheless, doing business in Canada is not the same as doing business in the United States. Canada customs documentation, bilingual labeling, packaging requirements, ITAR (International Traffic in Arms Regulations) and Canadian federal and provincial sales tax accounting can be surprisingly challenging.
Canadian federal, provincial and municipal procurement procedures, while open in principle to U.S. bidders, vary from procedures in the United States. Bidders must be registered in Canada to bid, and bidders must fulfill all Canadian requirements to qualify to bid (mandatory requirements are non-negotiable). In some cases, security clearances are required for personnel prior to submitting a bid, and in a number of projects, there may be requirements for off-sets (known as Industrial Technical Benefits or ITBs).

Increasing competition in a number of sectors but in particular cosmetics, vitamins, electronics and home furnishings translates into a need for competitive pricing; aggressive, imaginative marketing; and deep discounts for agents and distributors. Other ways to differentiate from your competitors are to offer agents and distributors specialized training and flexible contract terms, or to offer end users after-sales support.

**Market Opportunities**

The following market trends are creating new business opportunities for U.S. firms in several key sectors.

Mechanisms for facilitating trade at the border include pre-inspections and technological advances. Streamlined regulatory requirements will improve and expand just-in-time delivery of goods and services, and will strengthen and expand supply chains. This will provide enhanced opportunities in particular for U.S. firms seeking to enter the Canadian aerospace and automotive sector supply chains.

Opportunities exist for expansion in Canadian travel and tourism to the United States, including medical tourism.

The impact of oil prices has had a significant impact on the Canadian economy, especially in the province of Alberta. Nevertheless, there are opportunities in the energy and other natural resource sectors, including renewable energy, mining, oil and gas, and environmental-related sectors.

**Market-Entry Strategy**

For many companies (particularly in the manufacturing and construction sectors), frequent visits to Canada and establishing a local presence will be crucial to long-term market success. For many U.S. companies, joining a U.S. delegation to a Canadian trade show can be the best first step.

“Doing Business in Canada” article is provided by the U.S. Commercial Service, the trade promotion arm of the U.S. Department of Commerce’s International Trade Administration. For more information on doing business in Canada, you may visit their website at www.export.gov/Canada.

The following charts are based on import data from Statistics Canada as collected by Steven Butterworth, Vice President of the Musical Instruments Division at Yamaha Canada Music Ltd.
CANADA SNAPSHOT

Demographics

Population in millions 35.4

<table>
<thead>
<tr>
<th>Age</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>0–14</td>
<td>2.80</td>
<td>2.66</td>
</tr>
<tr>
<td>15–64</td>
<td>11.88</td>
<td>11.59</td>
</tr>
<tr>
<td>65 &amp; Over</td>
<td>2.86</td>
<td>3.57</td>
</tr>
</tbody>
</table>

Median Age 42.0
Population Growth 0.74%

Economy

<table>
<thead>
<tr>
<th>GDP (PPP)</th>
<th>$1.67 trillion</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP Per Capita</td>
<td>$46,200</td>
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<tr>
<td>GDP-Real Growth Rate</td>
<td>1.20%</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>7.10%</td>
</tr>
<tr>
<td>Inflation</td>
<td>1.60%</td>
</tr>
</tbody>
</table>

Data Source: Demographics, Economy and Trade from CIA World Factbook, Music Industry from The Music Trades. GDP (PPP): Gross Domestic Product based on purchasing-power-parity (PPP) valuation of country GDP in U.S. dollars.
Trade

<table>
<thead>
<tr>
<th>Total Export</th>
<th>$402.4 billion</th>
<th>Export as % of GDP</th>
<th>24.10%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Import</td>
<td>$419.0 billion</td>
<td>Import as % of GDP</td>
<td>25.09%</td>
</tr>
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</table>

Music Industry

<table>
<thead>
<tr>
<th>Music Market</th>
<th>$730.5 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Per Capita</td>
<td>$20.64</td>
</tr>
<tr>
<td>Global Share</td>
<td>4.50%</td>
</tr>
</tbody>
</table>
Canada Imports

Acoustic Guitars

Grand Pianos

Electric Guitars

Upright Pianos

Total Guitars

Total Acoustic Pianos
CHINA

Against a background of slow economic recovery, rising production costs and increasing operation burden of enterprises across the globe, companies in the Chinese music instrument industry kept a positive manner. They were trying to secure market share by measures such as vigorously developing the music education market, product innovation, creative ways of operation, and aiming at supplying medium-to-high-end music products.

In 2016, the investment structure for Chinese music companies was varied and diversified; standardization for music manufacturing and the level of lean production has been dramatically improved. The way of doing business is shifted toward a more efficient direction. Despite being a traditional industry, online domestic music sales and marketing information with the help of “big data” greatly fuels growth. With the Internet joining in, imagine the great potential of tapping the market demand in a country with such a large population—and what a prosperous trend of a sharing economy can be predicted.

The economic index in the Chinese music industry remains positive. Main revenues of companies above designated size amounted to 39.23 billion yuan (RMB), an increase of 7.56%. The value of export delivery reached 11.65 billion yuan, down by 5.17%.

On export and import aspects: the value of Chinese music exports was US$1.57 billion, down by 7% while import value was US$337 million, up 10.43%. It can be concluded from these figures that the industry witnessed steady growth in 2016; that opportunities go in parallel with risks. In general, market fluctuations are normal and well under control.

Faced with complex conditions, the General Counsel of CMIA united with music-related partners, and the following major efforts were put into practice:

Expand Chinese music markets through inauguration of Music Education Service Alliance

On June 21, 2016, CMIA, in collaboration with industry partners, organized the official debut of Music Making Day in Wuqiang County, Hebei Province. The event took place for the first time in 20 Chinese cities; altogether, over 3,000 people nationwide participated in and enjoyed music making. Following the event, CMIA organized a program exchange symposium in Wuqiang County and had a comprehensive appraisal regarding its music demonstration base.

On July 1, 2016, China Musical Instrument Association (CMIA), Central Conservatory, Chinese Society of Music Education and China Association for Symphonic Band and Ensembles (CASBE) declared the establishment of Music Education Service Alliance, abbreviated as MESA, at Beijing Music Life show. The establishment of Music Education Service Alliance is in accordance with Chinese current national conditions. The core of its role focuses on music education and particularly relies on international experiences and global cooperation. MESA welcomes more support from all our counterparts and the international music education community.

For promotion of MESA, on October 26, 2016, the MESA international press conference took place at Music China in Shanghai and received tremendous support from NAMM as well as other international trade organizations. A total of 1,909 exhibitors took part in
Music China 2016 in Shanghai October 26–29, 2016. With a size of 112,000 square meters, the show attracted over 130,000 public and trade visitors, both domestic and international. For further exploration of music program exchange and seeking international cooperation for MESA, CMIA in late September organized an industry delegation consisting of music manufacturers, retailers and music training institutions to visit CAFIM in Germany and DISMA in Italy for music program exchanges. The visit fosters the bilateral music communication between China and Europe.

**Training music-making talents and strengthening handcraft skills**

To upgrade the technical level, CMIA, in joint partnership with China Employment Training Technical Instruction Center (CETTIC), affiliated with the Ministry of Human Resources and Social Security, People’s Republic of China, organized “2016 China National Piano Tuners & Technicians Competition.” After rounds of preliminary selections, the final competition took place in Guangzhou Pearl River Piano Group. This event helps encourage technical learning within the piano tuner and technician sector.

To build a communication platform for international violin makers and seek through competition those talented makers, in May 2016, CMIA and the Central Conservatory of Music organized the third “China International Violin & Bow Making Competition.” More than 200 applicants from nine countries and regions brought 377 pieces of violins and joined in this competition.

To encourage technical-driven music products, CMIA partners with the MIDI Manufacturers Association (MMA) at Music China for the “MIDI Products Competition.” For this time, electronic keyboards as well as other digital music products in the category were awarded to the creative innovators.

Commentary by Zeng Zemin, Executive Vice President of China Musical Instrument Association (CMIA) and Chang Jie, Foreign Liaison Officer of CMIA

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**DOING BUSINESS IN CHINA**

**Market Overview**

In 2015, China experienced its lowest economic growth rate in more than a quarter century, with real GDP growth decelerating to 6.9%. Many economists remain pessimistic about China’s medium-term prospects for economic growth due to the slow pace of economic reforms and a failure to bring rising debt levels under control. Significant policy adjustments will be necessary to sustain economic growth. President Xi’s historic anti-corruption campaign has had a notable impact on the way that business is conducted in China. Central, provincial, municipal officials—including those at state-owned enterprises—have adopted a more cautious approach to business. This includes showing greater reluctance to meet with their foreign counterparts.
China's newly approved 13th Five-Year Plan (2016–2020) calls for ambitious policy reforms in order to "comprehensively build a moderately prosperous society" by doubling 2010 GDP and per capita incomes by 2020. This would require China to maintain at least 6.5% GDP growth over the next five years. The 13th Five-Year Plan also highlights "supply-side structural reforms," particularly by prioritizing the reduction of overcapacity in manufacturing industries like steel and aluminum (in part by forcing the closure of "zombie" enterprises) and reigning in massive levels of debt and nonperforming loans. During the Fifth Plenum of the Central Committee 18th Communist Party Congress, the government emphasized five key concepts to guide development and reform: innovation as a driver for higher-quality economic growth; greater coordination to ensure balanced growth across industries and among urban and rural areas; environmentally friendly economic growth; openness to foreign markets and taking an active role in global governance; and inclusive development that expands social services.

According to China’s Ministry of Commerce (MOFCOM), foreign direct investment in China last year rose 6.4% to 781.3 billion yuan (US$126.2 billion) compared to 2014's increase of just 1.7%. Foreign investors set up 26,575 new enterprises on the Chinese mainland in 2015, 11.8% more than the year before, taking the number of foreign-invested firms to 836,404 by the end of the year with a total investment of US$1.64 trillion. Foreign capital channeled into the service sector rose 17.3% to US$77.2 billion, leading FDI growth and making up 61.1% of the total.

With respect to trade, U.S. goods exports to China in 2015 were US$116.2 billion, down 6.1% from the previous year. U.S. exports of services to China were an estimated US$42.5 billion in 2014 (the latest data available). Despite significant market access barriers for foreign firms, U.S. foreign direct investment in China was US$65.8 billion in 2014 (the latest data available), a 9.8% increase from 2013. The United States and China continue to negotiate a Bilateral Investment Treaty, which, if implemented, would provide a more level playing field for foreign investment in China. Recently enacted policies and laws, such as China’s Law on Non-Governmental Organizations (NGOs) have somewhat soured the mood among the U.S. business community in China. The 2016 American Chamber of Commerce in China (AmCham) survey revealed that China remains a top priority, but fewer companies are increasing investment levels in China. Nevertheless, significant market potential exists for foreign companies, particularly those operating in industries where there is opportunity for collaboration and mutual benefit, such as energy efficiency, clean technology, healthcare and e-commerce.

**Market Challenges**

China is a challenging place to do business. According to AmCham, in 2015, American businesses in China faced challenges arising from slowing economic growth, the government’s efforts to shift the economy from one based on manufacturing to one based on services, an unclear timeframe for announced reforms, and many new laws, regulations and other measures that have called into question the openness of China’s investment regime.

Day-to-day business operations present a variety of obstacles. The World Bank, in its Ease of Doing Business Report, ranks China 84th (out of 189 countries) with respect to opening and
running a business while complying with local regulations. For starting a business, the World Bank ranked China 136th (between Paraguay and Cameroon), reporting that starting a business requires at least 11 procedures in Shanghai and Beijing that average more than 30 days to complete. Despite the Chinese government’s efforts to streamline bureaucracy and reduce red tape, foreign companies continue to complain about administrative bureaucracy with respect to registration and administrative licenses. Numerous companies offer consulting, legal and accounting services for establishing wholly foreign-owned enterprises, partnership enterprises, joint ventures, and representative offices. The differences among these corporate entities are significant; investors should review their options carefully with an experienced advisor before choosing a particular corporate entity or investment vehicle.

With respect to foreign investment, China continues to pursue industrial policies that seek to limit market access for imported goods, foreign manufacturers and foreign services providers, while offering substantial government guidance, and resources and regulatory support for Chinese industries. The main beneficiaries of these policies are state-owned enterprises, as well as other favored domestic companies attempting to move up the economic value chain. China outlines its specific foreign investment objectives primarily through its Catalogue for the Guidance of Foreign Investment in Industries, most recently revised in March 2015, and maintained by MOFCOM and the National Development and Reform Commission (NDRC). The catalogue delineates sectors of the economy where foreign investment is “encouraged,” “restricted,” and “prohibited.”

In line with its own plans for domestic reform, including as expressed through the Third Plenum Decision, China continues to consider improvements to its foreign investment regime, including through the use of a “negative list” to govern market access. However, many aspects of China’s current investment regime, including lack of substantial liberalization, maintenance of a case-by-case administrative approval system, and the potential for a new and overly broad national security review, continue to cause foreign investors great concern. In addition, foreign enterprises report that Chinese government officials may condition investment approval on a requirement that a foreign enterprise transfer technology, conduct research and development in China, satisfy performance requirements relating to exportation or the use of local content, or make valuable, deal-specific commercial concessions.

U.S. companies surveyed in 2015 by AmCham cited inconsistent regulatory interpretation and unclear laws as their top challenge of doing business in China. Other challenges cited include labor costs; obtaining required licenses; hiring and retaining qualified employees; industrial overcapacity; increasing protectionism; corruption; taxes; and lax enforcement and protection of intellectual property rights. In its Business Climate Survey Report, one in four of AmCham’s member companies reported declining revenues. The U.S.-China Business Council (USCBC), in its Business Environment Member Survey, cited similar challenges, such as competition with Chinese companies; foreign investment restrictions; cost increases; lack of transparency in rulemaking; administrative licensing; and restrictions on data flow. Both AmCham and USCBC member surveys illustrate degrees of pessimism about doing business in China. According to 77% of AmCham survey respondents, foreign businesses are less welcome in China than before. Likewise, only 24% of USCBC member companies remain fully confident in their future prospects in China, the lowest number
reported in 10 years. While perhaps due to President Xi’s anti-corruption campaign, U.S. companies are less frequently reporting concerns about corruption. U.S. companies have expressed that it is becoming more difficult to resolve port issues, which may be due to reluctance from Chinese officials to make decisions without several additional layers of senior clearance.

Even though China was the world’s top destination for foreign direct investment in 2015, broad sectors of the economy remain closed to foreign investors. China relies on an investment catalogue to encourage foreign investment in some sectors of the economy, while restricting or prohibiting investment in many others. China’s investment approval regime shields inefficient and monopolistic Chinese enterprises from foreign competition—especially in certain industry sectors that China has deemed strategically important.

In 2015, global concerns heightened over a series of Chinese measures that would impose severe restrictions on a wide range of U.S. and other foreign information communication technology (ICT) products and services with an apparent long-term goal of replacing foreign ICT products and services. Concerns centered on requirements that ICT equipment and other ICT products and services in critical sectors be “secure and controllable.” The 13th Five-Year Plan included a target of having certain “strategic emerging industries” account for 15% of total GDP by 2020 and promised favorable policies and incentives in sectors such as new-energy vehicles, advanced information technology, biotechnology, clean energy, high-end equipment and materials, advanced semiconductors and robotics. It is unclear to what extent foreign businesses will be able to benefit from any favorable policies or incentives in these important industries.

**Market Opportunities**

Despite these and other long-standing concerns, China remains an extremely attractive market for many U.S. companies. In general, U.S. companies are reporting that their investments in China have generally produced returns. As a result, China remains a priority market for the majority of USCBC member companies, with 94% citing it among their companies’ top five global priorities. Likewise, 70% of companies that responded to the USCBC survey are optimistic about domestic market growth. Likewise, China remains a top-three investment priority for 60% of AmCham member companies.

In general, U.S. companies continue to feel that China’s increasing domestic consumption and growing middle class will lead to market opportunities across a number of industries. According to AmCham, companies in consumer-based industries and the services sector are the most likely to prioritize China in growth plans, while industrial and resources companies are the least likely. Consumer-based and services sector companies view e-commerce as an explosive area for growth. Companies in the services sector by a wide margin (70%) expect to benefit from the globalization of Chinese companies and increased outbound investment. Companies in the industrial and resources industries expect to benefit from China’s urbanization push and continued support for infrastructure projects. Companies offering clean energy goods or services stand to benefit from stronger environmental regulations and more stringent emissions standards.
**Market-Entry Strategy**

As always, companies should consider their own resources, previous export or business experience abroad, and long-term business strategy before entering the China market. Representation in China by a Chinese agent, distributors or partners who can provide essential local knowledge and contacts will be critical for success. Intellectual Property rights holders should understand how to protect their IP under Chinese law before entering the China market, and should conduct thorough due diligence on potential partners or buyers before entering into any transaction. Foreign companies have a wide range of options for corporate formation in China, including Wholly ForeignOwned Enterprises, Joint Ventures, Representative Offices and other investment vehicles. Each option has its own advantages, disadvantages and risks. All companies, IP rights holders and otherwise, should consult closely with lawyers who have extensive experience with the China market, including lawyers based in the United States and China.

“Doing Business in China” article is provided by the U.S. Commercial Service, the trade promotion arm of the U.S. Department of Commerce’s International Trade Administration. For more information on doing business in China, you may visit their website at www.export.gov/China.

The following charts are based on import and export data provided by the China Musical Instrument Association (CMIA)
CHINA SNAPSHOT

Demographics

Population in billions 1.4

<table>
<thead>
<tr>
<th>Age</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>0–14</td>
<td>0.13</td>
<td>0.11</td>
</tr>
<tr>
<td>15–64</td>
<td>0.51</td>
<td>0.48</td>
</tr>
<tr>
<td>65 &amp; Over</td>
<td>0.07</td>
<td>0.07</td>
</tr>
</tbody>
</table>

Median Age 37.1
Population Growth 0.43%

Economy

GDP (PPP) $21.27 trillion
GDP Per Capita $15,400
GDP-Real Growth Rate 6.60%
Unemployment Rate 4.20%
Inflation 2.30%

Data Source: Demographics, Economy and Trade from CIA World Factbook, Music Industry from The Music Trades.
GDP (PPP): Gross Domestic Product based on purchasing-power-parity (PPP) valuation of country GDP in U.S. dollars.
**Trade**

<table>
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<th>Total Export</th>
<th>$2.0 trillion</th>
<th>Export as % of GDP</th>
<th>9.45%</th>
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<tbody>
<tr>
<td>Total Import</td>
<td>$1.4 trillion</td>
<td>Import as % of GDP</td>
<td>6.77%</td>
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**Export Partners (2016)**

**Import Partners (2016)**

**Music Industry**

<table>
<thead>
<tr>
<th>Music Market</th>
<th>$1.5 billion</th>
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</thead>
<tbody>
<tr>
<td>Sales Per Capita</td>
<td>$1.09</td>
</tr>
<tr>
<td>Global Share</td>
<td>9.30%</td>
</tr>
</tbody>
</table>
China Imports and Exports
(The data received by NAMM was calculated in U.S. dollars.)
China Imports and Exports

Guitars

Imports

Exports

Stringed Instruments with Bow

Imports

Exports

Total Stringed Instruments

Imports

Exports
China Imports and Exports

Percussion Imports

Percussion Exports

Brasswind Imports

Brasswind Exports

Electronic Keyboards Imports

Electronic Keyboards Exports

Value in U.S. $ millions
Units x 1,000
Value in U.S. $ millions
Units x 1,000
Value in U.S. $ millions
Units x 1,000
Value in U.S. $ millions
Units x 1,000

Import Value
Units
Export Value
Units
Import Value
Units
Export Value
Units
Import Value
Units
Export Value
Units
Import Value
Units
Export Value
Units
China Imports and Exports

Electronic Instruments
Imports

Exports

Accordions
Imports

Exports

Instrument Strings
Imports

Exports
Top Five Chinese Export Destinations
Top Five Chinese Export Destinations

2016 Top Five Percussion Export Destinations

2016 Top Five Brasswind Instrument Export Destinations

2016 Top Five Accordion Export Destinations

2016 Top Five Instrument String Export Destinations
DOING BUSINESS IN THE CZECH REPUBLIC

Market Overview
The United States and the former Czechoslovakia forged a close relationship during the beginning of the 20th century, when America pledged its support for Czech independence. This friendship, which stalled during the period of Soviet influence, re-emerged as the Czech Republic gained political independence and joined the economic ranks of the European Union. Today this nation, which sits at the heart of Europe, has emerged as one of the region’s most prosperous and industrialized economies, serving as a bridge for U.S. companies expanding beyond the more traditional markets in Western Europe to the developing markets in the east.

Economy
• The Czech economy continued to expand in 2016 due to the growth in domestic demand and strong growth in investment and trade.

• Inflation has been low, and the Czech National Bank has capped the value of the Czech crown (CZK) against the euro, to both prevent deflation and to keep exports competitively priced.

Trade
• As a medium-sized, open, export-driven economy, the Czech Republic is heavily dependent on foreign demand, especially from the eurozone. More than 82% of Czech exports go to fellow EU states, with about 60% shipped to the eurozone, and 32% to the Czech Republic’s largest trading partner, Germany.

• The country’s top 10 import markets are EU countries, with the U.S. ranked number 11. Germany dominates the import market with around a 32% share.

• The trade balance has been positive every year since 2005, and rose substantially in 2014 and 2015, with surpluses of around US$11.8 billion and US$11.9 billion, respectively.

• Import commodities include machinery and transport equipment, manufactures, electronic equipment, chemicals and fuels.

• The main export commodities are automobiles, machinery, and information and communications technology.

• Until 2015, the United States benefited significantly from the strong growth in bilateral merchandise trade, which rose to US$6.7 billion (US$7 billion based on Czech government data), up 137% in five years. By comparison, U.S. merchandise exports to the EU increased by 25% between 2009 and 2014, while U.S.-EU bilateral trade increased by 38%.

• After five years of growth, however, U.S. merchandise exports to the Czech Republic declined by 14% (to US$1.98 billion) in 2015. U.S. exports were affected by the strong U.S. dollar (the Czech crown weakened by an average of 8% against the USD).
The decline in merchandise exports was offset by a 26% increase in U.S. services exports to US$1.77 billion in 2015.

Investment
- Since the 1989 Velvet Revolution, foreign investment has played a significant role in boosting Czech productivity, and the United States has had an important role in this regard as the largest non-European investor in the country.
- In 2014, cumulative U.S. Foreign Direct Investment (FDI) was reported to be US$4.39 billion, according to the Czech National Bank (US$7.2 billion, according to the Department of Commerce, Bureau of Economic Analysis).

