



NAMM Global Report | 2020

The 2020 NAMM Global Report Provides Members with Industry Data to Guide Decision Making

NAMM[®]
believe in music

A MESSAGE FROM THE CHAIR AND PRESIDENT/CEO

The current economic and health situation reveals just how interconnected we all are. From trade to travel, our world has been turned upside down, but even as we grapple with change, one thing is certain: We are in this together.

Regardless of political rhetoric, global supply chains and digital integration are here to stay. Our industry requires global growth to maintain our bottom lines, and data-driven decision-making will define the next century. While growth is never a straight line and there will certainly be bumps in the road, the trends and forces at play provide hope for a brighter, stronger future—one in which membership can power both a feeling of collectivity and the means to succeed.

We believe that music unites us and brings out the best in humanity. In pursuit of this noble goal, NAMM is committed to providing tools to support our members all around the world. Whether it's by offering business-building educational resources or connecting buyers and sellers, or through data analysis such as this report, we seek to empower you to make broad, economic decisions, while growing your network and skills.

For this reason, we bring you the *2020 NAMM Global Report*, capturing a snapshot of 28 markets. With 132 countries and regions attending The NAMM Show and international firms composing 32 percent of our total membership base, we recognize and value the need for a global industry perspective.

On behalf of the NAMM Board of Directors and staff, we appreciate your continued support and membership. NAMM remains committed to your success and to our industry. We sincerely hope you find the following information useful to your business.

Sincerely,



A handwritten signature in black ink that reads "C. F. Martin".

Chris Martin, NAMM Chair



A handwritten signature in black ink that reads "Joe Lamond".

Joe Lamond, NAMM President and CEO



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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

How do you get sales data in an industry where most of the business is done by privately held companies and there are few 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 15 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 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 estimated retail value of wholesale shipments. Retail value is determined by estimating an average retail mark-up and then applying it to the estimated wholesale value.

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

UNITED STATES SNAPSHOT

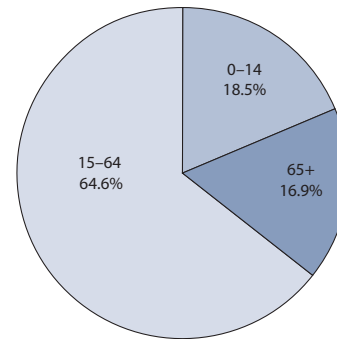
Demographics

Population in millions 332.6

Age	Male	Female
0-14	31.37	30.03
15-64	107.52	107.66
65 & Over	25.01	31.04

Median Age 38.5
 Population Growth 0.72%

Demographics

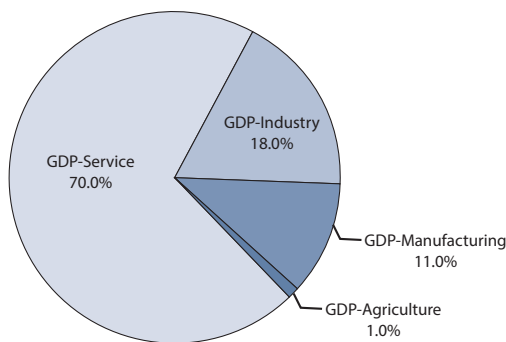


Economy

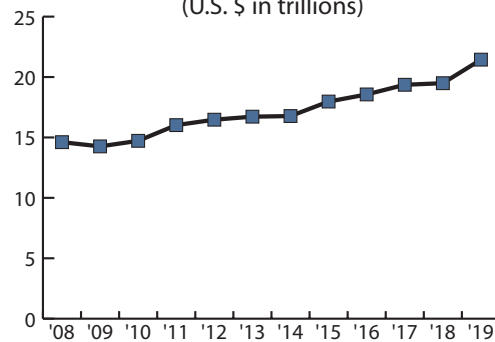
GDP (PPP)	\$21.44 trillion
GDP Per Capita	\$65,100
GDP-Real Growth Rate	2.10%
Unemployment Rate	3.50%
Inflation	-0.09%

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.

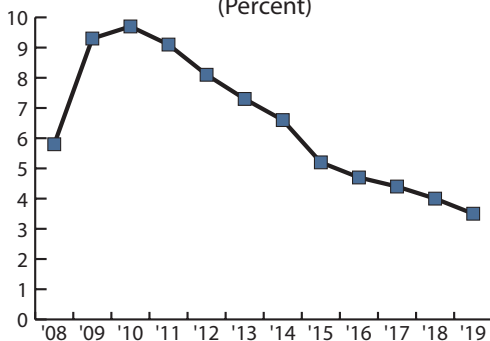
Economy



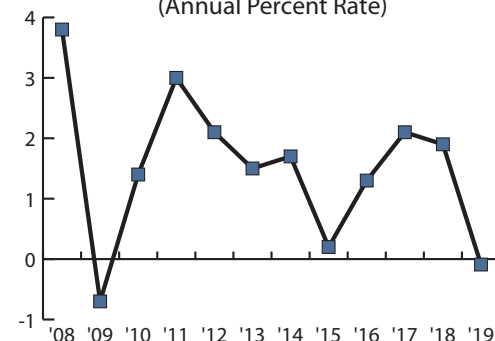
United States GDP (PPP)
 (U.S. \$ in trillions)



Unemployment Rate
 (Percent)

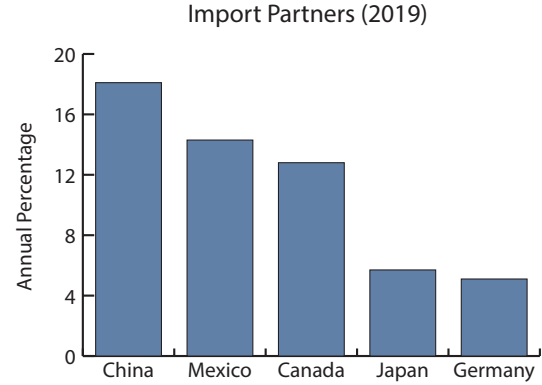


Inflation
 (Annual Percent Rate)



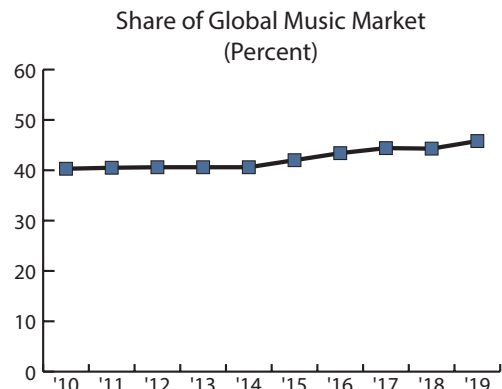
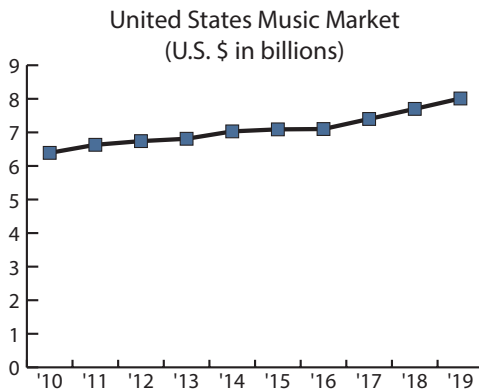
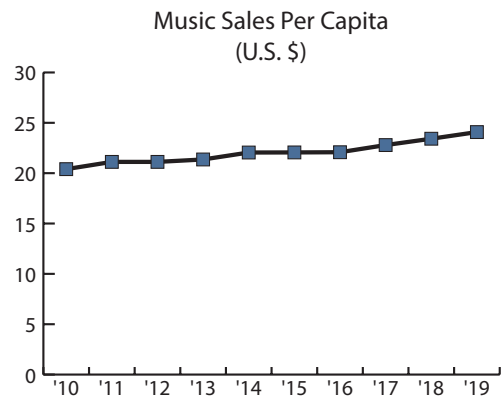
Trade

Total Export	\$1.7 trillion	Export as % of GDP	7.70%
Total Import	\$2.5 trillion	Import as % of GDP	11.66%



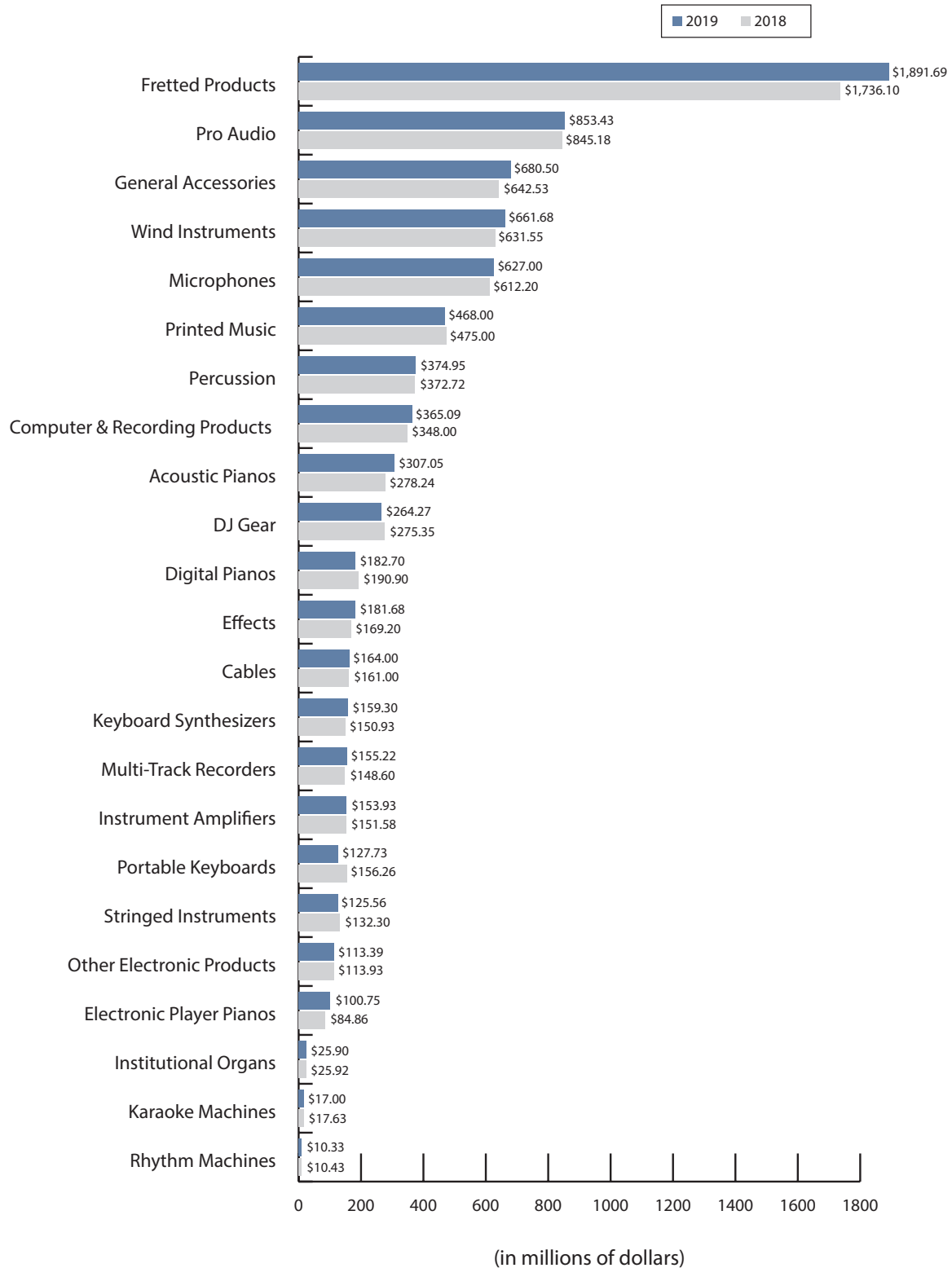
Music Industry

Music Market	\$8.0 billion
Sales Per Capita	\$24.08
Global Share	45.80%



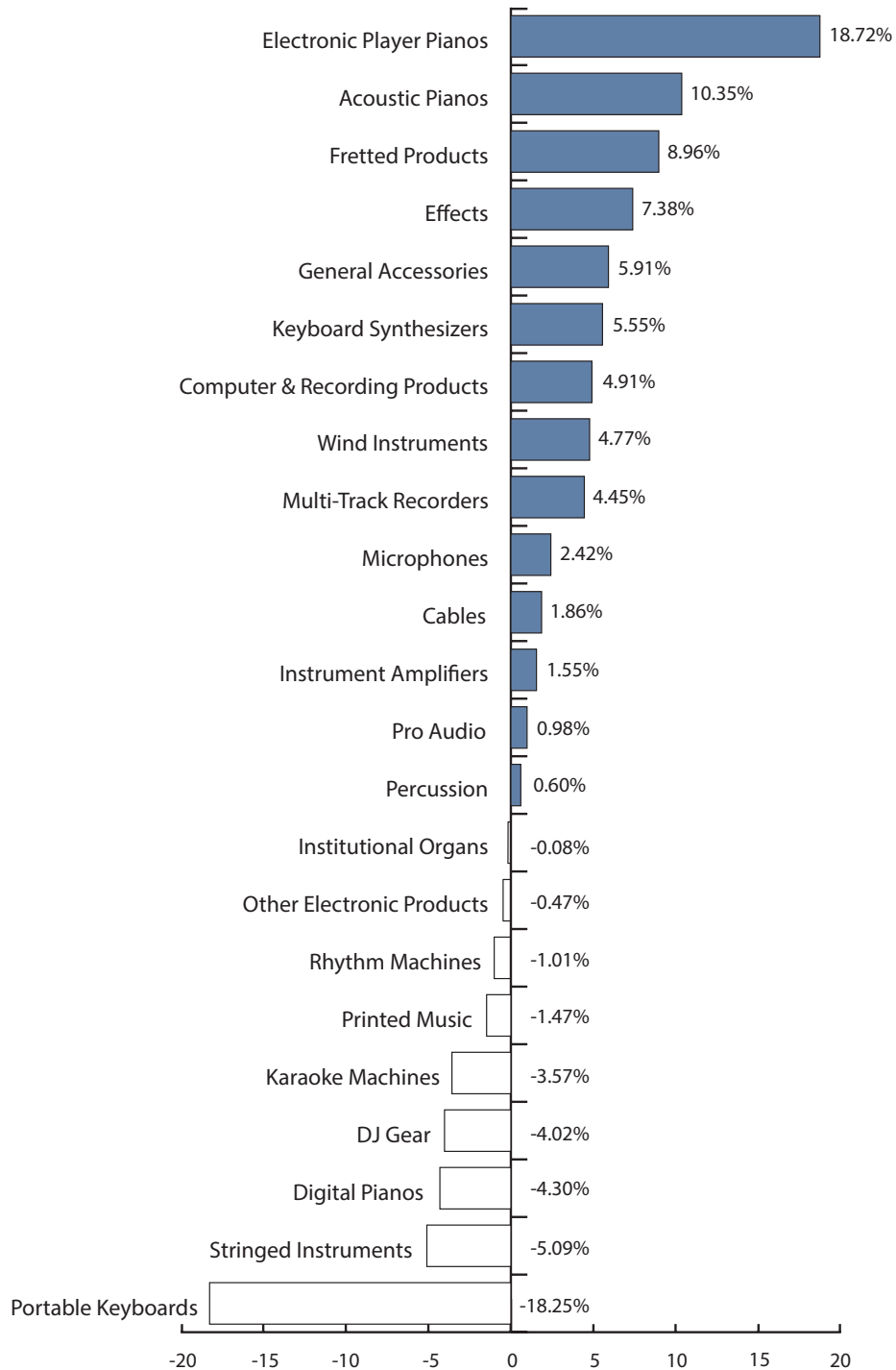
U.S. INDUSTRY REVENUE AT A GLANCE

Product Sales Totals
(Retail 2018–2019)



U.S. INDUSTRY REVENUE AT A GLANCE

2019 Industry Sales Gains and Declines



INTRODUCTION

2019 Music Industry Analysis

Industry Shakes off Trade War Concerns

Estimated retail value of music and audio shipments up 3.9%, reflecting strong economy and vibrant consumer demand

The estimated retail value of music and audio products rose by 3.9% to \$8 billion in 2019, significantly outpacing the U.S. economy's 2.3% growth. Much of the improvement can be attributed to the salutary combination of low unemployment, rising wages and a strong stock market. Superlative product value and energetic retail promotion also can take some credit. The increase was particularly noteworthy given the chaotic trade policy of the past 18 months.

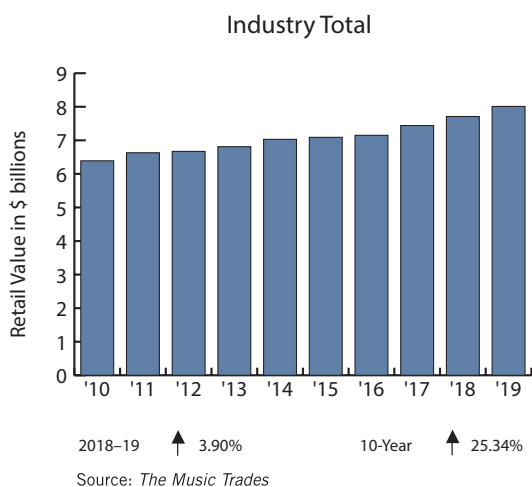
In an effort to prod the Chinese government to reduce trade barriers to U.S. goods and to crack down on theft of intellectual property, the Trump administration raised duties on a range of Chinese goods from 6% to a punitive 25% starting in June 2018. Since products sourced from China account for approximately 40% of the industry's total retail value, the prospect of significant price hikes was a major source of concern. The 25% tariffs on "List 4" products, which included all Chinese musical instruments, were put on hold in June 2019 pending further trade talks. Yet both the prospect of higher tariffs and the uncertainty created by shifting policies caused turmoil among most music products suppliers.

The higher tariffs led to some price increases, particularly in electronic products. So far, most suppliers have chosen to sacrifice gross margin to prevent retail sticker shock. Over time, though, more price increases are likely. Higher tariffs also prompted an industrywide supply chain reassessment. In a single year, Indonesia supplanted China as the number-one supplier of grand pianos. The year also saw guitar makers relocate production from China to Indonesia. Numerous electronics manufacturers are currently evaluating production sites in Malaysia. Regardless of the scale or duration of the tariffs on Chinese goods, there is a prevailing drive to diversify supply sources to insulate against future disruptions.

Tariffs and trade policy are fluid and shift from one administration to the next. However, the industry has been facing progressively stronger and more persistent sales headwinds. The durable value of "traditional" products has created a large and vibrant used market that unquestionably cuts into the sale of new instruments. Surveys of piano retailers suggest that the volume of used instrument sales is roughly four times larger than that of new instrument sales—and that does not include private sales among individuals. Sales of used guitars on Reverb.com and other online marketplaces are at least 50% the volume of the new guitar market and continue to grow. Used band instruments represent well over half of that market.

In the case of technology products, the same forces that have driven down the prices of laptops, smartphones and flat-panel televisions have also been at work on synths, sound systems and recording gear. Today, for \$850, consumers can buy an updated version of an analog synth that sold for \$9,000 in 1972. The band that a decade ago would have spent \$6,000 on a sound system including discrete power amps, speakers and a mixer can now get similar audio quality for about half the price. Furthermore, laptops, which this report does not track, have become integral components in every recording setup. While no precise data is available, it's also conceivable that an additional \$500 million is being spent each year on laptops for musical applications.

The challenges presented by technology-driven price deflation and a glut of used product are not easily addressed. Most would agree that refusing to incorporate improved technology or building instruments that destruct after a few years are not viable strategies. On the upside, this indicates that interest in musical participation remains strong. What also tends to get overlooked is the enormous scale of the U.S. music products market. The U.S. accounts for about 5% of the world's population, yet its 329 million residents purchase more than 40% of the world's musical instruments and audio gear. This outsized performance can be traced to a vibrant culture of amateur music making coupled with a high level of prosperity.



Fretted Products and Effects

Includes acoustic guitars, electric guitars, basses, ukuleles, amplifiers, strings and guitar-related effects

The fretted instrument market had one of best years on record, as the retail value of instruments and related products surged 8.3% to an estimated \$2.2 billion, driven by rising selling prices across the board, and a double-digit jump in electric guitar sales. Performance throughout the category, which includes amplifiers, strings and effects, was almost uniformly positive except for ukuleles, which posted a 9.2% decline in units and a 6.6% decline in dollar value.

At first glance, popular music trends don't seem particularly favorable to fretted instruments: Only 10% of the hit songs on last year's Billboard 200 charts prominently featured a guitar. However, if you explore the expanding number of musical genres, it becomes apparent that there remains a sizable audience for fret-based music. One indication is that solo guitarist Ed Sheeran was the only artist to have more than 50 followers on Spotify in 2019. This strong but below-the-surface interest, coupled with a vibrant economy, most likely delivered the year's banner results. We say "most likely" because sales trends in the guitar market are difficult to predict or explain. Just

two years ago, commentators were writing obituaries for the electric guitar, unaware of the coming sales rebound.

The guitar market can be segmented by musical genres that range from roots to blues to metal; by product types—electric, acoustic, vintage, contemporary; or by price point. For this overview, we divide the market into two broad consumer categories: entry-level and established buyers. Based on market research and ample anecdotal evidence, entry-level buyers are typically between 12 and 25 years old with limited musical training. They have few financial obligations so their purchasing decisions are largely insulated from prevailing economic conditions. The "established" contingent of consumers are generally 35 and up, own multiple instruments and have financial obligations. Consequently, the state of the economy influences their purchasing decisions. Precise data is unavailable, but numerous retailer reports suggest that most of the gains in the fret market last year were driven by "established" buyers who were feeling financially confident.

The electric guitar market also benefited from the actions of the two leading manufacturers. Fender Musical Instruments had several well-received product launches during the year, and after exiting Chapter 11, a revitalized Gibson Guitars also helped drive sales.

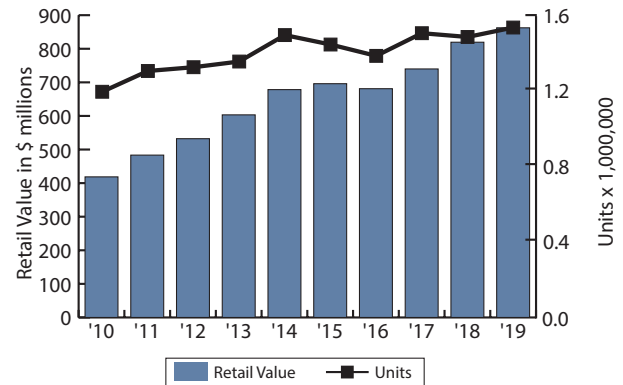
Sales of conventional guitar amplifiers have declined over the past decade due to competition from alternative devices for making a guitar audible, including a variety of digital interfaces that allow a player to directly plug into either a sound system or a recording device. In 2019, however, this trend reversed as amp sales rode the coattails of rebounding interest in the electric guitar. The retail value of the category edged up 1.6% to \$153.9 million.

Interest in guitar effects remains undiminished as guitarists continue to explore new ways to shape their tone. Most notable was the renewed interest in digital multi-effects, which saw a 7.7% bump in retail value to \$60.2 million. The gains had little or no impact on the sale of effects pedals, which edged up only slightly. The total estimated retail value for the effects market advanced 7.4% to \$181.6 million.

Although ukulele unit sales posted a 9.2% decline in 2019, it should be noted that the 1.6 million units shipped to retailers is triple the number of a decade ago. The dip suggests that the market is stabilizing after a period of torrid growth, not that the ukulele is a passing fad. The uke has unquestionably established itself as a durable product category. Some also contend that ukes are seeding the guitar market. “If you start on four strings, you eventually gravitate toward six,” goes the argument.

Shipments of new guitars were once an accurate indicator of consumer demand. With the availability of a nearly limitless supply of used instruments online, that is no longer the case. The value of used guitar sales on eBay and Reverb alone last year topped \$800 million, or about 50% of the retail value of new instruments. Used instrument sales often come at the expense of new instrument sales but reflect a still-vibrant guitar market.

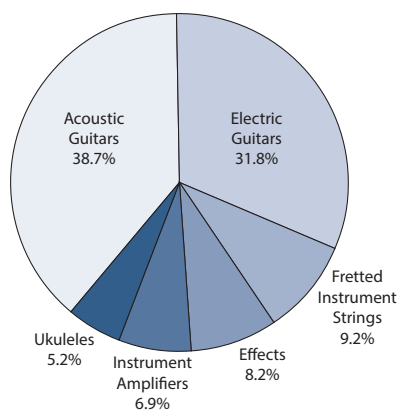
Acoustic Guitars



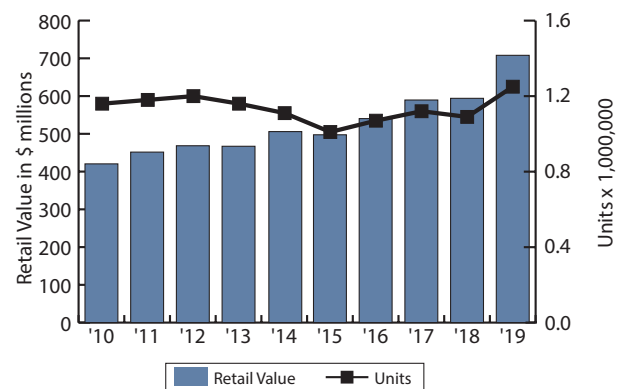
	Retail	Unit	Average Price
2019 Summary	5.23%	3.36%	1.82%
10-Year Trend	106.03%	28.24%	60.65%

Acoustic Guitars category includes banjos, dobros, mandolins and other acoustic fretted instruments, excluding ukuleles.

Retail Value Market Share



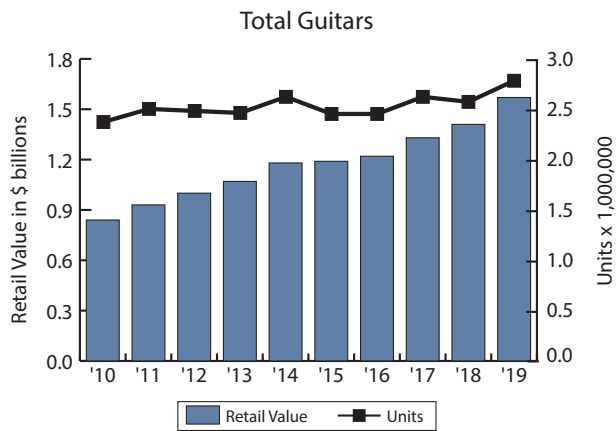
Electric Guitars



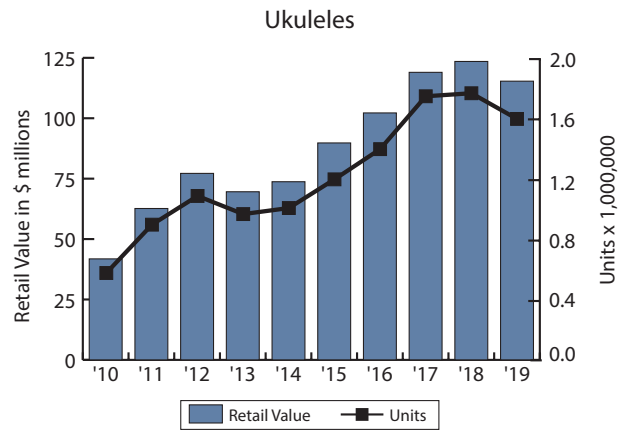
	Retail	Unit	Average Price
2019 Summary	19.17%	14.95%	3.67%
10-Year Trend	68.39%	6.50%	58.11%

Electric Guitars category includes electric basses.

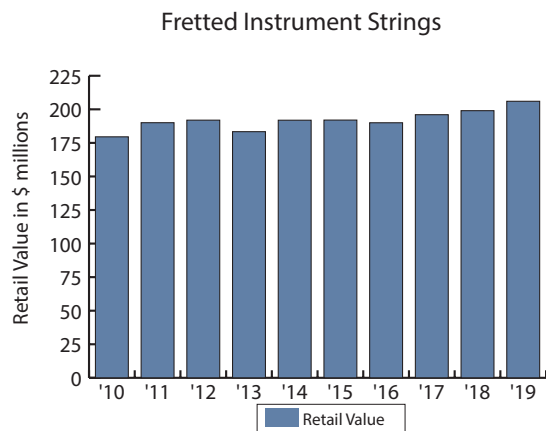
Fretted Products and Effects, continued



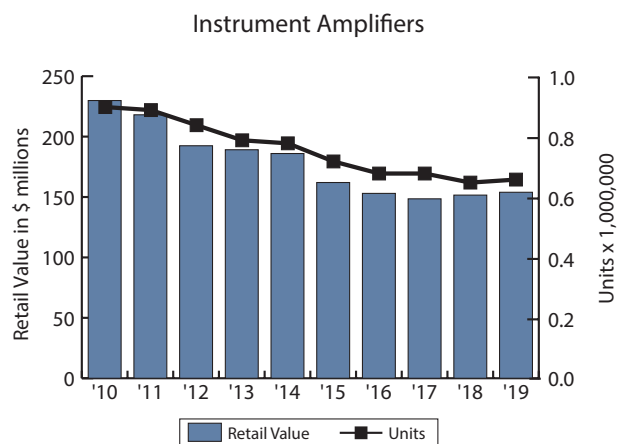
	Retail	Unit	Average Price
2019 Summary	11.09%	8.26%	2.62%
10-Year Trend	87.17%	17.49%	59.31%



	Retail	Unit	Average Price
2019 Summary	-6.64%	-9.24%	2.86%
10-Year Trend	175.94%	175.73%	0.08%



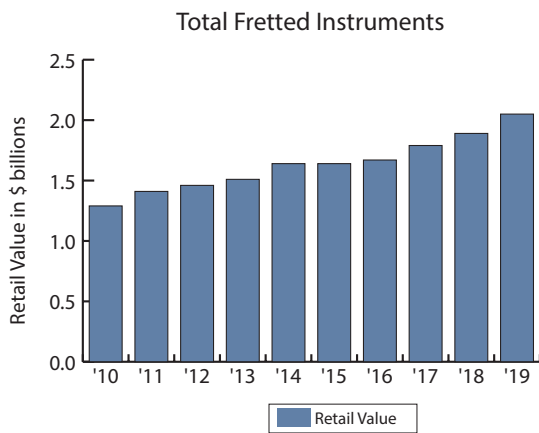
	Retail
2019 Summary	3.52%
10-Year Trend	14.75%



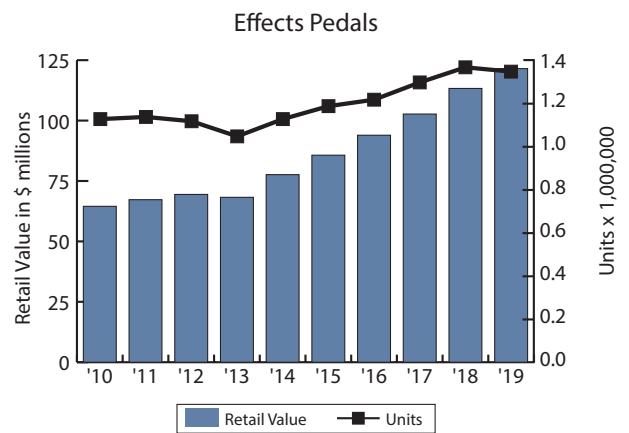
	Retail	Unit	Average Price
2019 Summary	1.55%	1.55%	0.00%
10-Year Trend	-33.03%	-27.34%	-7.84%

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.

Fretted Products and Effects, continued

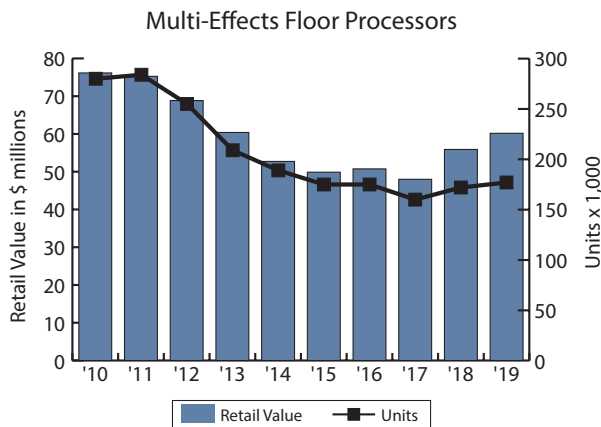


	Retail
2019 Summary	8.37%
10-Year Trend	58.55%



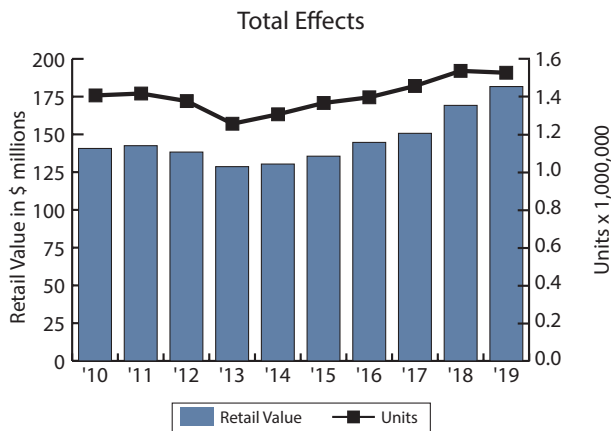
	Retail	Unit	Average Price
2019 Summary	7.24%	-1.10%	8.43%
10-Year Trend	88.30%	19.26%	57.89%

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

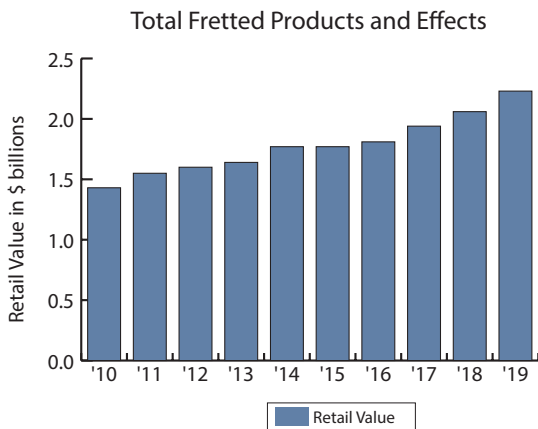


	Retail	Unit	Average Price
2019 Summary	7.66%	2.91%	4.62%
10-Year Trend	-20.98%	-36.79%	25.00%

Fretted Products and Effects, continued



	Retail	Unit	Average Price
2019 Summary	7.38%	-0.65%	8.08%
10-Year Trend	29.14%	8.14%	19.41%



	Retail
2019 Summary	8.29%
10-Year Trend	55.66%

Piano and Organ Market

Includes acoustic grand pianos, acoustic vertical pianos, electronic player pianos, digital pianos and organs

A rising stock market and strong housing prices most likely spurred affluent consumers to splurge on grand pianos. Unit volume for the product group advanced 9.9% to 9,655. Estimated retail value jumped 15.7% to \$211.4 million on the strength of higher unit prices. Perhaps the most notable aspect of the piano market in 2019 was the shift in sources of production. The imposition of punitive tariffs on pianos imported from China prompted an abrupt switch to factories in Indonesia. Imports of Chinese-made grands declined 28% while imports from Indonesia saw a 40% gain.

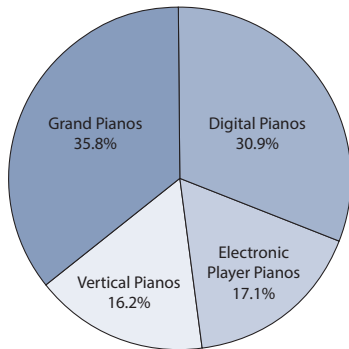
Sales of conventional vertical pianos dipped 1.8% to 17,543 units while their estimated retail value remained unchanged. Sales of these instruments continue to be impacted by digital pianos, which offer a more cost-effective solution for many casual players, as well as features including the ability to play along with MP3 files, and teaching aids. Unit volumes of digital pianos edged up 4.8% to 174,000, but plummeting prices took a toll on estimated retail value, which declined 4.3% to \$182.7 million.

The market for institutional organs continues to decline with 700 units shipped in 2019 at an estimated retail value of \$25.9 million. Declining attendance at mainstream churches and the rise of services incorporating contemporary music have contributed to this downturn.

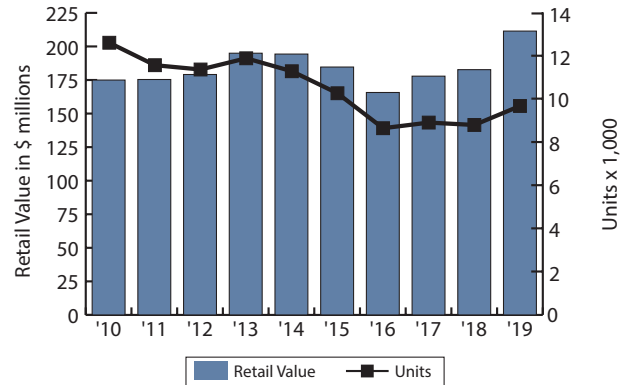
The Piano and Organ Market, continued

Pianos

Retail Value Market Share

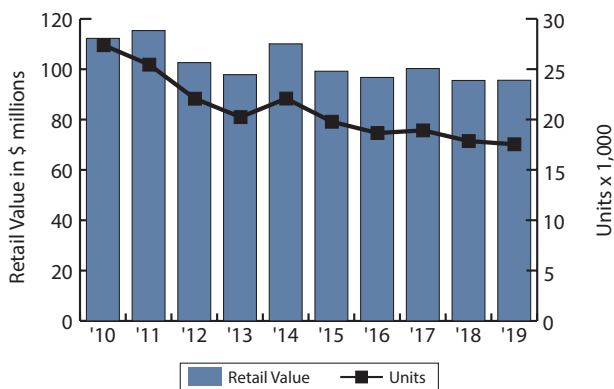


Grand Pianos



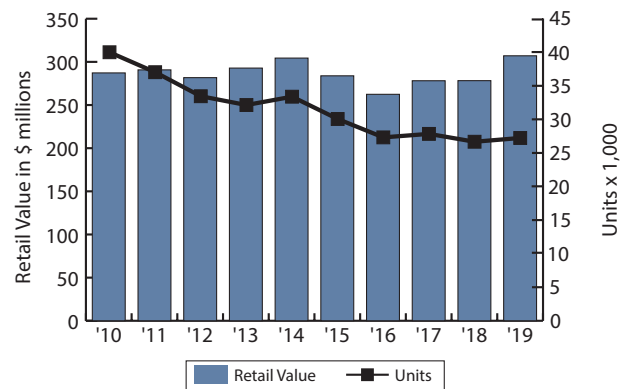
	Retail	Unit	Average Price
2019 Summary	15.73%	9.92%	5.29%
10-Year Trend	20.85%	-23.29%	57.55%

Vertical Pianos



	Retail	Unit	Average Price
2019 Summary	0.08%	-1.76%	1.87%
10-Year Trend	-14.83%	-35.93%	32.93%

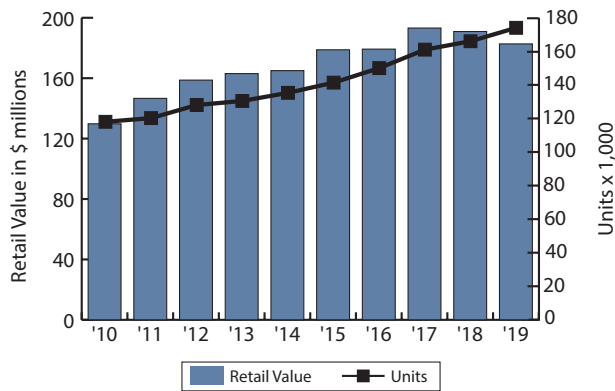
Total Acoustic Pianos



	Retail	Unit	Average Price
2019 Summary	10.35%	2.09%	8.09%
10-Year Trend	6.91%	-31.95%	57.10%

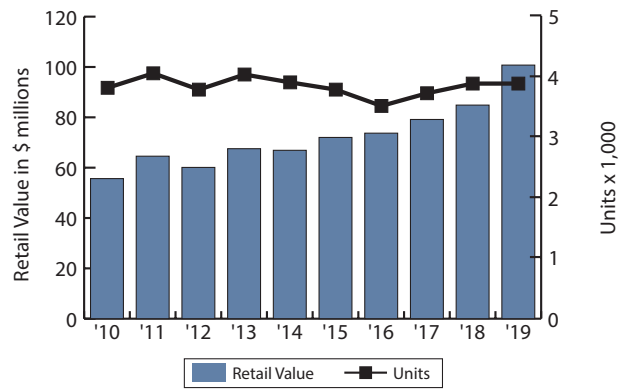
The Piano and Organ Market, continued

Digital Pianos



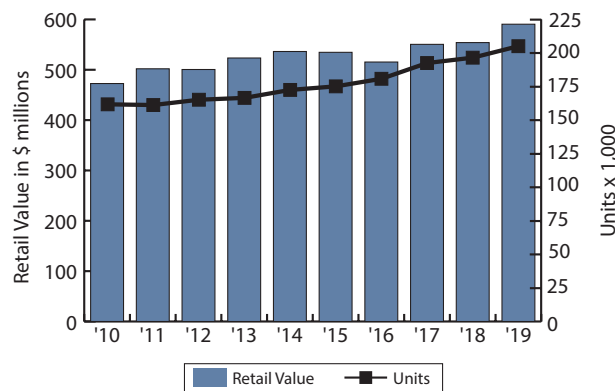
	Retail	Unit	Average Price
2019 Summary	-4.30%	4.82%	-8.70%
10-Year Trend	40.76%	47.46%	-4.55%

Electronic Player Pianos



	Retail	Unit	Average Price
2019 Summary	18.72%	0.00%	18.72%
10-Year Trend	81.03%	1.65%	78.08%

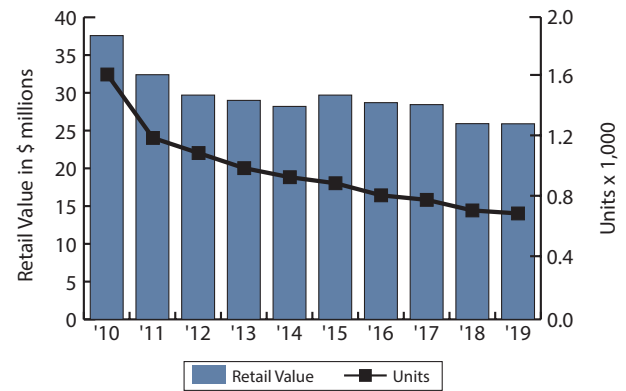
Total Pianos



	Retail	Unit	Average Price
2019 Summary	6.59%	4.35%	2.14%
10-Year Trend	24.93%	26.76%	-1.45%

Total Pianos category includes grand pianos, vertical pianos, electronic player pianos and digital pianos.

Institutional Organs



	Retail	Unit	Average Price
2019 Summary	-0.08%	-2.78%	2.78%
10-Year Trend	-31.09%	-56.79%	59.48%

School Music Market

Includes woodwind instruments, brass instruments and stringed instruments

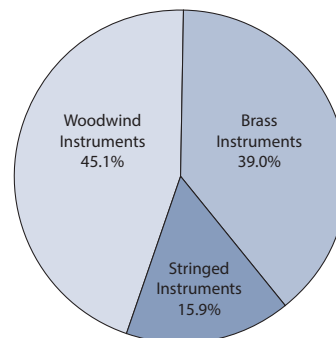
The retail value of brasswinds, woodwinds and orchestral strings increased 3.1% to \$787.2 million in 2019, driven by an increase in the average selling price of instruments. Unit volumes for the year declined 3.5% to a combined 947,000 instruments shipped.

The woodwind category saw unit shipments advance 2.4% in 2019, driven primarily by an increase in clarinet sales. Shipments of flutes and saxophones remained unchanged during the year. Modest price increases in average unit selling prices pushed the retail value of woodwinds up 6.3% to \$354.7 million. A 3.0% decline in brasswind shipments to 258,000 units was offset by an increase in average unit selling price, which drove retail value to \$307 million, a 3.1% advance.

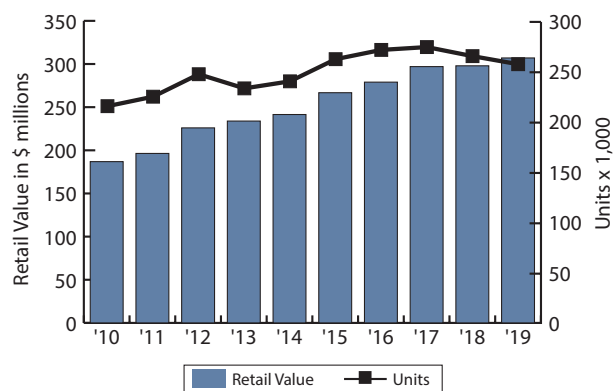
While shipments of woodwinds and brasswinds were stable, stringed instrument shipments declined 9% to 344,000 units in 2019. Whether this represents a short-term inventory correction or a shift in demand is uncertain.

Most students in school music programs access their instruments through rental programs rather than outright purchases. Surveys of school music retailers also indicate that new instruments account for only about one-third of the instruments used in most music programs, with the balance supplied by used and recycled rental instruments. As a result, new instrument shipments to retailers tracked in this report do not precisely reflect music program participation levels. However, in an environment of stable K-12 enrollment levels, 2019 shipments suggest that school music programs continue to attract students and support.

Retail Value Market Share

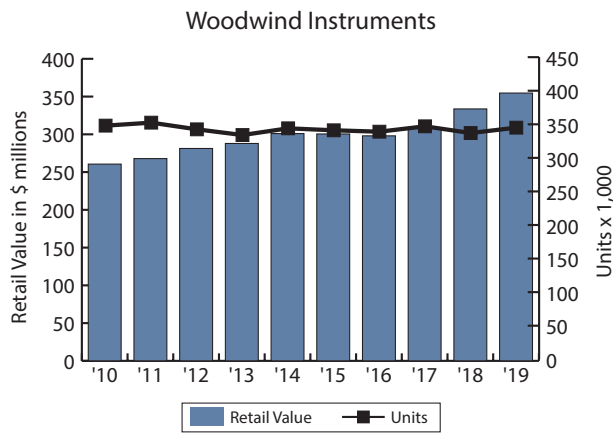


Brass Instruments

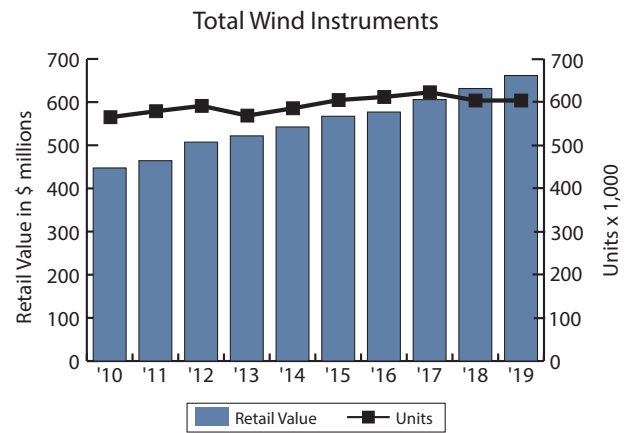


	Retail	Unit	Average Price
2019 Summary	3.05%	-3.01%	6.25%
10-Year Trend	64.28%	19.27%	37.74%

School Music Market, continued

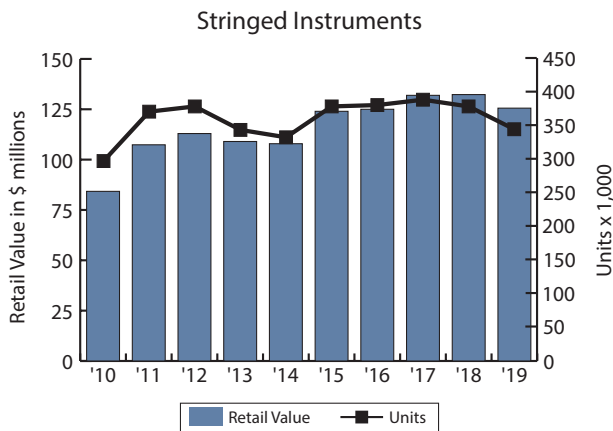


	Retail	Unit	Average Price
2019 Summary	6.30%	2.37%	3.84%
10-Year Trend	36.11%	-0.87%	37.30%

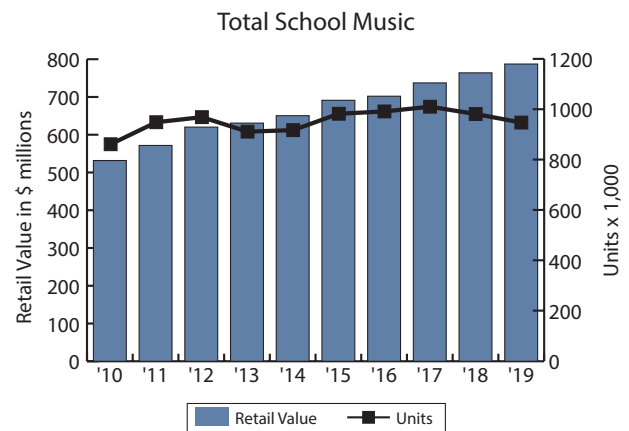


	Retail	Unit	Average Price
2019 Summary	4.77%	0.00%	4.77%
10-Year Trend	47.88%	6.85%	38.40%

Total Wind Instruments category includes brass and woodwind instruments.



	Retail	Unit	Average Price
2019 Summary	-5.09%	-8.99%	4.29%
10-Year Trend	49.06%	15.98%	28.52%



	Retail	Unit	Average Price
2019 Summary	3.06%	-3.47%	6.76%
10-Year Trend	48.06%	10.00%	34.61%

Pro Audio Market

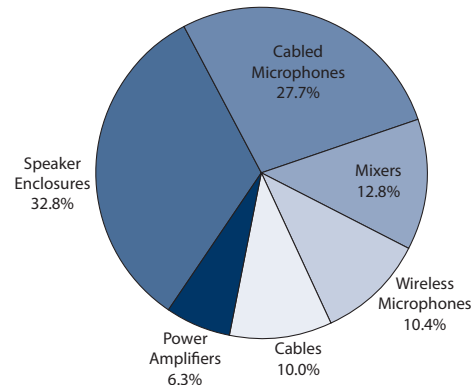
Includes speaker enclosures, power amplifiers, mixers, cables and microphones

Following a strong consumer economy, the pro audio market, which includes loudspeakers, microphones, mixers and cables sold by the specialized retail MI channel, advanced just 1.6% to an estimated retail value of \$1.64 billion. This 2019 performance tracks with the segment's modest growth over the past decade. Demand for high-quality audio remains undiminished as schools, churches and performance venues continue to install and upgrade sound systems. However, sales revenues have been acutely constrained by evolving technology.

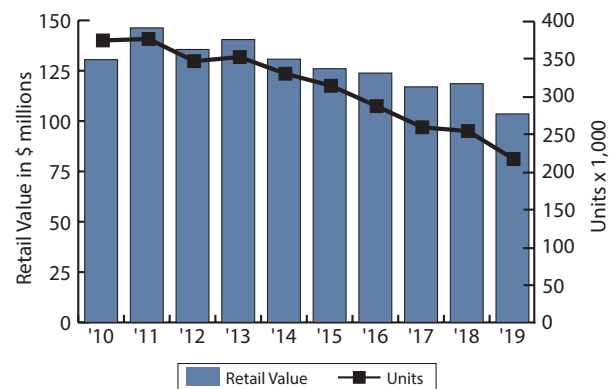
Shipments of discrete power amps declined 14.5% in 2019 because of the continued shift to powered loudspeakers. Shipments of mixers were also constrained by the availability of loudspeakers that include built-in multi-channel mixers. Developments in technology even impacted shipments of cables, long considered as recession-proof as the proverbial razor blade, as lower-cost Ethernet cables replaced standard audio cables in many larger sound systems.

As technologies mature, the natural tendency of manufacturers is to shift emphasis from innovation to efficiency. That trend has been evident in the audio market for the past decade. Basic transducer design has remained stable, while the price/performance ratio continues to ratchet upward. Some of the top-selling microphones have been on the market for over five decades, with specifications and selling prices that remain unchanged. The estimated retail value of the wireless and cabled microphone market advanced 2.4% to \$627 million.

Retail Value Market Share

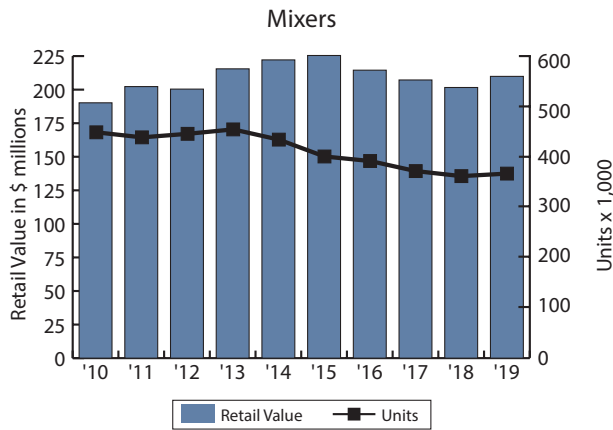


Power Amplifiers



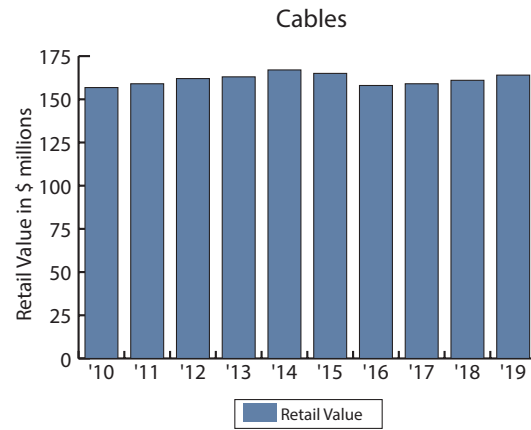
	Retail	Unit	Average Price
2019 Summary	-12.67%	-14.51%	2.15%
10-Year Trend	-20.65%	-41.87%	36.49%

Pro Audio Market, continued

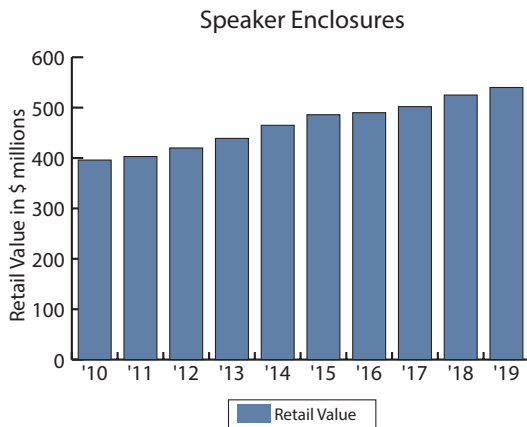


	Retail	Unit	Average Price
2019 Summary	4.10%	1.39%	2.68%
10-Year Trend	10.35%	-18.34%	35.14%

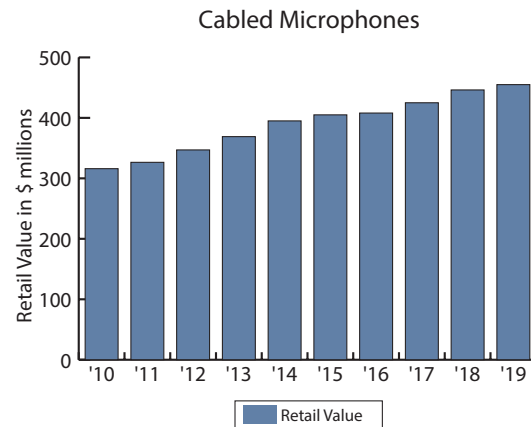
Data represents an estimate of pro audio products sold by approximately 5,000 retailers in the U.S. Excluded from the data are sound products for the cinema, tour sound, broadcast and large fixed-installation markets.



	Retail
2019 Summary	1.86%
10-Year Trend	4.59%

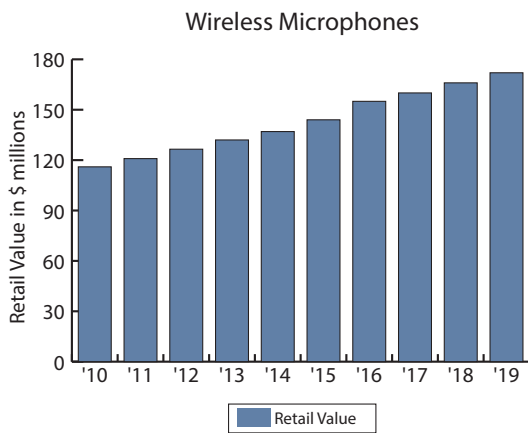


	Retail
2019 Summary	2.86%
10-Year Trend	36.36%



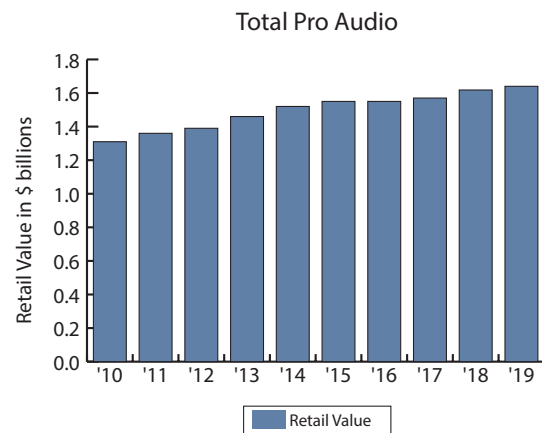
	Retail
2019 Summary	1.97%
10-Year Trend	43.99%

Pro Audio Market, continued



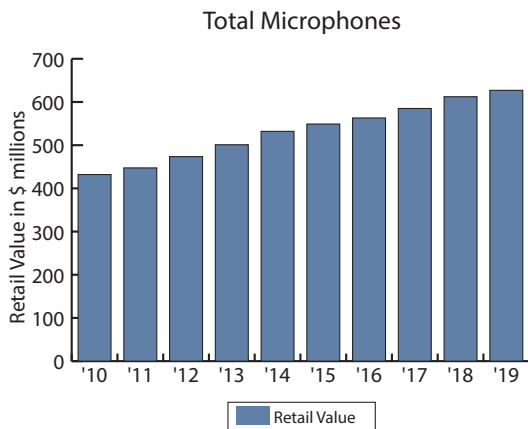
	Retail
2019 Summary	3.61%
10-Year Trend	48.28%

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.



	Retail
2019 Summary	1.61%
10-Year Trend	25.96%

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.



	Retail
2019 Summary	2.42%
10-Year Trend	45.14%

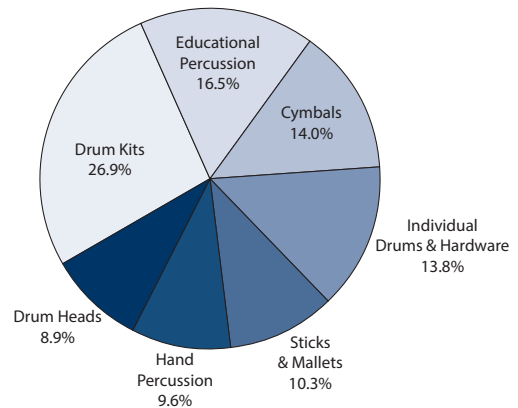
Percussion Market

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

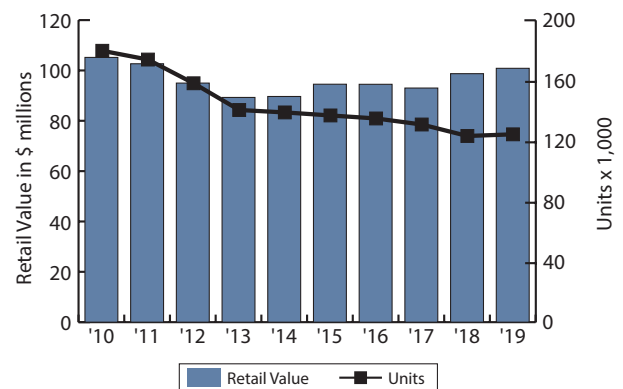
The retail value of percussion products advanced 0.6% in 2019 to \$374.9 million. Reversing a decadelong trend, drum kit sales ticked up with units advancing 0.9% to 124,500 and estimated retail value up 2.2% to \$100.8 million. The increase in drum kit sales was matched by advances in sales of individual drums and hardware, as well as drumheads. These gains were offset by declines in the value of drumstick and cymbal sales, down 4.9% and 1.9% respectively. Drummers using electronic kits don't break drumsticks as often and use no (or fewer) conventional cymbals.

Educational percussion, which includes mallet instruments, timpani and marching percussion, saw a 3.3% increase with an estimated retail value of \$62 million. The retail value of hand percussion declined slightly for the year to \$35.8 million.

Retail Value Market Share



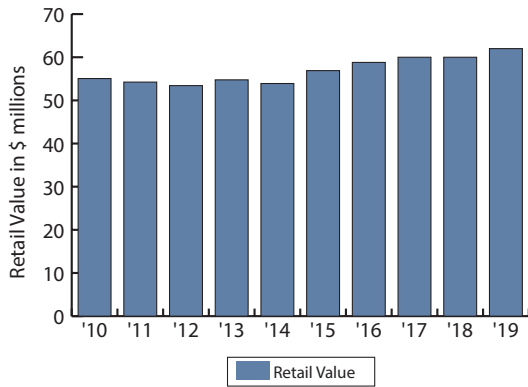
Drum Kits



	Retail	Unit	Average Price
2019 Summary	2.15%	0.89%	1.25%
10-Year Trend	-4.12%	-30.76%	38.46%

Percussion Market, continued

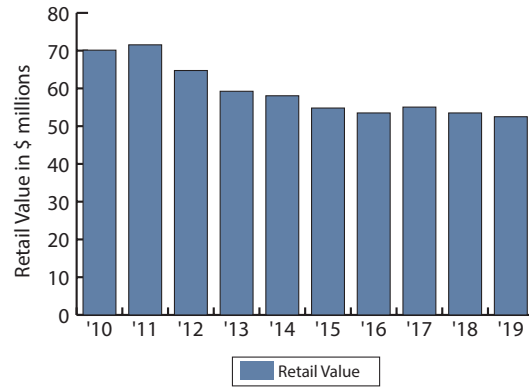
Educational Percussion



	Retail
2019 Summary	3.33%
10-Year Trend	12.60%

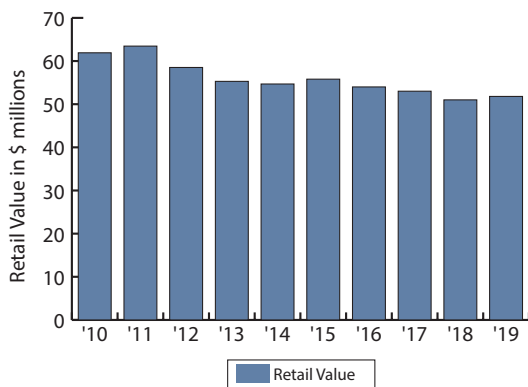
Educational Percussion category includes timpani, marching percussion, mallet instruments, snare drum kits and orchestral percussion instruments.

Cymbals



	Retail
2019 Summary	-1.87%
10-Year Trend	-25.14%

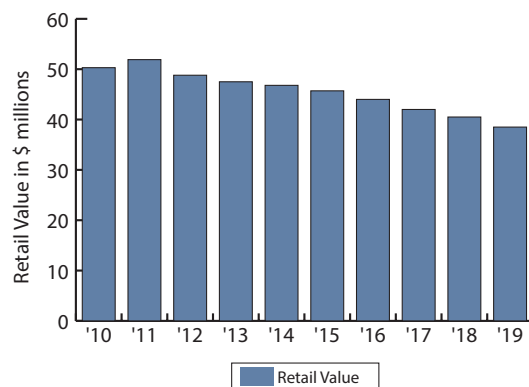
Individual Drums and Hardware



	Retail
2019 Summary	1.57%
10-Year Trend	-16.33%

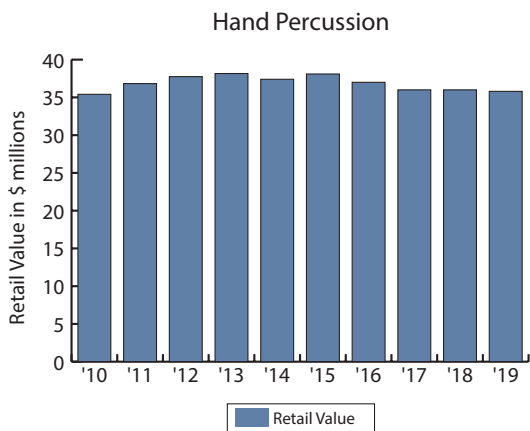
Individual Drums and Hardware category includes individual snare drums, toms and bass drums for drum kits, along with pedals, stands and related percussion hardware products.

Sticks and Mallets

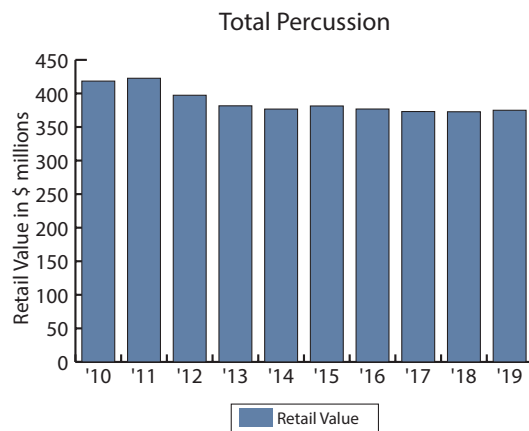


	Retail
2019 Summary	-4.94%
10-Year Trend	-23.46%

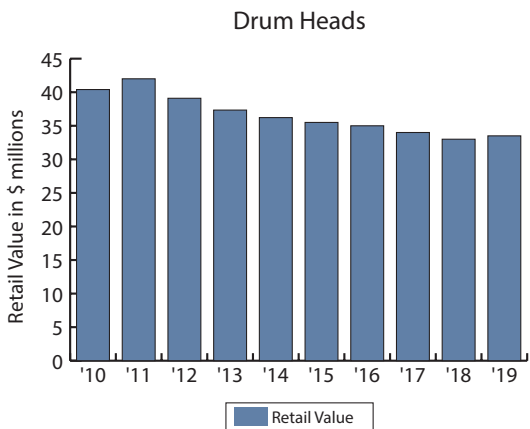
Percussion Market, continued



	Retail
2019 Summary	-0.56%
10-Year Trend	1.10%



	Retail
2019 Summary	0.60%
10-Year Trend	-10.39%



	Retail
2019 Summary	1.52%
10-Year Trend	-17.08%

DJ Market

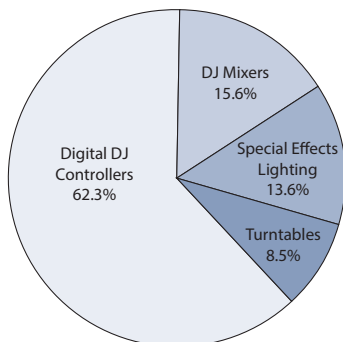
Includes turntables, DJ mixers, digital DJ controllers and special effects lighting units

The term DJ is a bit of a misnomer, given that the range of electronic control surfaces in this category are the primary tools for practitioners of EDM, techno, house and a wide variety of other electronic music styles. Data suggests that these genres and the festivals they support have slipped somewhat in popularity over the past year; nevertheless, they continue to attract a significant audience. Based on some findings, EDM/dance is the third most popular musical genre. This popularity supports a mature market for hardware products. The estimated retail value for the category advanced 3.5% to \$264.3 million.

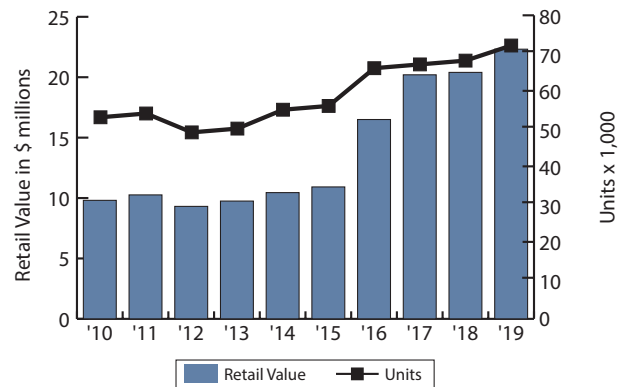
Sales of control surfaces, which typically include jog wheels that enable DJs to manipulate tracks, were essentially unchanged with 122,000 units totaling an estimated retail value of \$164.7 million. Products in the category range from entry-level units for home use, available for a few hundred dollars, to professional units designed for fixed installations selling for \$3,000 and up. The estimated retail value of DJ mixers increased 7.1% to \$41.3 million. Unit volumes of mixers declined, depleted by the popularity of “all-in-one” control units that include a mixer, but average unit selling prices increased.

An expanding range of products based on LED technology, coupled with slick software controls, have driven sales growth in effects lighting. The estimated retail value of the category advanced 9.1% to \$36 million.

Retail Value Market Share

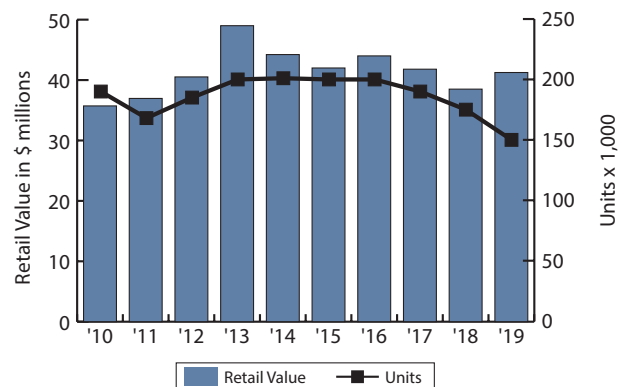


Turntables



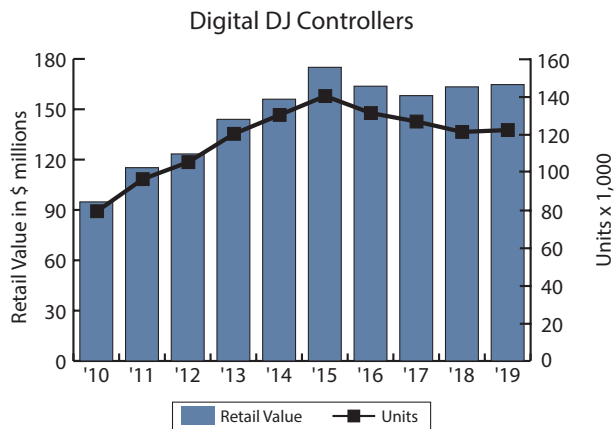
	Retail	Unit	Average Price
2019 Summary	9.41%	5.88%	3.33%
10-Year Trend	127.64%	35.85%	67.57%

DJ Mixers

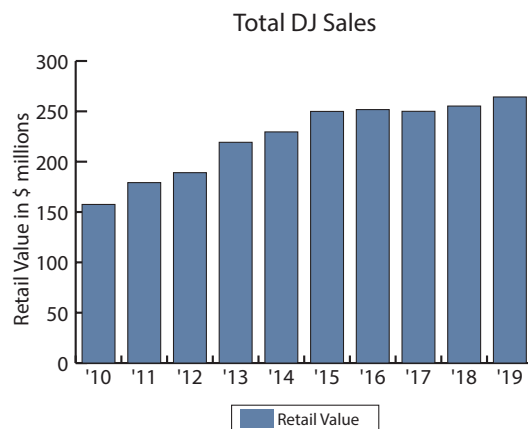


	Retail	Unit	Average Price
2019 Summary	7.14%	-14.29%	25.00%
10-Year Trend	15.48%	-21.05%	46.28%

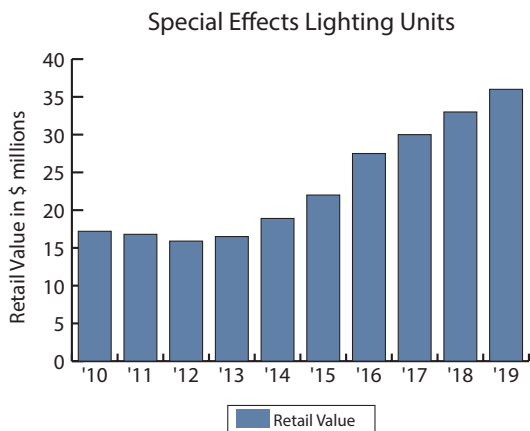
DJ Market, continued



	Retail	Unit	Average Price
2019 Summary	0.83%	0.83%	0.00%
10-Year Trend	73.73%	54.43%	12.50%



	Retail
2019 Summary	3.53%
10-Year Trend	67.76%



	Retail
2019 Summary	9.09%
10-Year Trend	109.30%

Recording and Computer Music Market

(Multi-Track, Software and Computer Music)

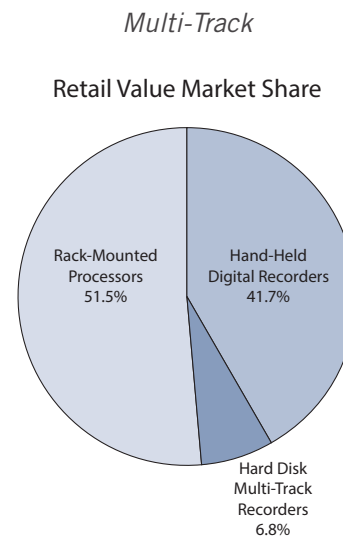
Includes hard disk multi-track recorders, hand-held digital recorders, rack-mounted processors, sound cards and related hardware, recording and sequencing software and plug-in and loop software

The volume of recorded music produced continues to expand, as evidenced by the billions of songs downloaded daily and the quantity of content available on various online platforms. However, because of collapsing prices, this demand is not fully reflected in the revenues of recording software and hardware. Estimated retail value for the category advanced 4.8% in 2019 to \$520.3 million.