Top Five Reasons Why U.S. Companies Should Consider Exporting to the Czech Republic
- The Czech Republic’s strategic location, well-developed infrastructure and skilled labor force have allowed this small nation of 10.5 million people to elevate itself as an important regional and international manufacturing hub and consumer market for Central and Eastern Europe.
- The country has one of the fastest-growing markets in Europe.
- U.S. companies are increasing their investments in this country, which is very receptive to U.S. business.
- The Czech Republic is a Tier 3, or “innovation-driven” economy, placing it on the same level as its neighbors to the west. As such, it is very receptive to leading-edge U.S. technology products and services.
- The World Economic Forum ranks the Czech Republic among the best of the newer EU member states in general and scientific infrastructure.

Market Challenges
- The Czech Republic’s economic transformation ranked 36th in the World Bank’s Ease of Doing Business 2016 index.
- The Czech government faces other challenges and hurdles, such as the slow pace of legislative reforms and industrial restructuring, planned healthcare and pension reforms, making the public procurement process more transparent, and a growing shortage of highly skilled technical workers.

Market Opportunities
Demand in the Czech market goes beyond the few best prospect sectors that this report is able to cover. Although the country no longer has access to EU accession funds, it continues to receive EU funding directed at such diverse areas as healthcare reform, environment, transportation, infrastructure projects outside of Prague and education exchange programs. The Czech Republic is not the ideal destination for new-to-export companies, but as an EU member and a place where English is widely understood in the
business community, it is an excellent choice for experienced exporters, especially those seeking new opportunities outside of Western Europe.

**Market-Entry Strategy**
The Czech Republic is characterized by wide population dispersion. Over 10% of the population is centered in Prague, the only city with more than 1 million inhabitants, while the majority of Czechs live within 30 minutes of other major commercial/industrial hubs (which include Brno, Plzen and Olomouc). Urban consumers generally have greater purchasing power than their rural counterparts.

Success in this market requires an in-country presence such as an agent, distributor or representative office. Local distributors generally take responsibility for handling customs clearance, dealing with established wholesalers/retailers, marketing the product directly to major corporations or the government, and handling after-sales service.

**Other issues to consider include:**

- Taking a regional approach involving one or more Central or Eastern European countries. Poland and Slovakia tend to be the other nations that fit into a successful regional strategy, with Hungary a close third.

- Performing detailed market research to identify specific sector opportunities.

- Using the experience of other successful U.S. companies in the market. The local American Chamber of Commerce is a valuable resource.

- The country’s communications network is relatively well developed, and email communication and website offerings are an increasingly effective means of reaching local buyers.

- Price remains the most critical factor in positioning a product or service for sale.

“Doing Business in the Czech Republic” article is provided by the U.S. Commercial Service, the trade promotion arm of the U.S. Department of Commerce’s International Trade Administration. For more information on doing business in the Czech Republic, you may visit their website at [www.export.gov/CzechRepublic](http://www.export.gov/CzechRepublic).

The following charts are based on import and export data obtained from the Czech Statistical Office in conjunction with Zuzana Petrofova of PETROF, spol. s r.o.
CZECH REPUBLIC SNAPSHOT

Demographics

Population in millions 10.6

<table>
<thead>
<tr>
<th>Age</th>
<th>Male</th>
<th>Female</th>
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</thead>
<tbody>
<tr>
<td>0–14</td>
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<td>15–64</td>
<td>3.60</td>
<td>3.48</td>
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<tr>
<td>65 &amp; Over</td>
<td>0.82</td>
<td>1.15</td>
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</table>

Median Age 41.7
Population Growth 0.14%

Economy

<table>
<thead>
<tr>
<th>GDP (PPP)</th>
<th>$350.9 billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP Per Capita</td>
<td>$33,200</td>
</tr>
<tr>
<td>GDP-Real Growth Rate</td>
<td>2.50%</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>5.60%</td>
</tr>
</tbody>
</table>
| Inflation | 0.50%

Data Source: Demographics, Economy and Trade from CIA World Factbook, Music Industry from The Music Trades.
GDP (PPP): Gross Domestic Product based on purchasing-power-parity (PPP) valuation of country GDP in U.S. dollars.
Trade

<table>
<thead>
<tr>
<th>Total Export</th>
<th>$141.7 billion</th>
<th>Export as % of GDP</th>
<th>40.38%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Import</td>
<td>$132.4 billion</td>
<td>Import as % of GDP</td>
<td>37.73%</td>
</tr>
</tbody>
</table>

Export Partners (2016)

Import Partners (2016)

Music Industry

<table>
<thead>
<tr>
<th>Music Market</th>
<th>$38.0 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Per Capita</td>
<td>$3.57</td>
</tr>
<tr>
<td>Global Share</td>
<td>0.20%</td>
</tr>
</tbody>
</table>

Music Sales Per Capita (U.S. $)

Czech Republic Music Market (U.S. $ in millions)

Share of Global Music Market (Percent)
Czech Republic Imports and Exports

Czech Republic Imports and Exports

Acoustic Pianos
Imports

Exports

Fretted & Stringed Instruments
Imports

Exports

Keyboards
Imports

Exports
Czech Republic Imports and Exports
DOING BUSINESS IN FINLAND

Market Overview
Finland, an EU member since 1995, has redefined itself from a quiet, agriculture-based economy into a trend-setting, global center for technology and design. The country is highly integrated into the global economy with international trade accounting for a third of GDP. Finland's commercial clout far exceeds its modest population of 5.4 million. Per capita income in the country is more than US$49,000, and Finland's gross domestic product is about US$267 billion (2015). It routinely ranks at the very top of international surveys on education, quality of life, competitiveness and transparency.

Finland is at the epicenter of Europe’s “New North”: a unique intersection of geography, infrastructure, education, good governance and high-technology industry. Among EU countries, Finland is second only to Ireland in terms of high-tech and knowledge-based manufacturing intensity.

Finland sits next to its Nordic neighbors Sweden and Norway and shares a 900-mile border and a complicated history with Russia. Despite Russia's occupation of the Crimea region of Ukraine and sanctions and countersanctions affecting bilateral trade, Finland maintains an important commercial relationship with its larger, more populous neighbor. Many Finnish companies have successful, long-standing business operations in Russia.

Currently, the United States represents the third largest market for Finnish exports and Finland’s sixth largest source of imports. Two-way trade between the United States and Finland was about US$6.1 billion in 2015, chiefly medicine and medical equipment, paper and paperboard, aircraft, chemicals, and telecommunications and advanced instruments. Finnish imports of U.S. goods in 2015 were valued at US$1.56 billion. Finnish exports of goods to the United States totaled about US$4.5 billion.

The European Union makes up more than 60% of Finland’s total trade. The largest trade flows are with Germany and Sweden. Finland’s two-way trade with Russia fell more than 30% in 2015. Finland’s key export sectors are transportation, electronics, forestry, machinery and chemicals. Trade policy is managed by the European Union, which is currently negotiating the Transatlantic Trade and Investment Partnership (T-TIP) free trade agreement with the United States. Trade-dependent Finland has traditionally been a firm advocate for free trade. It is the only Nordic country to use the euro.

Helsinki, the second most northern capital in the world, is a pocket-sized green maritime metropolis, with easy connections by rail, sea and air to Tallinn, St. Petersburg and Stockholm. Finns are nature lovers, a characteristic that has made them, along with their Nordic neighbors, global leaders in sectors such as clean-tech, high-performance building products and energy and resource efficiency.

Market Challenges
Finland’s import climate is open and receptive to U.S. products and investments. There are few barriers to trade.

Finnish policy-makers are grappling to boost economic growth and competitiveness. Following several years of back-to-back zero or negative growth, Finland’s economy returned to growth
(+0.5%) in 2015 and was projected to grow more than 1% in 2016 (actual numbers have not yet been released). However, sluggish markets for Finnish exports across the EU, China and Russia pose a potential threat to Finland’s economic recovery.

The overall size of the Finnish domestic market is relatively small, and prolonged recession means competition in some sectors is fierce. Finnish consumers have high expectations in terms of product innovation, design, quality and price.

Companies seeking to set up operations in Finland should note that while rule of law and transparency predominate, and skilled labor in key fields like engineering is abundant, regulations and red tape, taxes and inflexible labor laws pose challenges to business competitiveness.

**Market Opportunities**

- Finland has a vibrant start-up scene and offers opportunities for investment and collaboration in video gaming, information communication technology (ICT) and e-health solutions.
- Finland introduced its latest national long-term climate and energy strategy in 2013. Growth in Finland’s clean-tech sector has been driven by smaller firms operating in the areas of new materials, smart grids, recycling, and measurement technologies.
- The development of renewable energy, especially biomass, in Finland is expected to offer opportunities for U.S. companies with innovative renewable energy technologies, processes and equipment.
- Driven by the need to conserve scarce energy, Finland has been involved in the development of low-energy and eco-efficient construction alternatives since the late 1980s.
- Finland has expertise in developing computer software products and is looking for U.S. partners.
- The Finnish healthcare sector is open to state-of-the-art medical equipment and e-health solutions.
- There are opportunities for U.S. companies in the defense and security sectors; Finland has issued a Request for Information in support of its Fighter Jet Replacement Program.
- U.S. chairmanship of the Arctic Council offers a unique opportunity to engage with Finnish companies on cold-climate technologies and solutions (e.g., ice-breakers) applicable to the circumpolar environment.

**Market-Entry Strategy**

In addition to being an EU member, Finland is particularly closely linked culturally and economically with the other “Nordics”: Denmark, Iceland, Norway and Sweden. These
economies are all advanced, high income and highly connected. While each country has its own unique market and characteristics, there are certain synergies that tie together these highly innovative marketplaces. With an aggregate GDP of US$1.71 trillion and a combined population of 26 million people, the Nordics represent a unique opportunity for U.S. companies with sophisticated, high-quality products, technologies and services.

These open but competitive markets allow for a variety of market-entry strategies. Representatives and distributors are common methods employed for initial market entry. The U.S. Commercial Service team in the Nordics works regionally and collaboratively to offer cross-border, multi-market advice and solutions for U.S. companies looking to identify local business partners or other market-entry options in Finland, as well as throughout the Nordic-Baltic region and the rest of Europe.

“Doing Business in Finland” article is provided by the U.S. Commercial Service, the trade promotion arm of the U.S. Department of Commerce’s International Trade Administration. For more information on doing business in Finland, you may visit their website at www.export.gov/Finland.

The following charts are based on import and export data obtained from the website of the International Trade Centre (ITC)
FINLAND SNAPSHOT

Demographics

Population in millions 5.5

<table>
<thead>
<tr>
<th>Age</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>0–14</td>
<td>0.46</td>
<td>0.44</td>
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<tr>
<td>15–64</td>
<td>1.75</td>
<td>1.71</td>
</tr>
<tr>
<td>65 &amp; Over</td>
<td>0.49</td>
<td>0.64</td>
</tr>
</tbody>
</table>

Median Age 42.4
Population Growth 0.38%

Economy

GDP (PPP) $230.0 billion
GDP Per Capita $41,800
GDP-Real Growth Rate 0.90%
Unemployment Rate 9.10%
Inflation 0.40%

Data Source: Demographics, Economy and Trade from CIA World Factbook, Music Industry from The Music Trades. GDP (PPP): Gross Domestic Product based on purchasing-power-parity (PPP) valuation of country GDP in U.S. dollars.
Trade

<table>
<thead>
<tr>
<th></th>
<th>Total Export</th>
<th>$57.1 billion</th>
<th>Export as % of GDP</th>
<th>24.83%</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Total Import</td>
<td>$53.5 billion</td>
<td>Import as % of GDP</td>
<td>23.26%</td>
</tr>
</tbody>
</table>

**Export Partners (2016)**

- Germany: 14%
- Sweden: 12%
- U.S.: 10%
- Netherlands: 6%
- Russia: 4%

**Import Partners (2016)**

- Germany: 18%
- Sweden: 14%
- Russia: 12%
- Netherlands: 8%
- Denmark: 4%

Music Industry

<table>
<thead>
<tr>
<th></th>
<th>Music Market</th>
<th>$70.0 million</th>
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</thead>
<tbody>
<tr>
<td>Sales Per Capita</td>
<td>$12.73</td>
<td></td>
</tr>
<tr>
<td>Global Share</td>
<td>0.40%</td>
<td></td>
</tr>
</tbody>
</table>

*The Music Trades* began reporting data on Finland in 2007.

**Finland Music Market (U.S. $ in millions)**

- 2007: 70 million
- 2008: 75 million
- 2009: 80 million
- 2010: 85 million
- 2011: 90 million
- 2012: 95 million
- 2013: 100 million
- 2014: 105 million
- 2015: 110 million

**Music Sales Per Capita (U.S.$)**

- 2007: $12.73
- 2008: $13.25
- 2009: $13.77
- 2010: $14.29
- 2011: $14.81
- 2012: $15.33
- 2013: $15.85
- 2014: $16.37
- 2015: $16.89

**Share of Global Music Market (Percent)**

- 2007: 0.05%
- 2008: 0.06%
- 2009: 0.07%
- 2010: 0.08%
- 2011: 0.09%
- 2012: 0.10%
- 2013: 0.11%
- 2014: 0.12%
- 2015: 0.13%
Finland Imports and Exports

Acoustic Pianos

Imports

Exports

Fretted & Stringed Instruments

Imports

Exports

Keyboards

Imports

Exports
Finland Imports and Exports

**Wind Instruments Imports**

- Value in U.S. $ millions
- Year: 2007-2016

**Wind Instruments Exports**

- Value in U.S. $ thousands
- Year: 2007-2016

**Percussion Imports**

- Value in U.S. $ millions
- Year: 2007-2016

**Percussion Exports**

- Value in U.S. $ thousands
- Year: 2007-2016

**Accessories Imports**

- Value in U.S. $ millions
- Year: 2007-2016

**Accessories Exports**

- Value in U.S. $ millions
- Year: 2007-2016
FRANCE

The following information is from various key players in our industry.

Generally speaking, we see an increase of Internet sales in our country. This negatively affects not only our local Internet companies, but other European companies as well. The presence of Amazon also creates difficulties in tracking sales geographically, especially for accessories.

Product categories that have seen decreases in sales this year are drums, acoustic guitars and acoustic pianos. Electronic keyboards, electronic drums and the pro audio market are showing growth, while wind instruments and strings are stable.

With the result of the presidential election, we hope to see a renewal of interest in music from our national education authorities. This is something to be followed by our industry board during 2018.

Commentary by Emmanuel Tonnelier, General Manager of Vandoren S.A.S. and Vice President of Cafim (Confederation of European Music Industries)

DOING BUSINESS IN FRANCE

Market Overview
The U.S.-French commercial and economic alliance is one of the United States’ oldest and closest bilateral relationships. The United States and France established diplomatic relations in 1778 and the United States’ first trade agreement, the Treaty of Amity and Commerce between the United States and France, was also signed that year. Relations between the two countries have remained active and friendly. They share common values and have parallel policies on most political, economic and security issues. Differences are discussed frankly and have not generally been allowed to impair the pattern of close cooperation that characterizes relations between the two countries.

Trade and investment between the United States and France are strong. On average, more than US$1 billion in commercial transactions, including sales of U.S. and French foreign affiliates, takes place every day. U.S. exports to France include industrial chemicals, aircraft and engines, electronic components, telecommunications, computer software, computers and peripherals, analytical and scientific instrumentation, medical instruments and supplies, and broadcasting equipment. The United States is the top destination for French investment, and the United States is the largest foreign investor in France. The United States and France have a bilateral convention on investment and a bilateral tax treaty addressing, among other things, double taxation and tax evasion.

With a GDP of approximately US$2.8 trillion in 2015, France is the world’s sixth largest economy and the EU’s third largest economy after Germany and the United Kingdom. It has substantial agricultural resources but its manufacturing base has declined significantly. A dynamic services sector now accounts for an increasingly large share of economic activity.
and is responsible for most job creation in recent years. France is a member of the G8—and
initiator of the G20—as well as the European Union, the World Trade Organization, and the
OECD, confirming its status as a leading economic player.

In 2015, U.S. exports to France were US$30 billion in goods and US$19 billion in services.
Going the other direction, French exports to the United States were US$48 billion in goods
and US$17 billion in services. The net is a U.S. trade deficit with France of US$16 billion.
Almost 25% of the bilateral trade between the United States and France is related to the
aerospace industry.

As a result of the slow GDP growth (1.1% in 2015 after 0.2% in 2014), the unemployment
rate (metropolitan France) is now in double digits, down from 10.4% in 2014 to 10.1% at
the end of 2015. It is more than 25% for youth under age 25. GDP is expected to continue
its slow rebound with a growth rate of 1.3% in 2016 followed by an increase of 1.6% in
2017. GDP per capita in France was US$42,725 in 2015.

France welcomes foreign investment and has a reliable business climate that attracts
investors from around the world. The government devotes significant resources to attracting
foreign investment and has launched the “French Tech Ticket” to attract foreign start-ups.
France particularly seeks to promote innovative digital technology companies; the country
is home to an increasingly vibrant IT start-up ecosystem. However, France is still struggling
to revitalize its economy and implement reforms to improve the business and regulatory
environment.

Foreign investors say they find France’s skilled and productive labor force, good
infrastructure, technology and central location in Europe attractive. In addition, France’s
membership in the European Union (EU) and the eurozone—as the 19 countries that use
the euro currency are known—facilitates the movement of people, services, capital and
goods. But a recent poll of U.S. investors indicated significant pessimism regarding France’s
business climate, specifically citing challenges such as lack of clarity in the government’s
agenda, red tape and burdensome regulations, unpredictability in legislation, and the
complexity of labor law.

France has strong investment relations with the United States. The United States is the
largest foreign investor in France at US$129 billion in 2015. This includes about 4,800
affiliates of U.S. firms supporting an estimated 460,000 jobs. The activities of these U.S.
affiliates are the backbone of the commercial relationship between France and the United
States. The French FDI stock in the U.S. (US$240 billion in 2015) includes more than
2,700 affiliates of French firms supporting an estimated 500,000 jobs.

Key issues to watch will be the French government’s efforts to implement structural reforms
to boost competitiveness and employment. The French government has already initiated an
increase in the number of Sundays that businesses can open as well as the deregulation of
some sectors. In 2015, the government continued to introduce new measures to encourage
growth and investment. In particular, it implemented the Responsibility and Solidarity
Pact, designed to lower firms' labor costs by US$33.4 billion by the end of fiscal year 2016,
reduce corporate taxes and simplify administrative formalities. In tandem with the Crédit
d’Impôt Compétitivité Emploi, corporate tax credit program (CICE), the government expects
the Responsibility Pact (Pacte de Responsabilité) to spur the creation of approximately
500,000 jobs over the coming years. It has also recently implemented new labor laws,
which strengthen vocational training and add elements of flexibility to the French labor
market. In early 2016, the government unveiled (but has not yet passed into law) a package
of labor market flexibility measures that would streamline the labor code. One element of
the 2016 labor bill (Loi el Khomri) (still under revision as of this writing) proposed to give
companies more flexibility to set aspects of workers’ workweeks or working hours at the
company level, subject to employer-employee accord.

Market Challenges
One of the challenges for U.S. Small Medium Enterprises (SMEs) interested in breaking
into the French market is dealing with highly concentrated retail distribution chains and
networks. In addition, some of the French global manufacturers and suppliers exercise
strong control over the retail networks. Many of these large retail networks have extremely
well-organized buying offices that have put in place very stringent selection processes for
new suppliers, products and services. High retail mark-ups combined with innovative and
creative marketing approaches are prerequisites to entering the French retail market.

Market Opportunities
France is an economically developed nation with a large, diverse and sophisticated
consumer base. While manufacturing has declined as a percent of GDP, many of France’s
remaining industries, such as aerospace, are still world leaders and receptive to foreign
partners and suppliers. Finally, its comparatively affluent populace is a leading consumer of
services, particularly in the educational and travel sectors. However, the French consumer
can be very discriminating between French and American brands.

Key sectors of the French economy include aerospace, food products, pharmaceuticals,
microelectronics, logistics, and healthcare equipment. Call centers, biotechnology,
telecommunications, information and communication technology, and environment are
other sectors with high potential. The government may further reduce its stake in electricity,
gas, rail transport and postal services by opening them up to domestic and foreign investors.

The French market for food products is mature, sophisticated and well served by suppliers
from around the world. Additionally, an increasing interest in American culture, younger
consumers and changing lifestyles contribute to France’s import demand for American
food products. Generally, high-quality food products with a regional American image may
find a niche in the French market, particularly if they gain distribution through stores and
supermarkets that specialize in U.S. or foreign foods. Niche market opportunities also
exist for regional American foodstuffs (Tex-Mex, Cajun and California cuisine), candies and
chocolates, wild rice, organic and health food products, as well as kosher and halal foods.
Over the past few years there has been a renewal of interest for American food products.
Many restaurants offering a U.S. theme have opened in recent years. This trend is also
confirmed by the French importers of American food products where import sales have
increased. Also, the French food service industry is moving toward fresh, consumer-ready
products at the expense of frozen foods.
**Market-Entry Strategy**

In general, the commercial environment in France is favorable for sales of U.S. goods and services. Marketing products and services in France is similar to the approach in the United States, notwithstanding some significant cultural differences and certain legal and regulatory restrictions. While French buyers can be receptive to new and innovative products, there is a tendency to stick with known local suppliers. Competition can be fierce but local partners are readily available in most sectors and product lines.

“Doing Business in France” article is provided by the U.S. Commercial Service, the trade promotion arm of the U.S. Department of Commerce’s International Trade Administration. For more information on doing business in France, you may visit their website at [www.export.gov/France](http://www.export.gov/France).