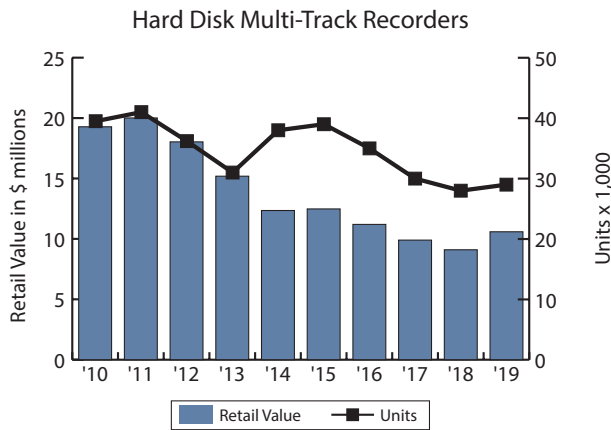
Recording software revenues were up 4.6%. The category continues to be impacted by lower unit pricing as well as some manufacturers transitioning to a subscription model. These subscription sales generally bypass the retail distribution network altogether and depress revenues. Free offerings like Apple’s GarageBand have also cut into entry-level price point software revenues. On the positive side, “plug-ins,” which add features like guitar amp models and reverbs, trended up 6.1% to an estimated retail value of \$43.5 million.

Computer-based recording hardware, which consists primarily of interfaces to link audio inputs to a software-based system, advanced 4.9% to \$193 million, reflecting the increasing popularity of recording. Interfaces range in price from under \$100 to several thousand dollars, depending on the size and quality of the digital/audio converters. Hand-held portable recorders also continued to trend, with an estimated retail value of \$64.6 million, a 10.5% increase over last year.

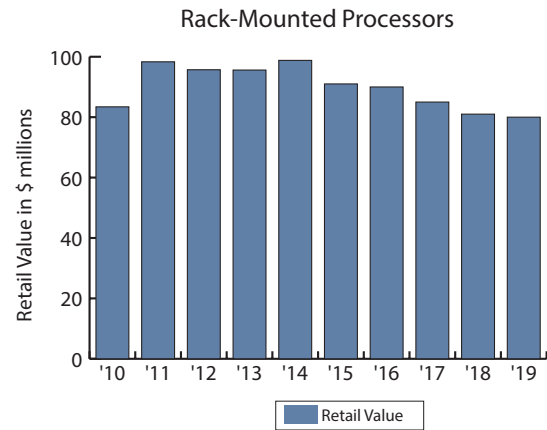
Declining selling prices have also scrambled product configurations. Hard disk digital recorders, which were once expensive stand-alone units, are now incorporated into modestly priced mixers at an almost nonexistent premium. Similarly, some manufacturers are including DAW software for free with the sale of higher-priced interfaces.



Recording and Computer Music Market, continued

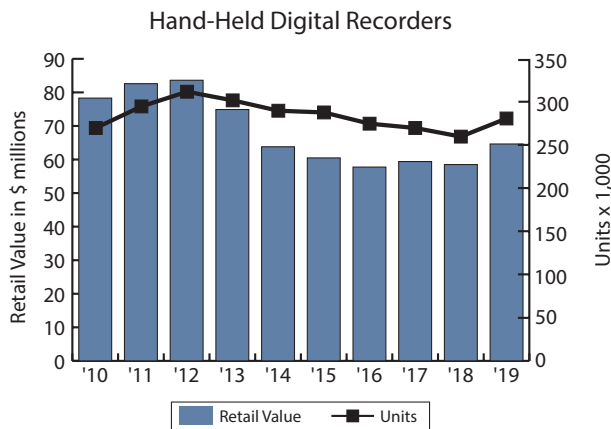


	Retail	Unit	Average Price
2019 Summary	16.32%	3.57%	12.31%
10-Year Trend	-45.09%	-26.58%	-25.20%

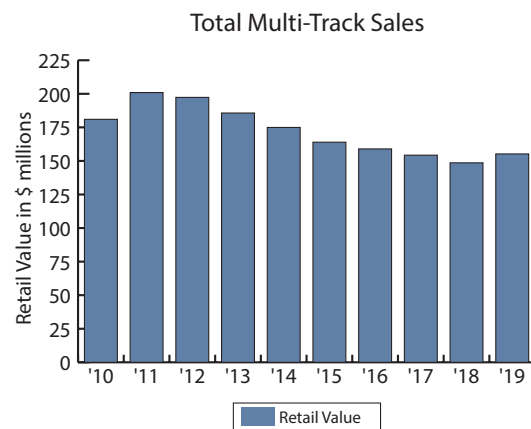


	Retail
2019 Summary	-1.23%
10-Year Trend	-4.10%

Rack-Mounted Processors category includes compressors, limiters, pre-amps, EQs and multi-effects.



	Retail	Unit	Average Price
2019 Summary	10.48%	8.08%	2.22%
10-Year Trend	-17.46%	4.07%	-20.69%

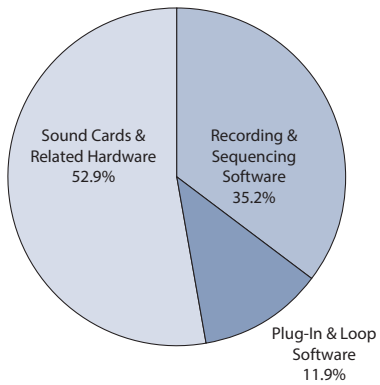


	Retail
2019 Summary	4.45%
10-Year Trend	-14.24%

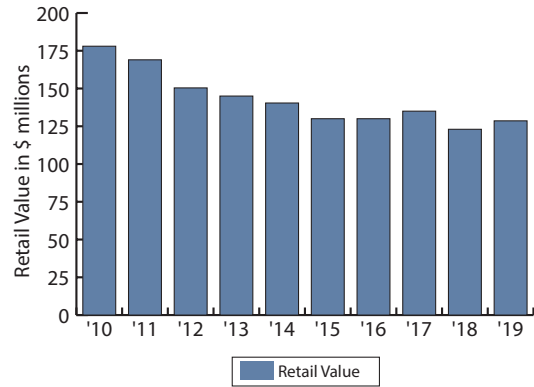
Recording and Computer Music Market, continued

Computer Music

Retail Value Market Share

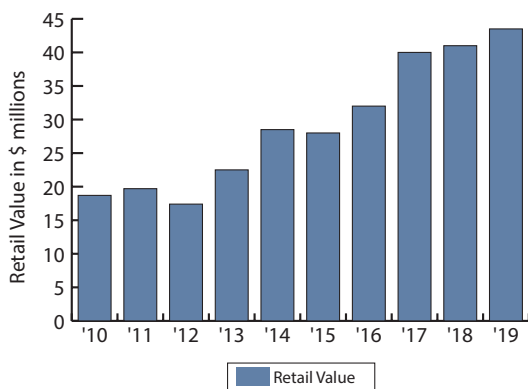


Recording & Sequencing Software



	Retail
2019 Summary	4.55%
10-Year Trend	-27.76%

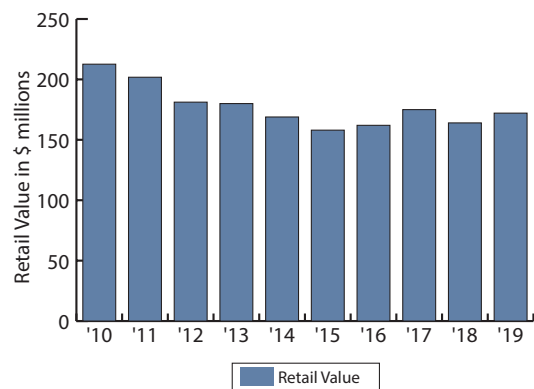
Plug-In & Loop Software



	Retail
2019 Summary	6.10%
10-Year Trend	132.62%

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

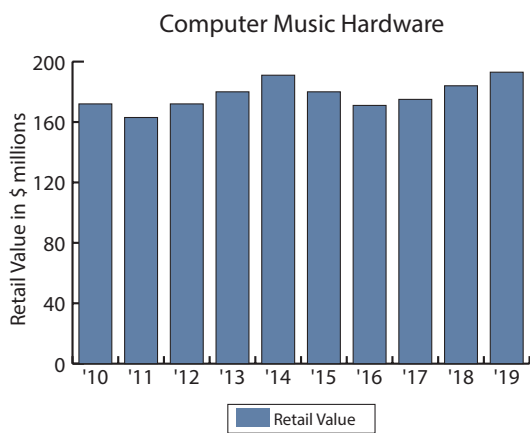
Total Software



	Retail
2019 Summary	4.93%
10-Year Trend	-19.05%

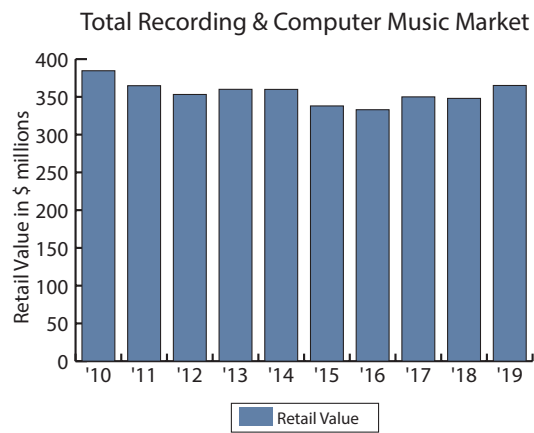
Total Software includes recording software packages, virtual instruments, sampling software and educational software.

Recording and Computer Music Market, continued



	Retail
2019 Summary	4.89%
10-Year Trend	12.21%

Computer Music Hardware category includes interfaces, digital audio work surfaces (DAWS) and other USB-enabled hardware.



	Retail
2019 Summary	4.91%
10-Year Trend	-5.07%

Electronic Music Market

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

The estimated retail value of electronic music products advanced 2.8% to \$283 million, propelled by surging interest in electronic music genres: The vast majority of songs on the Billboard 200 make heavy use of electronically generated tracks. Revenue gains, however, were tempered by declines in average selling prices. The same technological advances that have collapsed pricing on laptops and flat-panel televisions have had a similar impact on synthesizers, electronic drums and virtually every other musical device that contains either a microprocessor or a memory chip.

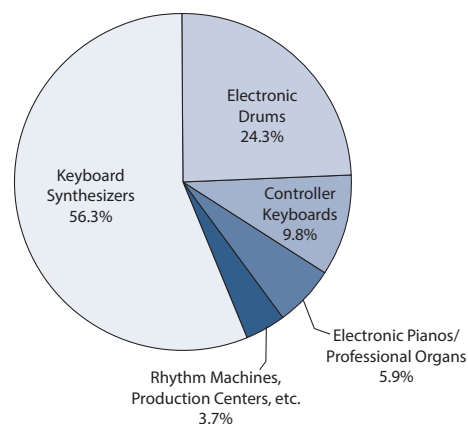
The year 2019 was an upward trending year for the sale of keyboard synthesizers, with units advancing 15.4% to 135,000 with an estimated retail value of \$159.3 million. The growth in unit volume has been accompanied by an even greater increase in the variety of models available. Capitalizing on the renewed interest in analog technology, manufacturers unveiled numerous reissues of popular '70s- and '80s-era synths. Side-by-side with these retro models, there are feature-packed workstations with seemingly limitless capabilities as well as stripped-down versions designed for live performance applications. With products offered for increasingly narrow niche applications, there was a conspicuous absence of any “blockbusters.” What these diverse models have in common is consistently improved price/performance ratios.

Gains in the keyboard synthesizer category had an adverse impact on the sale of keyboard controllers, which posted declines in both units and estimated retail value. The price differential between a stripped-down controller and an entry-priced keyboard synth has narrowed to the point where consumers are opting for the added functionality of the synth. The estimated retail value of controllers declined 8.7% to \$27.8 million.

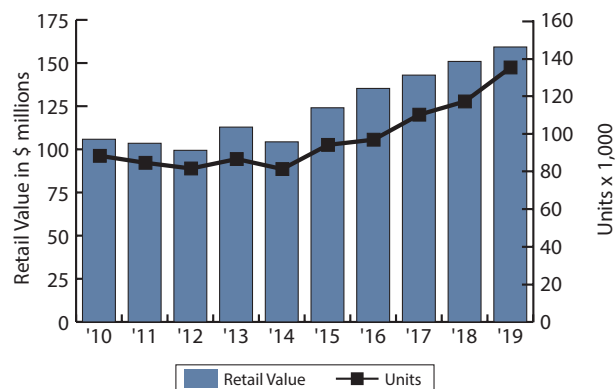
Demand for electronic drums continues to expand, with retail value up 4.4% to \$68.9 million last year. Lower-priced electronic drum kits—\$750 and under—have decimated the entry-level acoustic drum kit market. The ability to play silently appeals to the parents who previously bought

drum kits for their children. Fledgling drummers are also drawn to teaching aids and the ability to play along with the MP3 files that electronic kits offer. For more advanced users, electronic kits can be plugged into a sound system or recording device directly, eliminating the need for mics. The electronic category also includes a variety of hardware that makes it possible for acoustic drums to trigger electronic sound sources.

Retail Value Market Share

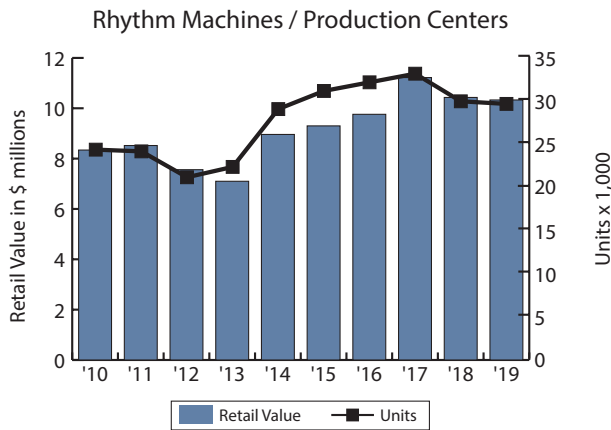


Keyboard Synthesizers

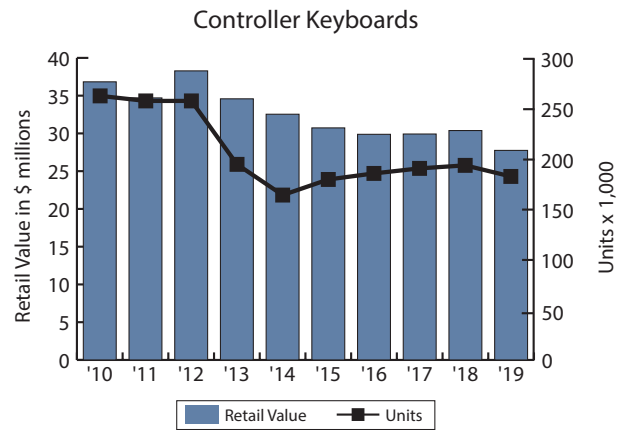


	Retail	Unit	Average Price
2019 Summary	5.55%	15.38%	-8.53%
10-Year Trend	50.51%	53.06%	-1.67%

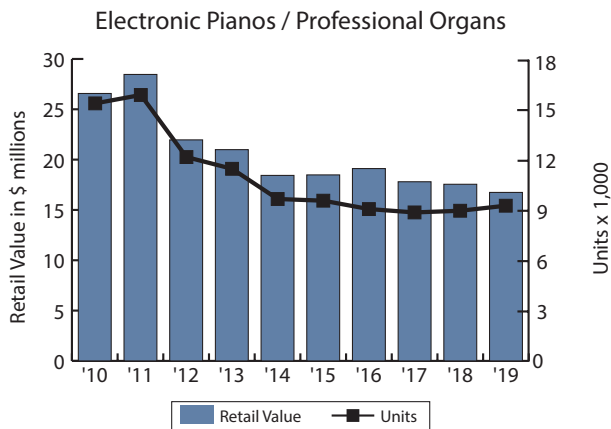
Electronic Music Market, continued



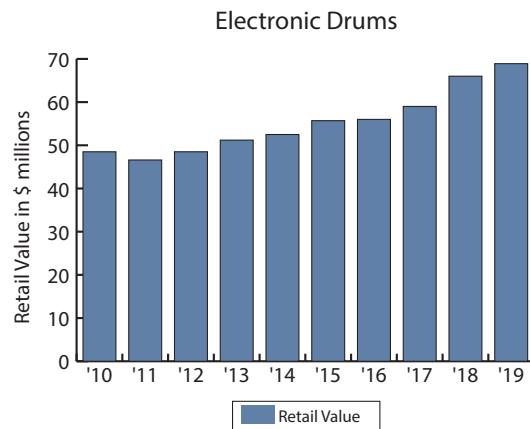
	Retail	Unit	Average Price
2019 Summary	-1.01%	-1.01%	0.00%
10-Year Trend	23.80%	21.90%	1.56%



	Retail	Unit	Average Price
2019 Summary	-8.66%	-5.61%	-3.23%
10-Year Trend	-24.64%	-30.19%	7.94%

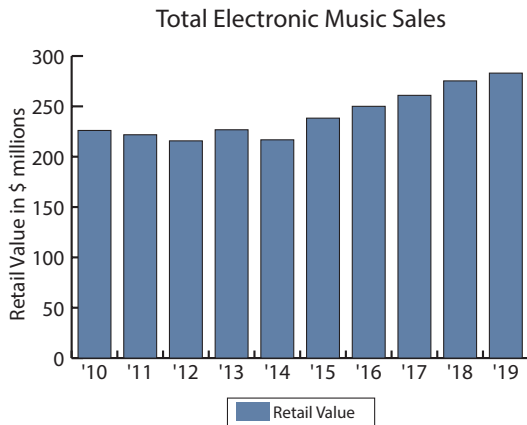


	Retail	Unit	Average Price
2019 Summary	-4.62%	3.33%	-7.69%
10-Year Trend	-36.98%	-39.61%	4.35%



	Retail
2019 Summary	4.39%
10-Year Trend	42.06%

Electronic Music Market, continued



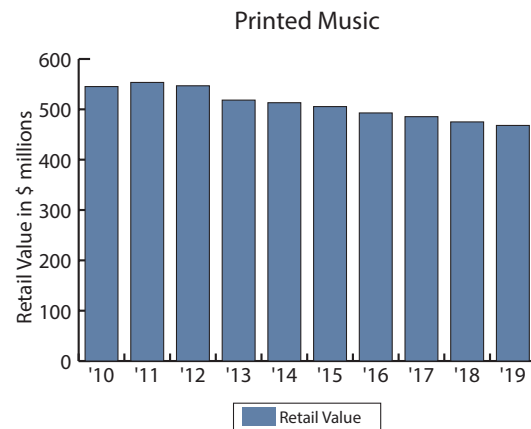
	Retail
2019 Summary	2.81%
10-Year Trend	25.19%

Print Music Market

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

Although the retail value of print music declined again in 2019—1.5% to \$468 million—obituaries for the still sizable product category are premature. The decline in print sales has been concentrated in popular music folios and guitar methods because so much content is readily available online, often at no charge. The enormous volume of instructional videos available on YouTube has also contributed to waning sales for some method books.

Despite the availability of electronic delivery methods, the functionality of a traditional music book still has appeal—it requires no outside power, teachers can write in the margins, it fits on music stands, and it’s durable and portable. That helps explain why sales of scores for choral, band and orchestral groups continue to advance.

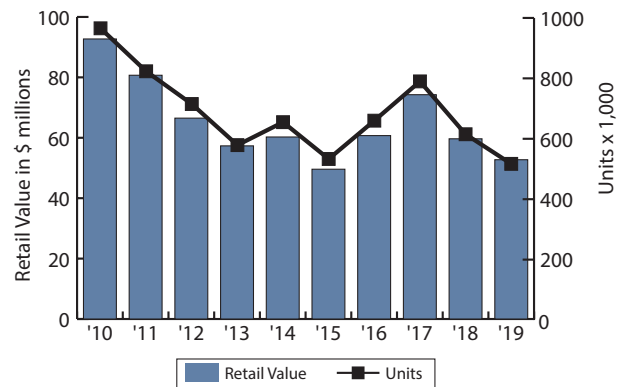


	Retail
2019 Summary	-1.47%
10-Year Trend	-14.16%

Portable Keyboard Market

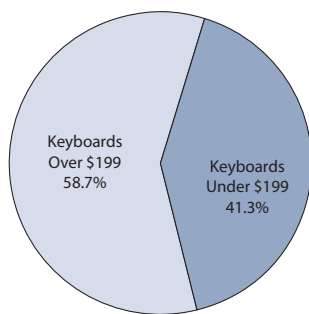
Sales of portable keyboards continue to trend down, in part because of competition from numerous other electronic devices, as well as downloadable keyboard apps for smartphones and tablets. In 2019, unit volume dropped by 14.3% to 767,000, with a retail value of \$127.7 million.

Keyboards Under \$199

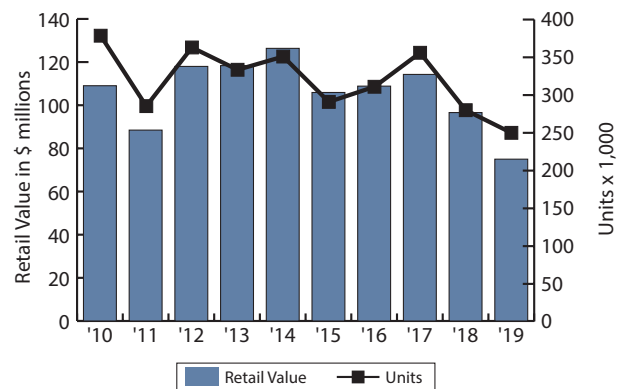


	Retail	Unit	Average Price
2019 Summary	-11.60%	-15.93%	5.15%
10-Year Trend	-43.12%	-46.46%	6.25%

Retail Value Market Share

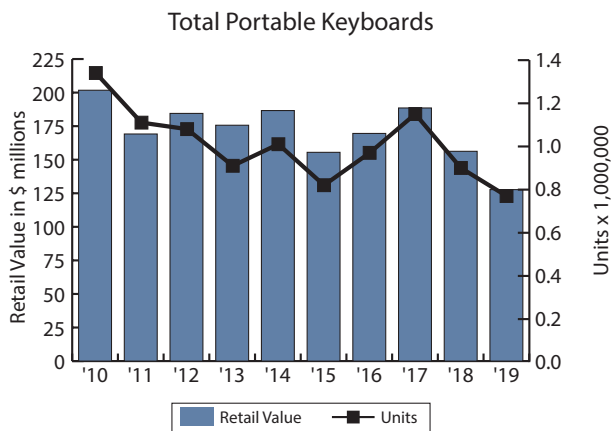


Keyboards Over \$199



	Retail	Unit	Average Price
2019 Summary	-22.36%	-10.71%	-13.04%
10-Year Trend	-31.22%	-33.97%	4.17%

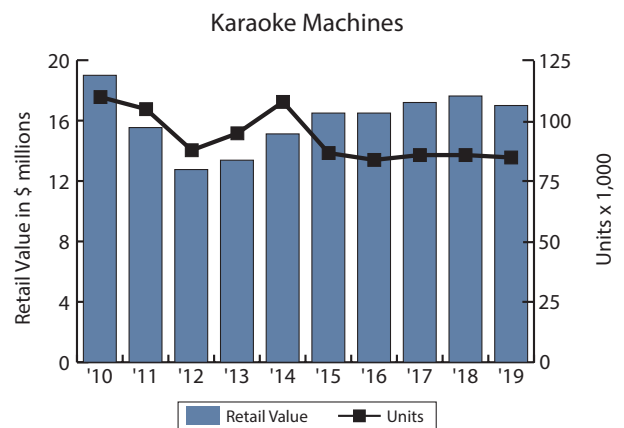
Portable Keyboard Market, continued



	Retail	Unit	Average Price
2019 Summary	-18.25%	-14.30%	-4.61%
10-Year Trend	-36.69%	-42.95%	10.97%

Karaoke Market

Flat unit sales and a modest decline in average selling prices pushed the retail value of karaoke down 3.6% to \$17 million. The overwhelming majority of machines sold go through mass-merchant channels, bypassing the specialized MI distribution channel. Manufacturers also reported that the bankruptcies of several big-box chains contributed to declining sales.

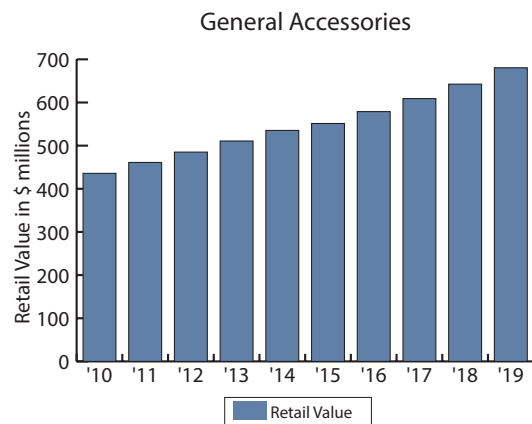


	Retail	Unit	Average Price
2019 Summary	-3.57%	-1.16%	-2.44%
10-Year Trend	-10.53%	-22.73%	15.79%

General Accessory Market

Includes care kits, metronomes, tuners, polishes, reeds, stands, cases, bags, straps, mouthpieces, replacement parts, harmonicas and various other small goods

The accessories category, which includes cases, stands, straps, metronomes, tuners, capos and a wide range of other items, advanced 5.9% to an estimated retail value of \$680.5 million. The category benefits from musicians' interest in performance-enhancing accessories and a steady stream of imaginative new products. Consider that the recent NAMM Show saw the introduction of a dozen new guitar picks, several new takes on the capo, and diverse stands and cases for every conceivable application. Most products in this category can be classified as impulse purchase items—priced under \$100—and are thus remarkably recession-resistant.



	Retail
2019 Summary	5.91%
10-Year Trend	56.15%

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

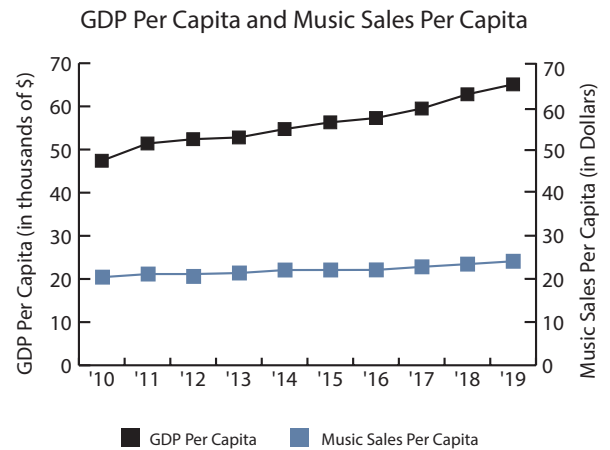
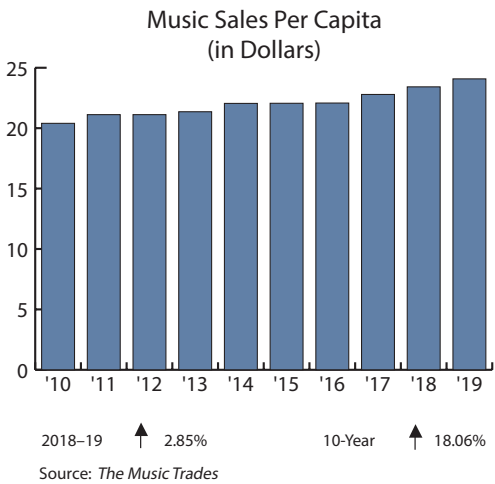
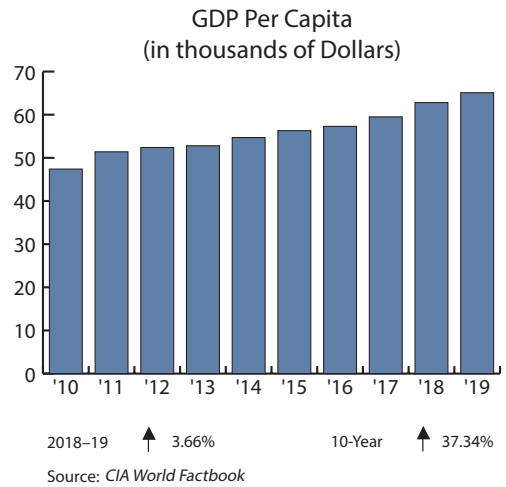
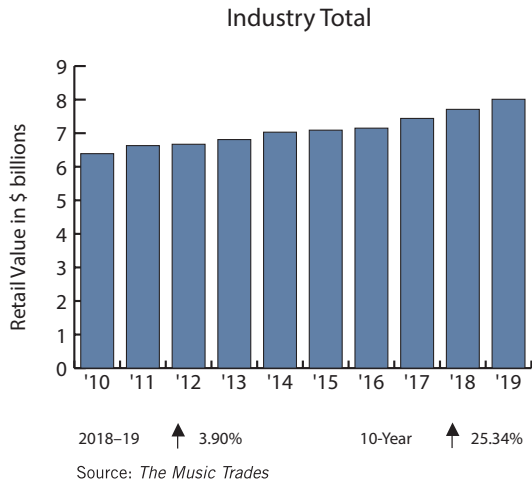
The import and export statistics are provided by the U.S. Census Bureau and offer a snapshot of U.S. music products import and export activities. This section also provides an overview of the countries where U.S. music products were exported, and the countries the United States imported music products from during 2019.

U.S. INDUSTRY SUMMARY (in millions of dollars)

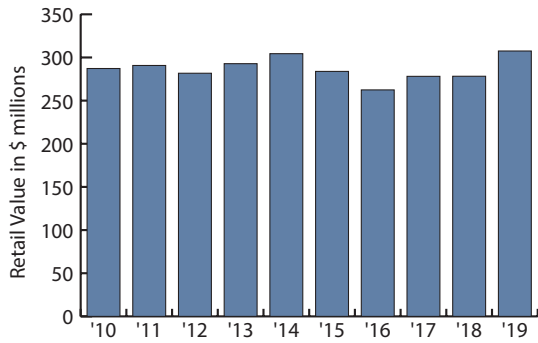
Segment	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Acoustic Guitars	\$419	\$483	\$532	\$603	\$678	\$696	\$681	\$740	\$820	\$862
Acoustic Pianos	\$287	\$291	\$282	\$293	\$304	\$284	\$262	\$279	\$278	\$307
Cables	\$157	\$159	\$162	\$163	\$167	\$165	\$158	\$159	\$161	\$164
Computer Music Products	\$385	\$365	\$353	\$360	\$360	\$338	\$333	\$350	\$348	\$365
Digital Pianos	\$130	\$147	\$159	\$163	\$165	\$179	\$179	\$193	\$191	\$183
DJ Gear	\$158	\$179	\$189	\$219	\$230	\$250	\$252	\$250	\$255	\$264
Effects	\$141	\$143	\$138	\$129	\$130	\$136	\$145	\$151	\$169	\$182
Electric Guitars	\$420	\$452	\$468	\$467	\$506	\$497	\$540	\$590	\$594	\$708
Electronic Player Pianos	\$56	\$65	\$60	\$68	\$67	\$72	\$74	\$79	\$85	\$101
Fretted Instrument Strings	\$180	\$190	\$192	\$183	\$192	\$192	\$190	\$196	\$199	\$206
General Accessories	\$436	\$461	\$485	\$511	\$535	\$551	\$579	\$609	\$643	\$681
Home Organs	\$23	\$19	\$18	\$14	\$13	\$13	\$12	\$10	–	–
Institutional Organs	\$38	\$32	\$30	\$29	\$28	\$30	\$29	\$28	\$26	\$26
Instrument Amplifiers	\$230	\$218	\$192	\$189	\$186	\$162	\$153	\$149	\$152	\$154
Karaoke Products	\$19	\$16	\$13	\$13	\$15	\$17	\$17	\$17	\$18	\$17
Keyboard Synthesizers	\$106	\$104	\$99	\$113	\$104	\$124	\$135	\$143	\$151	\$159
Microphones	\$432	\$447	\$474	\$501	\$532	\$549	\$563	\$585	\$612	\$627
Multi-Track Recorders	\$181	\$201	\$197	\$186	\$175	\$164	\$159	\$154	\$149	\$155
Other Electronic Products	\$112	\$110	\$109	\$107	\$103	\$105	\$105	\$107	\$114	\$113
Percussion	\$418	\$423	\$397	\$382	\$377	\$381	\$377	\$373	\$373	\$375
Portable Keyboards	\$216	\$169	\$184	\$176	\$187	\$156	\$170	\$189	\$156	\$128
Printed Music	\$545	\$553	\$547	\$518	\$513	\$505	\$493	\$485	\$475	\$468
Pro Audio	\$717	\$752	\$756	\$795	\$818	\$837	\$828	\$826	\$845	\$853
Rhythm Machines	\$8	\$9	\$8	\$7	\$9	\$9	\$10	\$11	\$10	\$10
Stringed Instruments	\$84	\$107	\$113	\$109	\$108	\$124	\$125	\$132	\$132	\$126
Ukuleles	\$42	\$63	\$77	\$70	\$74	\$90	\$102	\$119	\$124	\$115
Wind Instruments	\$447	\$464	\$507	\$522	\$542	\$567	\$577	\$606	\$632	\$662
Industry Total	\$6,332	\$6,555	\$6,673	\$6,808	\$7,033	\$7,089	\$7,153	\$7,445	\$7,710	\$8,011

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

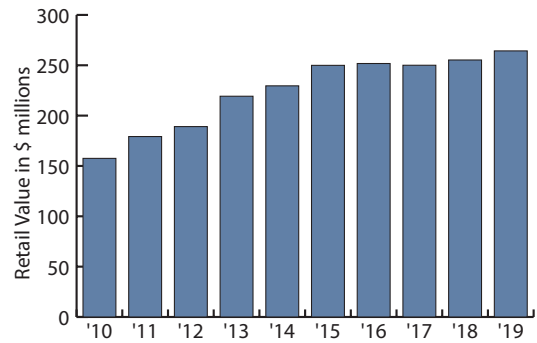
Segment	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Acoustic Guitars	1,200	1,312	1,327	1,363	1,499	1,450	1,390	1,510	1,490	1,540
Acoustic Pianos	40	37	33	32	33	30	27	28	27	27
Digital Pianos	118	120	128	130	135	141	150	161	166	174
DJ Mixers	190	168	185	200	201	200	200	190	175	150
Drum Kits	180	174	158	141	139	137	135	131	123	125
Effects	1,800	1,769	1,705	1,259	1,314	1,365	1,395	1,460	1,537	1,527
Electric Guitars	1,176	1,201	1,163	1,110	1,132	1,005	1,070	1,123	1,090	1,253
Electronic Player Pianos	4	4	4	4	4	4	4	4	4	4
Home Organs	3	2	2	2	1	1	1	1	–	–
Institutional Organs	2	1	1	1	1	1	1	1	1	1
Instrument Amplifiers	901	890	844	788	775	720	680	675	645	655
Karaoke Machines	110	105	88	95	108	87	84	86	86	85
Keyboard Synthesizers	88	85	82	87	81	94	97	110	117	135
Portable Keyboards	1,344	1,109	1,078	913	1,006	824	971	1,146	895	767
Rhythm Machines	24	24	21	22	29	31	32	33	30	30
Stringed Instruments	297	370	378	343	332	378	380	388	378	344
Ukuleles	581	895	1,087	966	1,010	1,197	1,400	1,750	1,765	1,602
Wind Instruments	564	578	591	568	585	604	611	622	603	603