The following charts are based on import and export data obtained from the website of the International Trade Centre (ITC)
FRANCE SNAPSHOT

Demographics

Population in millions  66.8

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<th>Age</th>
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<th>Female</th>
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<td>15–64</td>
<td>20.85</td>
<td>20.78</td>
</tr>
<tr>
<td>65 &amp; Over</td>
<td>5.51</td>
<td>7.27</td>
</tr>
</tbody>
</table>

Median Age 41.2
Population Growth 0.41%

Economy

GDP (PPP)  $2.74 trillion
GDP Per Capita  $42,400
GDP-Real Growth Rate  1.30%
Unemployment Rate  9.70%
Inflation  0.30%

Data Source: Demographics, Economy and Trade from CIA World Factbook, Music Industry from The Music Trades.
GDP (PPP): Gross Domestic Product based on purchasing-power-parity (PPP) valuation of country GDP in U.S. dollars.
Trade

<table>
<thead>
<tr>
<th></th>
<th>Total Export</th>
<th>Export as % of GDP</th>
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</thead>
<tbody>
<tr>
<td>Export</td>
<td>$505.4 billion</td>
<td>18.45%</td>
</tr>
<tr>
<td>Import</td>
<td>$525.4 billion</td>
<td>19.18%</td>
</tr>
</tbody>
</table>

Export Partners (2016)

Import Partners (2016)

Music Industry

<table>
<thead>
<tr>
<th></th>
<th>Music Market</th>
<th>Sales Per Capita</th>
<th>Global Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export</td>
<td>$685.0 million</td>
<td>$10.26</td>
<td>4.30%</td>
</tr>
</tbody>
</table>

France Music Market (U.S. $ in millions)

Share of Global Music Market (Percent)
France Imports and Exports

Acoustic Pianos
Imports

Exports

Fretted & Stringed Instruments
Imports

Exports

Keyboards
Imports

Exports
France Imports and Exports

Wind Instruments

- Imports
- Exports

Percussion

- Imports
- Exports

Accessories

- Imports
- Exports

International Data
France

07 08 09 10 11 12 13 14 15 16

Value in U.S. $ millions

Value in U.S. $ thousands

0 10 20 30 40 50 60 70 80 90 100 110 120

0 25 50 75 100 125 150 175

0 10 20 30 40 50 60 70 80 90 100 110 120

0 2 4 6 8 10

0 25 50 75 100 125 150 175

0 10 20 30 40 50 60 70 80 90 100 110 120

0 10 20 30 40 50 60 70 80 90 100 110 120
GERMANY

Stable situation in the market, number of employees in the industry shows growth

Regarding the importance of the sector: the 2015 figures of the turnover tax statistics showed that 1,265 makers of instruments reached a turnover of €628.3 million, while 1,809 dealers of musical instruments and products achieved a sector turnover of €1,278.8 billion.

A total of 56 companies (+1.8% or one more than last year) with more than 20 employees registered a turnover of €414.85 million (+0.3%). €166.67 million was the turnover achieved domestically (0.6% less than in 2015), while €248.19 million was achieved in turnover outside of Germany (+0.9% more than in 2015). The export quota has therefore grown to 59.8%.

It is positive to report that the number of employees has grown by 3.8% to 3,735 on an annual average basis.

Exports from Germany from a broad basis/broad variety of products

The significant foreign trade surplus of previous years had already almost disappeared in 2015, and have turned into a deficit in 2016. Exports shrank by 2.2% to €550.6 million, while imports grew by 2.8% to €579.3 million. This resulted in a foreign trade deficit of €28.6 million.

Among exports, piano parts and accessories saw a growth of 8.2%, while parts and accessories for wind instruments grew by 6.2%, and parts and accessories for other instruments by 5.5%. Also growing were exports of percussion instruments, by 4.7%, while violins and guitars saw growth of 4.6% and 3.4%, respectively. Exports of strings grew by 2.6%, and parts and accessories for string instruments by 0.4%. Unusual numbers were reported by the pipe organ sector—due to the size of the projects and the low numbers built every year, the ups and downs in this segment can show significant swings—organs reported a growth of 86.8%.

Other segments had to accept lower numbers. Brasswind instruments shrank by 11.9%, woodwind by 8.5%, upright pianos by 7.1% and grand pianos by 5.1%. String instruments (without violins) saw a disastrous decrease of 42.7%, other string instruments (without guitars), a decrease of 32.2%. Exports of accordions shrank by 12.2%, while harmonicas saw a decrease of 5.4% compared to last year.

German exports reach a broad base of target countries. The most important export countries are France, the United States, China, the UK, Austria, Japan, Switzerland, the Netherlands and Poland.

While on the import side, there were hardly any changes in terms of the ranking of the importance of countries, on exports there were large swings.

A significant decrease of exports into the most important target country, France, was registered at 20.6%. Therefore, France lost its first place status to the United States, although exports to the United States even showed a decrease of 8.7%. Exports to Switzerland decreased by 15.5%, while those to the Netherlands decreased by 9.1%. Strong growth was seen in exports to Spain (+8.6%) and the Czech Republic (+15.4%).
Outside of Europe, exports to China have almost caught up with exports to the two most important target countries (the United States and France) with a growth of 37.9%. Above-average growth in exports of upright and grand pianos has contributed to this figure—these grew by more than half and make up around half of German exports to China.

Almost 80% of all imports come from five countries: China, Indonesia, the United States, Japan and the Netherlands. The latter doesn’t reflect the result of Dutch local production but rather the fact that the Netherlands is a platform for re-export of Asian products, in particular electronic instruments. Therefore, two-thirds of all imports to Germany came from Asia.

Production of some small instruments show significant growth
Production of musical instruments rose by 2.1% to €338.15 million.

Large instruments such as upright and grand pianos, which make up 30% of all German production, fell for the first time in years by 2.2%.

This means that the development in smaller instrument production is more positive. Take brasswind instruments, which, after a reduction the previous year, show strong, double-digit growth. The production of trumpets, cornets and fluegelhorns grew by 31.4%; wald, tenor, baritone and altus horns by 4.2% and other brass instruments such as trombones by 32.8%.

In the woodwind segment, recorders saw (after strong growth in 2015) a minus of 6.9%, while bassoons and oboes grew by 11.9%.

Further good news is to be reported regarding production of percussion instruments, which grew by 1.5%, a development not to be taken lightly considering the very strong growth this segment saw last year.

Other than parts and accessories for organs, producers of other parts and accessories reported strong growth as well. Production of parts and accessories for wind instruments grew by 24.3%, for pianos by 9.1%, for other instruments by 6.3% and for string instruments by 0.5%. Overall, parts and accessories make up almost 30% of all production in M.I. in Germany.

Despite various risks, the sector is expected to continue to be stable
Making a correct prognosis for the future becomes more and more difficult. The sector is counting on stable domestic markets, but the export markets show volatility/fragility. On one hand the exchange rate of the euro helps support exports, on the other hand the weak economic situation in prime export target countries impacts exports negatively. Overall the trend seems to go from free trade to erecting trade barriers, which increases the risk factor in the sector. Nevertheless, the German M.I. industry, with its dependency on exports, expects to be able to reach the level of the year just gone by.

Commentary by Winfried Baumbach of the National Association of German Musical Instruments Manufacturers (BDMH)
DOING BUSINESS IN GERMANY

Market Overview
The German economy is the world’s fourth largest and accounts for more than one-fifth of the European Union’s GDP. Germany is the United States’ largest European trading partner and the sixth largest market for U.S. exports. Germany’s “social market” economy largely follows free-market principles, but with a considerable degree of government regulation and wide-ranging social welfare programs.

Germany is the largest consumer market in the European Union, with a population of 80.6 million. Moreover, the significance of the German marketplace goes well beyond its borders. An enormous volume of trade is conducted in Germany at some of the world’s largest trade events, such as MEDICA, Hannover Fair, CeBIT, Automechanika and the ITB Tourism Show. The volume of trade, number of consumers and Germany’s geographic location at the center of a 28-member European Union make it a cornerstone around which many U.S. firms seek to build their European and worldwide expansion strategies.

The government predicts 1.7% growth for 2016, above the 1.3% average of the last 10 years, which would mean that the German economy continues to grow at or above what many analysts consider its long-term potential, although weakening growth in emerging economies began to weigh on German exports in 2015. Demand started shifting from external sources to private households, which are projected to remain the primary driving force for growth in the near term. Despite budget surpluses and strong corporate profitability, government and businesses have taken little advantage of low interest rates to boost investment.

The labor market remained resilient during the economic and financial crisis and was stronger in 2015 than ever before. Employment in Germany rose for the tenth consecutive year and reached an all-time high of 43 million in 2015, an increase of 330,000 (or 0.8%) over 2014.

Unemployment fell by more than 40% since its peak in 2005, and reached the lowest level since German reunification in 1990. In 2015, fewer than 2.8 million people were registered as unemployed, and the jobless rate stood at 6.4%, according to the official national data—or 4.6%, according to the internationally comparable statistics of the International Labor Organization (ILO). Within the European Union, Germany has the lowest youth unemployment rate (7.0% in April 2016; European Union average: 19%).

Demographic changes and resulting labor shortages; the current government’s regulation of the labor market; and higher energy prices due to ongoing nuclear energy phase-out (“Energiewende”) are seen as factors that could dampen competitiveness. Slowdown of activity in emerging markets and renewed weakness in the eurozone could weaken exports, contain investment, and spill over to consumer confidence, all of which could result in lower growth.
Market Challenges
Germany presents few formal barriers to U.S. trade or investment. Germany's acceptance of the EU's Common Agricultural Policy and German restrictions on biotech agricultural products represent obstacles for some U.S. goods. Germany has pressed the EU Commission to reduce regulatory burdens and promote innovation to increase EU member states' competitiveness. While not directly discriminatory, government regulation by virtue of its complexity may offer a degree of protection to established local suppliers. Safety or environmental standards, not inherently discriminatory but sometimes zealously applied, can complicate access to the market for U.S. products. American companies interested in exporting to Germany should make sure they know which standards apply to their product and obtain timely testing and certification. German standards are especially relevant to U.S. exporters, as EU-wide standards are often based on existing German standards.

Market Opportunities
For U.S. companies, the German market—the largest in the EU—continues to be attractive in numerous sectors and remains an important element of any comprehensive export strategy to Europe. While U.S. investors must reckon with a relatively higher cost of doing business in Germany, they can count on high levels of productivity, a highly skilled labor force, quality engineering, a first-class infrastructure, and a location in the center of Europe.

Market-Entry Strategies
The most successful market entrants are those that offer innovative products featuring high quality and modern styling. Germans are responsive to innovative high-tech U.S. products, such as computers, computer software, electronic components, healthcare and medical devices, synthetic materials and automotive technology. Germany possesses one of the highest Internet access rates in the EU, and multimedia, high-tech and service offerings represent great potential. Certain agricultural products also represent good export prospects for U.S. producers. In many cases, price is not necessarily the determining factor for German buyers, but quality.

The German market is decentralized and diverse, with interests and tastes differing from one German state to another. Successful market strategies take into account regional differences as part of a strong national market presence. Experienced representation is a major asset to any market strategy, given that the primary competitors for most American products are domestic firms with established presences. U.S. firms can overcome such stiff competition by offering high-quality products and services at competitive prices, and locally based after-sales support. For investors, Germany’s relatively high marginal tax rates and complicated tax laws may constitute an obstacle, although deductions, allowances and write-offs help to move effective tax rates to internationally competitive levels.

"Doing Business in Germany" article is provided by the U.S. Commercial Service, the trade promotion arm of the U.S. Department of Commerce’s International Trade Administration. For more information on doing business in Germany, you may visit their website at www.export.gov/Germany.

The following charts are based on domestic production and export data provided by the National Association of German Musical Instruments Manufacturers (BDMH)
GERMANY SNAPSHOT

Demographics

Population in millions 80.7

<table>
<thead>
<tr>
<th>Age</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>0–14</td>
<td>5.32</td>
<td>5.04</td>
</tr>
<tr>
<td>15–64</td>
<td>26.62</td>
<td>26.18</td>
</tr>
<tr>
<td>65 &amp; Over</td>
<td>7.71</td>
<td>9.86</td>
</tr>
</tbody>
</table>

Median Age 46.8

Population Growth -0.16%

Economy

GDP (PPP) $3.98 trillion
GDP Per Capita $48,200
GDP-Real Growth Rate 1.70%
Unemployment Rate 4.30%
Inflation 0.40%

Data Source: Demographics, Economy and Trade from CIA World Factbook, Music Industry from The Music Trades.
GDP (PPP): Gross Domestic Product based on purchasing-power-parity (PPP) valuation of country GDP in U.S. dollars.
Trade

<table>
<thead>
<tr>
<th>Total Export</th>
<th>$1.28 trillion</th>
<th>Export as % of GDP</th>
<th>32.16%</th>
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<tbody>
<tr>
<td>Total Import</td>
<td>$0.99 trillion</td>
<td>Import as % of GDP</td>
<td>24.87%</td>
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</table>

Export Partners (2016)

Import Partners (2016)

Music Industry

<table>
<thead>
<tr>
<th>Music Market</th>
<th>$950.0 million</th>
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<tr>
<td>Sales Per Capita</td>
<td>$11.77</td>
</tr>
<tr>
<td>Global Share</td>
<td>5.90%</td>
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</tbody>
</table>

Music Sales Per Capita (U.S. $)

Germany Music Market (U.S. $ in billions)

Share of Global Music Market (Percent)
Germany Domestic Production
(Data based on manufacturers with 20 or more employees)

Upright Pianos

Grand Pianos

Organs

Drums & Percussion

Woodwind Instruments

Brass Instruments

Starting in 2015, data does not include tuba production figures.
Germany Exports

Grand Pianos

Value € in millions

Export Value

07 08 09 10 11 12 13 14 15 16

Violins

Value € in millions

Export Value

07 08 09 10 11 12 13 14 15 16

Harpsichords

Value € in thousands

Export Value

07 08 09 10 11 12 13 14 15 16

Total Acoustic Pianos

Value € in millions

Export Value

07 08 09 10 11 12 13 14 15 16

Stringed Instruments Played with a Bow

Value € in millions

Export Value

07 08 09 10 11 12 13 14 15 16

Violins

Value € in millions

Export Value

07 08 09 10 11 12 13 14 15 16

Acoustic Guitars

Value € in millions

Export Value

07 08 09 10 11 12 13 14 15 16

Germany Exports
Germany Exports

Electric Guitars

Value € in millions

Export Value

Synthesizers

Value € in millions

Export Value

Total Electric Instruments

Value € in millions

Export Value

Digital Pianos

Value € in millions

Export Value

Drums & Percussion

Value € in millions

Export Value

Brass Instruments

Value € in millions

Export Value
Germany Exports

Woodwind Instruments

Value € in millions

Export Value

Harmonicas & Accordions

Value € in millions

Export Value

Electric Organs

Value € in thousands

Export Value

Total Organs & Harmoniums

Value € in millions

Export Value
HUNGARY

Research shows that low participation rates of Hungary’s population in the music scene hinders the effective progress of demand and supply of the Hungarian music industry.

The majority of the active (in a musical sense) European population sang in the last few years among friends, family or in a church community, rehearsal room, on stage or at home. Approximately 12% of the European population older than 15 (nearly 52 people) sings regularly. This rate is only 5% in Hungary; 429,000 citizens age 15 or older took part in the vocal music scene.

A total of 34 million European citizens participated in the continent’s instrumental music scene, which is 8.1% of all European adults age 15 or older. Unfortunately, this number is critically low in Hungary: 2.8%, which only manages to outrun Bulgaria in this tally. In 2013, only 290,000 Hungarian adults older than 15 years played musical instruments.

A special, nation-wide project called Hangszert a kézbe (“Grab an instrument”) was started in 2017 to increase this rate. The project is organized by HANOSZ (Hungary’s National Association of Instrumentalists) and supported by NKA (National Cultural Foundation).

The willingness and regularity of concert attendance is one of the most important variables of the active participation in the music scene; those who regularly sing or play a musical instrument are more likely to attend concerts. In Hungary, this rate is 19%. The number of instrument-playing citizens is higher in other countries of this region but the active participation in the music scene is even higher, which also manifests in regular concert attendance.

According to the music industry research conducted by ProArt (Hungarian Copyright Alliance), the number of Hungarian concert attendees was 4.1 million in 2016. They attended live music events more than once.

Unfortunately, organizing live music is more expensive in Hungary because of local tax policy. Taxes are higher, approximately 15–30% compared to neighboring countries, even though Hungarian salaries and spending power are lower than that of other countries in the region. So this became a major problem for concert managers because cheap tickets with high VAT become more expensive compared to other countries.

Approximately 600 stages work with a fixed program plus the cultural centers in Hungary. Besides this, Hungarian enterprises organize larger festivals like the Sziget, the biggest European festival, or BalatonSound, Volt Festival in addition to hundreds of events throughout the country. The number of festivals in 2016 was 3,700 with 14,000 concerts.

Almost half of musicians’ income is earned from concerts, and 29% is from royalty income. A total of 72% of musicians have other occupations.

In Scandinavian countries, the musical lecture (both classical and pop) of children is provided by the schools. These countries can set a good example for Hungary, but it is not likely that these different participation habits of Scandinavian culture can be established; in Scandinavia all age groups are involved in the music scene as a vocal or musical performer or album buyer, or as a concert visitor. Reaching the average of countries like Austria, Czech Republic, Slovenia, Slovakia, whose cultures are similar to Hungary’s, may increase the
size of the Hungarian music market. In these countries—and usually in all Europe—the youngsters make up the majority of the music clientele, thus, a successful high school music program in our country would make significant changes with results that could be felt within five years.

To receive the complete report summarizing Hungary's music industry, including information on sound recording, music consumption and physical sales of sound recordings, you may email research@namm.org.

Commentary by Géza Balogh, President of HANOSZ, Hungary's National Association of Instrumentalists

DOING BUSINESS IN HUNGARY

Market Overview
Hungary is located in Central Eastern Europe with a population of 9.9 million and has fully transitioned from a centrally planned economy to a market-based one since the fall of communism in 1989. It is a member of the OECD (1996), NATO (1999) and the European Union (2004). Per capita income is nearly two-thirds that of the EU-28 average and total GDP is US$133 billion. The private sector accounts for more than 80% of GDP. Hungary boasts a strategic location in Europe, access to EU markets, a highly skilled and educated workforce and a sound infrastructure; these assets have led companies such as GE, Alcoa, Morgan Stanley, National Instruments, Microsoft, IBM and many others to locate facilities here, both in manufacturing and services. According to the database “Uniworld,” there are currently 404 wholly-owned U.S. companies in Hungary. Including their subsidiaries, the figure totals 612. However, statistics from the government of Hungary show that there are more than 1,600 companies with some sort of U.S. affiliation, employing over 90,000 Hungarians. In terms of employment, this makes the United States the second-largest investor in Hungary after Germany. Many of these companies find that Hungary’s geographic position in Central Europe also offers a strategic logistical hub within the region.

Foreign direct investment (FDI) in Hungary has helped modernize industries, create jobs, boost exports and spur economic growth. Hungary’s cumulative FDI stock has totaled more than US$110 billion since 1989. Key sectors include automotive, IT, electronics, logistics and more recently, shared services (e.g., back office and/or call center operations).

Meanwhile, U.S. exports to Hungary have exceeded US$1 billion in each of the last five years, led by electronics, IT equipment, automotive components, industrial engines and other manufacturing technologies and supplies. According to U.S. Department of Commerce data, exports to Hungary in 2015 totaled US$1.72 billion, which was a 7% decrease compared to 2014.
Market Challenges

Hungary was heavily impacted not only by the 2008/2009 global financial crisis but also by austerity measures and sector taxes introduced by the government in 2010. GDP annual growth rate was 3.6% in 2014, while 2015 growth rate was estimated to be 4.7%, both the highest among the EU-28. It is expected to be between 2.5% and 3% in 2016. The share of Hungarian exports, particularly to neighboring countries and Germany, are substantial, and Hungary has maintained a trade and current account surplus since the beginning of the crisis. The official unemployment rate decreased significantly from 10.2% in 2013 to 6.2% at the end of 2015, however, this improvement is also due to last year’s reforms of unemployment benefits, which resulted in a higher number of public workers.

Although the government did manage to successfully decrease the 81.0% high debt to GDP ratio in 2011 to 76.9% by March 2016, it introduced several new taxes to continue deficit reduction, which mostly hit the banking, energy and telecommunications sectors. The measures the government took to reduce debt were criticized by many, as they were rather short-term, one-off solutions and not the structural reforms needed for a fiscally more stable and sustainable budget. Other actions, including suspending payments into the private pillar of the pension system (which makes it financially disadvantageous for most beneficiaries to remain in the private pillar of the pension system), and eliminating the independent Fiscal Council budget watchdog agency, have drawn widespread criticism. In 2013, the three major credit rating agencies (Moody’s, S&P and Fitch) changed their long-term ratings on Hungarian bonds to BB/Ba1 and there has not been any significant improvement since. S&P currently rates Hungary as BB+ positive, Moody’s as Ba1 positive, while Fitch gave the country a rating of BBB stable.

During the global economic crisis, most Hungarian household debt was denominated in Swiss francs (around 50% in 2011, US$26.5 billion). Households were hit hard when the Hungarian forint depreciated against the Swiss franc and euro. There were several protests against banks urging the government to take action. Although Hungary’s Supreme Court, the Kúria, ruled that there was nothing unconstitutional or illegal in those loan agreements, the government introduced serious rescue schemes to help foreign currency loan holders, resulting in short-term losses for commercial banks.

Market Opportunities

In spite of the many challenges that accompany the local business environment, Hungary remains an attractive market for U.S. investment and exports.

Five Top Reasons for Doing Business in Hungary:

• One of the fastest growing economies in the EU

• Central location, considered to be the gateway to Central/Southeast Europe

• Well-educated and trained workforce
• Supply chain opportunities in automotive and electronic industries

• Government emphasis on innovation and knowledge-based technologies; home to European Institute of Innovation

Funding from the EU has also driven growth and will continue to do so. Since 2004, EU funds have been used to improve telecommunications, energy and highway infrastructure. As part of the National Development Plan (2014–2020), Hungary has allocated approximately €28.6 billion in projects ranging from tourism and infrastructure development to healthcare and environment protection.

Market-Entry Strategy
The U.S. government, through the American Embassy in Budapest and the Departments of Commerce, State, and Agriculture, stands ready to support U.S. firms, whether entering or already doing business in Hungary. The U.S. Embassy promotes a sound Hungarian business environment and advocates on behalf of U.S. companies bidding on major Hungarian government tenders or facing business problems due to government policies. In addition, the staff at the Embassy’s Commercial Section can help U.S. firms to access the Hungarian market and solve commercial problems through cost-effective service programs and market research.

“Doing Business in Hungary” article is provided by the U.S. Commercial Service, the trade promotion arm of the U.S. Department of Commerce’s International Trade Administration. For more information on doing business in Hungary, you may visit their website at www.export.gov/Hungary.

The following charts are based on import and export data obtained from the website of the International Trade Centre (ITC)
HUNGARY SNAPSHOTS

Demographics

Population in millions: 9.9

<table>
<thead>
<tr>
<th>Age</th>
<th>Male</th>
<th>Female</th>
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</thead>
<tbody>
<tr>
<td>0–14</td>
<td>0.75</td>
<td>0.71</td>
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<td>15–64</td>
<td>3.26</td>
<td>3.31</td>
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<tr>
<td>65 &amp; Over</td>
<td>0.69</td>
<td>1.15</td>
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</table>

Median Age: 41.8
Population Growth: -0.24%

Economy

GDP (PPP): $267.6 billion
GDP Per Capita: $27,200
GDP-Real Growth Rate: 2.00%
Unemployment Rate: 6.60%
Inflation: 0.01%

Data Source: Demographics, Economy and Trade from CIA World Factbook, Music Industry from HANOSZ.
GDP (PPP): Gross Domestic Product based on purchasing-power-parity (PPP) valuation of country GDP in U.S. dollars.
Trade

Total Export $91.8 billion
Export as % of GDP 34.30%
Total Import $86.6 billion
Import as % of GDP 32.37%

Export Partners (2016)

Import Partners (2016)

Music Industry

Music Market $48.0 million
Sales Per Capita $4.85
Global Share 0.30%

* The Music Trades began reporting data on Hungary in 2010.

Hungary Music Market (U.S. $ in millions)

Share of Global Music Market (Percent)

Music Sales Per Capita (U.S. $)
Hungary Imports and Exports
Hungary Imports and Exports

- **Wind Instruments**
  - Imports
  - Exports

- **Percussion**
  - Imports
  - Exports

- **Accessories**
  - Imports
  - Exports
DOING BUSINESS IN INDIA

Market Overview

The Republic of India is the 18th largest export market for U.S. goods. Two-way trade in goods and services reached US$107 billion in 2015. U.S. companies exported US$21.5 billion worth of goods to India, dominated by civil aircraft and spare parts, machinery and electrical machinery, which accounts for approximately 30% of the total trade. The United States presently has a US$23 billion trade deficit with India. U.S. imports are comprised primarily of diamonds, pharmaceuticals and petrochemical products. The stock of U.S. foreign direct investment (FDI) in India was US$27.97 billion in 2014 (latest data available from the U.S. Department of Commerce’s SelectUSA office).

India has an overall population of 1.3 billion people with a Gross Domestic Product (GDP) of US$2.05 trillion (in 2014). India has shown remarkable progress over the past decade and has grown at an average annual rate of 7.26% over the past five years. Between 2014 and 2015, the Indian manufacturing sector grew by a substantial 8.4%, up from 4.4% a year ago. India has also firmly established itself as a lucrative foreign investment destination, with foreign capital inflows of more than US$31 billion in 2015. India’s dynamic services sector clocked an impressive double-digit growth rate of 10.6% in 2015, up from 9.1% in 2014.

The annual growth rate of the Indian economy increased to 7.2% in 2014–15, up from 6.6% in 2013–14. The IMF estimates India’s growth rate to continue to rise to 7.6% in 2016–17, spurred by market liberalization and reforms addressing India’s ease of doing business, as well as an active Government of India–driven campaign to increase local manufacturing, grow the agricultural sector, and attract greater levels of inward FDI.

U.S. FDI in India is largely in the professional, scientific and technical services; finance/insurance services; and information service sectors. The major industry sectors contributing to the U.S. FDI in India are software and IT services, business services, financial services, pharmaceuticals, plastics and industrial machinery. Most major U.S. companies are active in the market, which includes fast-growing U.S. franchisors that are responding to changing consumer tastes and an increase in India’s middle class, particularly in tier 1 and tier 2 cities. India is the fourth fastest growing source of FDI into the United States. The total stock of FDI from India into the United States is US$10.70 billion (2014 position per SelectUSA statistics).

In May 2014, the Narendra Modi–led Bharatiya Janata Party (BJP) won the world’s largest democratic election, defeating a Congress-led coalition that had been in power for the past decade. The 2014 election marked a turning point in investor sentiment, as a fractured minority government, seemingly unable to advance essential economic reforms, was displaced in favor of a government that had won on a platform of economic growth. The advent of a BJP-led government at the center, combined with the monetary stewardship of Raghuram Rajan, the respected Governor General of the Reserve Bank of India, made an immediate mark on investor sentiment. Stabilized currency rates and improved economic performance seemed to demonstrate that an era of policy paralysis and populism had ended in favor of a business-friendly growth agenda.
On August 17, 2014, India’s Independence Day, Prime Minister Modi announced his Make in India initiative—a branded campaign to attract international capital to the country’s struggling manufacturing sector. Make in India launched in September 2014 and has provided momentum to the country’s economy. The initiative is aiming to increase the share of manufacturing GDP from 16% to 25% and create 100 million jobs by 2020; gradually transforming the investor sentiment and raising optimism for doing business in India. Within the first year of its launch, Make in India is said to have attracted billions of dollars of proposals by Indian and foreign firms alike. Gross FDI flows to India jumped 27% to US$45 billion in 2015-2016, resulting in an all-time high.

On June 20, 2016, the Government of India (GOI) announced major changes aimed at further opening the economy to foreign investment. The long-awaited rules reinforce the government’s plan to develop more business-friendly policies as India looks to spur job creation and maintain its growth momentum. This is the second in a series of FDI openings by the Modi-led government, the earlier one being the liberalization of various sectors in November 2015. Per the new norms, 100% FDI is now permitted in civil aviation and e-commerce, among others, and requirements have been modified for 100% FDI in the defense sector. The government has also relaxed local sourcing requirements for high-technology, single-brand retailers. Other measures have been taken by the central and state governments to facilitate manufacturing, improve the business environment, and promote the development of industrial corridors across India.

India’s Smart Cities program was officially launched in June 2015 with a state-by-state competition to identify 100 cities that would receive central government funding from the Ministry of Urban Development to capitalize related infrastructure-upgrade projects. In January 2016, the first 20 cities were announced; 13 more cities were selected in May. The Government of India is investing a total of US$7.5 billion in intelligent urban infrastructure upgrades for the 100 cities over a 5-year period. This program covers multiple sectors, but focuses primarily on water and wastewater, power, sanitation, solid waste management systems, efficient urban mobility and public transportation, IT connectivity, e-governance and citizen participation. Central government funding is to be augmented by state and city budgets, with additional funds expected through public-private partnerships at the project level.

Given India’s decentralized political system, U.S. companies doing business in India should be prepared to encounter varied political and economic conditions across the country’s 29 states and 7 union territories. There are differences at the state level in the quality of governance, regulation, taxation, labor relations, and education levels. The country ranks 130 out of 189 in the World Bank’s Ease of Doing Business Report. Another issue is India’s judiciary system: courts have cases backlogged for years, and by some accounts more than 30 million cases could currently be pending at various levels in the court system.

While the government has managed to push through a number of investor-friendly reforms, including an increase in FDI limits in the defense and insurance sectors to 49%, on others, such as land acquisition, it has failed to muster sufficient political support to move
forward. On still other long-awaited reforms—the Goods and Services Tax, labor law reforms, and subsidies reform among them—the government has yet to get them through the upper house of Parliament. Thus, while the outlook has improved considerably, objective conditions for doing business in India remain similar to years past.

Opportunities in the current scenario, however, are still abundant. Indian conglomerates and high-technology companies are generally equal in sophistication and prominence to their international counterparts. Certain industrial sectors, such as information technology, telecommunications, and engineering are globally recognized for their innovation and competitiveness. Foreign companies operating in India emphasize that success requires a long-term planning horizon and a state-by-state strategy to adapt to the complexity and diversity of India’s markets.

Market Challenges

Infrastructure
Problems with the country’s roads, railroads, ports, airports, education, power grid, and telecommunications are significant obstacles as the nation strives to achieve its full economic potential. India’s ongoing urbanization, together with rising incomes, has resulted in a heightened need for improved infrastructure, both to deliver public services and to sustain economic growth. India is seeking to invest US$1 trillion in its infrastructure during the 12th Five-Year Plan (2012–2017) and is looking for private-sector participation to fund half of this massive expansion, largely through its home-grown Public-Private Partnership (PPP) model. U.S. companies have been successful in certain areas of India’s infrastructure development, but competition from other countries is increasing. As a result, U.S. industry’s market share in India in this sector has been declining. Unfortunately, the current PPP model has had a mixed record, slowing the development of numerous metro transit, road/highways, airport, mining and energy projects. One of the main shortcomings of the PPP model is that it assigns too much risk to the private sector. As a result, a government-sponsored committee has made recommendations on ways to improve the model with a view to establishing a more equitable risk-sharing arrangement. These recommendations, however, have yet to be implemented.

High Tariffs and Protectionist Policies
Import duties continue to be comparatively very high. Exporters and investors are also faced with non-transparent and often unpredictable regulatory and tariff regimes. Many U.S. services have limited access to the market. According to the World Bank survey on the ease of doing business for 2015, India is ranked 130 out of 189 countries due to its difficult business climate.

Local Content Requirements
The Indian government is pursuing local content requirements in specific areas, including information and communications technologies (ICT), electronics, and solar energy to spur an increase in the manufacturing sector’s contribution to GDP. These policies negatively affect U.S. exporters.
With regard to ICT, which has been a particular area of concern this past year, India recently drafted a policy expressing preference for domestically manufactured telecommunications and ICT products in government procurement, citing security concerns. In addition, the Department of Telecommunications must be notified of all telecom and ICT product purchases by the government that have security implications. All imported ICT equipment now requires mandatory licensing and certification from accredited labs in India. The limited number of labs has created yet another hurdle for U.S. exporters seeking to have their products quickly certified for sale and use here. This regulation has not been fully enforced due to the limited capacity of Indian testing labs.

This preferential market access (PMA) policy could result in hindering imports of innovative technologies, forcing the government to choose from a limited pool of approved locally manufactured products for its ICT procurement needs. Most alarmingly, procurements by private telecom companies could be affected as well. Of similar concern is a newly evolving cloud-computing policy, which could mandate that all government data remain in India, effectively denying market access to any foreign cloud-storage companies.

Powers of States
To do business in India successfully, an investor firm should factor differences in approach by different states into its national business strategy. Gujarat is an example of a state with a positive business climate that has succeeded in attracting significant foreign investment. West Bengal, on the other side of the spectrum, has a much lower level of foreign owned–business activity, but in response to competitive pressure from other states, is implementing state-level reforms to attract more investment. West Bengal’s continued efforts to make land more easily available through the government’s “Land Bank” could spark interest in small greenfield projects. However, not enough land is available in tracts for heavy industrial projects.

Market Opportunities
Overall, many businesses find they simply cannot afford to ignore the potentially lucrative Indian market despite its well documented poor infrastructure, high tariffs, protectionist policies, corruption, bureaucratic inefficiency and challenging intellectual property regime. India's massive infrastructure requirements present trade and investment opportunities for U.S. companies seeking to compete against foreign bidders. Similarly, while recent modifications in India’s defense procurement procedure will give priority to domestic public and private-sector firms for major military procurements, thus reducing the country’s dependence on imports from foreign vendors, major U.S. defense firms continue to succeed in the Indian market. Many large U.S. multinationals are more optimistic about India’s long-term potential and are expanding and deepening their market penetration. American firms with advanced and niche-market products and services are entering the market for the first time, or are replacing legacy distributors with more capable and aggressive representatives. Logistics companies are discovering India as a base for distribution throughout Asia, Africa and the Middle East. Finally, many smaller American firms have begun to view India as a top anchor market in the region for their products and services.
The following sectors present the best opportunities for U.S. entrants to the Indian market on the basis of estimated Indian imports and potential for growth in 2017:

- Agribusiness
- Civil aviation
- Corrosion control
- Defense
- Education services
- Environment and Water
- Healthcare and Medical equipment
- Infrastructure/Smart cities
- Mining and Mineral processing equipment
- Power and Renewable energy
- Supply chain management
- Travel and Tourism

**Market-Entry Strategy**

Strategic planning, due diligence, consistent follow-up, and perhaps most importantly, patience and commitment are all prerequisites to successful business in India. This market necessitates multiple marketing efforts that address differing regional opportunities, standards, languages, cultural differences and levels of economic development. Gaining access to India’s markets requires careful analysis of consumer preferences, existing sales channels, and changes in distribution and marketing practices, all of which are continually evolving.

*Finding Partners and Agents:* New-to-market businesses must address issues of sales channels, distribution and marketing practices, pricing and labeling, and protection of intellectual property. These issues are best addressed through and with an Indian partner or agent. Relationships and personal meetings with potential agents are extremely important. Due diligence is strongly recommended to ensure that partners are credible and reliable.

*Market-Entry Options:* There are many foreign companies considering opportunities in India. For entry into the Indian market, it is essential to identify the target market and find good partners who know the local market well and are completely acquainted with procedural
issues. Foreign investors should also explore various market options in India that could include forming subsidiary relationships or joint ventures with an India-based company.

Some of the important points for market entry in India are the ability to understand the diverse market and strategies toward specific regions and income groups (target segment); crafting offerings according to the target group in order to gain early acceptance; integration of the informal sector into the core business model by gaining access to relevant networks; consistency in approaching the market; obtaining mandatory licenses and approvals.

“Doing Business in India” article is provided by the U.S. Commercial Service, the trade promotion arm of the U.S. Department of Commerce’s International Trade Administration. For more information on doing business in India, you may visit their website at www.export.gov/India.

The following charts are based on import and export data obtained from the website of the International Trade Centre (ITC)
INDIA SNAPSHOT

Demographics

<table>
<thead>
<tr>
<th>Age</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>0–14</td>
<td>0.19</td>
<td>0.16</td>
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<tr>
<td>15–64</td>
<td>0.43</td>
<td>0.40</td>
</tr>
<tr>
<td>65 &amp; Over</td>
<td>0.04</td>
<td>0.04</td>
</tr>
</tbody>
</table>

Median Age 27.6
Population Growth 1.19%

Economy

GDP (PPP) $8.72 trillion
GDP Per Capita $6,700
GDP-Real Growth Rate 7.60%
Unemployment Rate 8.40%
Inflation 5.60%

Data Source: Demographics, Economy and Trade from CIA World Factbook, Music Industry from The Music Trades.
GDP (PPP): Gross Domestic Product based on purchasing-power-parity (PPP) valuation of country GDP in U.S. dollars.
Trade

<table>
<thead>
<tr>
<th>Total Export</th>
<th>$271.6 billion</th>
<th>Export as % of GDP</th>
<th>3.11%</th>
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<tr>
<td>Total Import</td>
<td>$402.4 billion</td>
<td>Import as % of GDP</td>
<td>4.61%</td>
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Music Industry

<table>
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<tr>
<th>Music Market</th>
<th>$125.0 million</th>
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<tr>
<td>Sales Per Capita</td>
<td>$0.10</td>
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<tr>
<td>Global Share</td>
<td>0.80%</td>
</tr>
</tbody>
</table>

India Music Market
(U.S. $ in millions)

Share of Global Music Market
(Percent)
India Imports and Exports

Acoustic Pianos
Imports

Exports

Fretted & Stringed Instruments
Imports

Exports

Keyboards
Imports

Exports
India Imports and Exports

Wind Instruments
Imports

Exports

Percussion
Imports

Exports

Accessories
Imports

Exports
DOING BUSINESS IN ITALY

Market Overview

• Italy is the world’s eighth largest economy, with a GDP of US$1.6 trillion in 2015. Although Italy emerged from recession in the first quarter of 2015, the country’s GDP remains well below its pre-crisis peak. Italy’s GDP grew by 0.8% in 2015. Analysts predict that the Italian economy will see modest growth in 2016.

• In 2015 Italy was the 21st largest market for U.S. exports, which totaled approximately US$17 billion, and the sixth largest export market in the EU, following the UK, Germany, Netherlands, Belgium and France.

• U.S. exports to Italy are increasing steadily and are concentrated in high-value sectors such as transportation machinery (12%), pharmaceuticals (11%) and electrical machinery (8%).

• In 2015, the United States was Italy's third largest destination for exports (US$39.4 billion), following Germany and France. The United States is Italy's eighth largest supplier.

• Based in part on structural reforms by the Italian government, the country’s economy is beginning to move into a solid recovery after its longest recession in recent memory, and there appears to be political momentum for improvements to Italy’s investment climate.

• Italy’s cumulative inward FDI investment equaled 17% of the country’s GDP, well below the EU average of 49%, in 2014. U.S. direct investment in Italy totaled US$26.7 billion in 2014, ranking Italy eighth in Europe. This amount represents less than half of U.S. investment in France and one-fourth the size of U.S. FDI in Germany. U.S investment in Italy is concentrated in manufacturing, computer services and software, and energy, with significant industrial relationships in the aerospace and automotive sectors.

• The United States remained Italy's largest non-EU export market and was also Italy's fastest-growing export market in 2015.

• In 2014, Italian foreign direct investment in the United States totaled US$28.8 billion, supporting 130,900 U.S. jobs. Top industry sectors for Italian FDI include industrial machinery, automotive components, metals, software and IT services, communications and consumer products.

• Italy has a population of approximately 61 million people. Industrial activity is concentrated in the north, from Turin in the west through Milan to Venice in the east. This is one of the most industrialized and prosperous areas in Europe and accounts for more than 50% of Italy's national income. By contrast, Italy's southern region, or “Mezzogiorno,” is less developed.
• The Italian economy is driven in large part by the manufacture of high-quality consumer goods produced by small and medium-sized enterprises, many of them family owned.

• Italy’s current government formed in February 2014 when now 41-year-old Florence mayor and Democratic Party (PD) leader Matteo Renzi replaced Enrico Letta as Prime Minister. Renzi’s center-left PD dominates his governing coalition, which includes the center-right “Popular Area” and the Civic Choice party.

• Renzi’s government has ambitiously sought to increase Italy’s growth potential through labor market, public administration, justice and education reform, and by streamlining Italy’s political institutions. As the Renzi government implements new reforms, opportunities for U.S. companies are likely to arise in many sectors.

• The Transatlantic Trade and Investment Partnership (T-TIP) with the EU is an ambitious and comprehensive trade and investment agreement that will promote trans-Atlantic international competitiveness, jobs and growth. Negotiations are ongoing and both sides are eyeing the end of the year for concluding the negotiations.

Market Challenges

• Italy’s growth lags below the EU average, although domestic consumption appears to be rebounding. The Italian GDP grew marginally in 2015 and unemployment remains above EU averages.

• Italy is a mature and sophisticated market. U.S. entrants face strong competition from local and other EU companies in all market segments.

• Italy’s regulatory environment is complex and at times lacks the transparency, clarity, efficiency and certainty found in other developed economies.

• Products that involve health, safety or environmental concerns are likely to be highly regulated. While EU-wide regulations often apply, Italian laws may go beyond the basic EU requirements.

• Small and medium-sized firms (SMEs) dominate Italy’s economy. Many of these types of firms are family-owned, comprising 99% of Italian businesses and producing 68% of Italy’s GDP.

• Italy’s SME sector has a higher proportion of firms employing fewer than 10 people than the EU average. These companies contribute nearly half of total employment and one-third of value to the economy.
Market Opportunities

- U.S. firms enjoy opportunities in sectors where new regulations or programs (often imposed or initiated at the EU level) are creating demand; new products/services with little or no domestic competition; and U.S. products offer clear technological, design or price advantages.

- Best prospects for U.S. exports include airport and ground support equipment, alternative fuel vehicles, biotechnology, cosmetics and toiletries, cybersecurity, medical devices and technologies, pet products, renewable energy equipment, safety and security, smart grid technology and travel and tourism.

- Key U.S. exports in Italy include pharmaceutical products, industrial machinery and machine tools, electrical appliances, automobiles and auto parts, food and wine, tourism services, as well as textiles/fashion.

- Italy hosts major trade shows that attract buyers from throughout Europe and beyond. The Commercial Service offers on-site support for U.S. exporters at most of the major international shows, or by request. Key trade shows taking place in Italy in 2017–2018 include European Utility Week, EICMA, Zoomark, and Cosmoprof Bologna.

- In 2015, U.S. agricultural, fish, and forestry exports to Italy were US$1.3 billion, whereas U.S. imports from Italy reached $4.2 billion. The U.S. exports bulk and intermediary products to Italy, namely wheat, soybeans, hides and skins, hardwood lumber and planting seeds. Many of these products are inputs for value-added Italian products like cured meats and cheeses, pasta, shoes and furniture, which are then shipped to the United States.

Market-Entry Strategies

- The cultivation and maintenance of personal relationships is a vital part of doing business in Italy. Finding the right Italian agent, distributor or business partner is therefore essential to enter the Italian market. It is usually not effective to rely on agents or distributors in neighboring markets, despite the existence of the EU common market.

- The ideal candidate should already have a network of relationships that will open doors in the market and have a solid understanding of local business practices and regulations. For technical products, the potential partner should have the ability to provide Italian customers with after-sales service. Patience is essential; it may take two to three times longer than expected to establish a business.

- E-commerce remains less developed in Italy due to factors such as a high level of credit card fraud, lack of trust in the postal system, limited broadband connectivity, and the traditionally less favorable return practices of Italian merchants. However, Italians do use the Internet extensively for social networking and information.
“Doing Business in Italy” article is provided by the U.S. Commercial Service, the trade promotion arm of the U.S. Department of Commerce’s International Trade Administration. For more information on doing business in Italy, you may visit their website at www.export.gov/Italy.

The following charts are based on import and export data obtained from the website of the International Trade Centre (ITC)
ITALY SNAPSHOT

Demographics

<table>
<thead>
<tr>
<th>Age</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>0–14</td>
<td>4.34</td>
<td>4.15</td>
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<tr>
<td>15–64</td>
<td>19.86</td>
<td>20.41</td>
</tr>
<tr>
<td>65 &amp; Over</td>
<td>5.70</td>
<td>7.56</td>
</tr>
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</table>

Population in millions: 62.0
Median Age: 45.1
Population Growth: 0.23%

Economy

<table>
<thead>
<tr>
<th>GDP (PPP)</th>
<th>$2.22 trillion</th>
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<tbody>
<tr>
<td>GDP Per Capita</td>
<td>$36,300</td>
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<tr>
<td>GDP-Real Growth Rate</td>
<td>0.80%</td>
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<tr>
<td>Unemployment Rate</td>
<td>11.40%</td>
</tr>
<tr>
<td>Inflation</td>
<td>-0.20%</td>
</tr>
</tbody>
</table>

Data Source: Demographics, Economy and Trade from CIA World Factbook, Music Industry from DismaMusica.