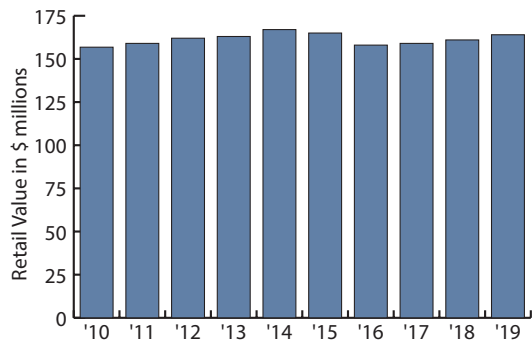
Acoustic Pianos



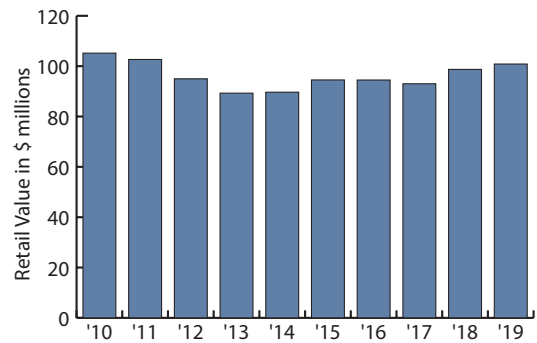
DJ Products



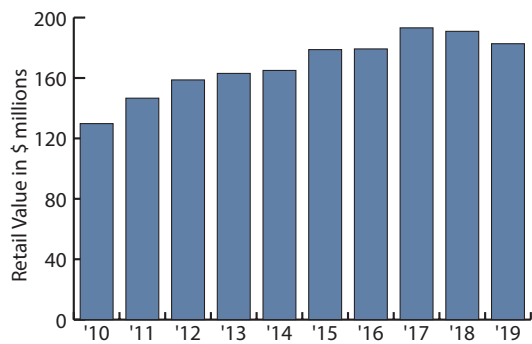
Cables



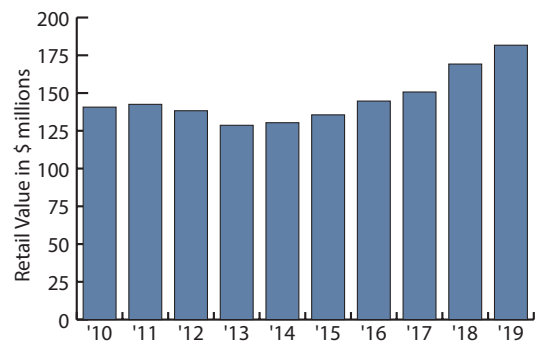
Drum Kits



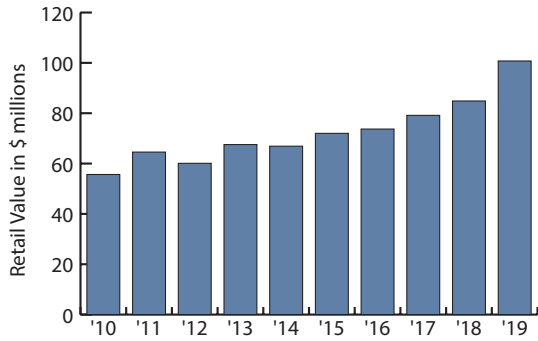
Digital Pianos



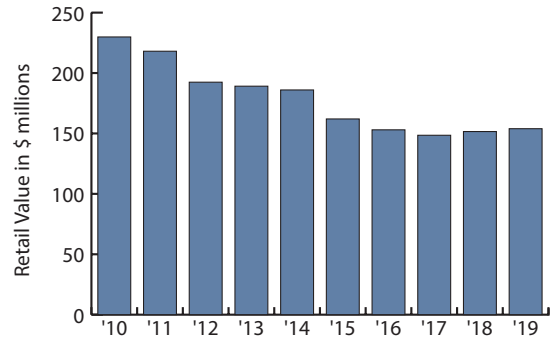
Effects



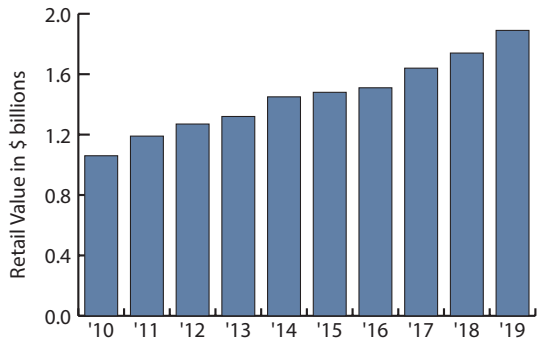
Electronic Player Pianos



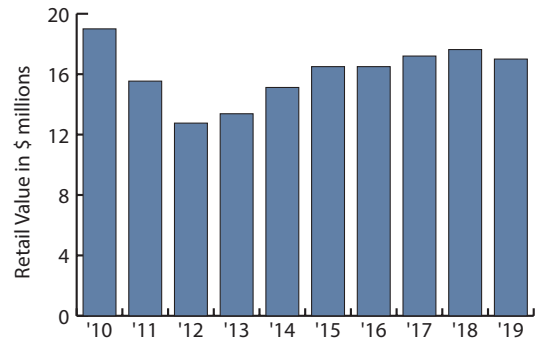
Instrument Amplifiers



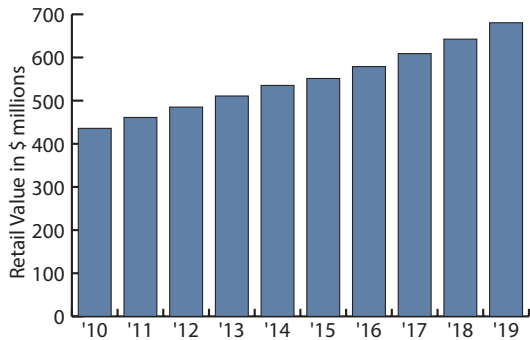
Fretted Instruments



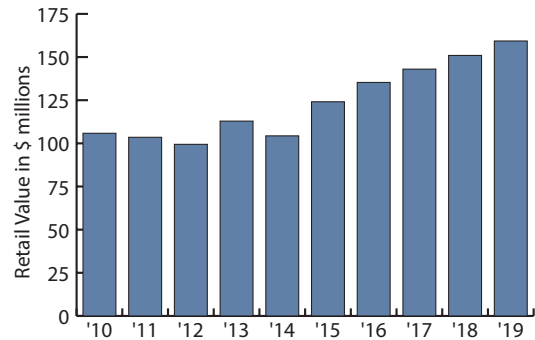
Karaoke Machines



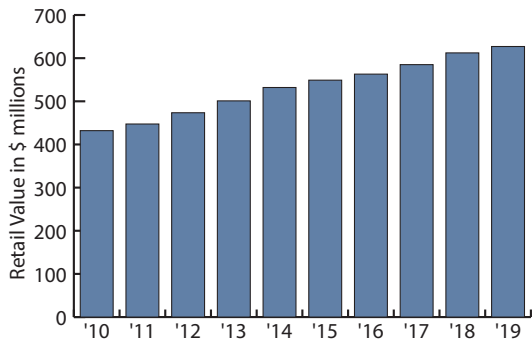
General Accessories



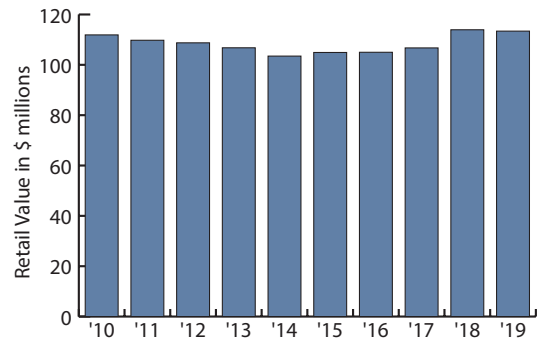
Keyboard Synthesizers



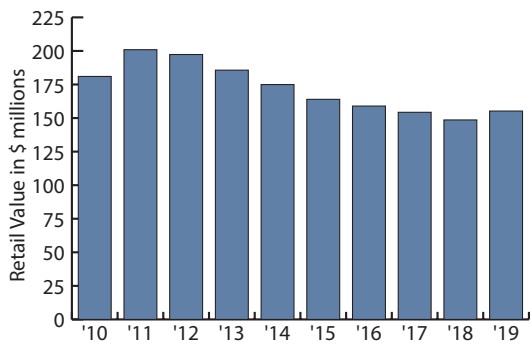
Microphones



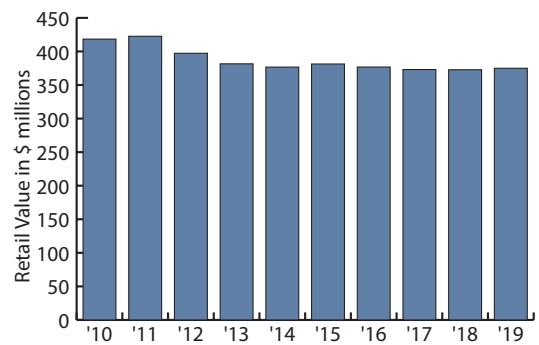
Other Electronic Products



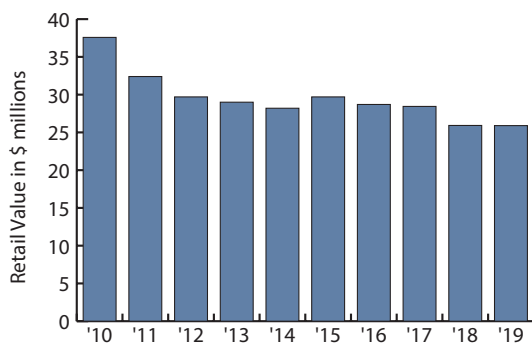
Multi-Track Products



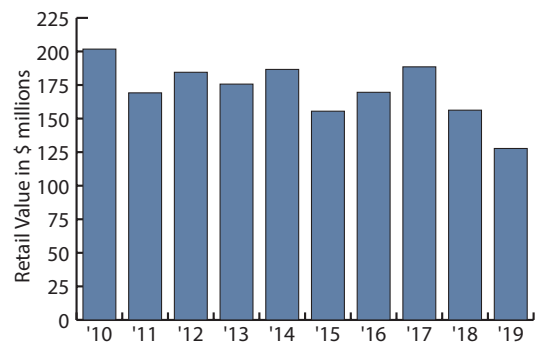
Percussion



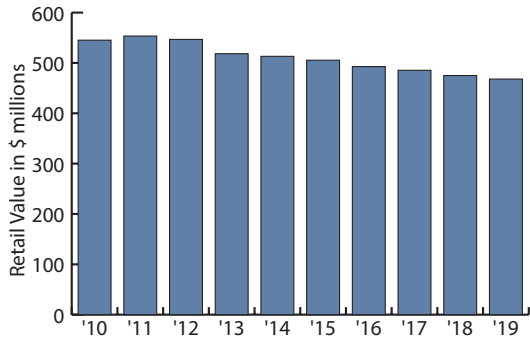
Organs (Institutional)



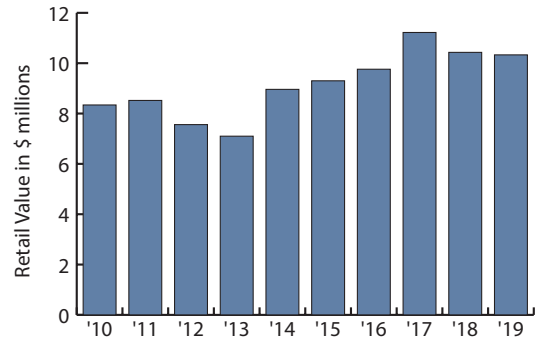
Portable Keyboards



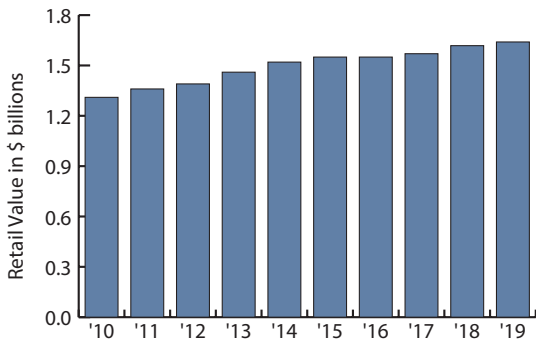
Printed Music



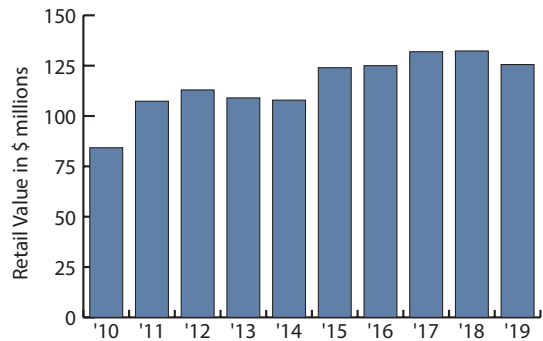
Rhythm Machines / Production Centers



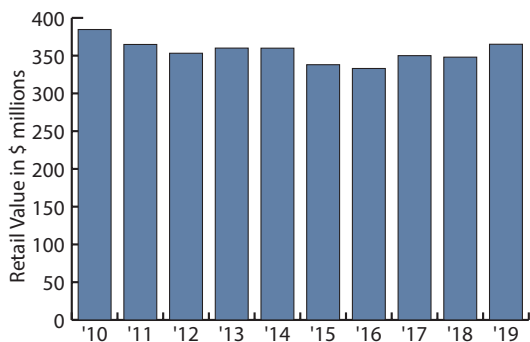
Pro Audio



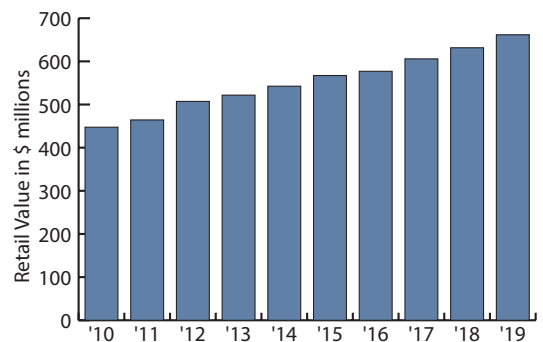
Stringed Instruments



Recording & Computer Music Products



Wind Instruments



U.S. IMPORTS OF MUSIC AND SOUND PRODUCTS

2019 Data

Description	Commodity Code	Quantity	Value
Single Loudspeakers, Mounted In Their Enclosures	8518210000	46,848,552	632,828,891
Multiple Loudspeakers, Mounted In the Same Enclosure	8518220000	23,046,646	1,267,879,795
Headphones, Earphones, Microphone/Speaker, NESOI*	8518302000	353,818,904	1,511,782,079
Audio Frequency Electric Amplifiers, NESOI*	8518402000	12,145,460	848,416,992
Upright Pianos	9201100011	14,299	35,971,509
Grand Pianos	9201200011	9,844	71,010,365
Harpsichords and Other Keyboard Stringed Instruments, NESOI*	9201900000	862	757,043
Stringed Musical Instruments Played with a Bow	9202100000	334,187	37,654,273
Guitars Under \$100, Excluding the Value of the Case	9202902000	1,449,146	52,348,718
Guitars, NESOI*	9202904000	335,145	75,939,529
Stringed Musical Instruments, NESOI*	9202906000	1,539,245	38,497,180
Brasswind Instruments Valued Not Over \$10 Each	9205100040	22,189	76,617
Brasswind Instruments Valued Over \$10 Each	9205100080	204,121	83,142,152
Keyboard Pipe Organs	9205901200	63	4,762,042
Keyboard Instruments, NESOI*	9205901400	3,006	368,797
Piano Accordions	9205901500	21,478	7,385,658
Accordions, NESOI*	9205901800	8,287	2,243,810
Mouth Organs	9205901900	261,766	7,317,005
Bagpipes	9205902000	1,932	542,497
Clarinets	9205904020	107,502	30,921,027
Saxophones	9205904040	100,913	53,233,795
Flutes and Piccolos (Except Bamboo)	9205904060	100,725	20,475,540
Woodwind Instruments, NESOI*	9205904080	2,769,981	14,146,702
Wind Instruments, NESOI*	9205906000	173,374	1,502,352
Drums	9206002000	1,014,733	55,148,441
Cymbals	9206004000	293,506	20,114,693
Sets of Tuned Bells, as Chimes, Peals or Carillions	9206006000	859,082	9,475,100
Percussion Musical Instruments, NESOI*	9206008000	1,880,256	30,104,204
Musical Synthesizers (Under \$100 Each)	9207100005	139,558	7,230,838
Musical Synthesizers (\$100 or Over Each)	9207100010	135,691	50,232,438
Keyboard Instrument (More Than 1 Keyboard Under \$200)	9207100045	3,441	263,653

*NESOI: Not Elsewhere Specified Or Indicated. Source: The U.S. Census Bureau, 2019

U.S. IMPORTS OF MUSIC AND SOUND PRODUCTS

2019 Data

Description	Commodity Code	Quantity	Value
Keyboard Instrument (More Than 1 Keyboard \$200 or Over)	9207100055	2,691	2,812,272
Keyboard Instrument (More Than 1 Keyboard Hand-Held)	9207100060	25,853	343,520
Keyboard Instrument Except Accordions (1 Keyboard Under \$100)	9207100065	948,218	46,172,109
Keyboard Instrument Except Accordions (1 Keyboard \$100 or Over)	9207100075	417,871	134,146,485
Fretted Stringed Instruments	9207900040	1,679,736	229,794,699
Musical Instruments, Electrically Amplified, NESOI*	9207900080	418,813	58,714,206
Music Boxes	9208100000	4,411,036	28,501,021
Other Musical Instruments	9208900040	157,957	673,803
Mouth-Blown Sound Signalling Instruments, NESOI*	9208900080	17,032,872	7,825,768
Musical Instrument Strings	9209300000	5,078,568	21,378,300
Tuning Pins for Pianos	9209914000	2,244	290,011
Parts and Accessories for Pianos, NESOI*	9209918000	420,979	7,492,504
Mutes, Stands and Music Holders of Stringed Instruments	9209922000	1,138,177	6,243,010
Tuning Pins for Stringed Instruments	9209924000	3,309	2,490,927
Parts of Bows, Chin Rest and Parts for Instruments Played with Bow	9209926000	-	13,746,401
Parts and Accessories for Stringed Instruments, NESOI*	9209928000	5,738,143	20,539,256
Collapsible Keyboard Instrument Stands	9209944000	1,338,733	11,361,138
Other Parts and Accessories for Keyboard Instruments	9209948000	146,540,680	72,122,828
Metronomes, Tuning Forks and Pitch Pipes	9209990500	-	4,292,690
Mutes, Pedals, Dampers and Spurs for Drums Pedals	9209991000	1,744,752	25,415,144
Parts and Accessories for Pipe Organs	9209991600	-	3,977,796
Parts and Accessories for Harmoniums and Similar Keyboard Instruments	9209991800	14,319	38,360
Parts and Accessories for Bagpipes	9209992000	-	1,001,526
Parts and Accessories for Woodwind Instruments	9209994040	-	26,547,839
Parts and Accessories for Other Wind Instruments	9209994080	-	8,344,694
Mechanisms for Music Boxes	9209996100	-	250,618
Parts and Accessories for Musical Instruments, NESOI*	9209998000	7,331,383	21,417,619

	2019	2018	Difference	% Change
Import Values	\$5,727,708,279	\$5,555,410,113	+\$172,298,166	+3.1%
Export Values	\$2,971,105,845	\$2,909,807,901	+\$61,297,944	+2.1%

*NESOI: Not Elsewhere Specified Or Indicated. Source: The U.S. Census Bureau, 2019

U.S. EXPORTS OF MUSIC AND SOUND PRODUCTS

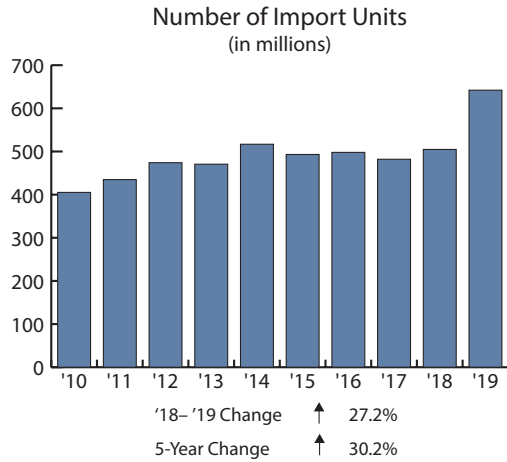
2019 Data

Description	Commodity Code	Quantity	Value
Microphones and Stands	8518100000	14,437,423	198,357,467
Single Loudspeakers, Mounted in Their Enclosures	8518210000	7,439,289	268,810,272
Loudspeakers, NESOI*	8518290000	20,554,455	374,999,082
Headphones, Earphones, Microphones/Speakers, NESOI*	8518302000	15,228,773	650,197,796
Audio Frequency Electric Amplifiers, NESOI*	8518402000	2,000,036	382,182,588
Electric Sound Amplifiers Sets	8518500000	345,531	99,269,940
Microphone, Loudspeaker and Amplifier Parts	8518903000	75,563,370	215,309,427
Upright Pianos	9201100000	2,361	4,664,952
Grand Pianos	9201200000	1,295	19,918,517
Harpichords And Other Keyboard String Inst, NESOI*	9201900000	1,193	1,670,981
Stringed Musical Instruments, Played with a Bow	9202100000	5,918	5,064,812
Guitars	9202903000	211,918	136,098,379
Stringed Musical Instruments, NESOI*	9202906000	76,046	16,565,391
Brasswind Instruments	9205100000	22,594	23,701,614
Woodwind Instruments, NESOI*	9205901000	41,316	19,098,651
Keyboard, Pipe Organs, Etc., with Free Metal Reeds	9205901300	1,564	1,438,156
Accordions and Similar Instruments	9205901600	1,132	223,436
Mouth Organs	9205901900	1,962	158,644
Wind Instruments, NESOI*	9205906000	108,099	3,219,377
Percussion Musical Instruments	9206000000	1,208,340	62,078,952
Music Synthesizers, Other Than Accordions	9207100020	29,616	18,955,504
Keyboard Instruments, Other Than Accordians, NESOI*	9207100080	69,141	15,266,972
Fretted Stringed Instruments	9207900040	346,017	184,795,029
Musical Instruments, Electrically Amplified, NESOI*	9207900080	126,957	24,108,297
Music Boxes	9208100000	149,042	5,039,105
Mouth-Blown Sound Signalling Instruments, NESOI*	9208900080	378,343	8,978,562
Musical Instrument Strings	9209300000	27,353,605	86,269,475
Parts and Accessories for Pianos	9209910000	68,570	9,445,511
Parts and Accessories for Stringed Instruments	9209920000	5,430,445	51,085,815
Parts and Accessories for Keyboards	9209940000	2,693,636	49,063,373
Metronomes, Tuning Forks and Pitch Pipes	9209990500	-	924,581
Other Parts and Accessories	9209997000	3,052,319	34,145,187

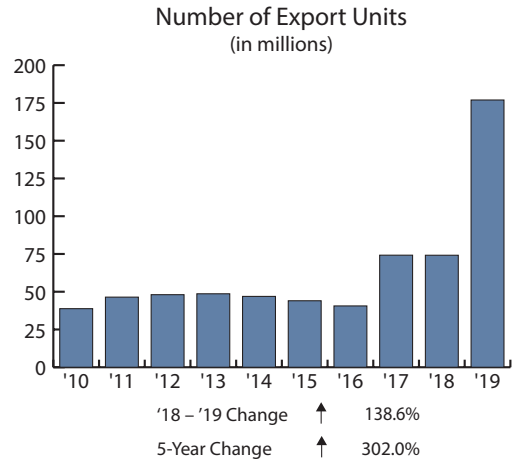
*NESOI: Not Elsewhere Specified Or Indicated. Source: The U.S. Census Bureau, 2019

U.S. IMPORTS AND EXPORTS OF MUSIC AND SOUND PRODUCTS

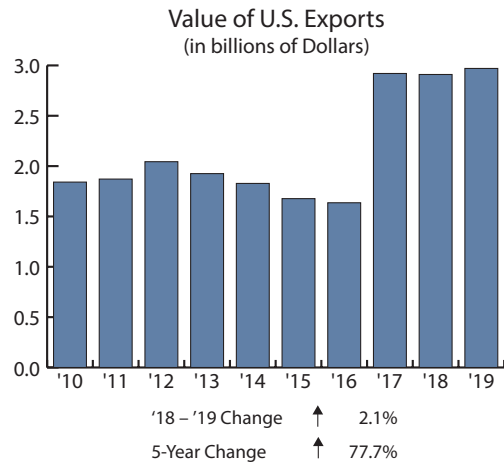
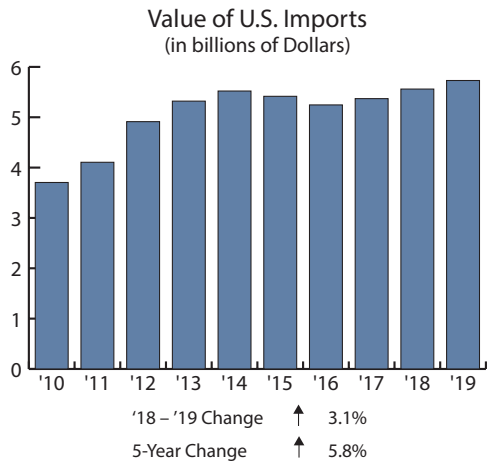
The 2017 to 2019 export data shows a significant increase from previous years. This increase is reflected across multiple categories in multiple countries. When NAMM contacted the U.S. Census Bureau for further insight on this dramatic increase, they stated they do not comment on product trends.



In 2019, the Census Bureau began reporting unit values on 8 categories for which they previously only reported dollar values.

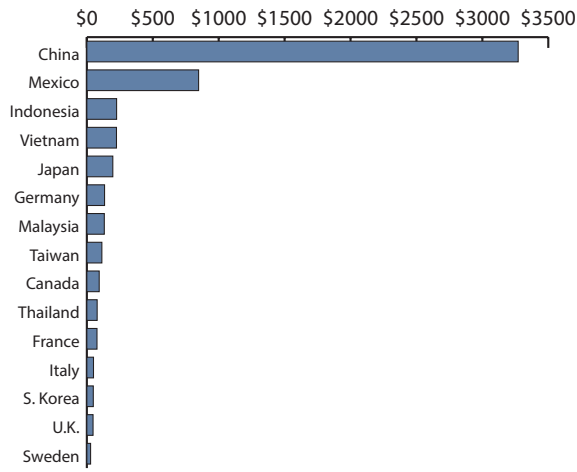


In 2019, the Census Bureau began reporting unit values on 5 categories for which they previously only reported dollar values.

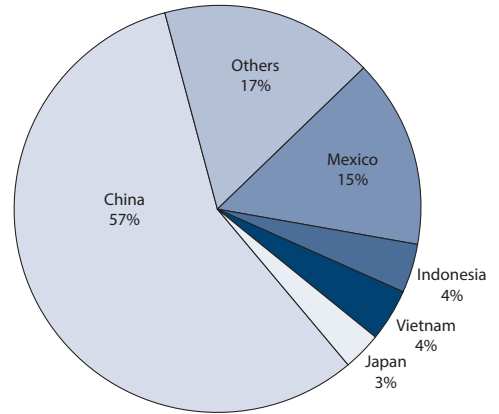


Top 15 Sources of Music Product Imports to the United States

(in millions of Dollars)



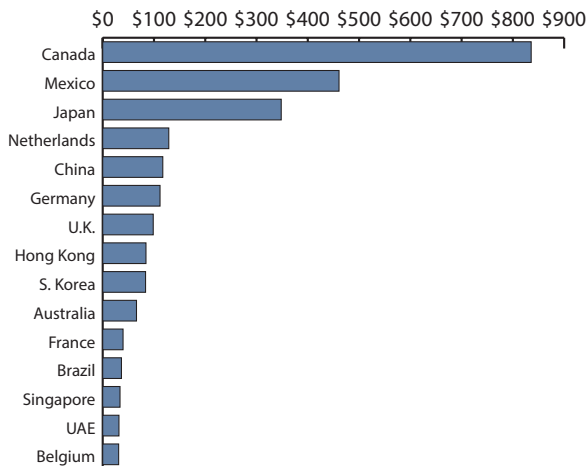
Import Value



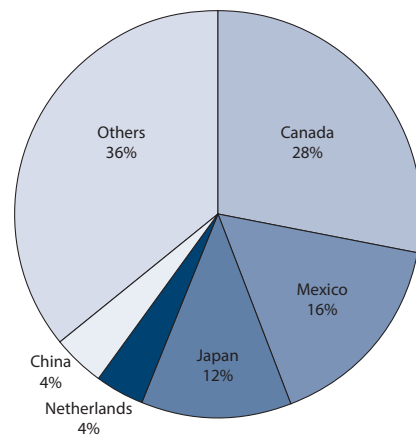
The United States imported music products from a total of 107 countries in 2019.

Top 15 U.S. Music Product Export Destinations

(in millions of Dollars)

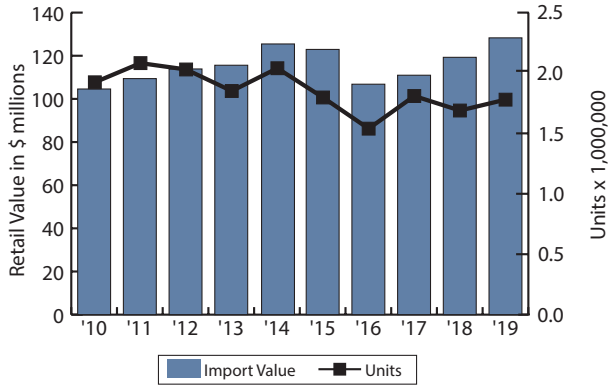


Export Value

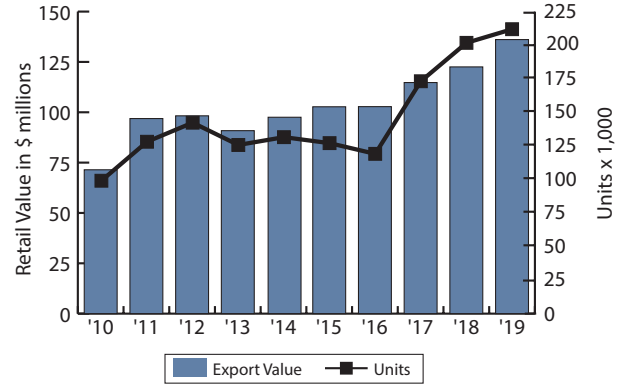


The United States exported music products to a total of 190 countries in 2019.

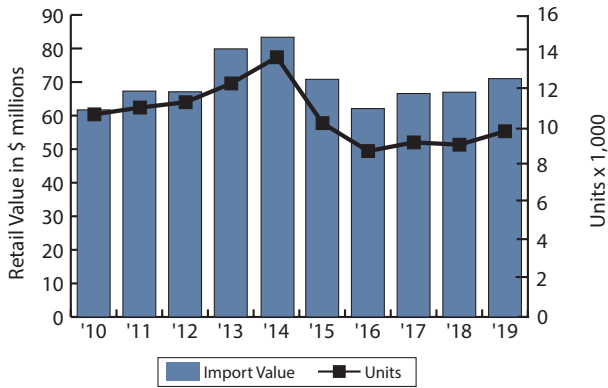
Guitar Imports



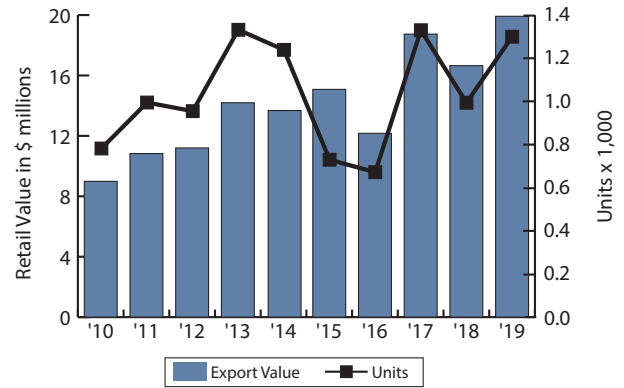
Guitar Exports



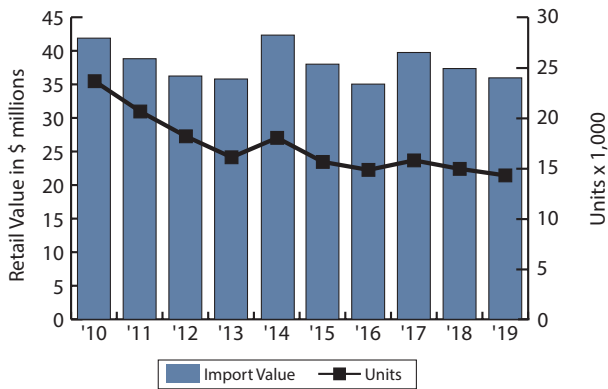
Grand Piano Imports



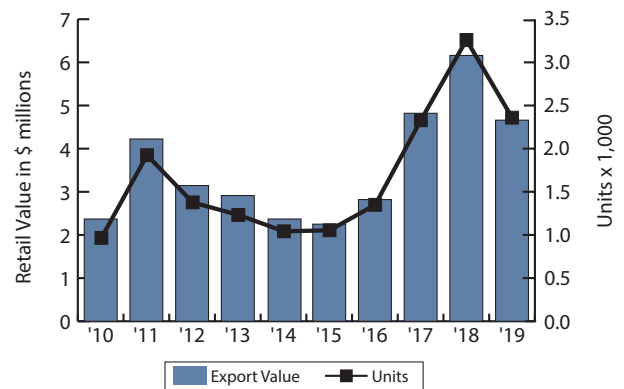
Grand Piano Exports



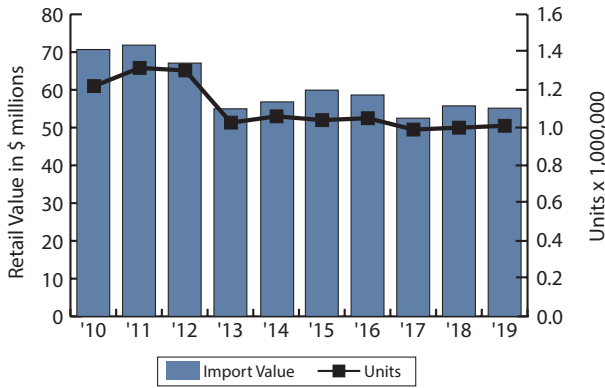
Upright Piano Imports



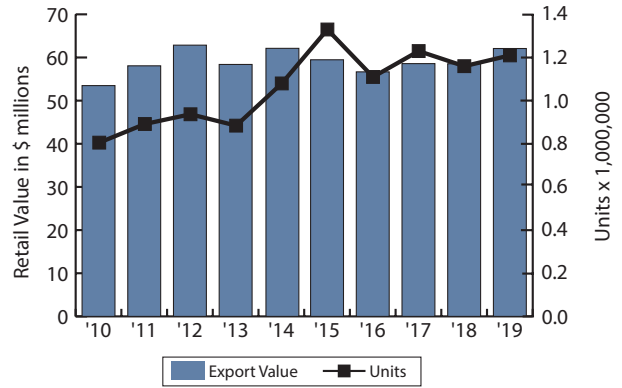
Upright Piano Exports



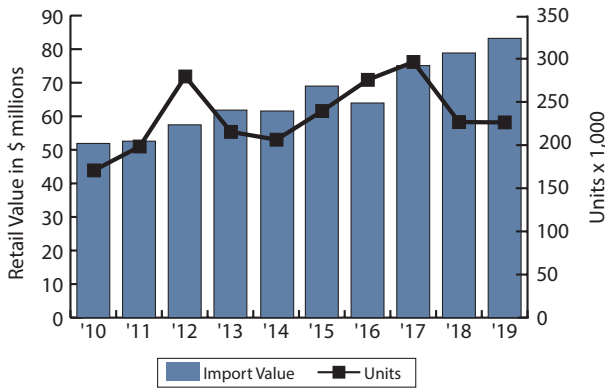
Drum & Percussion Imports



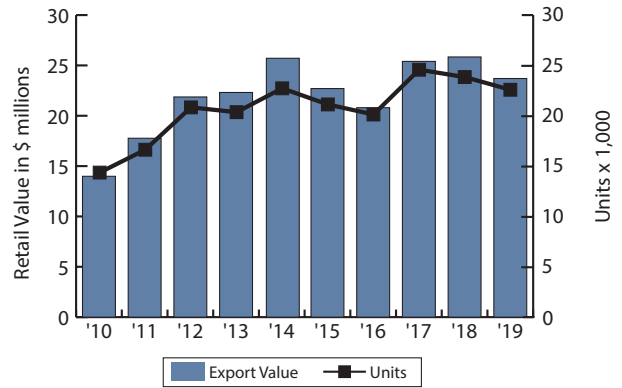
Drum & Percussion Exports



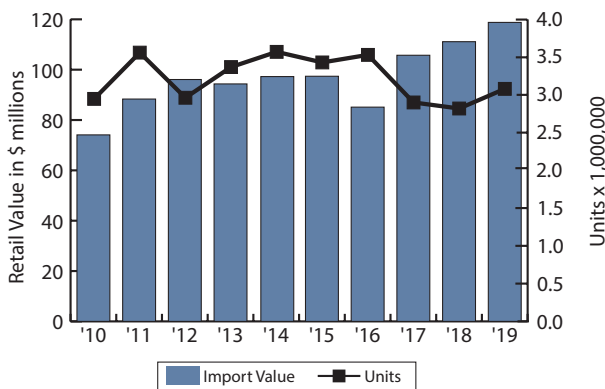
Brasswind Imports



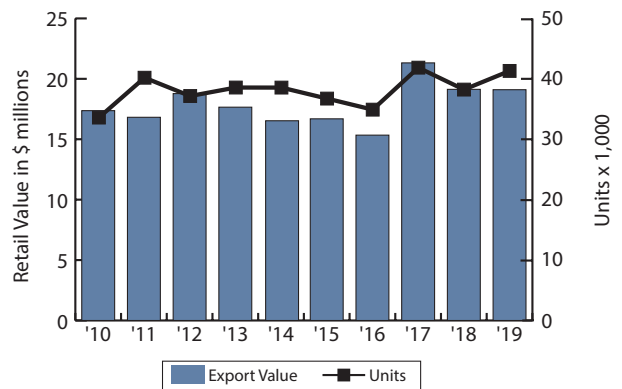
Brasswind Exports



Woodwind Imports



Woodwind Exports

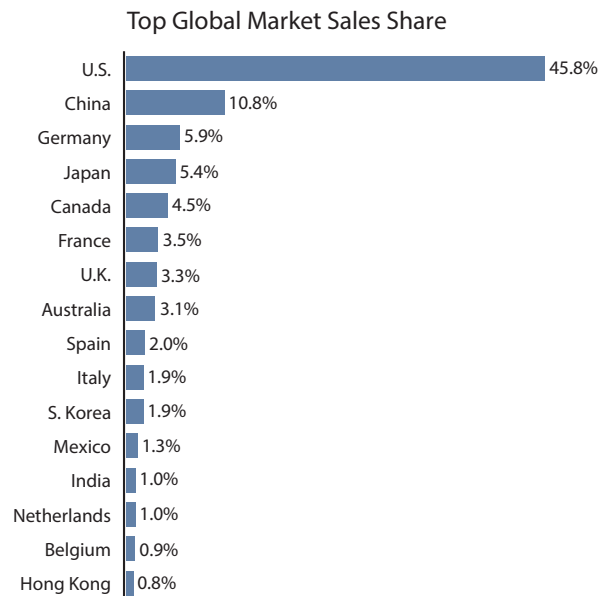
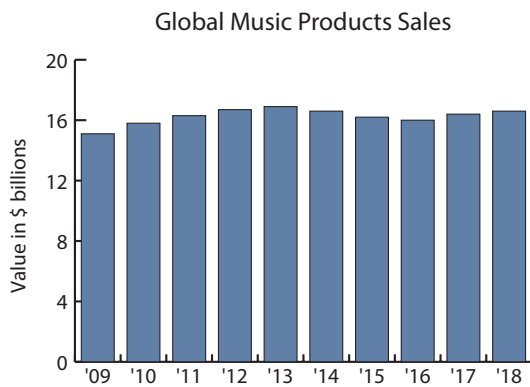


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UNDERSTANDING THE INTERNATIONAL DATA

To present a global overview of the music products industry, we are pleased to feature 27 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, Philippines, Russia, South Korea, Spain, Sweden, Switzerland, Taiwan market, Thailand 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 2018 being the most recent published by *The Music Trades*.