GDP (PPP): Gross Domestic Product based on purchasing-power-parity (PPP) valuation of country GDP in U.S. dollars.
International Data
Italy Snapshot

Trade

<table>
<thead>
<tr>
<th>Total Export</th>
<th>$436.3 billion</th>
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<tr>
<td>Export as % of GDP</td>
<td>19.65%</td>
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<tr>
<td>Total Import</td>
<td>$372.2 billion</td>
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<tr>
<td>Import as % of GDP</td>
<td>16.77%</td>
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</table>

Export Partners (2016)

Import Partners (2016)

Music Industry

<table>
<thead>
<tr>
<th>Music Market</th>
<th>$353.2 million</th>
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<tbody>
<tr>
<td>Sales Per Capita</td>
<td>$5.71</td>
</tr>
<tr>
<td>Global Share</td>
<td>2.18%</td>
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</table>

Music Sales Per Capita (U.S. $)

Italy Music Market (U.S. $ in millions)

Share of Global Music Market (Percent)
Italy Imports and Exports

Guitars Imports

Guitars Exports

Fretted Instruments Imports

Fretted Instruments Exports

Stringed Instruments Imports

Stringed Instruments Exports
Italy Imports and Exports

Upright Pianos
Imports

Exports

Grand Pianos
Imports

Exports

Keyboards
Imports

Exports
Italy Imports and Exports

Brass Instruments

Imports

Exports

Wind Instruments

Imports

Exports

Percussion

Imports

Exports
Italy Imports and Exports

Accordions

Imports

Exports

Instrument Strings

Imports

Exports

Accessories

Imports

Exports

Accordions

Imports

Exports

Instrument Strings

Imports

Exports

Accessories

Imports

Exports
JAPAN

The data and comments in this report are based on statistics compiled by the Musical Instrument Manufacturers’ Association (MIMA) and the Ministry of Economy, Trade and Industry (METI) for production, domestic sales and exports; and the Ministry of Finance (MF) for imports and exports. Amounts and percentages are rounded.

However, MIMA re-organized the association to be a general incorporated association in April 2016 and announced a new market report to be compiled from April 2016 through March 2017, which will be completed by the association in July 2017. Thus, at this point, we have no actual data from MIMA to report.

As a result, the market data for this particular NAMM Global Report is compiled only by METI for production, domestic sales and exports, and by MF for imports and exports as indicated below.

Slow GDP Growth
Japan has had a very slow economy since the collapse of the bubble in 1991. The growth rate between 1991 and 2016 was 1.25 times in yen value. Economy growth of 2016 (521,794.30 yen) comparing with 2015 (516,636.60 yen) is +1%. This sluggish economy apparently seems to have affected the sales of the musical instruments in Japan continuously for more than two decades.

Japan GDP Growth Rate (value in yen: 10 billion)

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<tr>
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</thead>
<tbody>
<tr>
<td>Japan</td>
<td>417,650.52</td>
<td>516,636.60</td>
<td>521,794.30</td>
<td>1:1.25</td>
</tr>
</tbody>
</table>

2016 Statistics on Domestic Sales and Export of Musical Instruments in Japan officially compiled by METI: Ministry of Economy, Trade and Industry

Statistics of actual value of piano sales have been announced as “X” (Concealed), as “Upright and Grand Pianos” for 2016 could not be calculated. The reason for this is that when the survey target is only one or two, or sometimes or even three or more companies, the quantity or value of production for individual companies in the group may be calculated by concerned parties. Thus, the actual value of piano sales has been announced as “X” (Concealed) to protect their confidential figures.

For reference, according to piano sales data compiled from Statistics on Domestic Sales and Export of Musical Instruments in Shizuoka Prefecture, sales of Acoustic Pianos totaled 39,410 units and 24,394,595,000 yen, of which 24,489 units were exports and 14,921 were domestic sales, achieving 103% compared with 2015. (Upright Piano total: 27,793 units and 11,636,471,565 yen; export: 16,583 units and 6,679,471,000 yen, domestic: 11,210 units and 4,957,094,000 yen. Grand Piano total: 11,617 units and 12,758,030,000 yen; export: 7,906 units and 8,078,017,000 yen; domestic: 3,711 units and 4,680,013,000 yen).
The total sales of Electronic Pianos and Electronic Organs: 216,000 units and 18,381,000,000 yen, marking 110%; Guitars and Electric Guitars: 151,838 units and 5,284,000,000 yen, marking 112%; Electronic Keyboards: 105,196 units and 5,912,000,000 yen, resulting in 70%; Wind Instruments: 154,775 units and 18,473,000,000 yen, resulting in 82%, the lowest figure in 15 years.

**2016 Musical Instruments Export and Import Sourced from Customs Bureau of the Ministry of Finance**

**EXPORTS**
The following trade statistics by the Ministry of Finance reported Exports: 61,596,012,000 yen, a slide to 90%, and Imports: 55,580,685,000 yen, down to 95% compared to 2015. Combining Guitars and Other String Instruments and Electric Guitars, the 56,240 units total slightly dropped to 97%. Electric and Electronic Keyboard Instruments, with 69,618 units and 5,437,725,000 yen, achieved 107%. It seems that the sales of electronic keyboard instruments, including digital pianos, are moving firmly in both domestic and export markets.

**IMPORTS**
On the import front, Electric Guitars, with 210,904 units (123%) and 8,790,649,000 yen (113%), dominated with about 16% of total import value, achieving a better increment than the previous year. This was due to the high yen currency rate, around the US$1.00=JPY100 level, in the early part of the year through August 2016.

Other imports, including Electric and Electronic Instruments with Keyboards (587,088 units/107% and 11,530,260,000 yen), Guitars 248,676 units/106% and 5,056,650,000 yen), Brass and Wind Instruments (29,737 units: 110% and 2,120,421,000 yen), Bowed Instruments (34,529 units/124% and 1,591,482,000 yen) and Other String Instruments (141,035 units/138% and 893,721,000 yen) all exceeded the prior year.

*Commentary by Shunco Mori, Director of Japan Music Trades*

**DOING BUSINESS IN JAPAN**

**Market Overview**

**Introduction**
The only Asian member of the G-7, Japan is an economic and demographic trendsetter among the world’s advanced countries. It is a technology and manufacturing powerhouse that plays a leading role in the global economy and global supply chains. Japan’s large middle class demands a variety of consumer goods and services, and drives a consumer economy that leads the national economy. Japan also holds the second largest total amount of foreign direct investment (FDI) in the United States, with a cumulative FDI stock of almost $400 billion. More notable still, Japan has been the single largest source of foreign direct investment into the U.S. market over the past several years, with an inflow of more
than $30 billion in 2015. As a result, Japan sees dozens of visits by senior U.S. state and city officials annually. While the reasons that U.S. firms engage with Japan are diverse, the strategic and tactical importance of the Japanese market is critical for their business in Japan, in the United States, and in third-country markets as well.

**Top Five Reasons Why U.S. Companies Should Consider Exporting to Japan**

1. Japan is the third largest economy in the world, after the United States and China. Japan is the fourth largest importer of U.S. products, after Canada, Mexico and China. Japan is a key player in the global economy and international trade system with well-established rule of law and strong protections for intellectual and real property rights. Japan will also host the 2020 Olympic and Paralympic Games, boosting the economy in the run up to the Games, with the potential for a significant beneficial legacy, particularly in “soft” infrastructure.

2. Japan’s strategic alliance and deep economic integration with the United States provides opportunities in cutting-edge sectors including space, defense and security. Japan is a leading importer of U.S. aerospace and defense equipment and, increasingly, an integrated co-developer. Fast-growing markets include advanced manufacturing, healthcare, cybersecurity solutions and e-Commerce.

3. Japan has a large middle class and a broad-based, highly developed consumer economy that offers great potential for consumer products and services and B2C sales. Japan has a high per capita income, with a GDP per capita of over $38,000 (PPP, *CIA World Factbook*, 2015), with significant disposable and household consumption representing about 60% of GDP (*CIA Factbook*, 2015). Japan’s middle-class consumption is ranked second behind the United States according to the Brookings Institution. For example:

- Japan is the second largest source of overseas travel and tourism to the United States, just behind the U.K.: 3.58 million visitors in 2014 (source: Commerce, ITA); and

- Japan is the eighth largest source of international students to the United States: 19,064 students during the 2014–15 school year (source: *Open Doors Report*).

4. Japan is highly dependent upon natural resources imports. Japan is the world’s largest net buyer of food products, and the United States is the leading supplier of its agricultural imports. Total U.S. food, agricultural and fishery exports to Japan were more than $13.9 billion in 2014, and U.S. manufactured food exports to Japan were $6.5 billion in 2014. The United States is also well positioned to export agricultural capital equipment and technologies to Japan that are needed as Japan increases its exports of high-value-added food products. Japan is also the world’s largest liquefied natural gas importer, second-largest coal importer and third-largest net importer of crude oil and oil products. In addition to welcoming international collaboration on renewable and distributed energy, Japanese firms have also signed multi-decade purchase agreements to import liquefied natural gas from the United States.
5. The U.S. Commercial Service Japan has upgraded its tools available to assist U.S. companies to include a SelectUSA program to attract U.S. foreign direct investment, a Digital Attaché program to provide greater assistance to digital economy companies, and more robust staffing in western Japan.

**Economic Policy and International Trade**

Prime Minister Abe is implementing economic policies to revitalize the economy. These new economic policies are known collectively as “Abenomics”—a three-pronged strategy that combines expansive fiscal policy, monetary easing and structural reform. While the success of this strategy in re-igniting long-term growth in Japan is uncertain, it has drawn considerable attention from U.S. businesses. Reforms to Japan’s agricultural land-holding system and corporate governance disciplines aimed at increasing transparency and unlocking shareholder value have attracted particular attention, as has liberalization of the electrical sector.

**Demographics**

Japan has a declining population and rapidly aging society. The country’s population is projected by some researchers to shrink by as much as one-third by 2060, from 127 million to 87 million; and the share of the population over 65 years old may rise from 25% today to 40% by 2060. The Japanese government, healthcare industry and business community are actively engaged in both seeking to ameliorate the decline in population, as well as to adapt to its impacts, beginning with a check on potential macroeconomic growth. Japan’s aging population, likewise, is often seen as a drag on the economy but also presents business opportunities in sectors to include:

- Medical devices and equipment
- Pharmaceuticals
- Healthcare facilities and infrastructure, including in-home care
- Biotechnology
- Healthcare information technology
- Safety
- Robotics
- Leisure and travel
- Educational services

**Recent Developments**

Japan continues to implement fiscal and monetary policies to stimulate economic growth and development. Japan’s large government debt, which totals over 250% of GDP, continues to be a long-term challenge confronting the economy.
While Japan has made significant steps toward economic healing following the tragic combined earthquake, tsunami and nuclear accident of March 2011, lasting changes on various levels remain noticeable, including idled nuclear power plants, dislocated communities and a lack of long-term confidence in wage and purchasing power growth.

**Market Challenges**

The difficulty or ease of penetrating the Japanese market depends on the specific product or service. Tariffs on most imported goods into Japan are low. However, cultural, regulatory and other non-tariff barriers to market entry may exist.

The list below includes some barriers that companies may encounter:

- Import license requirements
- Restricted or prohibited imports
- Temporary entry of goods
- Certifications
- Japan-specific standards and testing requirements
- Labeling requirements
- Long-term local partner/distributor relationship issues and expectations
- High-context business relationships and procedures
- Weak English skills
- High expectations for quality and customer service
- High cost for entry due to size of economy

By understanding and planning for the challenges of the Japanese market and market entry, U.S. exporters and companies can better prepare themselves and increase their ability to compete and succeed.

**Market Opportunities**

The Japanese market offers numerous opportunities for U.S. companies in a wide variety of sectors. Japan’s imports by major category, from all countries, in 2015 include:

- Mineral/fuels: $150.8 billion
- Electrical machinery: $99 billion
- Chemicals: $63.9 billion
• Foodstuffs: $57.8 billion
• Machinery: $58.4 billion
• Manufactured goods: $58.2 billion
• Raw materials: $40.6 billion
• Clothing and accessories: $28.2 billion
• Transport equipment: $25.8 billion
• Other: $93.6 billion

**Market-Entry Strategies**
For new-to-market exporters, developing a suitable market-entry strategy is a key to success and longevity in the Japanese market. Possible market-entry options may include:

• E-Commerce
• Direct exporting
• Partnering
• Joint ventures
• Piggybacking
• Turnkey projects
• Licensing
• Franchising
• Buying a company

Use of the Japanese language is sometimes required and can be critical to success in Japan. Marketing in Japanese is essential to communicate with local consumers and business customers. Labeling requirements for many products are specified by government regulation and must be in Japanese. Although effective go-betweens and professional interpreters can be the difference between success and failure, Japanese businesspeople will appreciate efforts made to communicate in even basic Japanese.
Top priorities for marketing in Japanese include:

- Business cards
- Product marketing information
- Website
- Basic self-introduction phrases
- Having an interpreter or bilingual assistant when appropriate

An understanding of Japanese business culture and social practices is also useful, if not required, in establishing and maintaining successful relationships for doing business in Japan. Indifference to local business customs can indicate a lack of commitment on the part of the exporter, and may lead to misunderstandings and bad feelings, which could result in the loss of business opportunities. Understanding the demanding expectations of the Japanese consumer in terms of display, quality (to the extent of blemish-free product) and service delivery is crucial. Key topics to consider include:

- Japanese society is complex, structured, respectful of age, hierarchical and group-oriented
- Group decision-making is important in Japan
- Gift giving is expected on many business occasions in Japan
- Business travelers to Japan should make sure to bring a large supply of business cards (with their title); printing bilingual cards is appreciated
- The Japanese expectations of display, quality and service delivery may be second to none.

"Doing Business in Japan" article is provided by the U.S. Commercial Service, the trade promotion arm of the U.S. Department of Commerce’s International Trade Administration. For more information on doing business in Japan, you may visit their website at www.export.gov/Japan.

The following charts are based on domestic sales and export data provided by the Japan Musical Instruments Manufacturers’ Association (JMIMA), the Ministry of Economy, Trade and Industry (METI), and the Customs Bureau of the Ministry of Finance, and published by the Japan Music Trades.
JAPAN SNAPSHOT

Demographics

Population in millions: 126.7

<table>
<thead>
<tr>
<th>Age</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>0–14</td>
<td>8.47</td>
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<tr>
<td>15–64</td>
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</tr>
<tr>
<td>65 &amp; Over</td>
<td>15.08</td>
<td>19.49</td>
</tr>
</tbody>
</table>

Median Age: 46.9
Population Growth: -0.19%

Economy

GDP (PPP): $4.93 trillion
GDP Per Capita: $38,900
GDP-Real Growth Rate: 0.50%
Unemployment Rate: 3.20%
Inflation: -0.10%

Data Source: Demographics, Economy and Trade from CIA World Factbook, Music Industry from The Music Trades.

GDP (PPP): Gross Domestic Product based on purchasing-power-parity (PPP) valuation of country GDP in U.S. dollars.
Trade

<table>
<thead>
<tr>
<th>Total Export</th>
<th>$641.4 billion</th>
<th>Export as % of GDP</th>
<th>13.01%</th>
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<tbody>
<tr>
<td>Total Import</td>
<td>$629.8 billion</td>
<td>Import as % of GDP</td>
<td>12.77%</td>
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Music Industry

<table>
<thead>
<tr>
<th>Music Market</th>
<th>$1.2 billion</th>
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</thead>
<tbody>
<tr>
<td>Sales Per Capita</td>
<td>$9.47</td>
</tr>
<tr>
<td>Global Share</td>
<td>7.40%</td>
</tr>
</tbody>
</table>

Music Sales Per Capita
(U.S. $)

Japan Music Market
(U.S. $ in billions)

Share of Global Music Market
(Percent)
Japan Domestic Sales and Exports
(Note regarding the export data: The knockdown production and intermediary trade data are not included starting in 2010)
Japan Domestic Sales and Exports

Grand Pianos
Domestic Sales

Grand Pianos
Exports

Upright Pianos
Domestic Sales

Upright Pianos
Exports

Total Acoustic Pianos
Domestic Sales

Total Acoustic Pianos
Exports
Japan Domestic Sales and Exports

Electronic Pianos
Domestic Sales

Exports

Electronic Organs
Domestic Sales

Exports

Electronic Keyboards
Domestic Sales

Exports

Electronic Pianos

Exports

Electronic Organs

Exports

Electronic Keyboards

Exports

Japan Domestic Sales and Exports
MEXICO

Overall, the market has further dropped in comparison to 2015. The end consumer continues to be very cautious. Major retail chains have reported drops in their sales, which is similar to our market.

The Mexican peso devaluated against the US dollar more than 10% in a 12-month period. The official inflation is in the 4–5% range. The real inflation for consumer goods is more than 10%. This is due to many factors; the exchange rate is mainly to blame.

Dealers continue to focus on low-priced instruments and of a lower quality. This creates for some a problem of liquidity and ability to pay fixed costs of their stores. When we consider that spending has dropped even further over the first quarter of the year, dealers are struggling to pay operation costs. Credit terms have also increased by more than 90–120 days. In some cases it is not enough to cover payments to suppliers in that time.

Recent political scandals have created a strong instability: state governors and other state officials have been accused in corruption scandals and are not able to account for public spending and destination of public funds. Billions of US dollars are in play, and it is hard to imagine that these funds will return. Adding the already-grim economic outlook for 2017, these scandals and missing funds will and have already created some local unrest, since bureaucrats cannot cash their paychecks.

Safety issues continue to be a big problem in some areas of the country. The various drug cartels fight over territories and create (even in popular tourist spots) a negative flow of tourists. The Mexican economy gets more than 8% from tourist spending. This in turn also affects our industry, since fewer bands will be playing in bars and clubs.

The US election results immediately impacted our economy. Speculation devaluated the Mexican peso by about 10% and has not really recovered since then. International ratings of Mexico’s economy could affect down the road, since Mexico could been seen as not a good investment-grade economy.

The Mexican presidential election will be 2018, and already now one can see options for candidates and pre-campaign promises. Elections bring excessive federal spending, which in turn will generate more corruption and economic instability.

*Commentary by Thomas Veerkamp, Marketing Director of Casa Veerkamp, SA de CV*

**DOING BUSINESS IN MEXICO**

**Market Overview**

**Top Reasons Why U.S. Companies Should Consider Exporting to Mexico**
- Location, location, location – it is literally right next door, and has well-developed supply chains.
NAFTA has eliminated most tariffs, reduced paperwork for exporting to Mexico and increased demand for U.S. goods and services. Mexico continues to experience economic growth.

Recent economic reforms have liberalized key sectors such as energy and telecommunications.

Close cultural, social and economic ties make Mexico a natural market to consider for first-time and expanding exporters.

The North American Free Trade Agreement (NAFTA), which was enacted in 1994 and created a free trade zone for Mexico, Canada and the United States, is the most important feature in the U.S.-Mexico bilateral commercial relationship. Mexico is the United States’ third largest trading partner and second largest export market for U.S. products. U.S.-Mexico bilateral trade in goods increased from US$88 billion in 1993, the year prior to the implementation of NAFTA, to US$531 billion in 2015, an increase of 503%.

In May 2013, President Obama and Mexican President Peña Nieto announced the High Level Economic Dialogue (HLED), which was launched by Vice President Biden and his Mexican counterparts on September 20, 2013, in Mexico City. The HLED involves several government agencies from the United States and Mexico that are working together to promote competitiveness and connectivity; foster economic growth, productivity and innovation; and partner for regional and global leadership. Within the framework of the HLED, our governments are working in conjunction with the private sector to identify and reduce barriers to trade between our two countries and to increase opportunities for both U.S. and Mexican companies in our two markets. To learn more about the HLED, visit www.trade.gov/hled.

To further HLED efforts to promote entrepreneurship, stimulate innovation and encourage the development of human capital to meet the needs of the 21st-century economy, Presidents Obama and Peña Nieto also announced a Bilateral Forum on Higher Education, Innovation, and Research (FOBESII), which was officially launched in May 2014. Through this forum, both governments are seeking to expand student, scholar and teacher exchanges; increase joint research in areas of mutual interest; and share best practices in higher education and innovation. In 2013, the two presidents also announced the creation of the Mexico-United States Entrepreneurship and Innovation Council (MUSEIC). The council is composed of seven subcommittees, providing a legal framework for programs that encourage innovative entrepreneurship, promote women’s entrepreneurship, exchange best practices in technology commercialization and engage entrepreneurs among the Latin American diaspora residing in the United States, supporting entrepreneurs of small and medium-sized businesses, developing regional innovation clusters, and sharing best practices in financing high-impact entrepreneurship.

Mexico, a stable democracy, is the most populated Spanish-speaking country in the world. It ranks as the 12th most populous nation in the world with more than 127 million people, 79% of who live in urban zones. Ten percent of the population is considered wealthy and
about 45% live in poverty, earning less than US$10 per day. The remaining 45% of the population is considered middle class. Mexico has a very young population, with a median age of 28. It offers a large market with a GDP of approximately US$1.29 trillion with a 2015 estimated per capita income of US$17,276 (World Bank figures show US$9,009 without purchasing parity). With a shared Western and Hispanic culture, U.S. producers may find it straightforward to market and sell their services and products in Mexico. There is a large installed base of manufacturing in a wide range of sectors.

Mexico's GDP growth slowed from a strong average of 4.3% between 2010 and 2012 to 1.1% in 2013. The World Bank estimates GDP growth to strengthen from 2.5% in 2015 to 3.5% in 2017, with growth overall strongly tied the U.S. economy and world oil prices. In 2013 and 2014, Mexico passed sweeping reforms in the energy, telecom, labor, financial and education sectors. All of these are positioning Mexico to increase its competitiveness. The energy and telecom reforms offer a multitude of new opportunities for U.S. firms.

Market Challenges
Mexico's size and diversity are often underappreciated by U.S. exporters. It can be difficult to find a single distributor or agent to cover this vast market. Also, the Mexican legal system differs in fundamental ways from the U.S. system, so U.S. firms should consult with competent legal counsel before entering into any business agreements with Mexican partners. The banking system in Mexico has shown signs of growth after years of stagnation, but interest rates remain relatively high. In particular, small and medium-sized enterprises (SMEs) find it difficult to obtain financing at reasonable rates despite Mexican government efforts to increase capital for SMEs. U.S. companies need to conduct thorough due diligence before entering into business with a Mexican firm, and should be conservative in extending credit and alert to payment delays. As one element in a prudent due diligence process, the U.S. Commercial Service offices in Mexico can conduct background checks on potential Mexican partners. U.S. companies should assist Mexican buyers in exploring financing options, including Export-Import Bank programs.

Mexican customs regulations, product standards and labor laws may present pitfalls for U.S. companies. U.S. Embassy commercial, agricultural, intellectual property rights, standards, and labor officers are available to counsel firms with respect to regulations that affect their particular export product or business interest.

Continued violence involving criminal organizations has created insecurity in some parts of Mexico, including some border areas. For more detailed information, it is strongly recommended that prior to travel to Mexico, you consult the Department of State's Travel Warning website.

Market Opportunities
Abundant market opportunities for U.S. firms exist in Mexico; US$580 billion in trade in goods and services crosses the U.S.-Mexico border every year – almost US$1.6 billion every day between the two countries. Mexico's current administration came into office in December 2012 for a six-year term. In April 2014 President Peña Nieto announced a consolidated National Infrastructure Plan. The plan focuses on major sectors: transportation,
water, energy, health, urban development, communications and tourism with an anticipated total investment of US$586 billion through 2018. As these projects develop, opportunities to participate in major projects, subcontracts and sales to the federal government will grow.

Mexico’s geographic proximity to the United States has propelled the maquiladora industry near the U.S.-Mexico border. This phenomenon and other global economic factors are providing U.S. businesses with increasing alternatives to Asia-based manufacturing and opportunities to sell into regional supply chains. Labor rates are competitive with China, and a robust logistics network allows rapid transport of goods to U.S. consumers.

Some of Mexico’s most promising sectors include agriculture; agribusiness; auto parts and services; education services; energy; environmental technology; franchising; housing and construction; packaging equipment; plastics and resins; security and safety equipment and services; information technology sectors; transportation infrastructure equipment and services; and travel and tourism services.

Given the size of the Mexican market, there are numerous promising prospects, including food processing equipment, architectural and engineering services and more. If an industry is not explicitly mentioned as a “best prospect,” it does not necessarily mean that there are ample opportunities in the Mexican market.

**Market-Entry Strategies**
To do business in Mexico, it is crucial to develop and maintain close relationships with clients and partners. Mexicans prefer direct communication such as telephone calls or face-to-face meetings. Email, however, is widely used and social media apps are increasingly popular for quick interactions. Mexican companies are extremely price conscious, seek financing options, tend to desire exclusive agreements, and value outstanding service and flexibility. U.S. firms wishing to export to Mexico will find a variety of market-entry strategies.

Mexican consumers can be quite sophisticated, yet a large proportion of the population is price sensitive. Due in large part to the proximity to the United States, popular U.S. brands are quite familiar in Mexico, and often distributed through a variety of channels. Many factors help determine the best strategy, such as the product/service, logistics and customs, distribution, marketing, direct or indirect sales, exporting experience, and language proficiency, among others. The U.S. Commercial Service can assess market potential of products and services, provide advice on export strategies, and facilitate business agreements with potential clients and/or partners through our three offices in Mexico: Mexico City, Guadalajara and Monterrey.

“Doing Business in Mexico” article is provided by the U.S. Commercial Service, the trade promotion arm of the U.S. Department of Commerce’s International Trade Administration. For more information on doing business in Mexico, you may visit their website at [www.export.gov/Mexico](http://www.export.gov/Mexico).

The following charts are based on import and export data obtained from the website of the International Trade Centre (ITC)
MEXICO SNAPSHOT

Demographics

Population in millions 123.2

<table>
<thead>
<tr>
<th>Age</th>
<th>Male</th>
<th>Female</th>
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<tbody>
<tr>
<td>0–14</td>
<td>17.17</td>
<td>16.40</td>
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<tr>
<td>15–64</td>
<td>39.41</td>
<td>41.65</td>
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<tr>
<td>65 &amp; Over</td>
<td>3.83</td>
<td>4.70</td>
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</table>

Median Age 28.0
Population Growth 1.15%

Economy

GDP (PPP) $2.31 trillion
GDP Per Capita $18,900
GDP-Real Growth Rate 2.10%
Unemployment Rate 4.40%
Inflation 3.70%

Data Source: Demographics, Economy and Trade from CIA World Factbook, Music Industry from The Music Trades. GDP (PPP): Gross Domestic Product based on purchasing-power-parity (PPP) valuation of country GDP in U.S. dollars.
Trade

<table>
<thead>
<tr>
<th></th>
<th>Total Export</th>
<th>Export as % of GDP</th>
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<tbody>
<tr>
<td>Export</td>
<td>$359.3 billion</td>
<td>15.55%</td>
</tr>
<tr>
<td>Import</td>
<td>$372.8 billion</td>
<td>16.14%</td>
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Music Industry

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
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<tbody>
<tr>
<td>Music Market</td>
<td>$187.0 million</td>
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<tr>
<td>Sales Per Capita</td>
<td>$1.52</td>
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<tr>
<td>Global Share</td>
<td>1.20%</td>
</tr>
</tbody>
</table>

Music Sales Per Capita (U.S. $)

Mexico Music Market (U.S. $ in millions)

Share of Global Music Market (Percent)
Mexico Imports and Exports

Acoustic Pianos
- Imports
- Exports

Fretted & Stringed Instruments
- Imports
- Exports

Keyboards
- Imports
- Exports

Mexico Imports and Exports
Mexico Imports and Exports

Wind Instruments
- Imports: Value in U.S. $ millions
- Exports: Value in U.S. $ millions

Percussion
- Imports: Value in U.S. $ millions
- Exports: Value in U.S. $ millions

Accessories
- Imports: Value in U.S. $ millions
- Exports: Value in U.S. $ millions

Wind Instruments
- Imports: Value in U.S. $ millions
- Exports: Value in U.S. $ thousands

Accessories
- Imports: Value in U.S. $ millions
- Exports: Value in U.S. $ millions

202
DOING BUSINESS IN THE NETHERLANDS

Market Overview
- The United States’ partnership with the Netherlands is its oldest continuous relationship and dates back to the American Revolution.

- The Netherlands is a geographically small (approximately the size of Maryland), densely populated (17 million people) country occupying a highly strategic commercial location, with Europe’s largest port, that makes it the “Gateway to Europe.”

- More than 170 million consumers (roughly one-third of the population of the expanded European Union of 28 Member States) reside within a 300-mile radius of Rotterdam.

- More than 60% of the Netherlands’ GDP is generated by foreign trade in goods and services.

- The Netherlands is a key center within the global business network, with an advanced infrastructure geared toward the transportation of goods, people and electronic data.

- Its core distribution points include Rotterdam, Europe’s largest port, and Amsterdam Schiphol Airport, the fourth largest in Europe.

- The Netherlands has capitalized on its location and advanced economy to become one of the top dozen trading countries in the world.

- The Netherlands is the 16th largest economy in the world and the fifth largest in the European Monetary Union (the eurozone), with a gross domestic product (GDP) of nearly US$800 billion.

- The United States is the largest foreign investor in the Netherlands and has its largest bilateral trade surplus with this country (US$24 billion in 2015).

Various international surveys rank the Netherlands among the countries in the industrialized world with the most competitive economies and most favorable business and investment climates. The World Economic Forum (WEF) Global Competitiveness Index places the Netherlands in seventh position among the world’s most competitive economies. The Economist Intelligence Unit (EIU) names the Netherlands 16th in its 2014 global business environment ranking for the period up to 2018.

Top Five Reasons U.S. Companies Should Consider Exporting to the Netherlands:
- The ideal European starting point for new-to-export companies looking for their first European distributor.

- An affluent, pro-U.S. population with a high opinion of U.S. products, and the highest level of English language fluency on the continent.
• An innovative business community hungry for high-quality, new products.

• A country with the best logistics and distribution networks in Europe.

• A country with the best links to the rest of Europe, and beyond.

Since the financial crisis, the Dutch government has begun implementing significant reforms in key policy areas, including the labor market, the housing sector, the energy market, the pension system and healthcare. Reflecting common Dutch practices, these reform policies were crafted following close consultations with key stakeholders, including business associations, labor unions and civil society groups.

Following a protracted recession that ended in late 2013 and anemic GDP growth of 0.8% in 2014, the macroeconomic outlook in the Netherlands changed for the better in 2015. The Dutch economy is currently considered to be experiencing stable growth, and the Dutch government projects economic growth of 2.0% of GDP in 2017. Projected drivers of growth include increased exports and business investments, as well as newly invigorated domestic consumption.

Market Challenges
• Except for EU-wide impediments, there are no significant trade barriers.

• Because of the size, accessibility and competitive nature of the Dutch market, importers usually insist on an exclusive distributorship.

• Exporters may need to adapt their products and documentation for the Dutch market.

Market Opportunities
European Union rules have opened public procurement to U.S. firms, and there may be attractive opportunities for U.S. companies to participate in the renewal of the Dutch transport infrastructure. A rule of thumb is that products selling well in the U.S. market will generally have market potential in the Netherlands.

Market-Entry Strategies
• The Dutch market is highly competitive; the “golden key” of business here is courtesy, especially replying promptly to requests for price quotations and to orders. Dutch business executives are generally more conservative than their U.S. counterparts. It is best to refrain from using first names until a firm relationship has been formed.

• Friendship and mutual trust are highly valued, and once trust has been earned, a productive working relationship usually follows.

• Dutch buyers appreciate quality and service, but price is the most important element for market entry. Care must be taken to assure that delivery dates will be met and that after-sales service will be promptly honored.
• U.S. exporters should maintain close liaison with distributors and customers to exchange information. Understanding developed through periodic personal visits is the best way to keep distributors apprised of new developments and to resolve problems quickly.

• U.S. exporters should consider warehousing in the Netherlands for speedy supply and service to their Dutch and European customers.

• A vigorous and sustained promotion is often needed to launch products, as it takes time for consumers to change their buying habits. Products must be adapted to both technical requirements and consumer preferences. It is not sufficient to merely label a product in conformity with national requirements for the development of the full market potential, although consumers must also be attracted to the product by label and packaging, as well as ease of use.

“Doing Business in the Netherlands” article is provided by the U.S. Commercial Service, the trade promotion arm of the U.S. Department of Commerce’s International Trade Administration. For more information on doing business in the Netherlands, you may visit their website at www.export.gov/Netherlands.

The following charts are based on import and export data obtained from the website of the International Trade Centre (ITC).
NETHERLANDS SNAPSHOT

Demographics

Population in millions 17.2

<table>
<thead>
<tr>
<th>Age</th>
<th>Male</th>
<th>Female</th>
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<td>0–14</td>
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<td>15–64</td>
<td>5.57</td>
<td>5.51</td>
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<tr>
<td>65 &amp; Over</td>
<td>1.41</td>
<td>1.71</td>
</tr>
</tbody>
</table>

Median Age 42.5
Population Growth 0.40%

Economy

GDP (PPP) $865.9 billion
GDP Per Capita $50,800
GDP-Real Growth Rate 1.70%
Unemployment Rate 6.20%
Inflation 0.20%

Data Source: Demographics, Economy and Trade from CIA World Factbook, Music Industry from The Music Trades.

GDP (PPP): Gross Domestic Product based on purchasing-power-parity (PPP) valuation of country GDP in U.S. dollars.
**International Data**

**Netherlands Snapshot**

### Trade

<table>
<thead>
<tr>
<th>Total Export</th>
<th>$460.1 billion</th>
<th>Export as % of GDP</th>
<th>53.14%</th>
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<tr>
<td>Total Import</td>
<td>$376.3 billion</td>
<td>Import as % of GDP</td>
<td>43.46%</td>
</tr>
</tbody>
</table>

![Graph: Export Partners (2016)]

- Germany: 25%
- Belgium: 10%
- U.K.: 5%
- France: 5%
- Italy: 5%

![Graph: Import Partners (2016)]

- Germany: 15%
- China: 12%
- Belgium: 10%
- U.S.: 6%
- U.K.: 3%

### Music Industry

<table>
<thead>
<tr>
<th>Music Market</th>
<th>$170.0 million</th>
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<tbody>
<tr>
<td>Sales Per Capita</td>
<td>$9.99</td>
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<tr>
<td>Global Share</td>
<td>1.10%</td>
</tr>
</tbody>
</table>

![Graph: Music Sales Per Capita (U.S. $)]

![Graph: Share of Global Music Market (Percent)]
Netherlands Imports and Exports

Acoustic Pianos

Imports

Exports

Fretted & Stringed Instruments

Imports

Exports

Keyboards

Imports

Exports
DOING BUSINESS IN NORWAY

Market Overview

- Norway is a modern, energy-rich country with 5.2 million people.

- Norway is considered one of the world's wealthiest countries, with a Gross National Income (GNI) per capita exceeding US$97,000 and GDP per capita based on purchasing power parity (PPP) exceeding US$67,000, ranked second among Organization for Economic Co-operation and Development (OECD) countries in 2015.

- Norway's external financial position is exceptionally strong from a global perspective, and the country has an important stake in promoting a liberal environment for foreign trade.

- The country is richly endowed with natural resources—petroleum, hydropower, fish, forests and minerals—and is highly dependent on the petroleum sector.

- Norway is the world's third largest exporter of natural gas and 10th largest exporter of crude oil. Its large merchant shipping fleet is one of the most modern among maritime nations and ranked the fifth largest by value. Other major industries, such as offshore shipping, shipbuilding, fishing and fish farming, information technology, pulp and paper products, and light metals processing have prospered as well.

- Incomes are also more evenly distributed, making every person a consumer. Despite the downturn in the oil and gas market, unemployment rates are still low, but edging up to 4.8%. Interest rates are low.

- The Norwegian economy features a combination of free market activity and government intervention. The government controls key areas, such as the vital petroleum sector, through large-scale state enterprises.

- Norway is located in northern Europe and is a part of the Scandinavian peninsula. Jan Mayen and the Arctic archipelago of Svalbard are also part of Norwegian territory.

- The majority of the country shares a border to the east with Sweden; its northernmost region is bordered by Finland and Russia; and Denmark lies south of its southern tip across the Skagerrak Strait. Norway's extensive coastline faces the North Atlantic Ocean and the Barents Sea.

- With its population covering 323,802 square kilometers spread across a nearly 1,600-mile-long, narrow and mountainous country with a coastline 10 times its length, Norway is one of the most sparsely populated nations in Europe.

- Norway is a vibrant, stable democracy.

- The majority of Norwegians are fluent in English and many have very close cultural and family ties to the United States.
• Norwegian business ethics are similar to those of the United States.

• Norway is not a member of the European Union (EU), but is linked to the EU through the European Economic Area (EEA) agreement. By virtue of the EEA, Norway is practically part of the EU’s single market, except in fisheries and agriculture.

• Norway is part of the Schengen Agreement, which guarantees free movement of persons and the absence of internal border control between 22 of the 28 EU Member States, as well as Norway, Iceland, Switzerland and Liechtenstein. All passport controls between these Schengen countries have been abolished.

Market Challenges
• The overall economic and trade relationship with the United States is strong, and Norway’s import climate is generally open and receptive to U.S. products and investments, although the agriculture sector is well protected through trade barriers.

• The domestic market is small, but the country can serve as an attractive base for business operations in the Nordic, Baltic and/or western Russian markets.

Market Opportunities
• U.S. companies have excellent opportunities to capture a significant share of new contract awards in Norway’s offshore oil and gas, renewable energy, information technologies, shipping and maritime, defense, healthcare, and travel and tourism, and consumer goods sectors.

• The Transatlantic Trade and Investment Partnership (TTIP) is an ambitious, comprehensive and high-standard trade and investment agreement being negotiated between the United States and the European Union (EU). Regulatory changes and standards that may be introduced as a part of TTIP will have direct consequences for Norway and other European Free Trade Association (EFTA) countries, and Norway is interested in finding a mechanism to participate.

Market-Entry Strategy
• U.S. exporters seeking general export information and assistance or country-specific commercial information should consult with their nearest Export Assistance Center or the U.S. Department of Commerce’s website www.export.gov.

“Doing Business in Norway” article is provided by the U.S. Commercial Service, the trade promotion arm of the U.S. Department of Commerce’s International Trade Administration. For more information on doing business in Norway, you may visit their website at www.export.gov/Norway.

The following charts are based on import and export data obtained from the website of the International Trade Centre (ITC)
NORWAY SNAPSHOT

Demographics

Population in millions: 5.3

<table>
<thead>
<tr>
<th>Age</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>0–14</td>
<td>0.49</td>
<td>0.46</td>
</tr>
<tr>
<td>15–64</td>
<td>1.77</td>
<td>1.68</td>
</tr>
<tr>
<td>65 &amp; Over</td>
<td>0.40</td>
<td>0.47</td>
</tr>
</tbody>
</table>

Median Age: 39.1
Population Growth: 1.07%

Economy

- GDP (PPP): $364.7 billion
- GDP Per Capita: $69,300
- GDP-Real Growth Rate: 0.80%
- Unemployment Rate: 4.80%
- Inflation: 3.50%

Data Source: Demographics, Economy and Trade from CIA World Factbook, Music Industry from The Music Trades.

GDP (PPP): Gross Domestic Product based on purchasing-power-parity (PPP) valuation of country GDP in U.S. dollars.
Trade

Export Partners (2016)

Import Partners (2016)

Music Industry

Music Sales Per Capita (U.S. $)

Share of Global Music Market (Percent)
Norway Imports and Exports

### Acoustic Pianos

**Imports**

- Value in U.S. $ millions
- Years: 2007 to 2016

**Exports**

- Value in U.S. $ thousands
- Years: 2007 to 2016

### Fretted & Stringed Instruments

**Imports**

- Value in U.S. $ millions
- Years: 2007 to 2016

**Exports**

- Value in U.S. $ thousands
- Years: 2007 to 2016

### Keyboards

**Imports**

- Value in U.S. $ millions
- Years: 2007 to 2016

**Exports**

- Value in U.S. $ thousands
- Years: 2007 to 2016
Norway Imports and Exports

Wind Instruments
- Imports
- Exports

Percussion
- Imports
- Exports

Accessories
- Imports
- Exports

Wind Instruments
Imports
Exports

Percussion
Imports
Exports

Accessories
Imports
Exports
DOING BUSINESS IN RUSSIA

Market Overview
Current Political Situation
The United States has suspended government-to-government economic cooperation with Russia on many fronts, including our bilateral trade and investment working group, which sought to expand economic and commercial ties.

Within these parameters, U.S. companies can still export their goods and services to Russia and continue working with their Russian partners to sustain their position in this market. However, companies should continuously monitor any developments concerning the United States’ political and economic relationship with Russia.

Market Challenges
Russia is the largest country in the world, spanning 11 time zones and encompassing over 17 million square miles.

 Seriously underdeveloped infrastructure poses logistical challenges, especially in accessing markets outside of major cities.

 Conducting business might be impeded by burdensome regulatory regimes; inadequate intellectual property rights (IPR) protection and enforcement; widespread corruption and inadequate rule of law; inconsistent application of laws and regulations; lack of transparency; and a non-level playing field for competition due to the continued presence of large state-owned, or state-controlled, enterprises dominating strategic sectors of the economy.

 Investments in the wide-ranging and ever-changing list of “strategic sectors” of the Russian economy are subject to Russian government control.

 As of January 1, 2015, representative offices of foreign companies may apply through a fast-track, simplified procedure for obtaining work visas and work permits for their foreign employees who are classified as Highly Qualified Foreign Specialists (the “HQFS”). The requirements for applying through the HQFS procedure are the same as those for employers that are a Russian commercial legal entity or a branch. Requirements vary depending on the job, salary level and skill set of the foreign employee. Rules on secondment of employees should be scrutinized for an individual company’s situation. The Russian immigration and visa system requires time and patience for business travelers to obtain necessary permissions to do business in Russia. Travel must occur within the dates specified on the visa.

 English is not widely spoken, although knowledge of the language is expanding, especially in the major cities.

 Market Opportunities
With a vast landmass, extensive natural resources, more than 142 million consumers and acute infrastructure needs, Russia remains a promising market for U.S. exporters.
Russia is the world’s 12th largest economy by nominal gross domestic product (GDP) and the sixth largest by purchasing power parity (PPP), as cited by the International Monetary Fund. According to the World Bank, 2014 GPP per capita GDP was US$12,736, the highest of the BRICS countries (Brazil, Russia, India, China and South Africa).

Although Russia recovered quickly from the global financial crisis in 2009, economic growth slowed substantially subsequently, and GDP contracted in 2015 and flat or slightly negative growth is predicted for 2016.

In terms of trade in goods, Russia was the United States’ 36th largest export market and the 24th largest exporter to the United States in 2015. U.S. exports to Russia in 2015 were US$7.1 billion, a decrease of 34% from 2014. Russian exports to the United States in 2015 were US$16.6 billion, a decrease of 30% from 2014. Russia’s leading individual trading partners are China, the Netherlands, Germany, Italy, Turkey, Japan, the United States, Ukraine, South Korea and Poland.

Stocks of U.S. investment in Russia through 2013 were approximately US$18 billion. The United States is Russia’s 10th largest foreign investor.

Russia joined the World Trade Organization (WTO) in August 2012. Congress also enacted legislation to extend permanent normal trade relations to Russia in the same year.

Russia’s membership in the WTO has the potential to create opportunities for U.S. exports and investments.

U.S. manufacturers and exporters should have more certain and predictable access to the Russian market, because of Russia’s commitment not to raise tariffs on any products above the negotiated rates. For industrial and consumer goods, Russia’s average bound tariff rate declined from almost 10% to under 8%.

For American businesses, Russia’s accession to the WTO also provides the following benefits, although Russia has been slow to fulfill many of its WTO obligations:

- More liberal treatment for service exports and service providers
- Stronger commitments for protection and enforcement of IPR
- Rules-based treatment of agricultural exports
- Market access under country-specific tariff-rate quotas
- Improved transparency in trade-related rule-making
- More effective WTO dispute-resolution mechanisms
Market-Entry Strategies

• Expect to commit significant time, personnel and capital, as developing business in Russia is resource-intensive for those companies that believe opportunities in Russia outweigh risks.

• Conduct market research, such as with the U.S. Commercial Service’s Gold Key or International Partner Search services, to identify opportunities and potential Russian business partners.

• Conduct significant due diligence, such as with the U.S. Commercial Service’s International Company Profile service, to ascertain the reliability of business partners.

• Consult with U.S. companies already in the market, as well as with the U.S. Commercial Service and business organizations such as the American Chamber of Commerce in Russia and the U.S.-Russia Business Council.

• Communicate regularly with Russian business partners to ensure common understanding of expectations.

• Travel frequently to Russia in order to establish and maintain relationships with partners and to understand changing market conditions.