ARGENTINA

In 2019, Argentina suffered from a critical economic situation: a recessive market, inflation, an unstable but consistently rising dollar exchange rate, and a sharp increase in utilities and taxes.

In October, Argentineans went to the polls to elect a new president to govern the country for the next four years, as well as members of the National Congress and provincial governors. President Alberto Fernandez was elected and took office in December 2019. This new administration emerged with new policies to change the country's previous situation and to improve the general situation of the country. At the beginning of his presidency, Fernandez began taking several important and urgent measures to rebuild the economy and the country as a whole. These new measures created an optimistic climate and set new perspectives for the future. Unfortunately, the outbreak of COVID-19 in March 2020 prevented these new solutions from taking effect, and we are, once again, in an even more difficult situation.

After collecting information from manufacturers, music store owners and importers, this report shows the state of Argentina's music market.

Manufacturers

The former administration's policies have seriously affected manufacturers. Local sales have dropped, some manufacturing companies had to close, and others are suffering but enduring this crisis.

The current president plans to substitute imports where there is local manufacturing and provide manufacturing companies with benefits, such as credit at low rates, tax reductions and suspension of increases on utilities.

However, due to the outbreak of COVID-19 pandemic, manufacturers had to stop production, which has had a considerable effect on their profits. There are also problems concerning exports, since every country has different COVID-19-related regulations, and these new circumstances have negatively impacted some international orders. There are delays at customs and more paperwork and procedural requirements.

Manufacturing companies are now working hard to improve their online sales. The companies that did not already have online channels are preparing their websites to support transactions with clients and continue with their activities. In contrast, the companies that started selling online before the COVID-19 outbreak have increased their sales considerably via the internet. Several weeks ago, some companies obtained the corresponding permits to start production again and sell online. Protocols on safety measures have been introduced at these workplaces.

Music Stores

Sales in music stores dropped 45% in 2019. Prices have risen on a national scale, so people must first meet their basic needs and then go to music stores. However, sales began to increase little by little in December, and a better year was expected. Unfortunately, the outbreak of COVID-19 changed these optimistic predictions. Now, music stores are looking

for new solutions and marketing strategies to face the crisis and encourage consumption. It must be highlighted that online sales have increased substantially in recent months, as it is the only channel merchants have for selling. There are also more options for installments to pay by credit card, and this is a good idea for encouraging consumption. To our surprise and against all predictions, people started to buy musical instruments as they have more free time at home to learn something new.

Imports

In 2019, purchases of imported products decreased considerably due to the abovementioned problems, in addition to people's diminished consumption, and no restrictions on imports.

The new administration established a policy stating that products such as classical guitars, acoustic guitars, strings, acoustic drums, cymbals and acoustic boxes should be regulated under Non-Automatic Import Licenses (in Spanish they are called "Licencias no automáticas"), i.e., these products require an import permit which needs an up to three-month prior approval. This is a good measure to protect the domestic industry.

Conclusion

The former administration left us in a critical state with regard to foreign debt and high inflation rates, and now with the coronavirus pandemic, Argentina has to face many problems. On March 19, 2020, Argentina entered a nationwide mandatory lockdown and, subsequently, authorities have been announcing new measures to help people and companies cope with the pandemic. All this makes it difficult to predict business, so we must be cautious. The music industry has been negatively affected over the last few years, sales of musical instruments have dropped, many companies had to close, and while others can survive, profitability has been reduced.

We at CAFIM (Argentine Association of Musical Instruments Manufactures) are working hard to help manufacturers and owners of music stores to face this crisis and encourage consumption. We promote the development of the music market in various ways. For example, we work together with the government to obtain some benefits, increase sales, improve export procedures, reduce customs taxes, among other initiatives. In May 2020, the Province of Buenos Aires is organizing a virtual Music Fair together with CAFIM. This fair is called "FINDE" and it is an initiative to promote musical instruments and equipment, among other industry products. There will be concerts, DJ sets, talks and at-home workshops to enhance the domestic music industry. We believe that commitment, cooperation, hard work, teamwork and experience are the keys for the growth of music companies.

Mandatory lockdown is expected to continue in urban areas until at least May 24, 2020. The president and authorities are experiencing a challenging time, and they must look after all citizens. Their main concern is our health, so every economic sector has suffered a collapse as people are required to stay at home. This is obviously the best way to slow the spread of the virus, but we are aware it will have an impact on the economy. Perhaps, this coronavirus pandemic opens doors to new opportunities as people around the world have

turned to music to help them through the crisis. Hence, we must work together to help the country overcome this situation. We hope to come out of the COVID-19 pandemic stronger, united and with a rebuilt economy.

Commentary by Lorena Medina, President of CAFIM (Argentine Association of Musical Instruments Manufacturers) and Director of Magma Music S.A. – Argentina.

DOING BUSINESS IN ARGENTINA

Market Overview

Argentina is the third-largest economy in Latin America, with a population of approximately 44 million spread among 23 provinces and the city of Buenos Aires. About 92% of the Argentine population is concentrated in urban areas, with 38% living in Buenos Aires (capital and province), and another 15% in the cities of Córdoba, Rosario and Mendoza combined. The country boasts a talented and educated workforce, but its social fabric has suffered from frequent political and economic turbulence over the last 70 years.

In 2017, the United States exported US\$17.8 billion in goods and services to Argentina and imported US\$7.1 billion, resulting in a bilateral trade surplus of over US\$10 billion. Around 90% of U.S. exports to Argentina are used in local industry and agriculture, including refined oil, airplanes and aircraft, computers, industrial and agricultural chemicals, agricultural and transportation equipment, machine tools and parts for oil field rigs. Primary Argentine exports to the U.S. are crude oil, aluminum, wine, fruit juices, and intermediate goods, such as seamless pipes, tubes and other iron-based products.

There are more than 300 U.S. companies present in Argentina employing more than 155,000 workers. There are also significant opportunities for more U.S. companies in sectors such as infrastructure, energy, health, agriculture, information technology and mining. The U.S. is the single largest source of foreign investment in Argentina, with approximately US\$13.7 billion in investment stock as of 2016. U.S. companies are widely respected in Argentina for their good business practices, transparency, corporate social responsibility activities, high quality and good customer service.

Top Four Reasons Why U.S. Companies Should Consider Exporting to Argentina

- Argentina is a resource-rich country with enormous potential for further development. It has the second-largest shale gas reserves and fourth-largest shale oil reserves in the world, as well as abundant solar and wind resources. U.S. know-how, technology and equipment are needed to develop sectors such as energy and agriculture.
- The country is digitally capable, with high internet and smartphone dissemination.
- Income distribution has a smaller gap than in most Latin American countries; Argentina has a relatively large middle class with a significant appetite for U.S. consumer products.

- According to the Economic Commission for Latin America and the Caribbean, Argentina received US\$11.5 billion of foreign direct investment during 2017.

Market Challenges

Following years of economic mismanagement that resulted in macroeconomic instability, high inflation and a currency crisis have forced the Argentine government, businesses and consumers to cut back on spending. The economy is in recession, which is expected to continue in 2019 and 2020.

Importers must still request Non-Automatic Import Licenses on over 10,500 12-digit tariff lines, mainly in consumer goods sectors. Other business challenges include deep-rooted corruption in certain sectors, a lack of regulatory coherence, weak intellectual property rights protections, inefficient customs and legal processes, poor infrastructure, costly labor and the limited availability of financing.

Market Opportunities

Energy: Oil and Gas. High-quality shale resources and strong support from the Argentine government to encourage exploration and production in Vaca Muerta and elsewhere. Argentina is auctioning offshore exploration and production opportunities for the first time in decades.

Renewable Energy: Oversubscribed energy auctions from renewable sources continue to present medium- and long-term business opportunities.

Agricultural Technology and Machinery: Two-thirds of Argentina's exports are agricultural. The depreciation of the Argentine peso coupled with a predicted stronger harvest in 2019 are expected to boost production, exports and investment in Argentina's agricultural sector.

Information and Communications Technology and Cybersecurity: The Government of Argentina is proposing a new telecom convergence law to increase competition and accelerate technology uptake. The Government of Argentina estimates a US\$20 billion telecom investment over four years.

Design and Construction: Public-Private Infrastructure Projects will be significant and have attracted the re-engagement of Overseas Private Investment Corporation in Argentina. The Inter-American Development Bank (US\$4.65 billion) and World Bank (US\$3.3 billion) have also committed funding for new roads, rail, ports and utilities. However, federal spending cuts and Argentina's current high "country risk" level means US\$55 billion in planned PPP infrastructure projects (planned 2017–2025) are currently on hold.

Health Care Technology: The Government of Argentina is emphasizing efficient spending, accessibility and modernization, including e-health, through their National Health Care Plan. The city of Buenos Aires plans to upgrade 14 hospitals.

Market-Entry Strategies

All import channels are available in Argentina: agents, distributors, importers, trading companies, subsidiaries and branches of foreign firms. U.S. companies exporting

to Argentina typically market their products and services through Argentine agents, representatives and distributors. Companies intending to export to Argentina need to ensure that their partners fulfill all import requirements before shipping any product and must be careful to follow all regulations precisely.

Some Key Points

- Close personal relationships are essential.
- Marketing and promotion are important. Companies benefit by exhibiting their products or services at local and regional trade shows, as well as at U.S. trade shows attended by Argentine buyers.
- Protect intellectual property and engage with qualified lawyers and local professionals as part of the process of signing contracts related to distribution, representation and partnership, or in connection with any large transaction.
- Utilize the full array of resources available from the U.S. Government, including Export-Import Bank export insurance and financing.

“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.

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

ARGENTINA SNAPSHOT

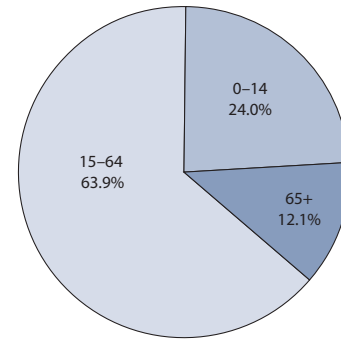
Demographics

Population in millions 45.8

Age	Male	Female
0–14	5.63	5.30
15–64	14.55	14.49
65 & Over	2.33	3.19

Median Age 32.4
Population Growth 0.86%

Demographics

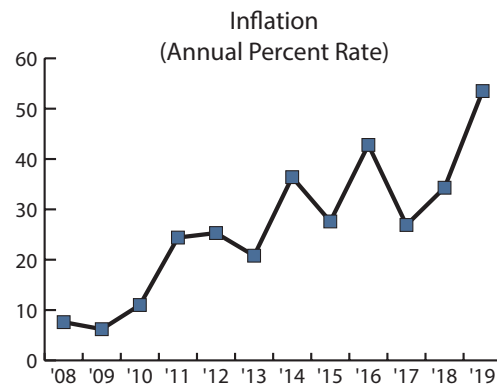
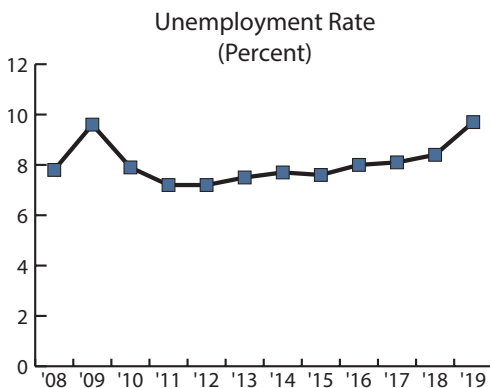
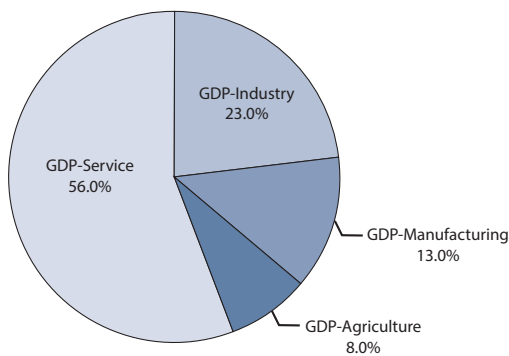


Economy

GDP (PPP)	\$917.1 billion
GDP Per Capita	\$20,611
GDP-Real Growth Rate	-2.50%
Unemployment Rate	9.70%
Inflation	53.50%

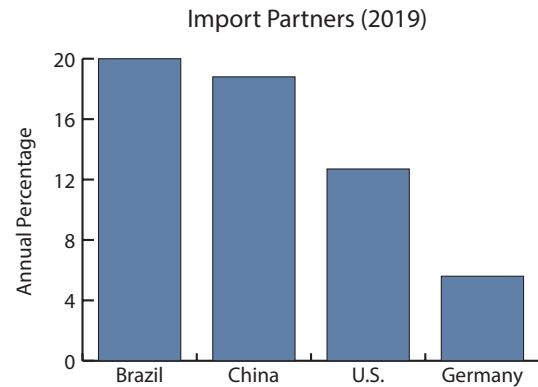
Data Source: Demographics, Economy and Trade from CIA World Factbook, Music Industry from The Music Trades.
GDP (PPP): Gross Domestic Product based on purchasing-power-parity (PPP) valuation of country GDP in U.S. dollars.

Economy



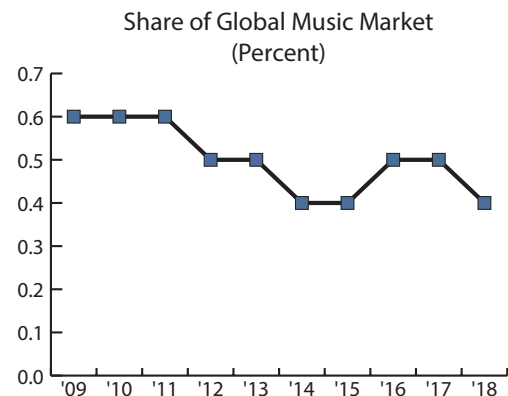
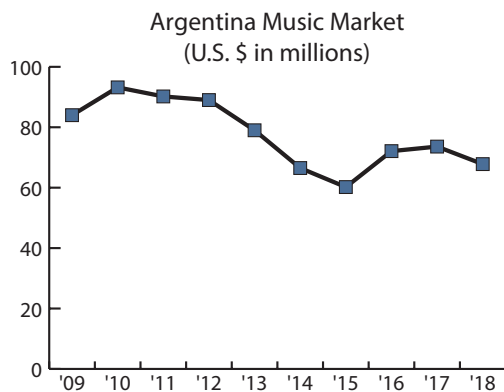
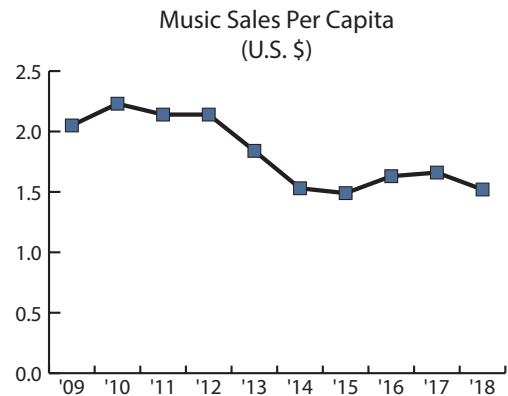
Trade

Total Export	\$65.1 billion	Export as % of GDP	7.10%
Total Import	\$41.1 billion	Import as % of GDP	4.48%

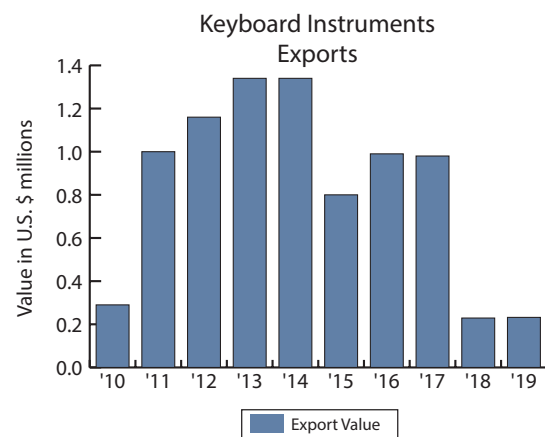
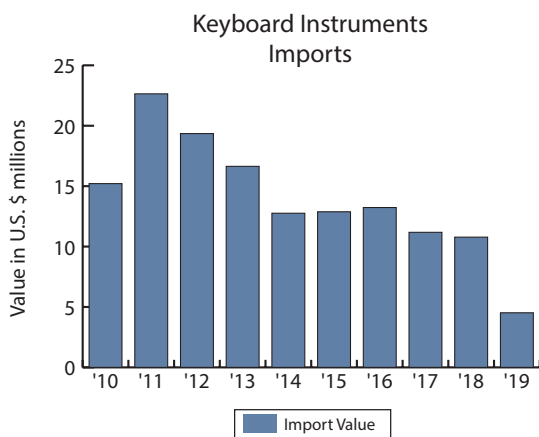
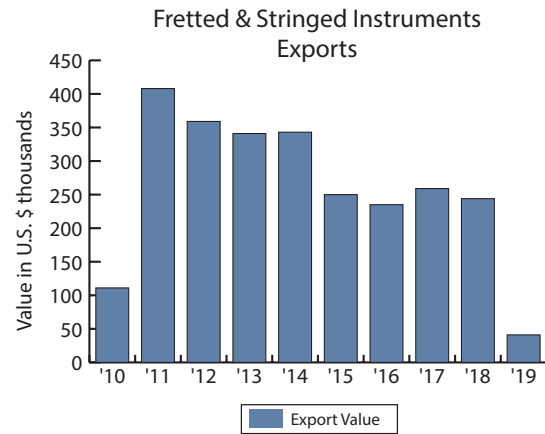
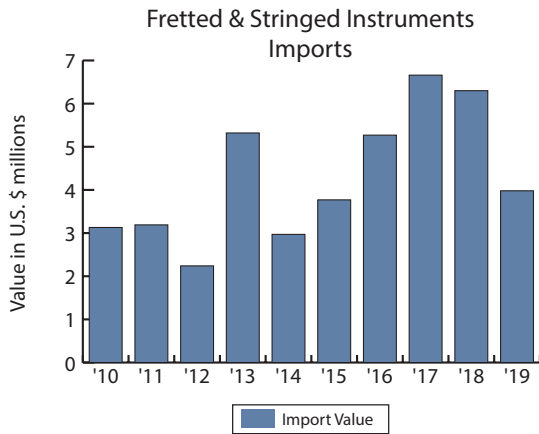
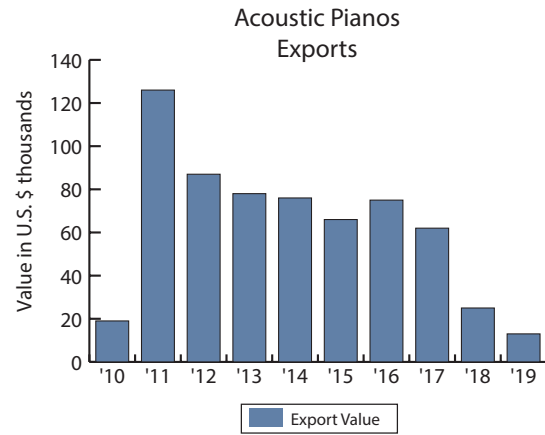
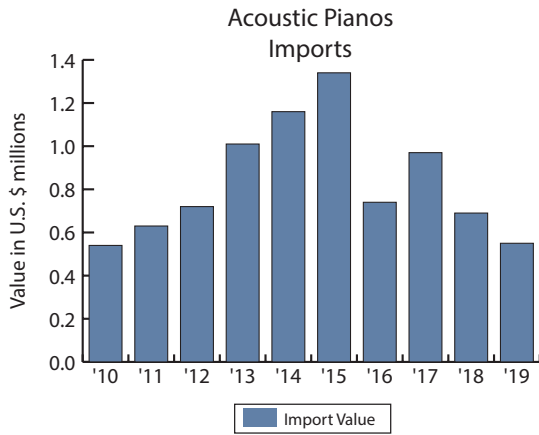


Music Industry

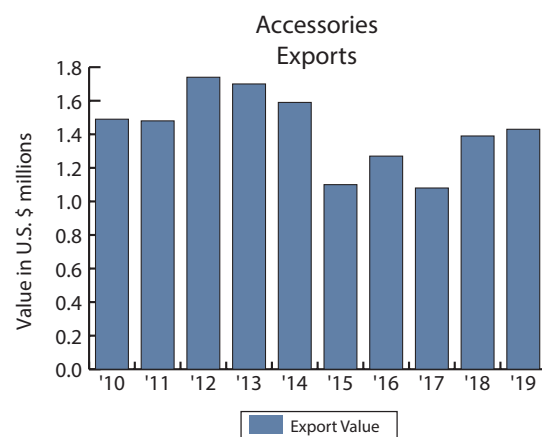
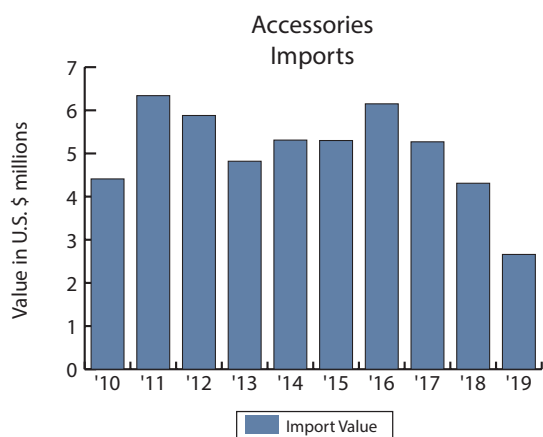
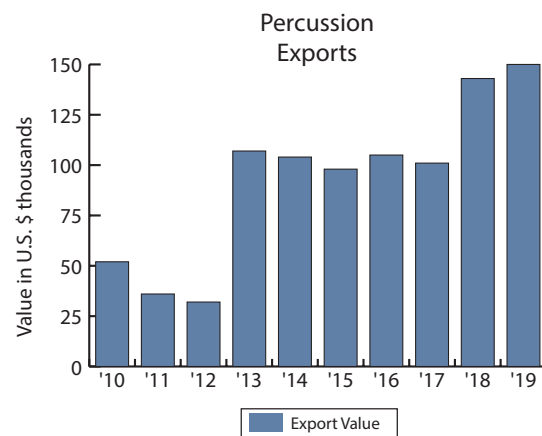
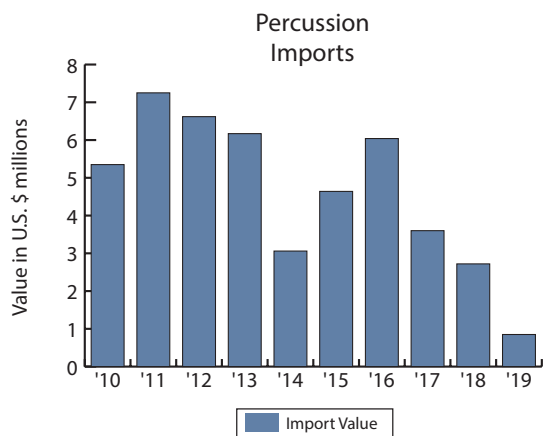
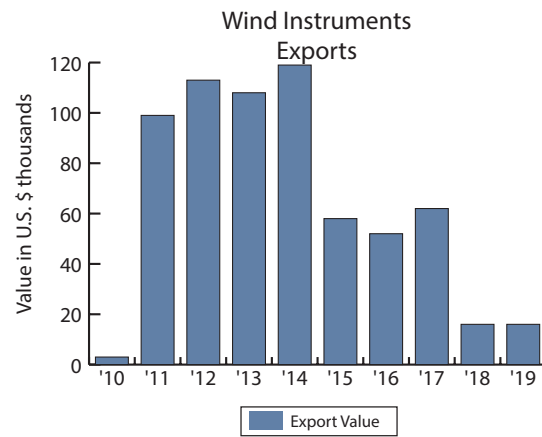
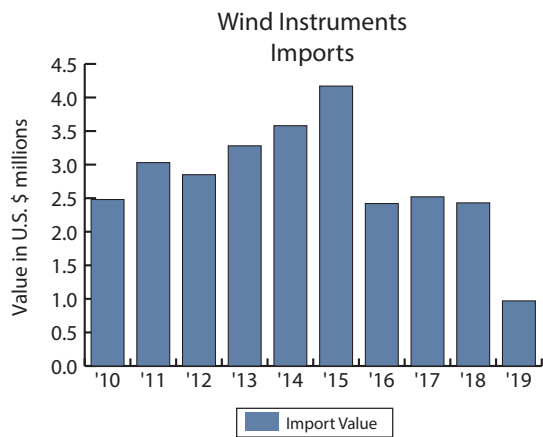
Music Market	\$67.8 million
Sales Per Capita	\$1.52
Global Share	0.40%



Argentina Imports and Exports



Argentina Imports and Exports



AUSTRALIA

The year 2019 saw an uplift in the overall music products market with a near 9% value increase over 2018, driven by a 9.5% increase in volume. The Australian dollar was consistent from year to year, ending 2019 weaker at around 70 cents against the U.S. dollar. The 2019 import value of well over AUD\$322 million (US\$209.6 million) was the highest recorded total in dollar terms. What appeared to be statistical anomalies in 2018 in “other woodwind” and “other percussion” perhaps proved themselves so, with those segments returning to normal levels in 2019—a solid year in almost all categories and segments.

In the broad spectrum, Australian retail sales in December 2019 were below hopes and expectations. Multiple reductions in the cash rate in 2019 and federal tax cuts aimed to boost consumer expenditure did not do so, with most households said to be using these extra funds to pay off debt or increase savings. The weakness was broad-based and led by discretionary areas. Music retail, on the other hand, both anecdotally and supported by this year’s numbers, had a strong year of top-line growth. Led by New South Wales and Victoria, home prices made a recovery, and with that some consumer confidence returned. Households were still being forced to curb spending as a result of weak income growth. GDP growth for the year was modest at 2.8% and still largely mining sector-driven, but it was growth nonetheless. Australia could still boast a global record of 26 consecutive years of growth. Increasingly the population is asking where this capital is ending up as wage growth remains south of the GDP number and has done for some years now.

In 2014, our industry had started the long climb back from the lows of 2012–2013. When we compare 2019 to the trends of the previous five years, we are looking back at a period of re-build following an economic slowdown and an industry re-organizing after a major disruption. The 2019 data shows that at over 1.8 million units, we are now nearly back at 2014 levels (around 2 million units) in volume. Import value in 2019 has recovered to an all-time high of AUD\$332.6 million (US\$216.5 million), compared to AUD\$237 million (US\$141.3 million) in 2014. Some of this may be due to data anomalies, but that may oversimplify the situation. An annual average value rise of 47% from AUD\$118 to AUD\$173 (US\$76.8 to US\$112.6) is notable. The average unit value did stay almost steady this year, with the total dollar figure driven by strong demand.

The 2019 results show another strong performance of the keyboard category. The category value rose by another 6% to over AUD\$66 million (US\$42.9 million). Units dropped nearly 4%, driven by a fall in low-value portable numbers. Digitals continue to grow, perhaps at the expense of portable keyboards, which fell 9% in volume and over 12% in dollar terms—these numbers suggest less leakage from digital pianos after the industry’s focus on correct product coding a couple of years back. Digitals were up by 6% in units, with the average unit value rising by nearly 5%. Upright piano numbers were down by over 400 units (nearly 9%), but the dollars were up by almost 6% to roughly AUD\$20 million (US\$13 million). A good result that indicates good demand in higher value instruments. The drop in upright units imported was offset by a big jump in grand numbers year-on-year (of over 25%). Completing a very robust picture was a rise of 8% in value. Average unit value dropped by 14%, with consumers preferring the lower price-pointed new product to secondhand, with those numbers showing no signs of recovery from the reduced numbers of 2018.

The brass segment volumes were back to the point of two and three years ago, when 10,000 instruments were imported. While maintaining a decent average value in brass imports, the 14% in extra units imported earned AUD\$6.8 million (US\$4.4 million). An 11% rise year-on-year and 14% over 2017! Woodwind numbers bounced back strongly, suggesting last year's numbers contained some shipment crossovers and anomalies. All the same, the numbers show cause for optimism with key segments back above 2017 levels, and an 18% rise in value. However, the drop in units comparing 2017 with 2019 would still suggest that the recorder trend is still downward. Orchestral strings were steady year-on-year, rounding up a good year for what constitutes a big chunk of the schools' market. Percussion was up strongly at the 2018 year-end after a soft 2017. Drum kits are on fire and have recovered with a 50% jump in both value and units from 2017—up 23% and 9% respectively year-on-year. Individual drums are down in numbers, and maybe some leakage into drum kits occurs in product coding, but overall, the acoustic drum result was good. Orchestral and the “other percussion” category quite simply bounced back with big increases in value (19%) and units (12.5%). Cymbals were interesting; a 39% jump in value on the back of 9% fewer units.

Guitars went nice and steady gangbusters! The overall volume in the guitar segment increased 12% in 2019, with value likewise up by 12% and average unit value consistent with last year. The guitar category should be pleased with the 2019 result.

Electric guitars were up over 20% in units imported and up nearly 19% in dollar value. Last year's rise in average value continued an upward path, and this applied across the category with acoustics up 11% in 2018 and 40% in 2017. With 166,000 units imported and perhaps 10,000 made locally, numbers were back above the record posted in 2017.

The value of guitar and bass amp imports was steady with a big fall in average unit value from the past two years. Overall, the electric guitar market bounced back, breaking a downward trend of recent years. The other segments also posted good results with the value of the guitar market bouncing back 20% when compared to 2017.

In electronic instruments, we observe another big increase in synths in 2019 (+20%), while the “other” segment thought to be driven by e-drums grew in units (+5%) but increased in terms of value (+10%).

Turntables showed a decrease in units in 2019 of nearly 10%, and software posted a whopping 34% increase in value on the back of the same increase in average unit value.

Audio and recording jumped 10% in value and a corresponding 7% in units over 2018. You must go back to 2008 to see AUD\$66 million (US\$42.9 million) in import value for this segment. Speakers led the way with a 23% import value increase, showing a continued migration to powered speakers, one would think, as self-contained amps dipped in units (-5%) and value (15%)—an adjustment from last year's figures, it appears. It was more than made up for by solid increases in signal processors, mixers and microphones.

Traditional products had a good year in terms of value with a 5% rise in 2019, on the back of a steady average import value and a 15% increase in units.

General accessories, a good industry bellwether, was down a bit after a big jump in 2018, but still at a historically strong value above AUD\$24 million (US\$15.6 million) in import value.

The continuing decline in international online sales would reflect the perceived “threat” to the industry diminishing somewhat, especially with the way the exchange rate finished the year at around 70 cents to the U.S. dollar and with the introduction of a goods and services tax on low-value imported goods. Our market is extremely sensitive to international currency trends, and the Aussie dollar was on a downward path by the end of the year.

The value of the music retailer to the industry is something the association is keenly interested in promoting. The industry is developing in the online sales space, and buying locally is an attractive proposition, we believe.

Music Trades magazine reports that the retail value of the U.S. market advanced nearly 4% in retail value in 2019 year-on-year. This marked the 11th market increase in succession after the 2008 financial crisis. Most categories were on the positive side, some more than others, resulting from a stronger economy and stock market and rising prices. The parallels that are often seen with the U.S. market are apparent once again in this year’s numbers.

Commentary by Rob Walker, Executive Officer of the Australian Music Association (AMA)

DOING BUSINESS IN AUSTRALIA

Market Overview

In 2017, Australia surpassed the world record for the longest period of uninterrupted economic growth, 26 years, previously held by the Netherlands. Australia's GDP grew by 2.4% in 2017 and is anticipated to grow by 3.2% in 2018–2019. Australia's growth continues to exceed the Organization for Economic Cooperation and Development average, despite the economy transitioning to broader-based growth following the end of the resources boom. The start of 2018 has seen strong signs of recovery and growth due to non-mining business investment and significant public infrastructure investment. With few barriers to entry, a familiar legal and corporate framework, sophisticated consumer and industrial sectors, and a straightforward, English-speaking business culture, Australia remains a vibrant and important pro-U.S. market for American goods and services.

Australia welcomes foreign investment as an essential contributor to economic growth and productivity. The United States is Australia's largest foreign investor—with investment as of 2017 valued at US\$690.6 billion. Around 1,400 American companies operate in Australia in a wide variety of sectors. U.S. direct investment in Australia is concentrated in mining, oil and gas, finance and insurance, and manufacturing. In 2017, Australia's total investment in the U.S. was valued at US\$511.7 billion.

Since coming into force Jan. 1, 2005, the Australia-United States Free Trade Agreement (AUSFTA) has reduced investment thresholds, provided improved intellectual property protection, and fostered greater two-way investment. As a result of the AUSFTA, over 99% of U.S. exports now enter Australia duty-free.

Australia has a well-established legal system for litigation and arbitration. The country is a world leader in the development and provision of dispute resolution mechanisms and is a signatory to all the major international dispute resolution conventions. Australia has a AAA international credit rating with a well-developed, sophisticated financial market, regulated in accordance with international norms. Australia's four leading banks are highly ranked internationally in terms of financial security and liquidity.

Australia has a large services sector and is a world leader in mineral and liquefied natural gas extraction and food production. 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.

Market Challenges

Australia's remote location from the U.S. is often cited as the single most significant non-tariff barrier to trade.

American companies may find that Australian and third-country competitors in Australia have some long-established brands with strong reputations and well-established 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 remain competitive with other producers' pricing.

Health care companies are concerned about Australian Government-imposed price cuts impacting pharmaceuticals and medical devices in-country.

Market Opportunities

Australia is a pro-U.S. market, and the U.S. is a major supplier of transportation equipment, machinery, chemicals, electronic products, fabricated metal products, processed foods, electrical equipment, plastics, rubber, primary metal products, and agricultural products and equipment.

Leading prospect sectors related to these broad categories include defense, aircraft and parts, automotive parts, building products, cloud computing, medical equipment, mining equipment, oil and gas equipment, smart grid technology, recreational marine transportation and cosmetics. Attractive service sectors for U.S. exporters include financial services, health care, information technology services, travel and tourism, and franchising.

Market-Entry Strategies

A common language and familiar business framework may lead Americans to overlook Australia's cultural and market differences. It is vital to a U.S. product's success for firms first to 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 negotiable, and may include only certain states of Australia, the entire country, or New Zealand as well.

Due to the distance from many of their trading partners and the sheer size of the Australian continent—comparable to the continental U.S.—Australian firms emphasize 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 in markets throughout the world are also applicable to Australia, with expectations adjusted to the scale of the market given the population of 24.8 million. Performing due diligence is just as important in Australia as in the U.S., and the Commercial Service in Australia offers services 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.

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

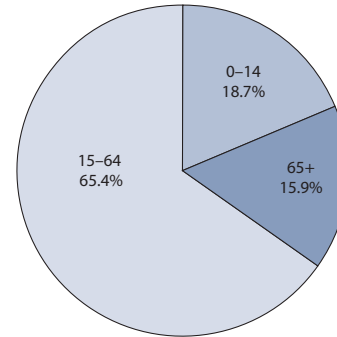
Demographics

Population in millions 25.5

Age	Male	Female
0-14	2.46	2.31
15-64	8.33	8.32
65 & Over	1.87	2.18

Median Age 37.5
Population Growth 1.40%

Demographics

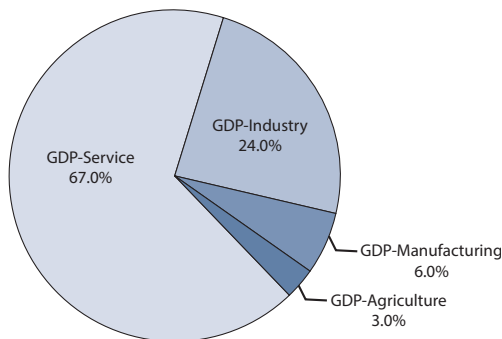


Economy

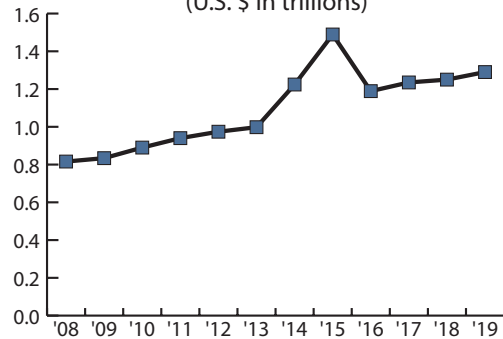
GDP (PPP)	\$1.29 trillion
GDP Per Capita	\$51,663
GDP-Real Growth Rate	2.70%
Unemployment Rate	5.20%
Inflation	1.60%

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

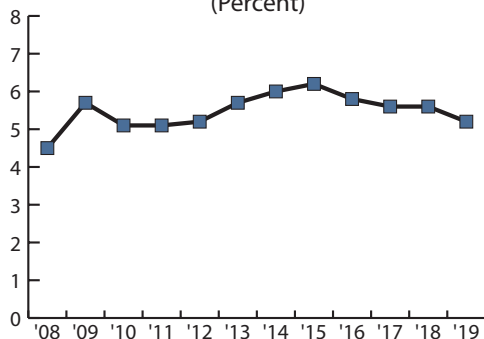
Economy



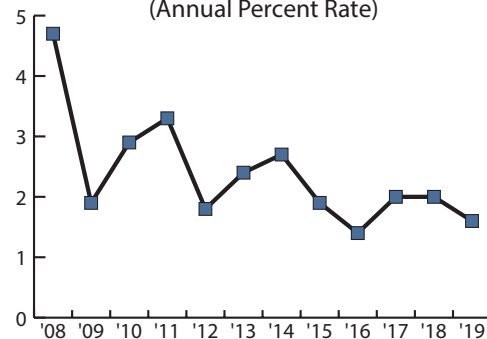
Australia GDP (PPP)
(U.S. \$ in trillions)



Unemployment Rate
(Percent)

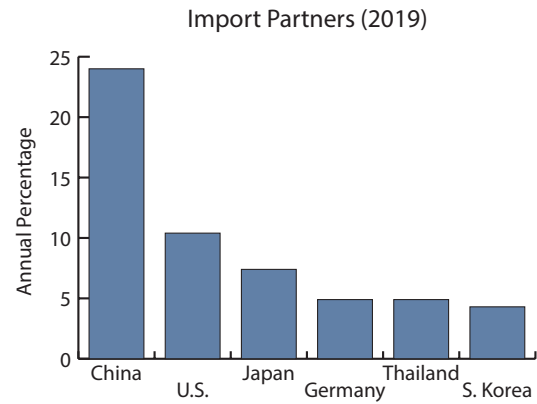


Inflation
(Annual Percent Rate)



Trade

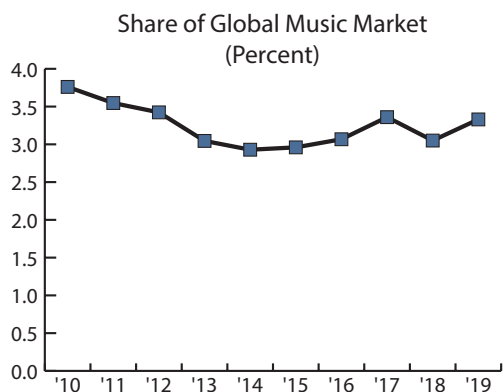
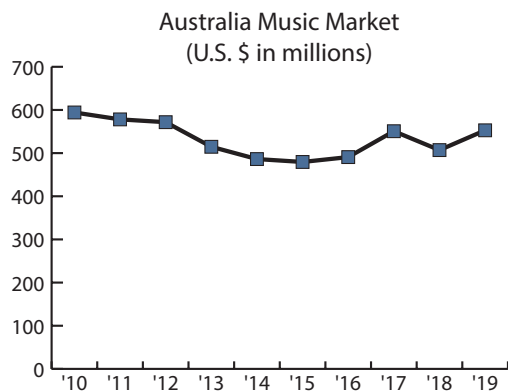
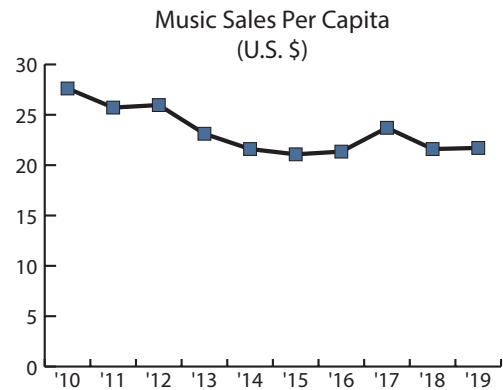
Total Export	\$252.8 billion	Export as % of GDP	19.60%
Total Import	\$235.5 billion	Import as % of GDP	18.26%



Music Industry

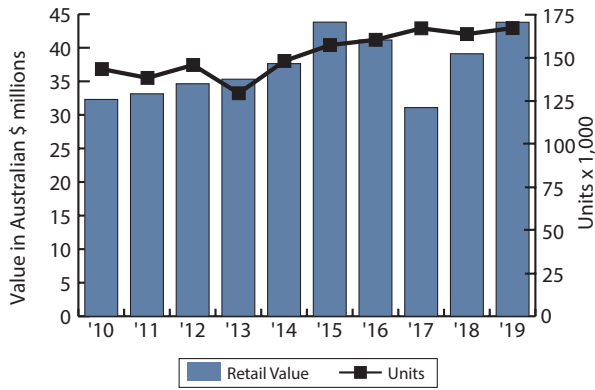
Music Market	\$552.8 million
Sales Per Capita	\$21.71
Global Share	3.33%

Data received from the AMA was in Australian dollars and converted to U.S. dollars for this report.

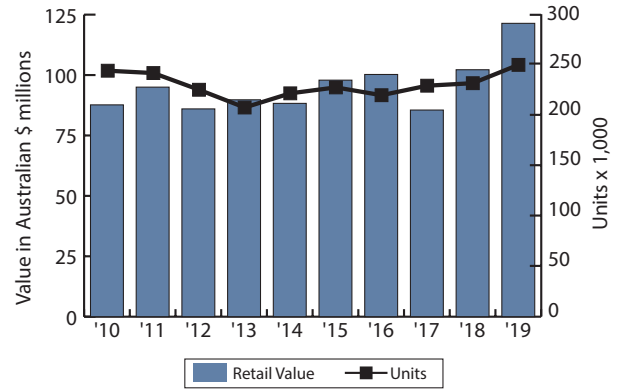


Australia Domestic Sales

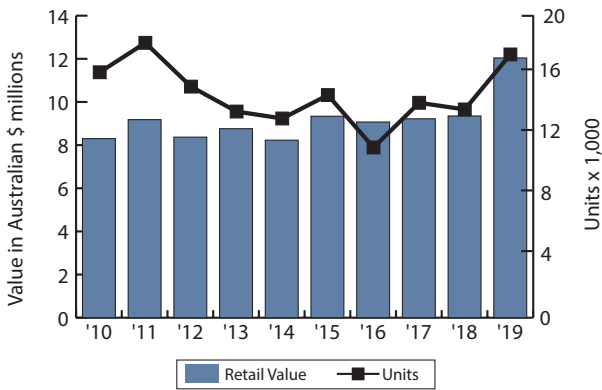
Acoustic & Acoustic-Electric Guitars



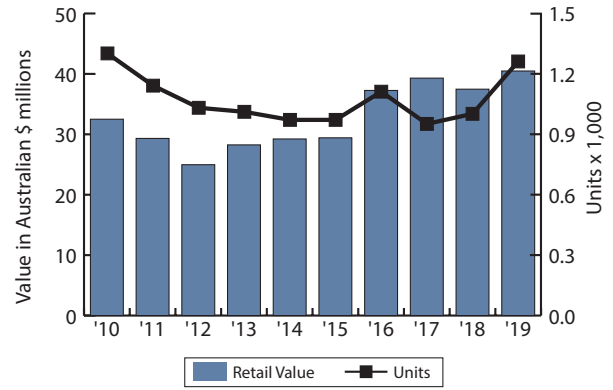
Total Guitars



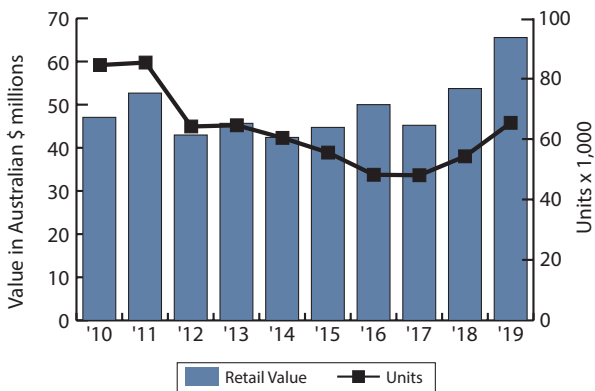
Bass Guitars



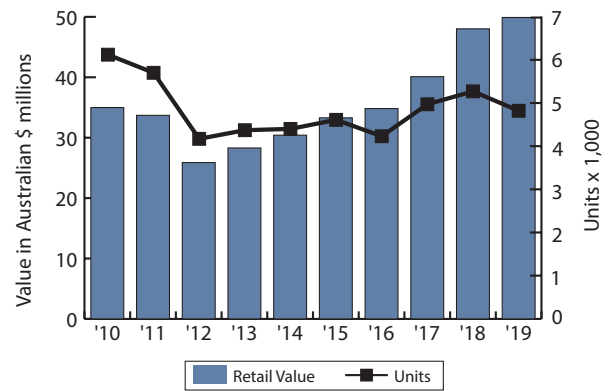
Grand Pianos



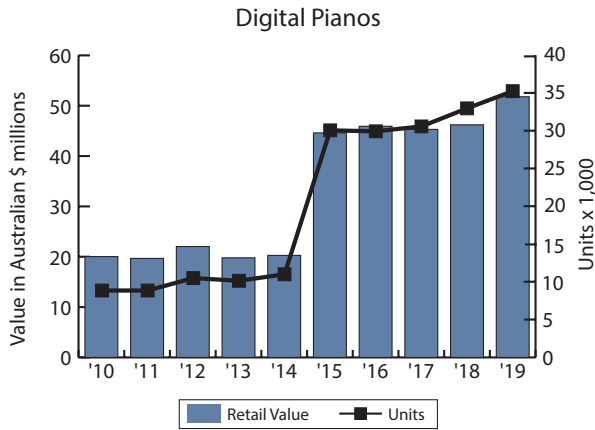
Electric Guitars



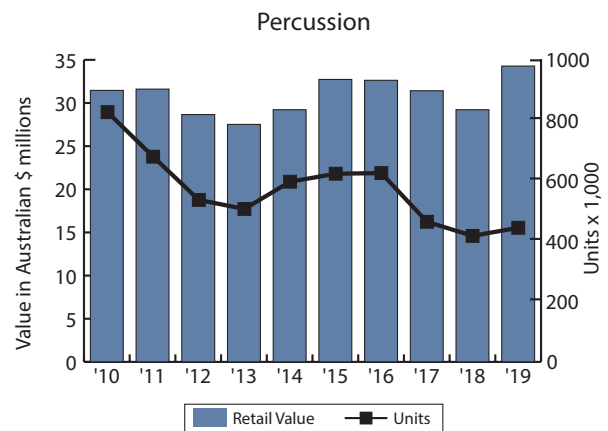
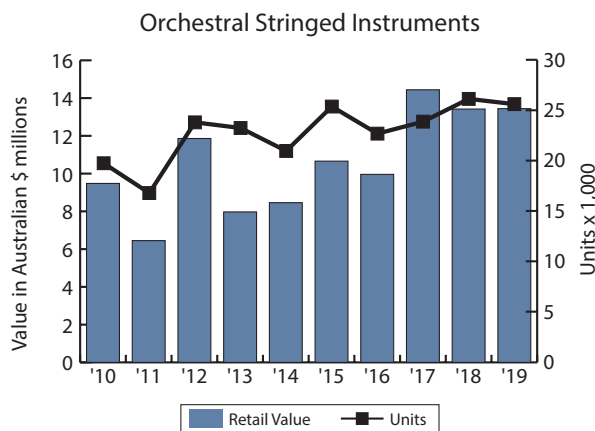
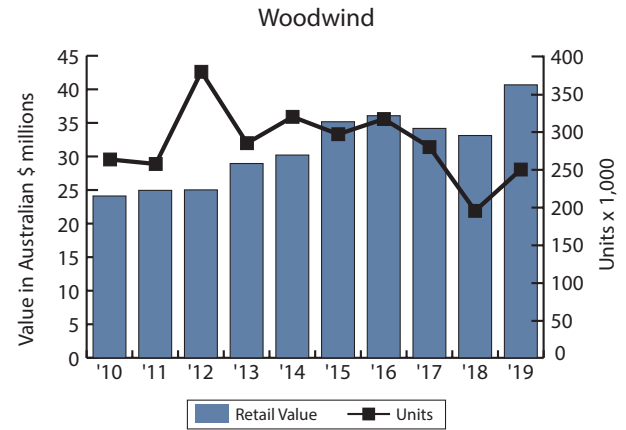
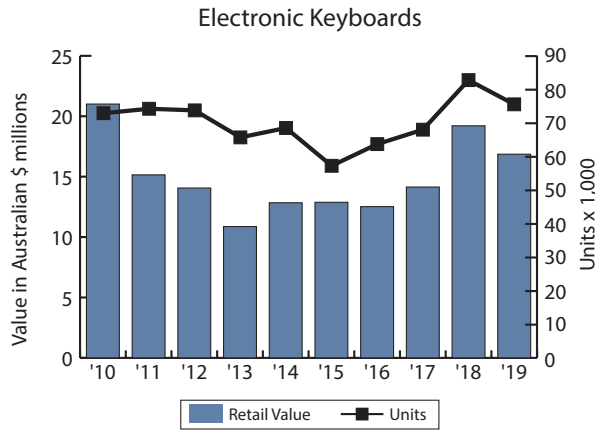
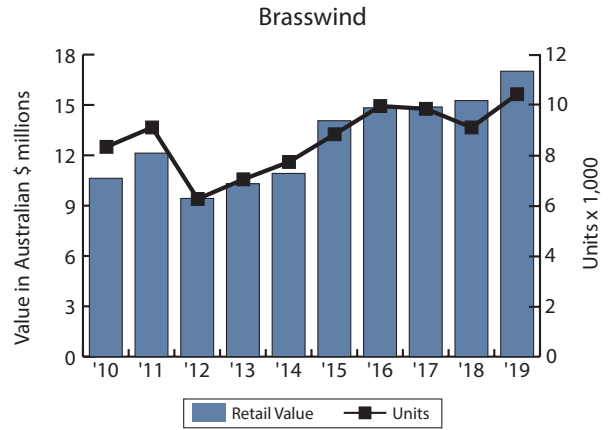
Upright Pianos



Australia Domestic Sales

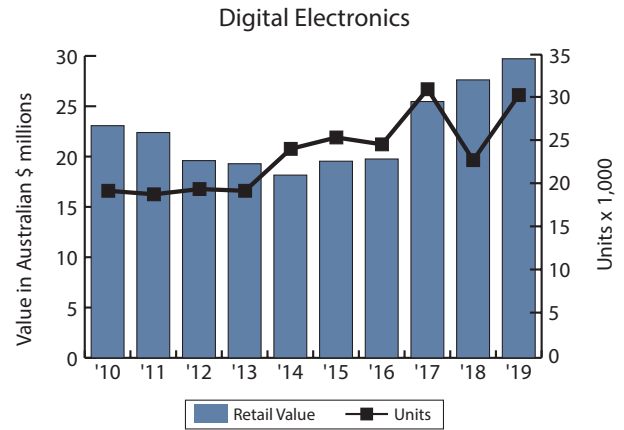
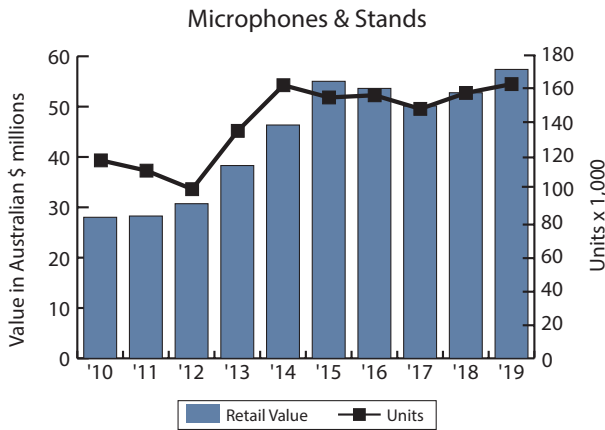
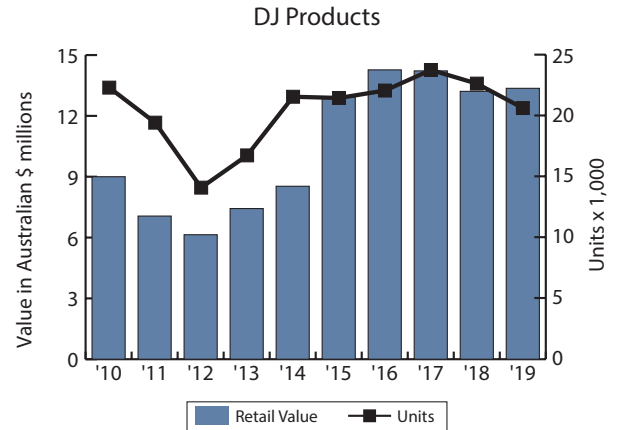
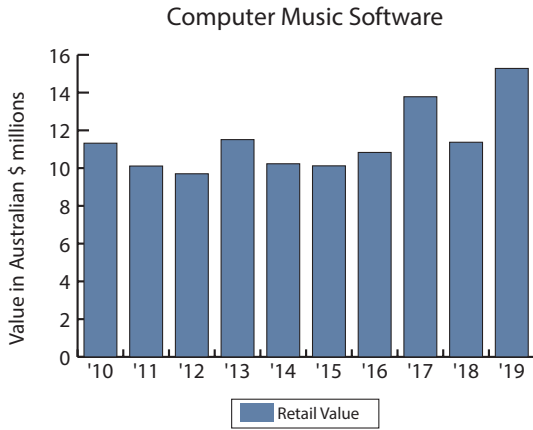


Digital Pianos category was updated for 2015 through 2018 to better reflect the market.

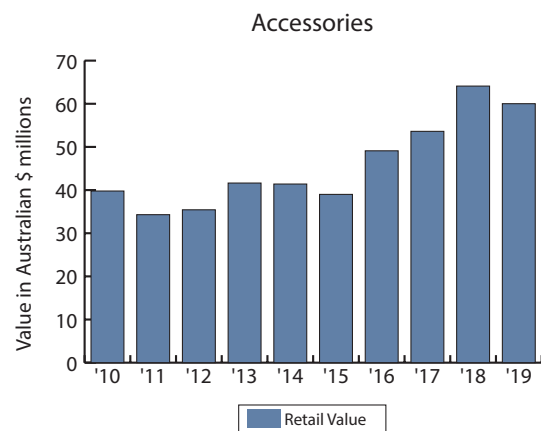
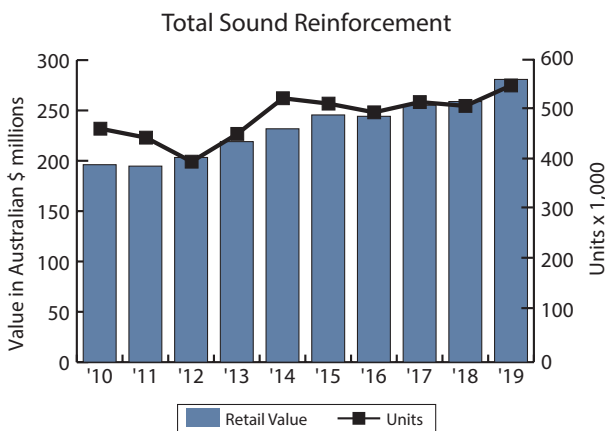


Percussion category includes drum kits, individual drums, cymbals, and educational and other percussion.

Australia Domestic Sales



Digital Electronics category includes synthesizers, modules and other electronics.



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

AUSTRIA

- Upright pianos are stable while grand pianos and used pianos are declining slightly
- Digital pianos are doing better, trending toward cheaper models sold online
- Keyboards are stable, with low budget keyboards increasingly sold online
- Synthesizers and accessories are stable, now as before at low levels
- Brass and woodwind are stable—mainly branded instruments are sold in the entry-level segment—satisfying in the high-end business segment
- Drums and percussion are at very stable levels/e-drums have saturated the market
- E-guitar sales are slightly increasing, and acoustics are doing well with a tendency toward higher quality, more expensive instruments
- PA systems are selling very well—new business areas for many retailers outside the MI-market
- Total market shows almost no changes, with online business from outside still at very high levels and increasingly endangering local retailers
- Many small- and medium-sized dealers are suffering immensely from low sales margins

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

DOING BUSINESS IN AUSTRIA

Market Overview

Strengths

Despite its small size, Austria is a rich market with the 27th-largest GDP and the 14th-highest per capita GDP in the world. Its economy is diversified and highly international. Manufacturing accounts for 26% of Austria's GDP, and over 60% of manufactured products are exported. Unemployment rates are modest and social stability is strong. From 2013 until 2017, Austria's GDP grew steadily, but has since softened somewhat following global trends, with a 1.7% growth rate projected for 2019.

Austria and the United States share strong economic and business ties. The U.S. is Austria's second-largest export market and third-most important global trading partner. Over 300 U.S. companies operate subsidiaries in Austria. Many were drawn in the past to Austria as a regional Central European hub, but today are more focused on the Austrian market. Some companies also use Austria as a base for providing specialized global production and solutions. The American Chamber of Commerce Austria's annual Business Barometer

Survey of U.S. company members shows that the most important business location factors in Austria are consistently: 1) availability of skilled labor, 2) high quality of life and security, and 3) excellent infrastructure (transport, telecom, energy).

Vienna consistently ranks at the top internationally among quality of life scores. Austria is a safe country where democracy and the rule of law are firmly established. Austria's global business rankings are also among the best worldwide, with the World Bank's Doing Business Report placing Austria at 26 of 190 countries and Transparency International ranking Austria 14 of 175 countries.

Weaknesses

Austria's economic weaknesses mirror its strengths. Though wealthy, with a population of 8.8 million, there is a natural limit to market potential. U.S. companies face stiff competition in this very open market, both from multinational corporations and from Austrian companies, including over 400 that are considered "hidden champions," global leaders in their specific business areas. Business plans should include consideration of EU-wide required standards and certifications, as well as exchange rate variability.

U.S. companies considering establishing operations in Austria should keep in mind that, while livability is high, so are labor costs. At US\$40 per hour in 2018, Austria's hourly labor costs rank the eighth-highest in the EU. While Austrian banks with global operations regularly work with larger U.S. corporations, smaller U.S. entities and individuals often have trouble conducting banking activities since many local banks are hesitant to serve U.S. clients due to strict U.S. government-regulated reporting requirements.

Trade

The Austrian economy is highly internationalized. Total Austrian imports reached US\$184 billion in 2018, with exports at US\$177 billion.

Austria's most important two-way trading partners are Germany, followed by Italy, the U.S. and Switzerland. The EU accounts for 70% of Austria's foreign trade, with Germany constituting around 30% of that value.

The U.S. is Austria's second-largest export market after Germany and third-largest trading partner worldwide. U.S.-Austria bilateral trade enjoys an upward trend due to close business and industrial connections. According to U.S. Census data, U.S. goods exports to Austria totaled US\$3.6 billion in 2018. In contrast to U.S. data, which tracks direct trade, Austrian government data also captures trade with Austria via in-bond transfers and through distributors in other parts of Europe. Due to this different methodology, the Austrian government reports a much larger value of U.S. exports to Austria, totaling US\$6.7 billion for 2018.

For 2018, U.S. Census data reported that U.S. exports to Austria were led by pharmaceuticals (up 25%), machinery (up 7%), aircraft and parts (down 21%), chemicals (down 72% for all categories), medical and measuring instruments (up 3%), and electrical machinery and equipment (up 9%).



Market Challenges

U.S. exporters may confront the following challenges when trying to enter the Austrian market, but with awareness and proactive action, these can be addressed.

First, there is the challenge of distance. U.S. companies' main competitors are likely to be in Germany, which is Austria's top trading partner. Germany and Austria share a time zone, language and similar cultures. Overcoming this challenge will require a proactive approach, including selecting a strong local business partner and accommodating these differences with active engagement.

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 Austrian business partners to request detailed information about products in order to investigate what kinds of registration, transportation, storage and disposal regulations will apply. The process for entering the Austrian market is likely to take longer than it would in many other countries.

Finally, most Austrians are highly risk-averse. 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 plan carefully for various contingencies and being flexible on minimum purchasing requirements.

Market Opportunities

Best prospect sectors for U.S. exporters include education, information technology, health care (medical equipment and pharmaceuticals), travel and tourism, and agriculture. Here are a few highlights:

- *Education:* Austria's relative spending on students' tertiary education is among the highest in the world, according to the OECD. The university graduation rate is 39%, slightly higher than the OECD average of 38%. Cooperation agreements with U.S. universities are popular, as are intensive English language programs and short-term exchanges.
- *Health Care:* The health care sector accounts for over 11% of Austria's GDP. U.S. companies supply nearly 30% of the pharmaceuticals (over US\$1.32 billion) and around 20% of the medical equipment (almost US\$2 billion). The Austrian government is planning to spend US\$1.6 billion between now and 2030 to modernize Vienna's most important teaching hospital, one of the largest clinics in Europe.
- *Travel and Tourism:* The U.S. remains the most popular non-European destination for Austrian travelers. Austrian Airlines offers nonstop transatlantic flights to six major U.S. airports—year-round to New York, Newark, Washington, D.C. and Chicago, and in the summer to Miami and Los Angeles.



- *Agricultural Products:* Austrian consumer trends are creating good market opportunities for organic, health, diet, convenience and “sustainable” food products. Market opportunities include nuts, dried/processed fruits, spirits, wine, fruit juices, snack foods, fish and seafood products, hormone-free high-quality beef, game and exotic meats for up-scale cuisine.

Market-Entry Strategies

The best market entry strategies for U.S. exporters to Austria will depend on the specific sector and business objectives. Here are a few tips:

- Companies interested in working with the government of Austria are best positioned by partnering with a local company. A good source of information on potential partners is the EU TED database that lists the results of previous tenders by sector.
- Those looking for an agent or distributor should think beyond national borders. While Austrian companies can be excellent business partners, other qualified distributors may be German companies with a local presence in Austria. Some of these companies may have offices throughout Central and Eastern Europe, and so could further expand your regional footprint.
- Austria is a sophisticated, globally-oriented market. U.S. exporters must invest time to research market size, drivers, distribution channels and the regulatory environment for their specific product or service. This information will be valuable in advancing business with Austrian partners or potential customers.
- U.S. companies already exporting to other EU member states will find the overall regulatory environment in Austria to be quite familiar. However, additional national level Austrian regulations may also be imposed.

“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.

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

AUSTRIA SNAPSHOT

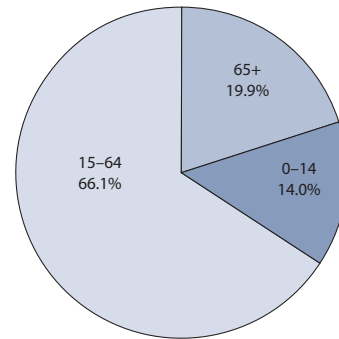
Demographics

Population in millions 8.9

Age	Male	Female
0–14	0.64	0.61
15–64	2.93	2.92
65 & Over	0.77	0.99

Median Age 44.5
Population Growth 0.35%

Demographics

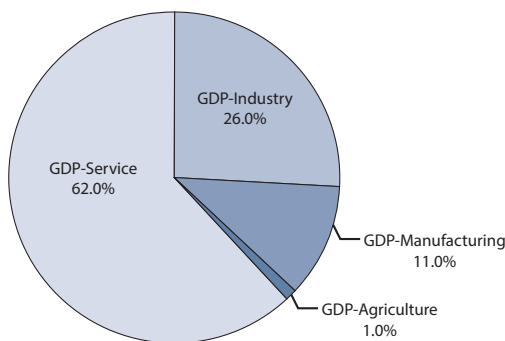


Economy

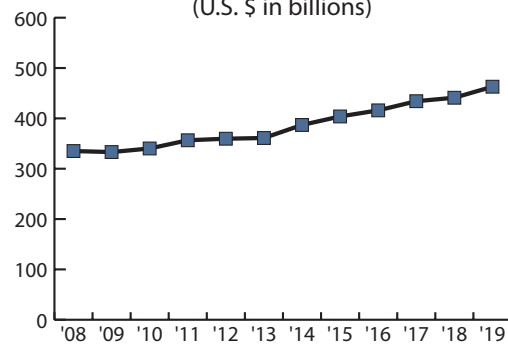
GDP (PPP)	\$462.9 billion
GDP Per Capita	\$55,455
GDP-Real Growth Rate	2.70%
Unemployment Rate	4.60%
Inflation	1.50%

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.

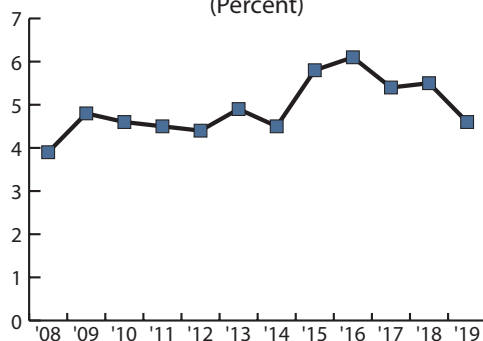
Economy



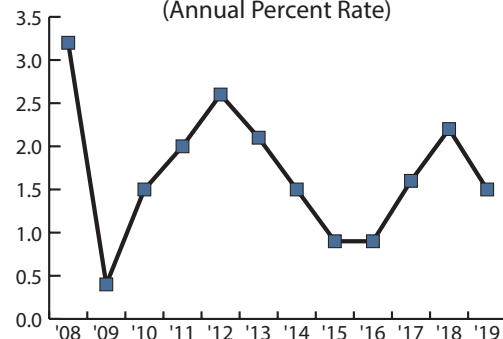
Austria GDP
(U.S. \$ in billions)



Unemployment Rate
(Percent)



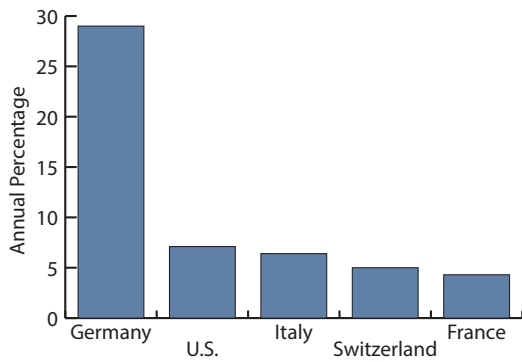
Inflation
(Annual Percent Rate)



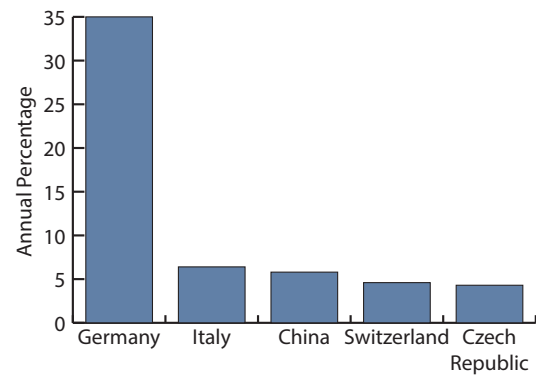
Trade

Total Export	\$177.0 billion	Export as % of GDP	38.24%
Total Import	\$184.2 billion	Import as % of GDP	39.79%

Export Partners (2019)



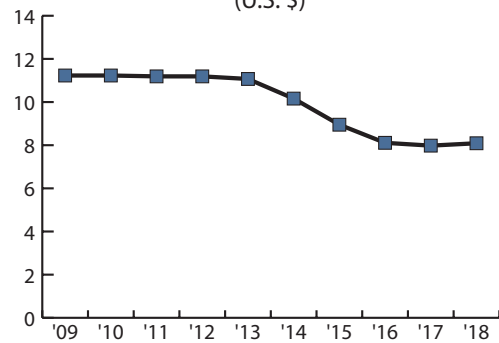
Import Partners (2019)



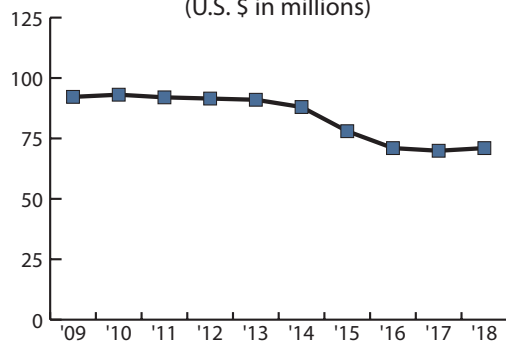
Music Industry

Music Market	\$71.0 million
Sales Per Capita	\$8.09
Global Share	0.40%

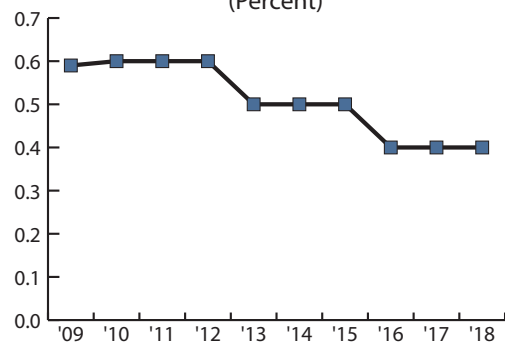
Music Sales Per Capita (U.S. \$)