• Maintain a long-term time frame.

“Doing Business in Russia” article is provided by the U.S. Commercial Service, the trade promotion arm of the U.S. Department of Commerce’s International Trade Administration. For more information on doing business in Russia, you may visit their website at www.export.gov/Russia.

The following charts are based on import and export data obtained from the website of the International Trade Centre (ITC)
RUSSIA SNAPSHOT

Demographics

Population in millions 142.4

<table>
<thead>
<tr>
<th>Age</th>
<th>Male</th>
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<tr>
<td>0–14</td>
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<td>15–64</td>
<td>47.33</td>
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<td>65 &amp; Over</td>
<td>6.15</td>
<td>13.66</td>
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Median Age 39.3
Population Growth -0.06%

Economy

<table>
<thead>
<tr>
<th>GDP (PPP)</th>
<th>$3.75 trillion</th>
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<tr>
<td>GDP Per Capita</td>
<td>$26,100</td>
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<tr>
<td>GDP-Real Growth Rate</td>
<td>-0.80%</td>
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<tr>
<td>Unemployment Rate</td>
<td>8.20%</td>
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<tr>
<td>Inflation</td>
<td>7.20%</td>
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</tbody>
</table>

Data Source: Demographics, Economy and Trade from CIA World Factbook, Music Industry from The Music Trades.
GDP (PPP): Gross Domestic Product based on purchasing-power-parity (PPP) valuation of country GDP in U.S. dollars.
Trade

<table>
<thead>
<tr>
<th>Total Export</th>
<th>$259.3 billion</th>
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<tbody>
<tr>
<td>Export as % of GDP</td>
<td>6.91%</td>
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<tr>
<td>Total Import</td>
<td>$165.1 billion</td>
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<td>Import as % of GDP</td>
<td>4.40%</td>
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</table>

Export Partners (2016)

Import Partners (2016)

Music Industry

<table>
<thead>
<tr>
<th>Music Market</th>
<th>$88.0 million</th>
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<tr>
<td>Sales Per Capita</td>
<td>$0.62</td>
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<tr>
<td>Global Share</td>
<td>0.50%</td>
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</tbody>
</table>

Music Sales Per Capita (U.S. $)

Russia Music Market (U.S. $ in millions)

Share of Global Music Market (Percent)
Russia Imports and Exports

Acoustic Pianos
- Imports
- Exports

Fretted & Stringed Instruments
- Imports
- Exports

Keyboards
- Imports
- Exports
Russia Imports and Exports
DOING BUSINESS IN SOUTH KOREA

Market Overview
It has been more than five years since the Korea-U.S. Free Trade Agreement (KORUS) went into force on March 15, 2012, becoming our nation’s largest FTA since NAFTA. The Agreement resulted in US$43.5 billion in U.S. exports to Korea in 2015, making Korea the United States’ seventh largest export market.

Korea’s 2015 GDP totaled US$1.8 trillion, according to the Bank of Korea. Its commercial banks maintain strong reserves, in case of a possible global slowdown or difficulties within the eurozone.

Korea will continue to focus its development on key economic growth sectors. Patents, trademarks and industrial designs issued by the Korea Intellectual Property Office (KIPO) reached 434,000 in 2014, a 0.9% increase from 2013. This growing trend in local patent and trademark filings reflects a move toward more technology-intensive and capital-intensive industries and services.

Market Challenges
- Unique industry standards, less-than-transparent regulations, pressure to reduce prices, and “contract negotiations” continue to affect U.S. business in Korea. However, firms that are innovative, patient and exhibit a true commitment to the Korean market generally find business to be rewarding and Koreans to be loyal customers.
- With the implementation of the KORUS FTA, Korea’s attractiveness as a market should continue to improve. U.S. products will become increasingly cost-competitive, and bilateral trade should increase over time. EU products have had reduced or zero-tariff access to the market since mid-2011. Australia, Canada and China have also recently concluded FTAs with Korea.
- U.S. small and medium-sized enterprises (SMEs) must remain flexible and ready to work with Korean business counterparts pertaining to amending contract terms or renegotiating price, quantity and delivery terms following a business deal or bilateral contractual agreement. In Korea, the principal of “consideration,” as is the case in English law, is not present. In other words, a request to amend an offer or to restart negotiations with a counteroffer likely will not include any payment for consideration on the Korean side. Koreans feel that the signing of a contract is only the beginning of a business relationship.
- U.S. exporters of agricultural commodities also face market challenges related to import regulations and testing requirements.

Market Opportunities
The US$1 trillion Korean economy is heavily weighted toward international trade. Trade accounts for a whopping 90% of Korean GDP. As the country continues to move toward more technology-intensive industries, U.S. companies will find market opportunities...
in leading industries such as life sciences (medical devices, pharmaceuticals and biotechnology), industrial chemicals, IT, nanotechnology, aerospace/defense, energy, environmental technology and transportation, to name only a few. U.S. companies are already partnering with local Korean companies and industries to expand market opportunities from Korea to third-country markets, including Association of Southeast Asian Nations (ASEAN), the Middle East and other markets of the Asia-Pacific region. Given Korea’s strong shipping and air cargo infrastructure, this is not only a market end-point for U.S. goods and services, but also a hub for expansion into other markets.

**Market-Entry Strategies**

- Establishing and maintaining a strong business relationship is essential. Companies should visit Korea frequently to cultivate contacts and to better understand business conditions.

- A local presence is essential for success. Retain a manufacturer’s representative, distributor, name a registered trading company as an agent, or establish a branch sales office.

“Doing Business in South Korea” article is provided by the U.S. Commercial Service, the trade promotion arm of the U.S. Department of Commerce’s International Trade Administration. For more information on doing business in South Korea, you may visit their website at [www.export.gov/SouthKorea](http://www.export.gov/SouthKorea).

The following charts are based on import and export data obtained from the website of the International Trade Centre (ITC)
**South Korea Snapshot**

### Demographics

Population in millions: 50.9

<table>
<thead>
<tr>
<th>Age</th>
<th>Male</th>
<th>Female</th>
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<tbody>
<tr>
<td>0–14</td>
<td>3.54</td>
<td>3.32</td>
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<tr>
<td>15–64</td>
<td>19.05</td>
<td>18.14</td>
</tr>
<tr>
<td>65 &amp; Over</td>
<td>2.92</td>
<td>3.97</td>
</tr>
</tbody>
</table>

Median Age: 41.2
Population Growth: 0.53%

### Economy

- GDP (PPP): $1.93 trillion
- GDP Per Capita: $37,900
- GDP-Real Growth Rate: 2.50%
- Unemployment Rate: 4.00%
- Inflation: 0.80%

Data Source: Demographics, Economy and Trade from CIA World Factbook, Music Industry from The Music Trades.

GDP (PPP): Gross Domestic Product based on purchasing-power-parity (PPP) valuation of country GDP in U.S. dollars.
## Trade

<table>
<thead>
<tr>
<th>Total Export</th>
<th>$509.0 billion</th>
<th>Export as % of GDP</th>
<th>26.37%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Import</td>
<td>$405.1 billion</td>
<td>Import as % of GDP</td>
<td>20.99%</td>
</tr>
</tbody>
</table>

### Export Partners (2016)

- China: 25%
- U.S.: 15%
- Hong Kong: 10%
- Vietnam: 5%
- Japan: 5%

### Import Partners (2016)

- China: 20%
- Japan: 15%
- U.S.: 10%
- Germany: 8%
- Saudi Arabia: 5%

## Music Industry

<table>
<thead>
<tr>
<th>Music Market</th>
<th>$282.0 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Per Capita</td>
<td>$5.54</td>
</tr>
<tr>
<td>Global Share</td>
<td>1.70%</td>
</tr>
</tbody>
</table>

### Music Sales Per Capita (U.S. $)

- 2006: $6.5
- 2015: $5.5

### South Korea Music Market (U.S. $ in millions)

- 2006: $300
- 2015: $400

### Share of Global Music Market (Percent)

- 2006: 2.0
- 2015: 2.5
South Korea Imports and Exports

Acoustic Pianos
Imports

Exports

Fretted & Stringed Instruments
Imports

Exports

Keyboards
Imports

Exports
South Korea Imports and Exports

Wind Instruments
- Imports
- Exports

Percussion
- Imports
- Exports

Accessories
- Imports
- Exports

Wind Instruments
- Imports
- Exports

Accessories
- Imports
- Exports
SPAIN

The evolution of sales in the musical instruments sector in Spain has continued very slowly its recovery after the serious crisis suffered in previous years. COMUSICA has analyzed this evolution, obtaining the following results:

The average increase in retail sales at the national level was 6.09%. The increase in sales has been significantly higher in the stores with the highest turnover, reaching sales increases of up to 12%. On the contrary, stores with lower turnover in their entirety have remained stable, with zero growth.

Sales via the web have continued to grow. However, the evolution cannot be fully evaluated since many of these sales have been made from websites located in other countries.

As for the best-selling instruments, there is generally a clear predominance in the sales of acoustic and electric guitars and stringed instruments in general. The sale of accessories has become a significant element when analyzing the total turnover of musical retailers.

Regarding instruments that have not enjoyed particularly good sales, this group includes pianos, percussion and wind instruments.

It is also worth noting sales irregularities, with very busy periods followed by periods of noticeable commercial inactivity.

The second half of the year is the best period for sales, mainly due to the beginning of the school season and the Christmas holidays.

Among the problems facing the sector, there is a significant reduction of the profit margins, which forces some retailers to sell below their purchase price.

As for the forecasts for 2017, there is a clear feeling of optimism regarding the evolution of invoicing. Not one company forecasts a decline in sales.

As for the publishing sector, 2016 marked an increase in sales of 4–5%.

Commentary by Juan Grecos, IC Delegate for COMUSICA, the Spanish Music Products Association, and Managing Director of Caprice, S.L.

DOING BUSINESS IN SPAIN

Market Overview
Spain, with a GDP of US$1.2 trillion and a population of 46.4 million people, is the fourth largest economy in the eurozone. Its economy grew 3.2% in 2015, the second
annual positive growth rate since 2007. Forecasts for the next several years suggest
growth of around 2.7%. Record tourism and export levels, coupled with revived domestic
consumption, helped drive the recovery.

After 15 years of solid GDP growth that made it the world’s ninth largest economy, Spain
entered into a recession in the second quarter of 2008, from which it emerged in the third
quarter of 2013. Responding to the crisis, the Popular Party (PP) government undertook
major initiatives in 2012 to reduce the deficit and reform labor laws, public services and the
financial sector. These reforms have made Spain much more competitive in comparison to
costs in other European countries.

The crisis led to a dramatic rise in unemployment, which grew to almost 27% in 2013. As of
March 2016, the unemployment rate decreased to 21%. Youth unemployment decreased
below 50% last year. While a recovery is clearly underway and the government projects
about 500,000 new jobs this year, economists forecast high unemployment will linger and
not dip below 20% until late 2016 or early 2017.

Spain has traditionally represented a significant export market for the United States.
According to the U.S. Department of Commerce, U.S. exports of goods to Spain in 2015
amounted to US$10.25 billion. The actual U.S. export numbers to Spain are substantially
higher than the reported numbers, since many of Spain’s imports from the United States
arrive in Europe via ports of entry in other European countries. Services exports from the
United States to Spain continue to be strong. Spanish exports to the United States were

As a member country of the European Union (EU), Spain adheres to EU legislation, as
is the case of all member countries. The government remains a strong supporter of the
Transatlantic Trade and Investment Partnership (T-TIP), although some segments of Spanish
society are increasingly vocal against T-TIP.

Investment plays a key role in the bilateral economic relationship. Most of the large U.S.
names are present, many of which are in the industrial sector—automobiles, chemical
factories, pharmaceutical, industrial machinery, etc. U.S. investment in Spain is estimated
at US$36.4 billion in 2014. These companies represent approximately 7% of the GDP.

The presence of large, well-known foreign names serves as a catalyst for innumerable local
providers and, in almost all cases, increases exports. Over 50% of Spanish exports are
made by foreign multinationals located in Spain. U.S. investors also hold significant portfolio
investment in shares of some of Spain’s largest companies.

Spain’s recovery has made it more attractive to increasing its foreign direct investment
(FDI). Spanish investments in the United States have increased substantially in recent years,
making Spain the ninth largest investor in the United States in 2014, according to data
from SelectUSA and the U.S. Bureau of Economic Analysis. The United States is the fifth
largest destination of FDI from Spain, according to data from the Spanish Ministry of Trade.
It is the destination for approximately 4.9% of the stock of Spanish outbound investment.
Much of the investment has taken place during the past seven years, going from a stock of US$14 billion in 2006 to US$55 billion in 2014.

In 2014, U.S. subsidiaries of Spanish firms employed more than 75,000 people in the United States, while contributing US$140 million worth of R&D and US$1.25 billion to U.S. exports that same year.

Spanish energy companies continue to invest heavily in the United States. The cutting-edge technology of major Spanish multinationals has allowed them to successfully undertake multiple renewable energy projects in numerous states.

Spanish wind-generation companies operate in more than 20 U.S. states. Spain’s premier position in the construction and transportation sectors has also enabled Spanish companies to be on the front line for major infrastructure, railroad and metro projects throughout the country. The success of the larger Spanish multinationals is gradually attracting the interest of their service providers.

Spain is home to dozens of multinational companies, including five of the world’s 10 largest construction companies, Europe’s second largest phone company and Europe’s second largest bank. Major Spanish firms in the banking, telecommunications, infrastructure and energy sectors have become global leaders. Procurement decisions for these companies continue to be made in Spain.

The auto equipment and parts sector is another leading sector, ranked the sixth largest in the world by turnover and the third largest in Europe. It is the second in terms of total vehicle production and is the twelfth largest in the world.

Tourism has traditionally been one of Spain’s most important sectors. The country is the world’s third largest tourist destination, receiving almost 68 million foreign visitors in 2015. It ranks second in terms of receipts, following the United States. In terms of outbound travel, Spain offers excellent potential as a source of visitors to the United States. It is currently the world’s 16th largest market for outbound travel to the United States, and the fifth largest in Europe.

With nearly 2,000 miles of high-speed rail, Spain is second only to China in terms of high-speed train infrastructure. Madrid has high-speed train connections with 23 cities, making Spain the country with the most connections in Europe.

In 2015, wind energy was the third most important source of electrical generation in Spain after nuclear and coal, covering 19% of the electrical demand in the country. Spain is the fifth country in the world in terms of installed wind power after China, the United States, Germany and India. Installed wind capacity in Spain was 22,988 MW by the end of 2015. Over 20,000 people work in the sector. The wind energy installed in the world grew 17% in 2015, up to 432,419 MW, according to Global Wind Energy Council (GWEC) data. The Spanish industry exports technology worth over €2.4 billion (US$3 billion) per year. The wind energy sector contributes about €2.6 billion to Spain’s GDP, accounting for 0.24% of GDP.
Market Challenges
Cost, financing terms and after-sales service are important competitive factors. European exporters provide generous financing and extensive cooperative advertising, and most European governments support exporting with trade-promotion events. Japanese and Chinese companies are also emerging as formidable competitors. Although U.S. products are well respected for their high level of technology and quality, American firms sometimes fall short of their competitors in flexibility on financing, adaptation of product design to local market needs and assistance with marketing and after-sales service.

Regarding the issue of delays in reimbursement, the EU revised legislation in 2010 to shorten payment delays. Spain enacted this legislation in July of the same year. Nonetheless, delays in reimbursement continue to represent a problem, particularly in the public sector, although there were improvements in 2015 as a result of additional legislation being passed to enforce more timely payments by the regional and local governments.

The EU’s current data protection Directive covers the free flow of personal data within the EU as well as its protection when it leaves the region’s borders. The Department of Commerce and the European Commission have recently negotiated a Privacy Shield Agreement to provide U.S. companies with a means to comply with the requirement.

The economic downturn resulted in some companies being reluctant to commit to purchase or represent new products or services. However, due to the continuing economic recovery and given that developing export sales or distribution channels takes time, export-ready U.S. firms are urged to explore opportunities in Spain and throughout the eurozone.

Market Opportunities
Chemicals were the principal U.S. export to Spain in 2015, accounting for 21.4.6% of total exports, followed by machinery (7.8%), agricultural products (fruits and nuts) (7.5%) and fuel and oil products (7.3%). Primary U.S. exports to Spain have consistently included aircraft and associated parts and equipment, pollution-control and water-resources equipment, medical products and equipment, outbound travel and tourism, electric power systems, telecommunications equipment, automotive parts and supplies and pharmaceuticals. Other sectors offering good prospects include defense, security equipment, renewable energy equipment and services, e-commerce and industrial machinery. The service sector is playing an increasingly important role in the Spanish economy at 75.1% of GDP. This is followed by the industry sector at 22.4% and finally, the agricultural sector at 2.5%.

Due to the macroeconomic reforms in the financial sector and labor laws, costs have dropped and productivity has increased in comparison to other major markets in the region. These reforms have sharply increased Spain’s competitiveness, making it a good market for entry not only into the European region but also for Latin America and Africa.

Spanish firms are value-added partners for the Latin American and Caribbean (LAC) market—their language and cultural skills are a key advantage for developing opportunities in the LAC region.
With a reduced availability of credit in the Spanish market, ExIm Bank can now play a more active role in financing exports of U.S. products and services by financing Spanish buyers through loan guarantees. This tool is an attractive alternative for Spanish importers.

Principal agricultural exports to Spain from the United States in 2015 included (in order) tree nuts, soybeans and products, fish products, distilled spirits and forest products.

Spain’s food, beverage and agricultural processing sectors have fared well in recent years despite the economic crisis, supported in part by increased exports. U.S. exports of ingredients and raw materials have great prospects in this environment.

**Principal Growth Sectors:**
- Seafood
- Tree nuts
- Consumer-oriented products
- Food ingredients
- Specialty foods

Since June 1, 2012, the U.S.-EU Organic Equivalence Agreement has been in place. Thus, products certified as organic for one market can be sold as organic in the other market. This partnership, in combination with the growing demand in the EU, is expected to open new opportunities for U.S. exporters.

**Market-Entry Strategies**
There are 17 communities in Spain with varying degrees of autonomy and cultural identity. A number of regional markets joined by the two hubs of the main cities of Madrid and Barcelona make up the Spanish market. The majority of agents, distributors, foreign subsidiaries and government-controlled entities that comprise the economic power bloc of the country operate in these two hubs.

Spanish commercial procedures are in line with the rest of Western Europe, where price and value remain paramount. However, credit terms, marketing assistance and after-sales service are important factors in local purchase decisions. The use of credit to purchase consumer goods is widely accepted in Spain, particularly in the cities, with banks competing to offer coverage.

The Spanish government has eased regulations at all levels and increased incentives in an effort to attract foreign firms and investments. In recent years, investment incentives designed to reward investors for establishing manufacturing operations in less-developed areas have dispersed some investment from the major hubs. With a few exceptions, Spanish law permits foreign investment of up to 100% of equity. Unit labor costs have fallen dramatically during the last four years, and Spain has regained most of the competitiveness.
that it lost during the construction boom in terms of labor costs. However, despite changes in labor legislation, the law remains relatively inflexible.

Spaniards tend to be more formal in personal relations than Americans are but much less rigid than they were 10 years ago. The approach to doing business is similar to that of Italy or France. Professional attire is recommended.

In order to break into this market, there is no substitute for face-to-face meetings with Spanish business representatives. Spaniards expect a personal relationship with suppliers. It can be challenging to elicit a response to initial communication by phone or email. Direct mail campaigns generally yield meager results. Fewer than 30% of local managers are fluent in English.

Spaniards tend to be conservative in their buying habits. Recognized brands do well. Large government and private-sector buyers appear more comfortable dealing with other large, established organizations, or with firms that are recognized as leaders within their sectors.

“Doing Business in Spain” article is provided by the U.S. Commercial Service, the trade promotion arm of the U.S. Department of Commerce’s International Trade Administration. For more information on doing business in Spain, you may visit their website at www.export.gov/Spain.

The following charts are based on import and export data obtained from the website of the International Trade Centre (ITC)
**Spain Snapshot**

**Demographics**

- Population in millions: 48.6

<table>
<thead>
<tr>
<th>Age</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>0–14</td>
<td>3.85</td>
<td>3.64</td>
</tr>
<tr>
<td>15–64</td>
<td>16.42</td>
<td>15.98</td>
</tr>
<tr>
<td>65 &amp; Over</td>
<td>3.70</td>
<td>4.97</td>
</tr>
</tbody>
</table>

- Median Age: 42.3
- Population Growth: 0.84%

**Economy**

- GDP (PPP): $1.69 trillion
- GDP Per Capita: $36,500
- GDP-Real Growth Rate: 3.10%
- Unemployment Rate: 19.70%
- Inflation: -0.30%

Data Source: Demographics, Economy and Trade from CIA World Factbook, Music Industry from The Music Trades. GDP (PPP): Gross Domestic Product based on purchasing-power-parity (PPP) valuation of country GDP in U.S. dollars.
Trade

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Export</strong></td>
<td>$266.3 billion</td>
</tr>
<tr>
<td>Export as % of GDP</td>
<td>15.76%</td>
</tr>
<tr>
<td><strong>Total Import</strong></td>
<td>$287.9 billion</td>
</tr>
<tr>
<td>Import as % of GDP</td>
<td>17.04%</td>
</tr>
</tbody>
</table>

**Export Partners (2016)**

- France
- Germany
- Italy
- U.K.
- Portugal

**Import Partners (2016)**

- Germany
- France
- China
- Italy
- Netherlands
- U.K.