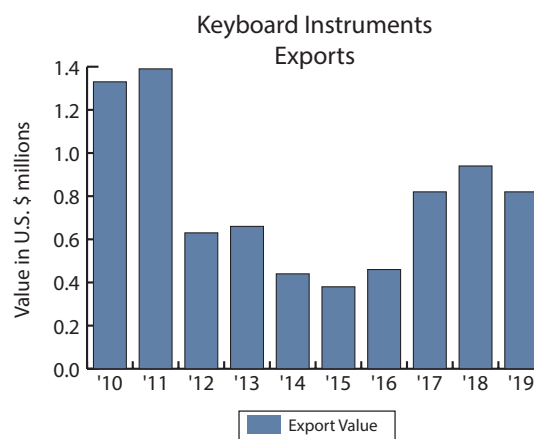
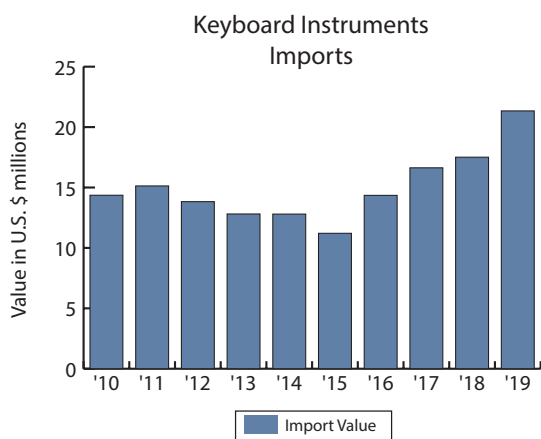
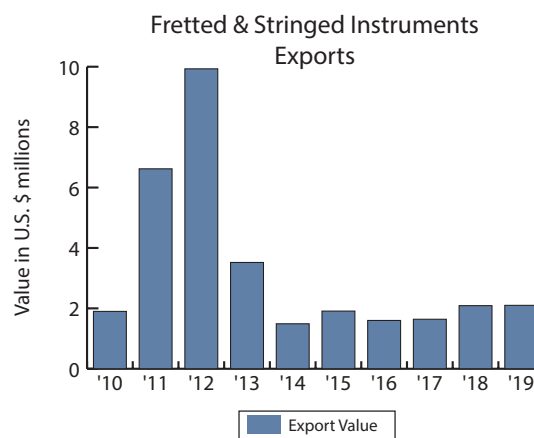
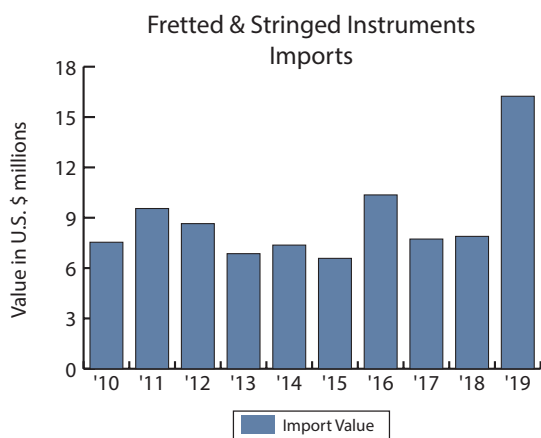
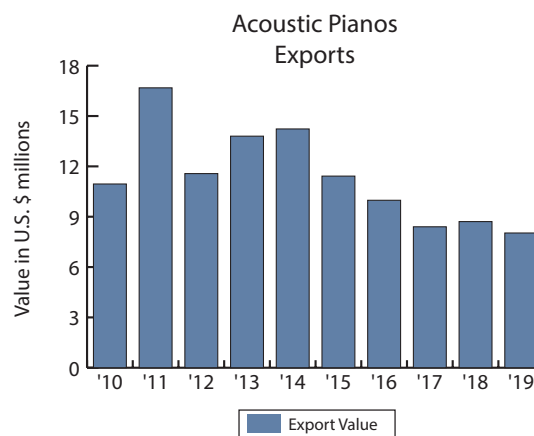
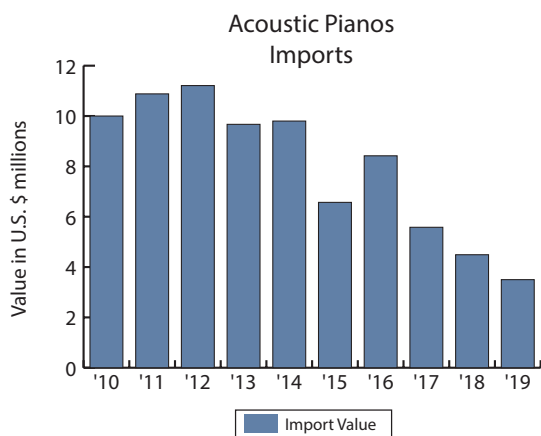
Austria Music Market (U.S. \$ in millions)



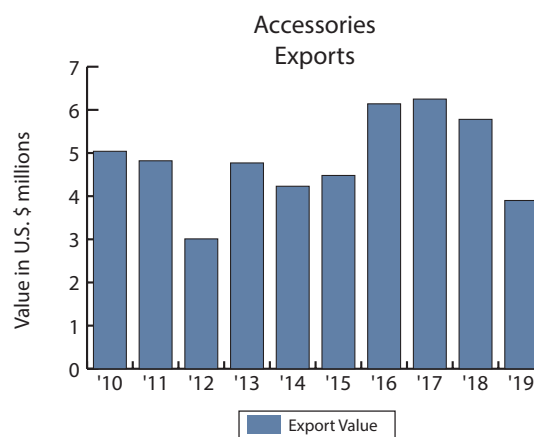
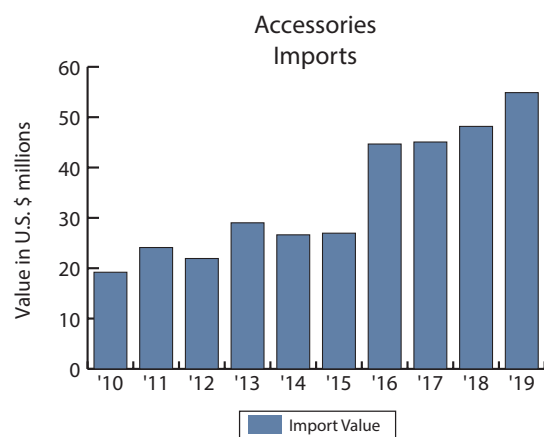
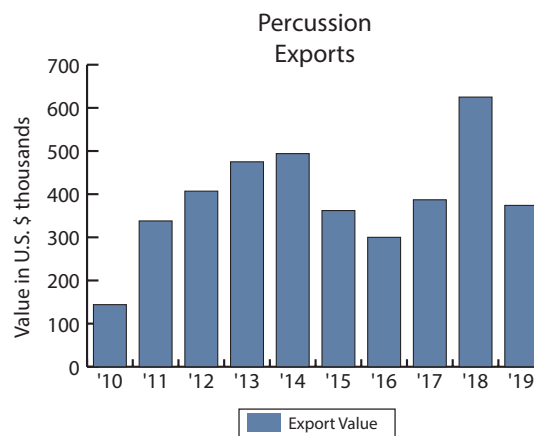
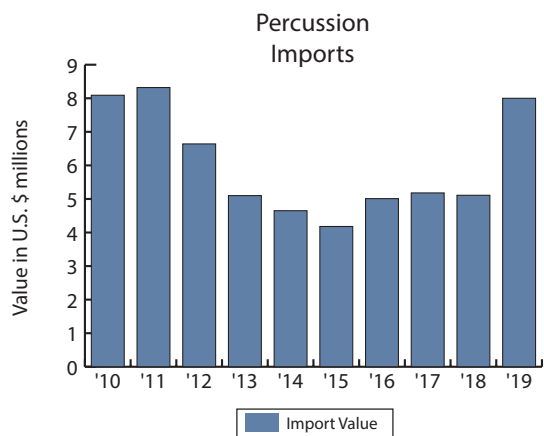
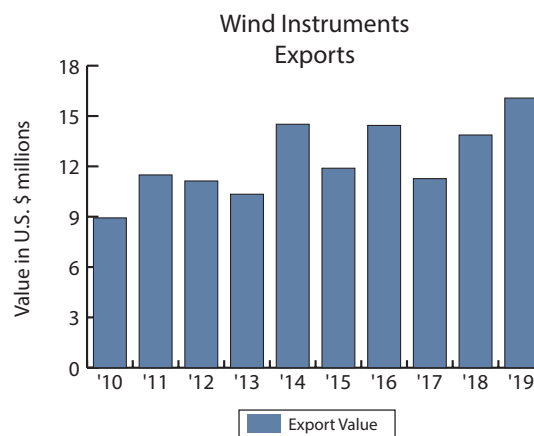
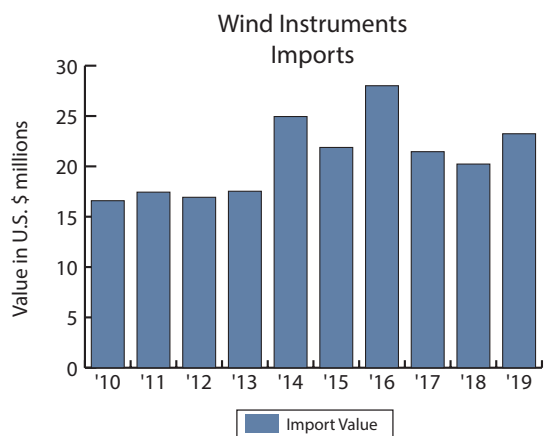
Share of Global Music Market (Percent)



Austria Imports and Exports



Austria Imports and Exports



BELGIUM

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 in 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 the country an ideal market for many U.S. firms to test their products before expanding distribution throughout Europe. Belgium is densely populated with 11.35 million people in an area comparable in size to the state of Maryland. It enjoys one of the highest per capita incomes in Europe, with a relatively balanced income distribution, resulting in widely distributed purchasing power.

Belgium's GDP was US\$533 billion in 2018. Bilateral trade was worth over US\$56.1 billion for the year 2017. 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 U.S. ranks as Belgium's fifth principal and most significant non-EU trading partner, with Belgium ranking as the 10th-largest recipient of U.S. exports in 2017.

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

Market Challenges

In 2019, the Belgian economy grew by 1.4%. Due to the decreasing and ultimately negative contribution of net exports and slower investment growth, GDP growth is anticipated to slow to 1.2% in 2020. Regarding the labor market, the impact of slower economic growth is expected to be offset partially by recent labor market measures. As a result, the employment growth forecast for 2019 is 0.8%, with a corresponding fall in unemployment from a rate of 6% in 2018, to close to 5% by 2020. Rising disposable income, thanks to both job creation and wage indexation, is expected to underpin more robust private consumption growth in 2019 and 2020.

In 2018, Belgium saw a foreign trade surplus of almost 14.0 billion euros (US\$15.4 billion). The contribution of net exports to GDP growth is predicted to weaken markedly in 2019 and to turn negative in 2020. While the expected slowdown in world trade should weigh on exports, stronger domestic demand should bolster imports. Downside risks to the outlook are mainly external, since Belgium is a small, open economy. The risks include potential impacts on the economy from a higher-than-expected slowdown from Belgium's main trading partners. On the upside, private consumption could turn out to be more dynamic than expected if consumers spend all of their expected increase in disposable income.

Since June 2015, the Belgian government has taken a series of measures aiming to reduce the tax burden on labor and to increase Belgium's economic competitiveness and attractiveness to foreign investment. The July 2017 decision to lower the corporate tax rate from 35% to 25% is expected to make a significant improvement in the investment climate. However, to fully realize Belgium's employment potential, it remains important to address labor market fragmentation. More specifically, progress is needed in integrating vulnerable groups—especially immigrants born outside the EU, young people, and workers without specialized training or skills. Moreover, large regional disparities in unemployment rates persist.

Belgium boasts an open market well connected to the major economies of the world. As a logistical gateway to Europe, host to the EU institutions and a central location closely tied to the major European economies (Germany in particular), Belgium is an attractive market and destination for U.S. investors. The Belgian economy continues to attract significant levels of investment in chemicals, petrochemicals, transport equipment, machinery, plastics, mineral products, base metals, precious metals and stones, environmental technologies, food processing and packaging, health technologies, information and communication, and textiles. Finally, Belgium is a highly developed, longtime economic partner of the U.S. that benefits from an extremely well-educated workforce, world-renowned research centers and the infrastructure to support a broad range of commercial activities.

Market Opportunities

Top U.S. exports to Belgium include chemicals, petrochemicals, plastics and machinery. Post-2018 sees major existing or developing opportunities for U.S. exporters in energy, information and communications technology services, medical devices, safety and security, and travel and tourism. As the host of NATO and EU headquarters, along with 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 destinations throughout the continent. One hundred and forty million EU consumers can be reached within a radius of 300 miles, representing 60% of Europe's purchasing power.

Belgium is also seen as a test market. The country contains a few distinctly separate socio-demographic groups such as the Dutch-speaking Flemings and the French-speaking Walloons, governed by the same legal system. The Belgian economy largely reflects the overall European economy and consumers—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.

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 enter the market successfully.

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.

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

BELGIUM SNAPSHOT

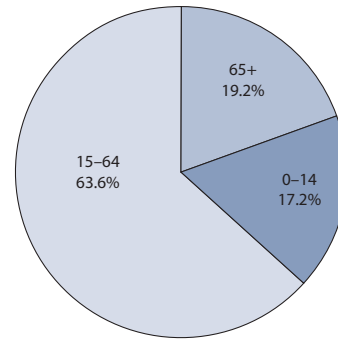
Demographics

Population in millions 11.7

Age	Male	Female
0-14	1.03	0.98
15-64	3.76	3.70
65 & Over	0.99	1.26

Median Age 41.6
Population Growth 0.63%

Demographics

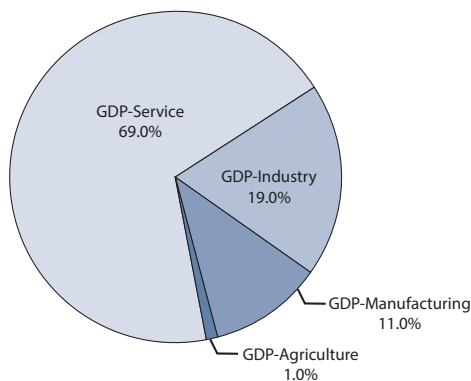


Economy

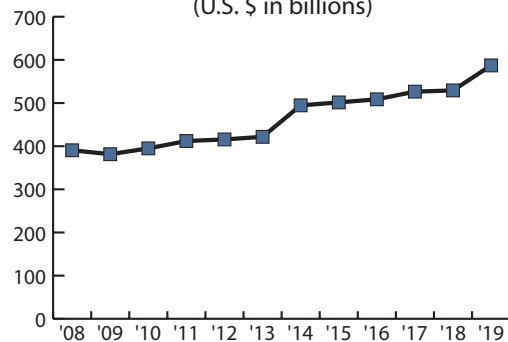
GDP (PPP)	\$587.2 billion
GDP Per Capita	\$51,408
GDP-Real Growth Rate	1.40%
Unemployment Rate	6.40%
Inflation	1.30%

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.

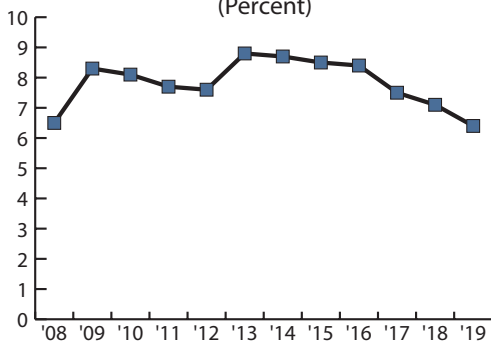
Economy



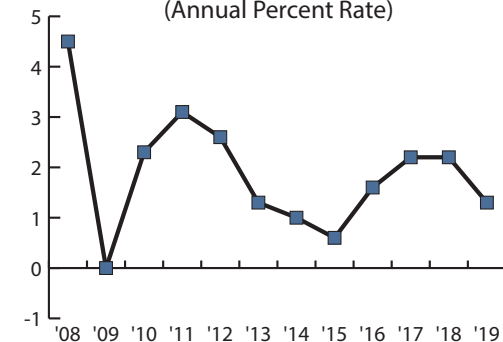
Belgium GDP (PPP)
(U.S. \$ in billions)



Unemployment Rate
(Percent)

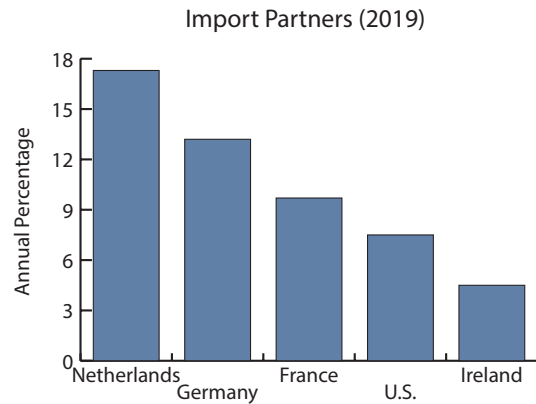


Inflation
(Annual Percent Rate)



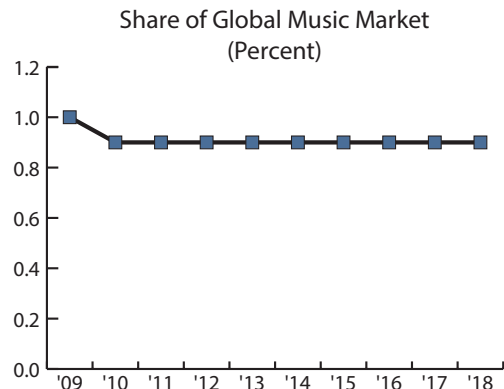
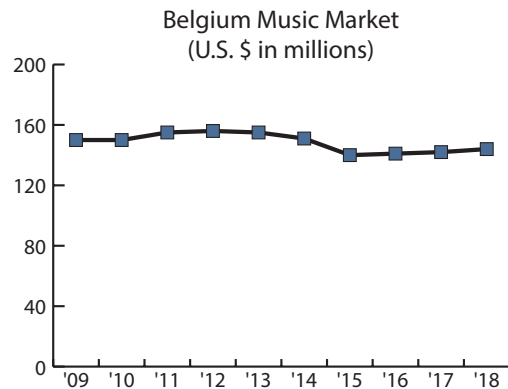
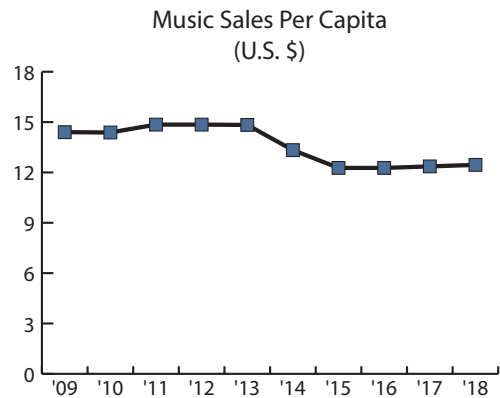
Trade

Total Export	\$445.2 billion	Export as % of GDP	75.82%
Total Import	\$426.5 billion	Import as % of GDP	72.63%

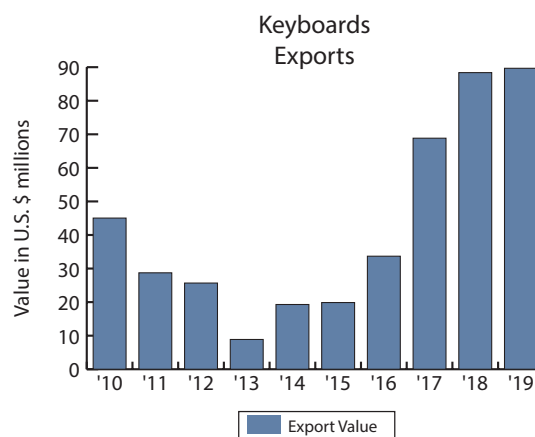
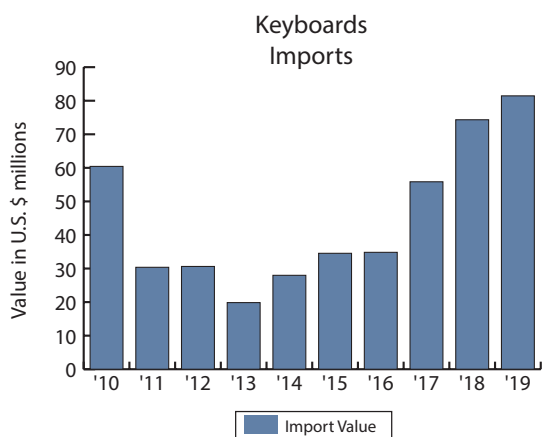
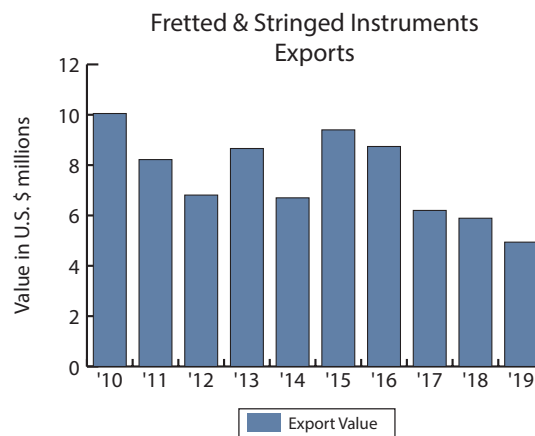
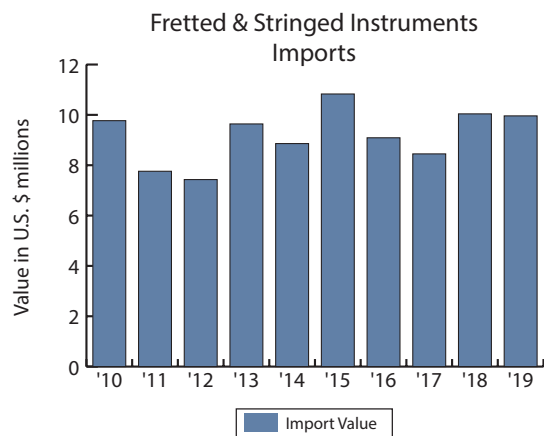
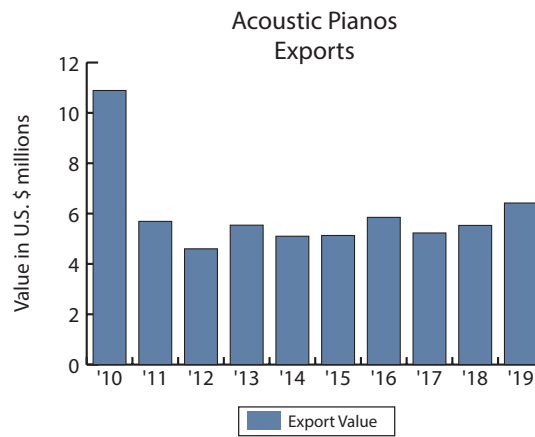
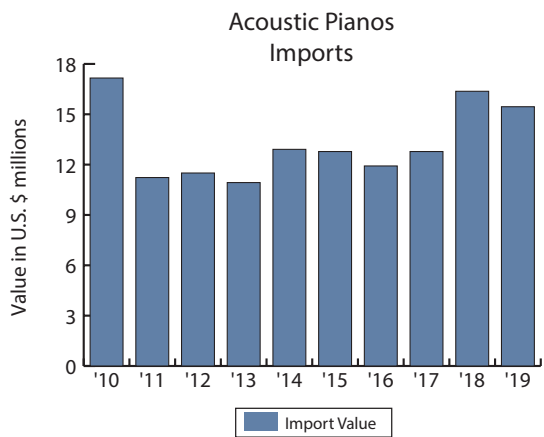


Music Industry

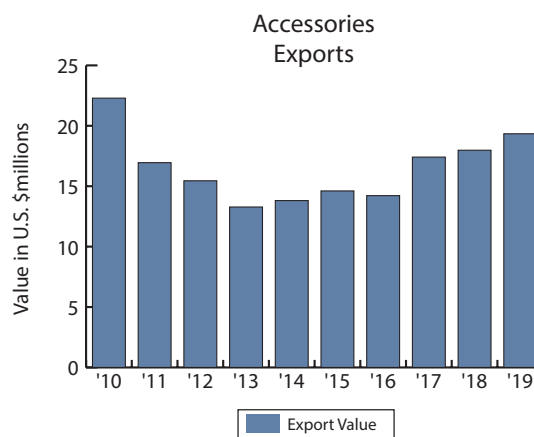
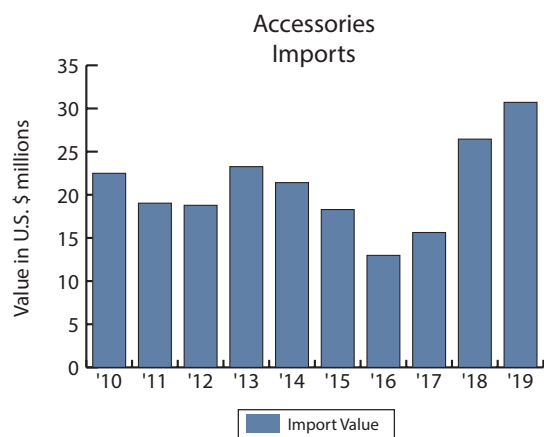
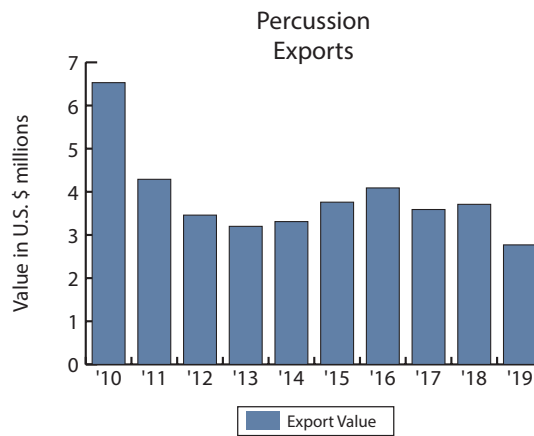
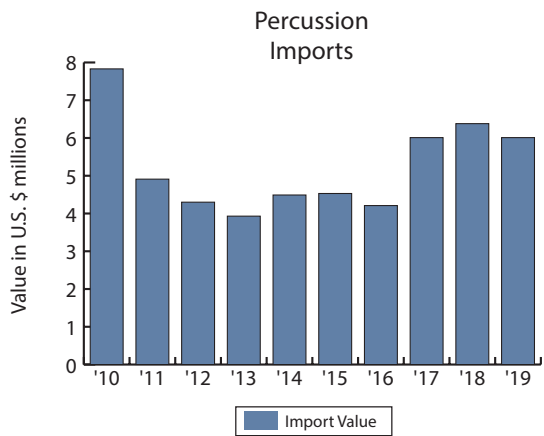
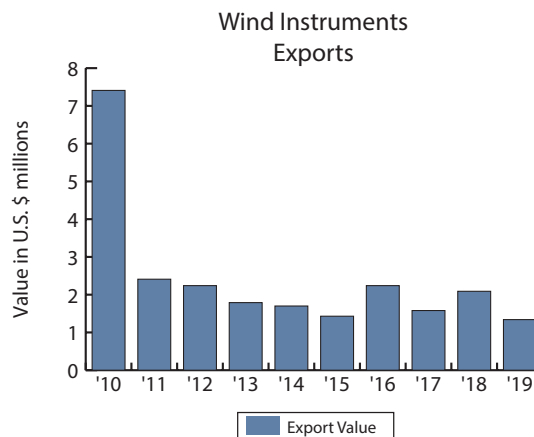
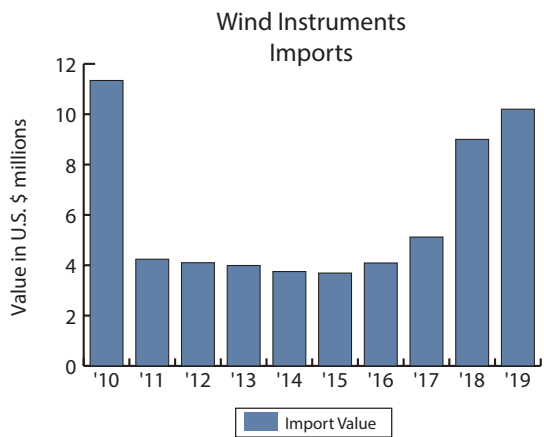
Music Market	\$144.0 million
Sales Per Capita	\$12.45
Global Share	0.90%



Belgium Imports and Exports



Belgium Imports and Exports



BRAZIL

The Brazilian Music Market in 2019

The year 2019 saw a 4% increase over 2018 in the market for musical instruments and accessories.

Asia continues to emerge as Brazil's leading trade partner in the musical instruments sector, representing 72.3% of product origin (measured in tons imported), followed by the EU and North America.

In 2019, the U.S. dollar increased by 8% compared to the Brazilian real. During a slow recovery, products such as guitars and other stringed instruments (NCM categories 92021000 and 92029000) saw a 12.7% reduction in import value in 2019 compared to 2018.

The 12.7% decrease in the total import value, however, was not reflected in the quantity of products, which remained stable.

The price per kilogram of stringed instruments fell by US\$2, from an average of US\$17 to US\$15.

Wind instruments

Wind instruments such as saxophones, flutes and others (NCM categories 92051000 and 92059000) showed above average results in 2019. They increased by US\$1.7 million, or 32.5%, during 2018—the third consecutive year of growth. The category's performance was also reflected in the quantity/weight imported into Brazil, growing by 22% over 2018.

Percussion

The NCM 92060000 category, which encompasses percussion, drums and other accessories, grew strongly in 2017–2018 but did not keep pace in 2019. The sector showed a slight decrease of 3%, both in value and by weight in kilograms of imported products.

Synthesizers

The market presence of synthesizers in Brazil did not decrease, but there was a drop in imported product value, indicating that searching for cheaper products is still on trend. The import value decreased by 7.5%, but quantities remained steady.

Guitars and bass guitars

As with drums and percussion, the guitar and bass guitar market's growth in 2018 did not keep the same pace. On the contrary, there was a decrease of 15% in value and 19% in weight.

2020 Brazil under reconstruction

The Brazilian musical instruments market dropped by around 80% in the first quarter of 2020 compared with the same period in 2019. If you think that it is a huge number, consider that pro audio and lighting dropped by 90% in the same period.

COVID-19 has not only blown up the market, it has also shown Brazil's fragility has in terms of online sales infrastructure.

The first quarter of 2020 showed an 11% import value reduction compared with the same period in 2019. Total weight dropped by 16%, indicating currency exchange pressure over the prices.

Panorama of companies in a pandemic

A survey conducted by ANAFIMA, Brazil's National Association of the Music Industry—with 290 companies and 155 retailers in the music market—outlined the effects of the COVID-19 quarantine on trade.

According to the survey, 49% of stores already conduct some type of e-commerce sales. However, 51% of Brazilian retailers do not have any online sales system.

COVID-19's impact on retail in Brazil through the end of May 2020 was mainly due to the suspension and reduction of employees' working hours in addition to granting them paid holidays. Ten percent of respondents used special credit lines, and 18% reported that they did not use any government program.

At the time of writing this article in June 2020, layoffs were also low, with 16% of stores declaring that they had dismissed staff.

The easing of quarantine in some regions of Brazil in June also corresponds with some rebound in economic activity.

COVID-19 pushed market changes

The pandemic gave a push to several trends that had been moving slowly in the Brazilian market:

- Fragmentation of the musical market, with many suppliers instead of a few groups dominating the market
- Proliferation of local brands, whether imported from Asia or locally produced
- Emergence of a new generation of distributors and shops, both physical or online
- Direct sales by traditional music shops, shops started to engage in imports or e-commerce for brands that used to be sold via dealers

An internal study from ANAFIMA, the Brazilian Music Industry Association, predicts that 2020 will close at 90% of the imported goods volumes from 2019.

Commentary by Daniel Neves, President of Música & Mercado

DOING BUSINESS IN BRAZIL

Market Overview

Brazil represents an excellent market for experienced U.S. exporters across various sectors. In addition to the domestic appetite for U.S. products and high opinion of their quality and value, there have been several significant national successes in the past two years:

- *Open Skies*: In May 2018, the U.S. and Brazil finalized the Open Skies agreement, which expands opportunities for future air travel and commerce between the U.S. and Brazil.
- *ATA Carnet*: Brazil became the third country in Latin America to adopt the ATA Carnet, which allows the free temporary entry of U.S. goods.
- *Visa Requirement Waiver*: Beginning June 17, 2019, U.S. citizens with a valid passport may travel to Brazil for tourism purposes without a visa. This waiver also covers travelers transiting through Brazil. Visitors will be granted an up to 90-day stay, which can be extended once for the same number of days—as long as it does not exceed 180 days within a 12-month period—counted from the date of first entry.
- *PPH*: The U.S.-Brazil Patent Prosecution Highway agreement, which accelerates the examination process for corresponding patent applications filed in participating offices, has been extended to April 2020.

Brazil is the largest country in South America. According to SelectUSA, the USG's investment promotion program, Brazil is the second-largest economy in the Western Hemisphere after the United States and was the eighth fastest-growing source of Foreign Direct Investment in the U.S. in 2017. U.S. FDI stock in Brazil was US\$68.3 billion in 2017, a 2.8% increase from 2016. Manufacturing, finance and insurance, and mining lead U.S. direct investment in Brazil. According to the United Nations Council on Trade and Development World Investment Report 2018, global FDI destined for South America increased by 10% as recessions ended in Argentina and Brazil, the two leading South American economies. Specifically, FDI in Brazil increased by 8% to US\$63 billion, buoyed by a significant influx in the energy sector.

In 2018, Brazil was the U.S.' ninth-largest export market and second-largest trading partner. Last year, the U.S. exported US\$66.2 billion in goods and services to Brazil—up 4.2% from 2017, and imported US\$36.1 billion in goods and services from Brazil—up 3.1% from 2017. The primary products traded include crude oil, aircraft, iron and steel, and machinery.

Brazil was the U.S.' 13th-largest goods trading partner with US\$70.7 billion in total two-way trade in goods during 2018. As a result, the U.S. trade surplus with Brazil increased by over 7% to US\$30.1 billion. In 2018, U.S. exports to Brazil accounted for 2.6% of our global exports, and imports from Brazil accounted for 1.2% of global imports. Industrial supplies and materials dominated both exports and imports, accounting for 29.3% of U.S. exports to Brazil, and 45.4% of U.S. imports from Brazil. In 2017, the direct investment position from

Brazil in the U.S. was US\$2.0 billion. (Source: U.S. Department of Commerce Bureau of Economic Analysis)

On Jan. 1, 2019, Brazil inaugurated a new President, Jair Bolsonaro, who declared that Brazil wanted the U.S. to be Brazil's No. 1 trading partner—opening the potential for a stronger trade relationship with Brazil.

Market Challenges

Doing business in Brazil requires intimate knowledge of the local environment, including the direct and indirect costs of doing business in Brazil (informally referred to as “Custo Brasil”). The World Bank’s Doing Business 2019 report ranks Brazil 109 out of 190 countries in terms of ease of doing business, up from number 125 in 2018. The “Custo Brasil” includes increased charges due to:

- Distribution costs, government bureaucracy, employee benefits, complex labor code, environmental laws, intellectual property laws and a complex tax structure;
- High logistics costs arising from the lack of sufficient infrastructure. According to the World Economic Forum’s Global Competitiveness Index for 2017–18, Brazil ranks 73 out of 137 countries in infrastructure development;
- High tariffs, a complex legal system and customs procedures present additional challenges in some sectors.

The Government of Brazil is the nation’s largest buyer of goods and services. Navigating the government procurement process, however, may prove challenging. Brazil is not a member of the World Trade Organization’s Government Procurement Agreement and offers domestic firms “margins of preference” for bids on government contracts. As such, 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 Brazilian subsidiary. The endurance and financial resources required to respond to legal challenges and bureaucratic issues compound these difficulties.

Market Opportunities

Five sectors are prioritized with high export potential: energy, infrastructure, health, defense and aviation, and IT; four are prioritized for services: education, tourism, franchising and fintech. Further information regarding specific market opportunities available to U.S. companies in these priority sectors can be found in the “Leading Sectors for U.S. Exports and Investment” chapter (<https://www.export.gov/article?id=Brazil-Market-Opportunities>).

Market-Entry Strategies

- Success in Brazil’s business culture relies heavily upon the development of strong personal relationships.
- For long-term market success, frequent visits to Brazil are critical to establishing a local presence (either in-person or via an agent or distributor).



- For most small- and medium-sized U.S. exporters, it is essential to work through a qualified representative or distributor when developing new business in the Brazilian market.
- The U.S. Commercial Service encourages U.S. companies to visit Brazil to meet one-on-one with potential partners. We also offer a slate of services, such as our Gold Key Service, through which companies can be introduced to pre-screened potential clients or partners in personal meetings.
- We also lead delegations of Brazilian buyers to connect with U.S. businesses at more than 30 International Buyer Program trade shows in the U.S.

“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.

The following charts are based on import data from ANAFIMA, Associação Nacional dos Fabricantes de Instrumentos Musicais e Audio LTda.