Music Industry

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Music Market</strong></td>
<td>$93.5 million</td>
</tr>
<tr>
<td>Sales Per Capita</td>
<td>$1.82</td>
</tr>
<tr>
<td>Global Share</td>
<td>0.60%</td>
</tr>
</tbody>
</table>

**Music Sales Per Capita (U.S. $)**

**Spain Music Market (U.S. $ in millions)**

**Share of Global Music Market (Percent)**
Spain Imports and Exports

Acoustic Pianos

- **Imports**: Value in U.S. $ millions
  - 07: 16
  - 08: 15
  - 09: 14
  - 10: 13
  - 11: 12
  - 12: 11
  - 13: 10
  - 14: 9
  - 15: 8
  - 16: 7

- **Exports**: Value in U.S. $ millions
  - 07: 2.5
  - 08: 2.0
  - 09: 1.5
  - 10: 1.0
  - 11: 0.5
  - 12: 1.0
  - 13: 1.5
  - 14: 2.0
  - 15: 2.5
  - 16: 3.0

Fretted & Stringed Instruments

- **Imports**: Value in U.S. $ millions
  - 07: 16
  - 08: 15
  - 09: 14
  - 10: 13
  - 11: 12
  - 12: 11
  - 13: 10
  - 14: 9
  - 15: 8
  - 16: 7

- **Exports**: Value in U.S. $ millions
  - 07: 35
  - 08: 30
  - 09: 25
  - 10: 20
  - 11: 15
  - 12: 10
  - 13: 5
  - 14: 2.5
  - 15: 2.0
  - 16: 1.5

Keyboards

- **Imports**: Value in U.S. $ millions
  - 07: 45
  - 08: 40
  - 09: 35
  - 10: 30
  - 11: 25
  - 12: 20
  - 13: 15
  - 14: 10
  - 15: 5
  - 16: 2.5

- **Exports**: Value in U.S. $ millions
  - 07: 8
  - 08: 7
  - 09: 6
  - 10: 5
  - 11: 4
  - 12: 3
  - 13: 2
  - 14: 1
  - 15: 0.5
  - 16: 0.0
DOING BUSINESS IN SWEDEN

Market Overview

- Sweden has been one of the best fiscal performers since the start of the global financial crisis in 2008. Sweden recorded a Government Debt to GDP of 43.4% in 2015. Government Debt to GDP in Sweden averaged 50.2% from 1994 until 2015, reaching an all-time high of 72.4% in 1994 and a record low of 36.8% in 2008.

- Sweden’s economic growth has slowly accelerated since 2012 and is expected to remain robust in the coming years. Real GDP expanded by 3.6% in 2015, according to the European Commission, making it one of the fastest growing economies in the EU. While still robust, growth is forecast to slow down gradually.

- The Gross Domestic Product (GDP) in Sweden was worth US$492.6 billion in 2015. Sweden is the largest Nordic economy and represents a transparent, highly developed, sophisticated and diversified market with few barriers to entry.


- Sweden ranks third in the WIPO’s 2015 Global Innovation Index.

- With export-oriented manufacturing, a diversified economy, competitive SMEs and budgetary discipline, Sweden ranks fifth on the IMD’s 2016 competitiveness ratings.

- More than 1,300 U.S. companies are present in Sweden, and Sweden is the top location in the Nordics for regional headquarters covering the Nordics and the Baltics.

- The United States and Sweden share strong ties in trade and investment. Annual U.S.-Swedish trade in goods and services is valued at an estimated US$25 billion, and cumulative bilateral investment is valued at more than US$62 billion.

- Major categories of U.S. exports to Sweden include aerospace/defense, automotive aftermarket, healthcare/life sciences, telecommunications equipment, information technologies, safety/security, clean-tech, industrial machinery and renewable energy technologies.

- More U.S. companies operate in Sweden than companies from any other foreign country, creating over 72,000 Swedish jobs.

- With strong historical, cultural and business ties to the United States, Sweden is a top European market for travel to the United States with about 440,000 visits annually, accounting for more than US$1 billion of benefit to the U.S. economy.

Market Challenges

- Facing strong competition from Swedish and third-country suppliers, U.S. exporters must offer advanced technologies as well as competitive prices and terms.
• Sweden has a high cost of living, with expensive labor and individual tax rates that are among the highest worldwide. A VAT rate of 25% applies to the import or sale of most products.

• Representing about 20% of Sweden’s GDP, public procurement at all levels is much higher than the EU average of 11%. Incorporating innovative products and services into the process remains a major systemic challenge.

**Market Opportunities**

• Sweden has a long-established tradition of expertise in engineering, ship-building, mining and the life sciences, making it a highly receptive market to new, advanced technologies.

• There is ongoing, strong demand for advanced technologies and products/services that improve productivity, including IT software and services that lower costs and improve business efficiency, as well as equipment and services for safety/security, including cybersecurity.

• Driven by rapid, widespread adoption of smart devices, Sweden’s Internet economy is growing more than 10% annually and represents about 8% of total GDP.

• Since Swedes are early adopters of new technologies, Sweden is considered to be an ideal test market, albeit an expensive one.

• Green opportunities: Sweden’s commitment to sustainability across industry sectors drives market demand for U.S. products and services in renewable energy/low carbon/green technologies and energy efficiency.

• Sweden’s rapid developments in smart grid, bioenergy, cybersecurity and e-health make the country a critically important market for U.S. companies offering advanced technologies.

• English is widely spoken and is the language used for business agreements.

**Market-Entry Strategies**

• Demonstrate a clear competitive advantage (e.g., price, quality, branding).

• Pay close attention to both the obvious and subtle cultural differences between the United States and Sweden and adjust marketing strategies accordingly. The Swedish cultural philosophy of Jantelagen eschews overt self-promotion and achievement as unworthy and inappropriate.

• Evaluate prospective partners carefully and choose an experienced, well-established distributor.
• Be flexible and adjust expectations to the scale of the market. Although Sweden is the size of California, its population is only 9.6 million (25 million total population in the Nordics).

• Evaluate the potential for distributors to cover the entire Nordic region. Depending on the industry sector, prospective business partners may be based in Stockholm, Gothenburg or Malmo or another Nordic city.

“Doing Business in Sweden” article is provided by the U.S. Commercial Service, the trade promotion arm of the U.S. Department of Commerce’s International Trade Administration. For more information on doing business in Sweden, you may visit their website at www.export.gov/Sweden.

The following charts are based on import and export data obtained from the website of the International Trade Centre (ITC)
SWEDEN SNAPSHOT

Demographics

Population in millions: 9.9

<table>
<thead>
<tr>
<th>Age</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>0–14</td>
<td>0.88</td>
<td>0.83</td>
</tr>
<tr>
<td>15–64</td>
<td>3.14</td>
<td>3.04</td>
</tr>
<tr>
<td>65 &amp; Over</td>
<td>0.92</td>
<td>1.07</td>
</tr>
</tbody>
</table>

Median Age: 41.2
Population Growth: 0.81%

Economy

<table>
<thead>
<tr>
<th>GDP (PPP)</th>
<th>$498.1 billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP Per Capita</td>
<td>$49,700</td>
</tr>
<tr>
<td>GDP-Real Growth Rate</td>
<td>3.60%</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>6.90%</td>
</tr>
<tr>
<td>Inflation</td>
<td>0.80%</td>
</tr>
</tbody>
</table>

Data Source: Demographics, Economy and Trade from CIA World Factbook, Music Industry from The Music Trades.

GDP (PPP): Gross Domestic Product based on purchasing-power-parity (PPP) valuation of country GDP in U.S. dollars.
Trade

<table>
<thead>
<tr>
<th>Total Export</th>
<th>$147.3 billion</th>
<th>Export as % of GDP</th>
<th>29.57%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Import</td>
<td>$134.9 billion</td>
<td>Import as % of GDP</td>
<td>27.08%</td>
</tr>
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</table>

Export Partners (2016)

Import Partners (2016)

Music Industry

<table>
<thead>
<tr>
<th>Music Market</th>
<th>$82.0 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Per Capita</td>
<td>$8.30</td>
</tr>
<tr>
<td>Global Share</td>
<td>0.50%</td>
</tr>
</tbody>
</table>

Music Sales Per Capita (U.S. $)

Share of Global Music Market (Percent)
Sweden Imports and Exports

Acoustic Pianos

Imports

Exports

Value in U.S. $ millions

Fretted & Stringed Instruments

Imports

Exports

Value in U.S. $ millions

Keyboards

Imports

Exports

Value in U.S. $ millions
Sweden Imports and Exports

Wind Instruments
- Imports
- Exports

Percussion
- Imports
- Exports

Accessories
- Imports
- Exports
DOING BUSINESS IN SWITZERLAND

Market Overview

- Switzerland’s population of 8.2 million is affluent and cosmopolitan.
- GDP of US$662.5 billion; growth forecast of 1.0% for 2016.
- In 2015, total exports from the United States to Switzerland amounted to US$20 billion.
- U.S.-Swiss trade has generally been stable despite the financial/economic crisis.
- World-class infrastructure, business-friendly legal and regulatory environment.
- Highly educated, reliable and flexible workforce.
- Consumer and producer of high-quality, value-added industrial/consumer goods.
- Manufacturing sector is highly automated and efficient.
- Strong market demand for U.S. components and production systems.
- Strong demand for high-quality products with competitive prices.
- Highest per-capita IT spending in the world.
- Multilingual/multicultural European test market and business environment.
- Many U.S. firms with European and regional headquarters in Switzerland.

Market Challenges

- Market is sophisticated, quality-conscious, high-tech and competitive.
- An epicenter of European and global competition.
- While EU-type regulations and standards exist in general, there are significant exceptions.
- Unique Swiss requirements for pharmaceuticals, cosmetics, detergents and chemicals.

Market Opportunities

- Products with relatively advanced technologies are best prospects.
- Switzerland is strategically located as a gateway to EU markets.
- Ideal test market for the introduction of new high-tech and consumer products.
• Excellent platform for marketing into Europe, the Middle East and Africa.

• High concentration of computer/Internet usage per capita.

• Sophisticated market for U.S. devices.

• Switzerland is becoming a European center for commercial aviation business.

• Fast-growing demand for highly sophisticated security equipment/systems.

• One of the world’s top countries for R&D.

• Excellent opportunities for partnerships in biotech, nanotech and renewable energies (especially solar).

• Significant assets pooled from around the world under Swiss management, creating excellent opportunities for U.S. financial services providers.

**Market-Entry Strategies**

• Express commitment to the market and establish long-term relationships.

• Work directly with Swiss importers/distributors for maximum market penetration.

• Be prepared to meet customers’ needs and be willing to sell in small volumes.

• Offer high-quality and environmentally friendly products.

• Enter the market early to gain and maintain competitive edge.

• Evaluate carefully prospective partners’ technical qualifications and ability to cover the German, French and Italian regions.

*“Doing Business in Switzerland” article is provided by the U.S. Commercial Service, the trade promotion arm of the U.S. Department of Commerce’s International Trade Administration. For more information on doing business in Switzerland, you may visit their website at www.export.gov/Switzerland.*

*The following charts are based on import and export data obtained from the website of the International Trade Centre (ITC)*
SWITZERLAND SNAPSHOT

Demographics

Population in millions  8.2

<table>
<thead>
<tr>
<th>Age</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>0–14</td>
<td>0.64</td>
<td>0.60</td>
</tr>
<tr>
<td>15–64</td>
<td>2.75</td>
<td>2.72</td>
</tr>
<tr>
<td>65 &amp; Over</td>
<td>0.65</td>
<td>0.82</td>
</tr>
</tbody>
</table>

Median Age 42.2
Population Growth 0.70%

Economy

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP (PPP)</td>
<td>$494.3 billion</td>
</tr>
<tr>
<td>GDP Per Capita</td>
<td>$59,400</td>
</tr>
<tr>
<td>GDP-Real Growth Rate</td>
<td>1.00%</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>3.40%</td>
</tr>
<tr>
<td>Inflation</td>
<td>-0.40%</td>
</tr>
</tbody>
</table>

Data Source: Demographics, Economy and Trade from CIA World Factbook, Music Industry from The Music Trades.
GDP (PPP): Gross Domestic Product based on purchasing-power-parity (PPP) valuation of country GDP in U.S. dollars.
Trade

<table>
<thead>
<tr>
<th>Total Export</th>
<th>$301.1 billion</th>
<th>Export as % of GDP</th>
<th>60.91%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Import</td>
<td>$243.4 billion</td>
<td>Import as % of GDP</td>
<td>49.24%</td>
</tr>
</tbody>
</table>

Export Partners (2016)

Import Partners (2016)

Music Industry

<table>
<thead>
<tr>
<th>Music Market</th>
<th>$115.0 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Per Capita</td>
<td>$14.08</td>
</tr>
<tr>
<td>Global Share</td>
<td>0.70%</td>
</tr>
</tbody>
</table>

Music Sales Per Capita (U.S. $)

Switzerland Music Market (U.S. $ in millions)

Share of Global Music Market (Percent)
UNITED KINGDOM

As reported last year, the UK as a total economy is slowly and incrementally returning to growth, but the current political situation has created a huge amount of uncertainty for consumers.

The Brexit vote result was unexpected and the medium-term outcomes for our UK retailers and manufacturers are hard to predict. The weakening value of Sterling has given a boost to some of our music retailers with increased sales to European customers and, in a similar fashion, UK manufacturers (in general) have seen something of a positive period in sales around the world.

But all of this could change at any time, depending on the outcomes of the trade deals resulting from the UK exit from the EU.

As I write, the general election being held in the UK is yet another “distraction” for the spending public and during periods of uncertainty, UK consumers tend to hold back spending on non-essential purchases (that sadly, often includes our sector!).

On the positive side, the UK still retains a similar number of retail outlets selling instruments compared to the numbers a few years ago. We are seeing closures, but also new openings of music shops.

It remains the case that the big MI retailers are still getting bigger as the importance of a full and professional multi-channel selling platform becomes more and more crucial for a retailer in 2017. We have, however, developed a chain of retailers of all shapes and sizes that are adapting and adopting the technologies and service propositions required by today’s demanding and savvy consumers.

As an aside, new research has revealed that (in total, not just MI) the UK has embraced Internet spending per capita more than any other country in the world.

It can be argued that this trend in UK Internet spending is all well and good, as long as the retailer has both the physical and a professional e-commerce option for the customer.

The impact of Amazon on the industry remains hugely contentious. Clearly, large numbers of instruments are being sold by the company to its vast database of consumers. The ultimate effect of this on the UK retail chain of shops and the suppliers that distribute the instruments is still to be determined.

Not on the same scale, but eBay and newer sites like Gumtree sell large numbers of second-hand instruments (and new ones) that creates a difficult market to determine in total size in the UK.

What is clear is that we now have a major array of channels through which people can buy their instruments (and access tuition). As I wrote last year, our latest research shows the growth in the number of people now playing an instrument and the growth in the number of households that have instruments. This remains nicely compounded by the millions of
people who used to play and want to play again—and the millions who have never played and would like to start playing. The opportunity for our industry consistently remains one that can substantially increase in size if we could find the ways to reach out to these people!

Commentary by Paul McManus, Chief Executive of the Music Industries Association (MIA) and Music for All charity (MfA)

DOING BUSINESS IN THE UNITED KINGDOM

Market Overview
NOTE: On June 23, 2016, the UK voted to leave the European Union. Prime Minister Theresa May invoked Article 50 of the Lisbon Treaty on March 28, 2017, which set in motion a two-year process of a negotiated departure from the Union.

- The United Kingdom (estimated 2015 GDP of US$2.9 trillion) has the fifth largest economy in the world according to the CIA World Factbook, the second largest economy in the European Union, and is a major international trading power.

- While the United Kingdom is geographically relatively small (about the size of Oregon), it has a population of more than 64 million people.

- Highly developed, sophisticated and diversified, the UK market is the largest in Europe and the fifth largest in the world for export of U.S. goods. The United Kingdom is the largest market in the world for U.S. service exports.

- With few trade barriers, the United Kingdom serves as the entry market into the European Union for more than 43,000 U.S. exporters. U.S. exports to the UK of goods and services combined were estimated to be worth about US$120 billion in 2015.

- Major categories of U.S. exports include aerospace products, agricultural products, biomass, cybersecurity, medical equipment, new build civil nuclear, certain consumer goods such as pet products, smart grids, sustainable construction and travel and tourism.

- The United Kingdom remains the top overseas market for travel to the United States with about 4 million UK travelers estimated to have visited the United States in 2014.

- The U.S.-UK investment relationship is the largest in the world with cumulative bilateral stock in direct investment valued at more than US$1 trillion in 2014. More than 2 million jobs, approximately 1 million in each country, have been created over the years to manage and drive this investment.
• More than 7,500 U.S. firms have a presence in the United Kingdom, which is also the top location in Europe for U.S. regional headquarters covering Europe, the Middle East and Africa.

• The UK economy grew by 2.8% in 2015, reflecting a continued recovery from the recession. The economy was expected to remain relatively strong in 2016 with forecast growth of 1.9%.

• A major international financial, media and transportation hub, London is also headquarters to the European Bank for Reconstruction and Development (EBRD).

Market Challenges
London is one of the world’s most expensive cities in which to do business. Property prices, restaurants and transportation are all expensive relative to most other European cities.

As UK and third-country suppliers represent strong competition, U.S. exporters need to offer differentiated products at competitive prices. Complex EU technical/regulatory requirements can be burdensome.

“Devolved Administrations” present some differences in policies and regulations among England, Northern Ireland, Scotland and Wales. While Scotland voted to stay in the UK in 2014, the Scottish National Party has won the most seats in Scotland and is determined to see greater devolution, including fiscal autonomy, for Scotland.

Market Opportunities
The United Kingdom is a highly sophisticated market with strong demand for products and services that improve productivity, including information and communications technology software and services that lower costs and improve business efficiencies.

There is ongoing, strong demand for a wide range of equipment and services related to safety/security and, in particular, cybersecurity.

The United Kingdom’s commitment to low-carbon targets is driving market demand for U.S. products and services in the area of renewable energy, energy efficiency, low carbon/green technologies, smart grid technologies and e-vehicles.

The UK has a program of major, multibillion-dollar infrastructure projects in the energy, transportation and water sectors.

The proposed U.S.-EU Transatlantic Trade and Investment Partnership (TTIP) has the potential to cut tariffs and address market barriers, thus creating additional opportunities in the UK for U.S. exporters.
Market-Entry Strategies

- Demonstrate a clear value proposition and competitive advantage (i.e., price, quality, branding).

- Pay close attention to both the obvious and subtle cultural differences between the United States and the United Kingdom and adjust marketing strategies accordingly.

- Evaluate prospective partners carefully and choose an experienced, well-established local distributor. Be flexible when working with a UK partner during this prolonged period of economic recovery.

- Visiting the UK, probably more than once, to meet prospective partners and customers, is a sound strategy; British businesspeople tend to want to get to know who they are doing business with.

- Express commitment to the market with a long-term perspective.

“Doing Business in the United Kingdom” article is provided by the U.S. Commercial Service, the trade promotion arm of the U.S. Department of Commerce’s International Trade Administration. For more information on doing business in the United Kingdom, you may visit their website at www.export.gov/UnitedKingdom.

The following charts are based on import data obtained from the website of the International Trade Centre (ITC)
UNITED KINGDOM SNAPSHOT

Demographics

Population in millions | 64.4

<table>
<thead>
<tr>
<th>Age</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>0–14</td>
<td>5.76</td>
<td>5.48</td>
</tr>
<tr>
<td>15–64</td>
<td>21.12</td>
<td>20.53</td>
</tr>
<tr>
<td>65 &amp; Over</td>
<td>5.17</td>
<td>6.36</td>
</tr>
</tbody>
</table>

Median Age 40.5
Population Growth 0.53%

Economy

GDP (PPP) $2.79 trillion
GDP Per Capita $42,500
GDP-Real Growth Rate 1.80%
Unemployment Rate 5.10%
Inflation 0.50%

Data Source: Demographics, Economy, and Trade from CIA World Factbook, Music Industry from The Music Trades. GDP (PPP): Gross Domestic product based on purchasing-power-parity (PPP) valuation of country GDP in U.S. dollars.
Trade

<table>
<thead>
<tr>
<th>Total Export</th>
<th>$412.1 billion</th>
<th>Export as % of GDP</th>
<th>14.77%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Import</td>
<td>$581.6 billion</td>
<td>Import as % of GDP</td>
<td>20.85%</td>
</tr>
</tbody>
</table>

Music Industry

<table>
<thead>
<tr>
<th>Music Market</th>
<th>$515.0 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Per Capita</td>
<td>$7.00</td>
</tr>
<tr>
<td>Global Share</td>
<td>3.20%</td>
</tr>
</tbody>
</table>

Share of Global Music Market

[Graph showing share of global music market from 2006 to 2015]

United Kingdom Music Market

[Graph showing United Kingdom music market from 2006 to 2015]
United Kingdom Imports and Exports

- **Guitars**
  - **Imports**
  - **Exports**

- **Fretted Instruments**
  - **Imports**
  - **Exports**

- **Stringed Instruments**
  - **Imports**
  - **Exports**

Legend:
- Import Value
- Export Value
United Kingdom Imports and Exports

**Accordions**

- **Imports**
  - Value in U.S. $ thousands
  - Value range: 0 to 1,400
  - Years: 2007 to 2016
- **Exports**
  - Value in U.S. $ thousands
  - Value range: 0 to 800
  - Years: 2007 to 2016

**Instrument Strings**

- **Imports**
  - Value in U.S. $ millions
  - Value range: 0 to 8
  - Years: 2007 to 2016
- **Exports**
  - Value in U.S. $ millions
  - Value range: 0 to 8
  - Years: 2007 to 2016

**Accessories**

- **Imports**
  - Value in U.S. $ thousands
  - Value range: 0 to 1,400
  - Years: 2007 to 2016
- **Exports**
  - Value in U.S. $ millions
  - Value range: 0 to 25
  - Years: 2007 to 2016
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ACKNOWLEDGEMENTS

NAMM wishes to express our sincere appreciation to everyone who helped make the 2017 NAMM Global Report possible, including Paul and Brian Majeski of The Music Trades magazine for the U.S. music products industry sales statistics and unit information and analysis; and Josie Hollingsworth of the U.S. Census Bureau for the U.S. import and export statistics.

We also want to acknowledge the contributions of those organizations and individuals who helped us assemble the global statistics: Alfredo Campanelli of Import Music Argentina; Rob Walker of the Australian Music Association (AMA); Otmar Hammerschmidt of the Austrian Musical Instruments Retailer’s Association; Daniel Neves of Música & Mercado, Brazil; Jim Norris of Norris-Whitney Communications, Inc. and Steven Butterworth of Yamaha Canada Music Ltd., Canada; Zeng Zemin and Chang Jie of the China Musical Instrument Association (CMIA); Zuzana Petrofová of PETROF, spol. s r.o., Czech Republic; Emmanuel Tonnelier of Vandoren S.A.S. and Cafim, France; Winfried Baumbach of the National Association of German Musical Instruments Manufacturers (BDMH); Géza Balogh of HANOSZ, Hungary; Shuncho Mori and Toshio Suganuma of The Japan Music Trades; Thomas Veerkamp of Casa Veerkamp, SA de CV, Mexico; Juan Grecos of Caprice, S.L. and COMUSICA, Spain; and Paul McManus of the Music Industries Association (MIA), United Kingdom.

Your assistance was crucial and is greatly appreciated. Thank you.