BRAZIL SNAPSHOT

Demographics

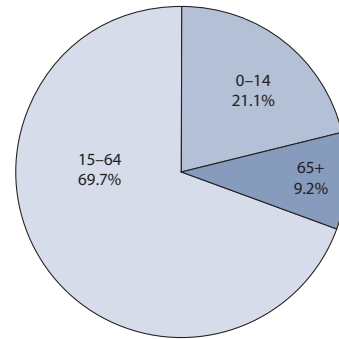
Population in millions 211.7

Age	Male	Female
0-14	22.79	21.91
15-64	73.13	74.39
65 & Over	8.32	11.18

Median Age 33.2

Population Growth 0.67%

Demographics

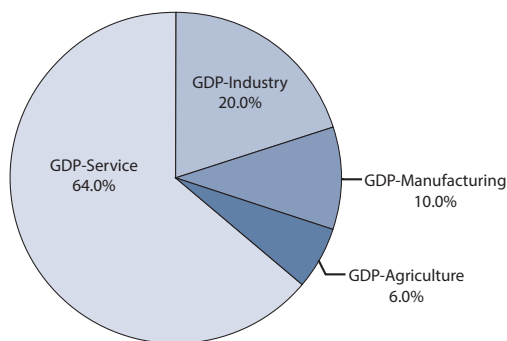


Economy

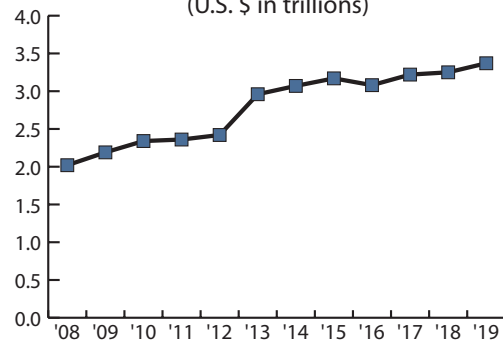
GDP (PPP)	\$3.37 trillion
GDP Per Capita	\$16,096
GDP-Real Growth Rate	1.10%
Unemployment Rate	12.20%
Inflation	3.70%

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.

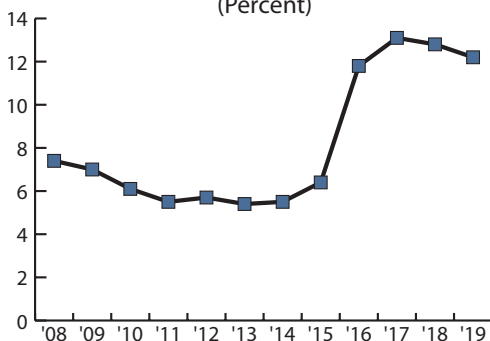
Economy



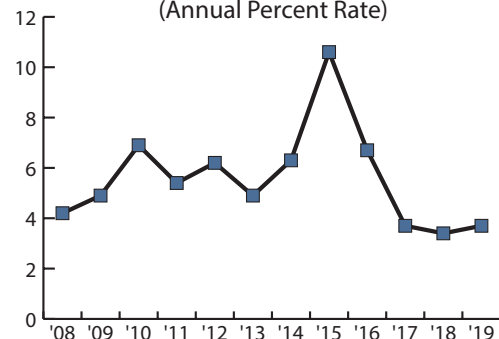
Brazil GDP (PPP)
(U.S. \$ in trillions)



Unemployment Rate
(Percent)



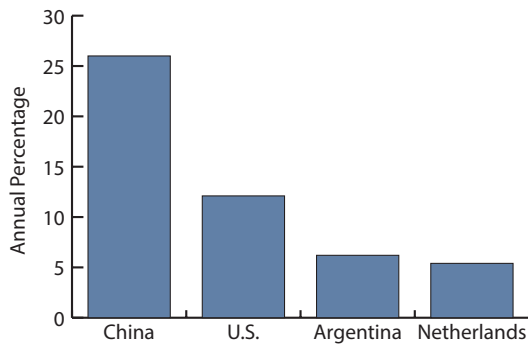
Inflation
(Annual Percent Rate)



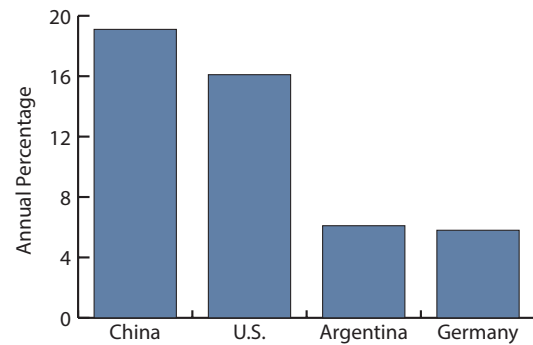
Trade

Total Export	\$239.9 billion	Export as % of GDP	7.12%
Total Import	\$181.2 billion	Import as % of GDP	5.38%

Export Partners (2019)



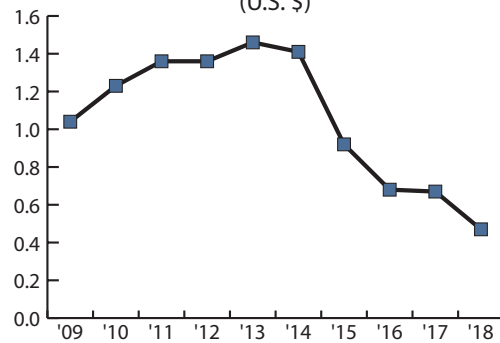
Import Partners (2019)



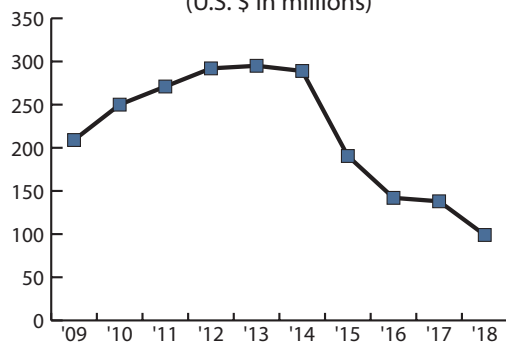
Music Industry

Music Market	\$99.0 million
Sales Per Capita	\$0.47
Global Share	0.60%

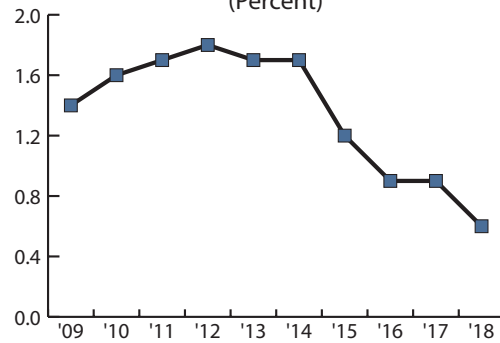
Music Sales Per Capita (U.S. \$)



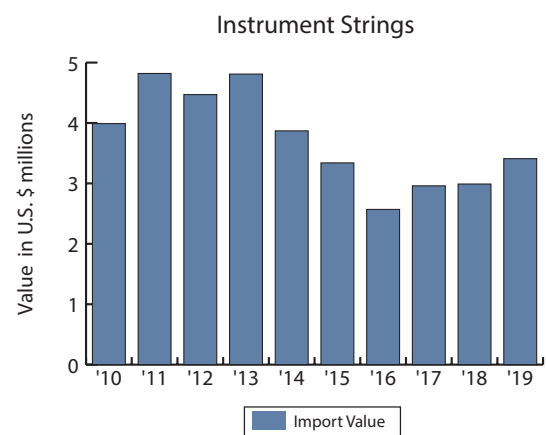
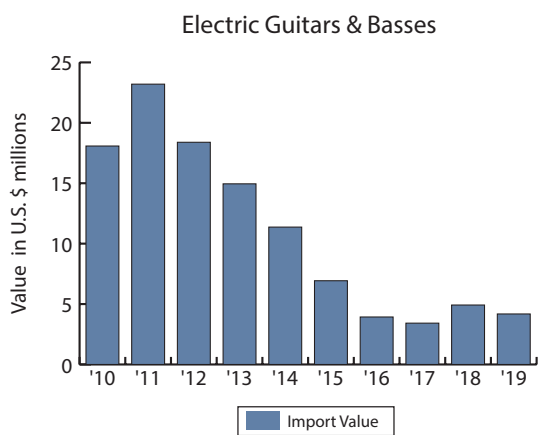
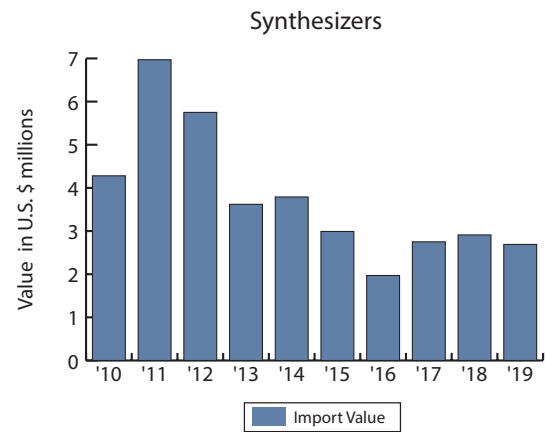
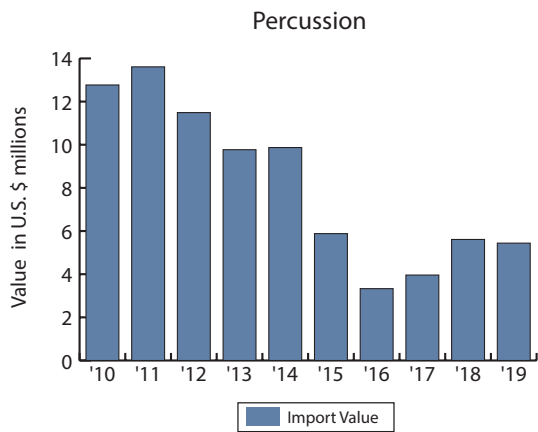
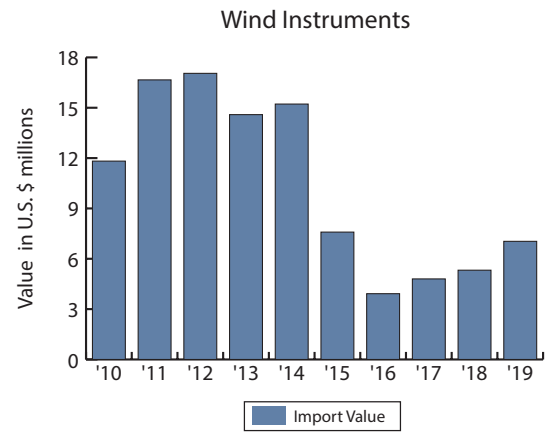
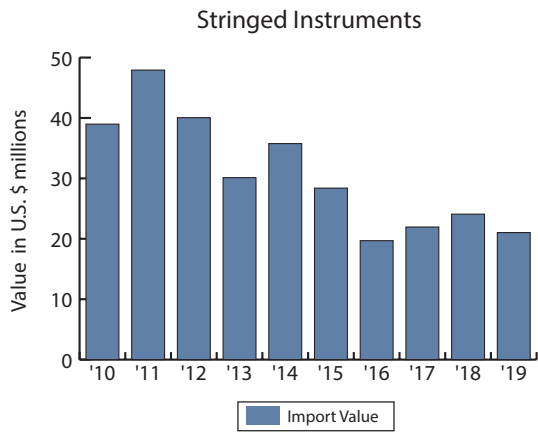
Brazil Music Market (U.S. \$ in millions)



Share of Global Music Market (Percent)

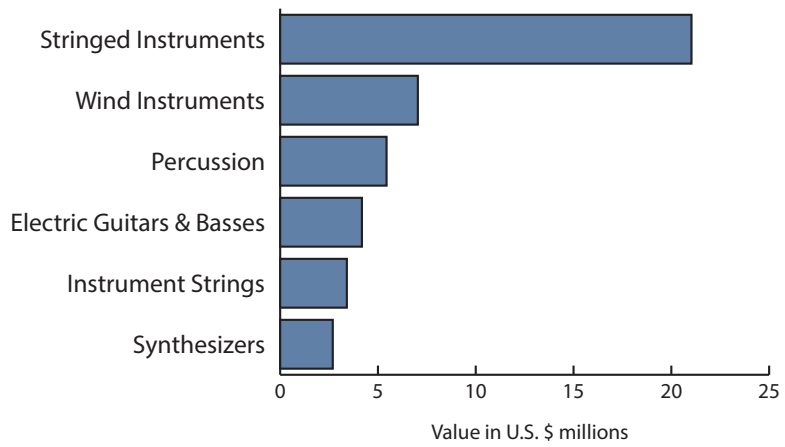


Brazil Imports

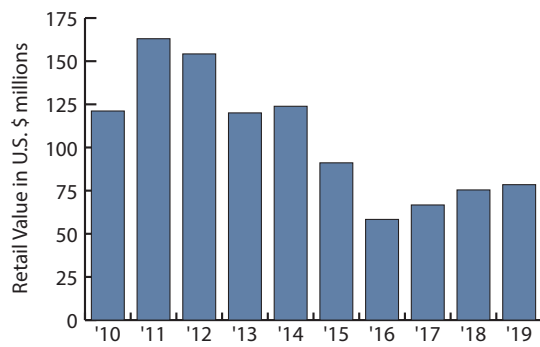


Brazil Imports

Imports (2019)



Total Imports



CANADA

Canada is a country in the northern half of North America. Its 10 provinces and three territories extend from the Atlantic to the Pacific and northward into the Arctic Ocean, covering 9.98 million square kilometers (3.85 million square miles), making it the world's second-largest country by total area and the fourth-largest country by land area. Canada's border with the United States is the world's longest land border.



History

Beginning in the 15th century, British and French colonies were established on the Atlantic coast, with the first establishment of a region called “Canada” occurring in 1537. As a consequence of various conflicts, the United Kingdom gained and lost territories within British North America until it was left, in the late 18th century, with what mostly geographically comprises Canada today. On July 1, 1867, the colonies of Canada, New Brunswick and Nova Scotia joined to form the autonomous Federal Dominion of Canada. This began an amalgamation of provinces and territories to the self-governing Dominion to the present 10 provinces and three territories forming modern Canada. In 1931, Canada achieved near total independence from the United Kingdom with the Statute of Westminster 1931, and full sovereignty was attained when the Canada Act 1982 removed the last remaining ties of legal dependence on the British parliament.

Economy

Canada is the world's 10th-largest economy, with a nominal GDP of approximately US\$1.79 trillion. It is a member of the Organization for Economic Cooperation and Development (OECD) and the Group of Seven (G7), and is one of the world's top 10 trading nations, with a highly globalized economy. Canada is a mixed economy, ranking above the U.S. and most Western European nations on the Heritage Foundation's index of economic freedom, and experiencing a relatively low level of income disparity. The country's average household disposable income per capita is over US\$36,138, higher than the OECD average.

In 2014, Canada's exports totaled over CA\$528 billion while its imported goods were worth over CA\$523 billion (US\$385.4 billion), of which approximately CA\$349 billion (US\$257.2 billion) originated from the U.S., CA\$49 billion (US\$36.1 billion) from the European Union and CA\$35 billion (US\$25.8 billion) from China. The country's 2014 trade surplus totaled CA\$5.1 billion (US\$3.8 billion), compared with a CA\$46.9 billion (US\$34.6 billion) surplus in 2008.

Since the early 20th century, the growth of Canada's manufacturing, mining and service sectors has transformed the nation from a largely rural economy to an urbanized, industrial one. Like many other developed nations, the Canadian economy is dominated by the service industry, which employs about three-quarters of the country's workforce.

The global financial crisis of 2008 caused a major recession, which led to a significant rise in unemployment in Canada. By October 2009, Canada's national unemployment rate had reached 8.6%, with provincial unemployment rates varying from a low of 5.8% in Manitoba to a high of 17% in Newfoundland and Labrador. Between October 2008 and October 2010, the Canadian labor market lost 162,000 full-time jobs and a total of 224,000 permanent jobs. Canada's federal debt was estimated to total CA\$566.7 billion (US\$417.5 billion) for the fiscal year 2010–11, up from CA\$463.7 billion (US\$341.6 billion) in 2008–09. In addition, Canada's net foreign debt rose by CA\$41 billion (US\$30.2 billion) to CA\$194 billion (US\$142.9 billion) in the first quarter of 2010. However, Canada's regulated banking sector (comparatively conservative among G-8 nations), the federal government's pre-crisis budgetary surpluses, and its long-term policies of lowering the national debt, resulted in a less severe recession compared to other G-8 nations. As of 2015, the Canadian economy had largely stabilized and has seen a modest return to growth, although the country remains troubled by volatile oil prices, sensitivity to the eurozone crisis and higher-than-normal unemployment rates

The current COVID-19 pandemic has had a detrimental effect on the Canadian economy. In a June 2020 Economic Monitor report, the National Bank of Canada indicates that while a rebound is likely in the second half of 2020 as more of the economy reopens and firms rebuild inventories, it likely will not make up for the first half collapse in economic activity, leaving Canada with a projected -7.1% GDP growth for 2020.

That said, after three very difficult months, in June 2020, businesses are reopening, and the overall economic picture is improving.

Population

The 2016 Canadian census counted a total population of 35,151,728, an increase of 5% over the 2011 figure. By December 2012, Statistics Canada reported a population of over 35 million, signifying the fastest growth rate of any G-8 nation. Between 1990 and 2008, the population increased by 5.6 million, equivalent to 20.4% overall growth. The main drivers of population growth are immigration and, to a lesser extent, natural growth. Canada has one of the highest per-capita immigration rates in the world, driven mainly by economic policy and, to a lesser extent, family reunification. The Canadian public, as well as the major political parties, support the current level of immigration. In 2010, a record 280,636 people immigrated to Canada. The Canadian government anticipated between 280,000 and 305,000 new permanent residents in 2016, a similar number of immigrants as in recent years. New immigrants settle mostly in major urban areas like Toronto, Montreal and Vancouver. Canada also accepts large numbers of refugees, accounting for over 10% of annual global refugee resettlements.

Ethnicity

The country's largest self-reported ethnic origin is Canadian (accounting for 32% of the population), followed by English (21%), French (15.8%), Scottish (15.1%), Irish (13.9%), German (10.2%), Italian (4.6%), Chinese (4.3%), First Nations (4.0%), Ukrainian (3.9%) and Dutch (3.3%). There are 600 recognized First Nations governments or bands, encompassing a total of 1,172,790 people. Canada's aboriginal population is growing at almost twice the national rate, and 4% of Canada's population claimed aboriginal identity in 2006. Another 16.2% of the population belonged to a non-aboriginal visible minority. In 2006, the largest visible minority groups were South Asian (4.0%), Chinese (3.9%) and Black (2.5%). Between 2001 and 2006, the visible minority population rose by 27.2%. In 1961, less than 2% of Canada's population (about 300,000 people) were members of visible minority groups. By 2007, almost one in five (19.8%) were foreign-born, with nearly 60% of new immigrants coming from Asia (including the Middle East). The leading sources of immigrants to Canada were China, the Philippines and India. According to Statistics Canada, visible minority groups could account for a third of the Canadian population by 2031.

Self-reported ethnic origins of Canadians

- European: 76.7%
- Asian: 14.2%
- Aboriginal: 4.3%
- Black: 2.9%
- Latin American: 1.2%
- Multiracial: 0.5%
- Other: 0.3%

Languages

A multitude of languages are used by Canadians, with English and French (the official languages) being the mother tongues of approximately 60% and 20% of Canadians, respectively. Nearly 6.8 million Canadians listed a non-official language as their mother

tongue. Some of the most common non-official first languages include Chinese (mainly Cantonese with 1,072,555 first-language speakers), Punjabi (430,705), Spanish (410,670), German (409,200) and Italian (407,490).

Approximately 98% of Canadians can speak English and/or French.

- English: 56.9%
- French: 21.3%
- English and French (bilingual): 16.1%

Music

According to the IFPI's rankings, the Canadian recorded music industry is the eighth-largest in the world, producing internationally-renowned composers, musicians and ensembles. Total recorded music revenues in Canada increased by 9.2% from US\$639 million to US\$698 million between 2017 and 2018 and are projected to increase at a compound annual growth rate of 6% between 2018 and 2023. Total live music revenue was projected to increase at a CAGR of 3.3% before the COVID-19 pandemic.

The Canadian Radio-television and Telecommunications Commission (CRTC) regulates music broadcasting in the country. The CRTC enforces Canadian content regulations to ensure the country's artists and music industry companies are supported domestically. The Society of Composers, Authors and Music Publishers of Canada (SOCAN)—the only performing rights organization for Canadian publishers, songwriters and composers—collected CA\$405.5 million (US\$299.3 million) in 2019, which was an 8% year-over-year increase.

The Canadian Academy of Recording Arts and Sciences (CARAS) presents Canada's music industry awards, the Juno Awards, which were first awarded in 1970. The Canadian Music Hall of Fame, established in 1976, honors Canadian musicians for their lifetime achievements.

Canadian artists continue to punch well above their weight in terms of international recognition and prominence. Drake leads the charge as the highest-certified digital singles artist of all time, though contemporaries including Justin Bieber, Tory Lanez, Johnny Orlando, The Weeknd, Shawn Mendes, Carly Rae Jepsen and Alessia Cara have racked up impressive lists of awards, achievements and accolades at the international level in recent years. Canada is also home to well-established legacy acts like Celine Dion, Nickelback, Bryan Adams, Sarah McLachlan and others. Many of these artists also employ and collaborate with other Canadian artists, songwriters, producers, engineers and other creative and business professionals, marking a significant boon to the broader Canadian music industry and its global visibility.

Arts Funding

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

In its 2019 budget, the federal government added another CA\$20 million (US\$14.8 million) over two years to the existing Canada Music Fund. And even though Prime Minister Justin Trudeau's Liberal Party was reduced from majority to a minority government in the 2019 federal election, it has continued to show strong support for the arts industries.

In early 2019, the CRTC announced that major broadcasters in both English and French markets will be required to allocate an average of CA\$5.5 million (US\$4.1 million) annually for three years to support the production of musical programs through music-funding bodies FACTOR and MUSICACTION, which results in an additional CA\$16.5 million (US\$12.2 million) for the industry.

Thankfully, the government has not forgotten about artists during the COVID-19 economic shutdowns. Canadian artist advocates and music industry associations have been complimentary of the federal government's receptiveness and responsiveness to their concerns. In particular, the eligibility criteria for the Canadian Emergency Response Benefit (CERB), which provided supplementary income to Canadians not able to work because of the pandemic, was amended to ensure that gig workers such as musicians were not left out. The federal government is also injecting CA\$198.3 million (US\$146.4 million) into the arts and culture sector through existing funding programs at the Department of Canadian Heritage, and an additional CA\$55 million (US\$40.6 million) is being distributed through the Canada Council for the Arts (CCA). Many of the provinces have also launched their own funds and programs to support artists during the pandemic.

Additionally, there is strong corporate support for Canadian music. Two of the country's largest banks—TD Canada Trust and the Royal Bank of Canada (RBC)—are among the largest sponsors of Canadian music festivals and community music programs, as well as career development opportunities for Canadian musicians. For example, the RBC created the First Up performance program to pay musicians for their recorded performances during the pandemic. As well, Facebook Canada partnered with the National Arts Centre to launch a program that paid Canadian musicians for their live-streamed performances during the spring and summer.

Musical Instrument Market

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 U.S. and are stand-alone operations or operated by brick-and-mortar musical retailers. Most products sold in Canada are imported from the U.S., China and Europe, but there is a growing Canadian MI manufacturing base with a notable focus on innovation.

Stakeholders at every level of the MI industry supply chain—manufacturers, distributors and wholesalers, publishers, retailers and educators—have expressed and reinforced the demand for Canada-specific MI business and networking opportunities. Since the dissolution of the Music Industries Association of Canada (MIAC) in 2014, which presented an annual national trade show and conference for both the musical products (MIAC Show) and production technologies (PAL Show) industries, no similar event for the MI industry has emerged to fill that void.

Since the demise of MIAC, Canadian participation in The NAMM Show and Summer NAMM has steadily increased. Looking at a five-year trend, there were 2,521 Canadian attendees at The 2016 NAMM Show, compared with 3,100 at the most recent 2020 event. A similar tangent is emerging on the exhibitor side, with 54 Canadian exhibitors taking part in 2016 and 68 by the 2020 show.

The NWC Canadian Reception at Winter NAMM has become the largest annual gathering specifically dedicated to Canadian MI and production technologies industry professionals. However, a widespread demand for domestic exhibitions and learning opportunities still exists.

Recent years have seen a general trend of homogenization within Canada's MI supply chain. While many boutique manufacturers and distributors are finding success in the market—including several startups from the past five years—a significant number of medium- and large-scale distribution firms and manufacturers have ceased operations or been acquired by larger entities within that same five-year period, leading to more prominent brands being managed or distributed by fewer companies.

Generally speaking, the Canadian MI industry is diversifying as a wider demographic of young people enter the workforce; however, it remains a mostly male-dominated industry. Also, a large majority of the sales reps serving MI suppliers in Canada are over the age of 50, with comparatively few under 30 having entered (and remained) in the industry going back even a decade.

Retail chains of three or more stores continue to proliferate, with Canada's largest retail chain, Long & McQuade Musical Instruments, now with over 80 locations across the country.

The COVID-19 pandemic significantly impacted the Canadian musical products industry. Despite this setback, a survey conducted by Canadian Music Trade magazine in late May 2020 found that the majority of Canadian retailers were generally satisfied with the federal government's COVID-19 Economic Response Plan. This plan included an Emergency Wage Subsidy, Emergency Commercial Rent Assistance, interest-free loans, co-lending programs, more time to submit income taxes and more.

Additionally, many retailers reported a significant increase in first-time customers throughout the COVID-19 pandemic and strong sales from categories including home recording equipment, entry-level keyboards and guitars, ukuleles, print and educational media, and aftermarket instrument components.

More information about the impact of the COVID-19 pandemic on the Canadian musical products industry follows in the next sections.

Input from Leading Canadian MI Retailers

Three prominent Canadian musical products retailers offer insights into market trends they have experienced over the past year. Understandably, the COVID-19 pandemic weighs heavily in their comments.

**Michael Remenyi Sr.
Remenyi House of Music
Toronto, Ontario**

Remenyi House of Music is a venerable three-story music shop in Toronto's affluent Yorkville neighborhood featuring instruments from pianos to guitars, plus books and repairs.

It is certainly “business as unusual,” so it's difficult to draw conclusions or make predictions about the times that we are maneuvering through. In Ontario, the government-ordered shutdown was abrupt, severe and well-observed. While 2020 started with an uptick in sales activity, especially with some gratifying high-end piano sales, the pandemic brought that to a halt.

In our Rare String Instrument division, some pending, very high-end sales were put on indefinite hold—a testament to the concern about the future of concert performances among artists worldwide.

Immediately upon the shutdown, we did our best to promote a “free shipping” policy for phone, mail and online orders, which did produce a noticeable uptick in e-commerce business. An initial flurry of print music, guitar, accessory and keyboard sales activity was promising but certainly not in line with normal sales volumes for the period.

For keyboards, fulfillment was somewhat hampered by the lack of available inventory from suppliers, which remains an even more concerning problem now as we try to rebuild in-store sales. We can all wonder how long it will take for the supply chain to restore again.

No doubt, the long-term ramifications of the pandemic have yet to play out. If this becomes a long-term, unresolved battle against this serious disease, we can all expect some tough times ahead. But if historical evidence from previous global health and economic upheavals is any indication, if the path of infections is contained, business can certainly bounce back strongly and rapidly. Let's put our trust in medical science, responsible governance and good fortune, and prepare for a booming second half of the year.

**Raphaël Bujold
MSP Musique
Quebec City, Quebec**

MSP Musique is a chain of three full-service stores serving the Quebec City Area, including its newest location in Quebec City proper, which opened in August 2019.

In 2019, we saw strong demand for electric guitars, amps (particularly with high-end digital modelling amps), and effects, which has been good for years but is now more focused on boutique pedal offerings. On the drums side, acoustic drums have slowed while electric drums remain stable.

Our online sales increased significantly in 2019, and Reverb.com, has had a major impact on customer behavior.

COVID-19 has obviously had a big impact on all of our operations across our three locations. In fact, it disrupted every product category's popularity. For example, recording gear sales have skyrocketed; however, live sound has totally disappeared as artists aren't performing live. Entry-level keyboards and guitars have been selling well, but again, high-end sales are slowing down as trying instruments in-store is more difficult and, in some cases, impossible. Accessory sales are also down because of the decrease in-store traffic.

Finally, our online sales have increased substantially, but not enough to compensate for the lost in-store sales.

Dave Simpson
Guitarworks
Calgary, Alberta

Since 1989, Guitarworks has grown to three brick-and-mortar stores in Calgary, Alberta, specializing in all things guitar while offering other product categories.

I just think it's impossible at this point to talk about MI trends as “pre-pandemic” and “post-pandemic.” The reality is that the pandemic has completely changed the game, and any trends that existed before it need to be reassessed.

Some will remain unchanged, such as the strength of the used sector, but the market and competition have changed and will keep changing, and new opportunities will emerge to shift focus into areas that will be underserved when this is over.

We saw, like many other stores, an explosion of purchases in entry-level guitars when everyone was forced to stay home, and that influx of customers into the MI funnel offers a lot of opportunity to serve more customers as they advance in their musical journey. We want to take a balanced approach and be sure that we can serve the entry-point, the mid-point and the high-end customer.

The existing trend of the increased importance of a strong e-commerce channel has only been amplified and accelerated by the pandemic. Our company was not only buoyed by improvements we had made to our e-commerce presence over the last couple of years during the shut-down—our survival depended on it.

Going forward, we intend to stay on the same path, continuing to put more focus on e-commerce and, particularly, on product content—especially when it comes to higher-end or boutique products. It's not enough anymore to just list those products with photos and descriptions—video, audio and other content will need to be incorporated into social media and online marketing efforts to help those customers find our company.

Industry Statistics

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

Year-over-year changes in imports of musical products by category:

Category	2011	2012	2013	2014	2015	2016	2017	2018	2019
Acoustic Fretted Instruments	9.9%	14.2%	0.9%	1.0%	19.6%	-8.9%	0.6%	2.9%	6.6%
Bowed Instruments	-0.3%	2.6%	5.1%	-13.7%	24.7%	15.6%	1.8%	21.5%	-22.8%
Brass Instruments	-6.7%	-1.0%	-2.8%	-13.0%	28.4%	14.6%	1.2%	0.2%	-5.4%
Electric Instruments (Guitars/Drums)	14.4%	-2.1%	-7.3%	-0.9%	6.0%	-2.2%	-8.1%	12.2%	11.1%
Electronic Keyboards	-8.0%	5.1%	0.2%	-3.4%	12.9%	-2.2%	11.2%	9.2%	14.3%
PA/Recording	-26.5%	10.3%	10.8%	-0.5%	24.5%	2.1%	4.7%	-0.9%	-3.9%
Percussion Products	10.7%	0.2%	-9.2%	-14.4%	30.1%	-1.2%	1.2%	6.8%	-4.4%
Pianos	8.9%	-7.3%	-0.6%	-5.2%	26.8%	2.0%	-6.1%	13.8%	-8.6%
Printed Music	-4.6%	2.3%	-2.2%	8.0%	12.3%	-8.9%	11.0%	13.0%	4.1%
Strings and Accessories	8.8%	15.0%	-5.8%	-22.1%	23.6%	-4.1%	5.9%	5.1%	7.8%
Woodwind/ Harmonica/ Accordion	-1.9%	9.9%	1.0%	-7.2%	17.4%	5.1%	6.8%	4.5%	2.3%
TOTAL	-20.1%	8.6%	7.3%	-1.9%	23.1%	1.4%	3.7%	1.0%	-2.4%

It should be noted that Canada also supports an extensive and vibrant domestic musical products manufacturing base. World-leading names in percussion, fretted instruments, instrument amplifiers and PA gear are produced domestically for both the Canadian 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 Outlook

Canadian Music Trade surveyed musical products retailers across Canada in June 2020 to determine the industry's status for 2019 and outlook for 2020, which of course includes input on the ongoing COVID-19 pandemic and its fallout.

In 2019, did your revenue:

Increase significantly: 17.9%

Increase slightly: 28.6%

Stay about the same: 35.7%

Decrease slightly: 10.7%

Decrease significantly: 7.1%

Prior to the COVID-19 pandemic, did you expect your 2020 revenue to:

- Increase significantly: 7.1%
- Increase slightly: 53.6%
- Stay about the same: 28.6%
- Decrease slightly: 10.7%
- Decrease significantly: 0%

Amidst the COVID-19 pandemic, have you experienced any of the following (multiple responses accepted):

- A notable increase in new customers/music makers: 25%
- A notable increase in sales of beginner instruments/learning tools: 32.1%
- A notable increase in sales of home recording and music production equipment: 42.9%
- A notable increase in online sales: 50%
- A notable increase in outreach/support from your customers/community: 32.1%
- A notable increase in social media traffic/engagement: 35.7%

How optimistic are you about being able to recover when the industry starts to reemerge following the COVID-19 lockdowns?

- I expect a relatively quick and easy return to business: 14.3%
- I expect a slow but comfortable return to business: 21.4%
- I expect a quick but challenging return to business: 14.3%
- I expect a slow and challenging return to business: 50%
- I don't expect to return to business: 0%

Information sources: Canadian Music Trade Magazine, Canadian Musician Magazine, Statistics Canada, IFPI and Wikipedia

Commentary by Jim Norris, President of NWC, Andrew King NWC Editor-in-Chief and Michael Raine NWC Senior Editor

Established in 1979, NWC publishes Canadian Musician, Canadian Music Trade, Professional Sound, and Professional Lighting & Production magazines, operates Music Books Plus, produces the Canadian Musician Podcast and NWC Webinars, and provides a variety of marketing services to the entertainment industry. For more, visit www.nwcworld.com.

DOING BUSINESS IN CANADA

Market Overview

The U.S. and Canada enjoy the world's largest and most comprehensive trading relationship that supports millions of jobs in each country and constitutes a US\$1.4 trillion bilateral trade and investment relationship. Two-way trade in goods and services totaled nearly US\$718 billion in 2018. U.S. exports to Canada were US\$364 billion in 2018, or 18% of total U.S. exports. Over 30 U.S. states rank Canada as their No. 1 export market. In 2018, U.S. exports to Canada exceeded total U.S. exports to China, Japan, South Korea and Singapore combined. Whether your company is a first-time or seasoned exporter, Canada should be a key component of your company's export growth strategy. Just as Canada is a priority market for the U.S., the U.S. market is of great significance to the Canadian economy. The U.S. imports approximately 75% of Canada's exports, and 23 U.S. states name Canada as their No. 1 source of imports. Additionally, nearly 19% of Canada's GDP results from sales of goods exported into the U.S.

In 2018, U.S. exports of goods to Canada totaled US\$299 billion, up 6.7% from 2017. Principal U.S. exports of goods to Canada in 2018: vehicles (US\$52 billion); nuclear reactors, boilers, and machinery (US\$45 billion); mineral fuel and oil (US\$27 billion); electric machinery (US\$26 billion); and plastics (\$14 billion). U.S. exports of agricultural products to Canada totaled US\$24 billion in 2018, our largest agricultural export market. Leading domestic export categories include prepared food (US\$1.9 billion), fresh vegetables (US\$1.9 billion), fresh fruit (US\$1.5 billion), other snack foods (US\$1.4 billion) and nonalcoholic beverages (US\$1.1 billion).

U.S. exports of services to Canada were an estimated US\$64.1 billion in 2018, 10.0% (US\$5.8 billion) more than 2017, and 41.2% greater than 2008 levels. These numbers are up roughly 276% from 1993 (pre-NAFTA). Leading services exports from the U.S. to Canada were in the travel, professional and management services, and intellectual property (computer software, audiovisual) sectors. For travel, approximately 380,000 people cross between the countries every day by all modes of transport.

In most industry sectors, 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. The nations share a similar lifestyle, engendering a certain level of cultural familiarity; Americans and Canadians "speak" the same language, literally and figuratively. While Canada's two official languages are English and French, English is spoken almost universally.

Investment also plays a significant role in the bilateral relationship. The U.S. is Canada's primary source of foreign direct investment, with FDI stock from the U.S. totaling US\$402 billion in 2018, a 2.7% increase from 2017. Canadian FDI in the U.S. was nearly US\$511 billion in 2018, up 12.8% from 2017 and making Canada the second-largest source of FDI to the U.S. Canadian investments in U.S. industrial sectors are found predominantly in information technology, financial services, professional services, industrial machinery, transportation and food/tobacco. As of 2018, U.S. affiliates of majority Canadian-owned firms employed 726,900 U.S. workers, spent US\$1 billion in research and development at U.S. organizations and universities, and contributed US\$15 billion toward total value of goods exported by the U.S.

Market Challenges

Canada's subtle but important differences from the U.S. can trip up the unprepared. Some sectors are restricted or inaccessible to foreign imports. U.S. exporters must conduct due diligence on market potential, understand differing provincial regulations and sales channels, and comply with bilingual labeling and packaging requirements, certification standards and Canadian customs procedures.

Opportunities exist to sell to the Canadian government. Federal, provincial and municipal procurement procedures, although open in principle to U.S. bidders, vary from the procedures in the U.S. Bidders must be registered in Canada to bid and must fulfill all Canadian requirements to be awarded contracts (mandatory requirements are nonnegotiable). In some cases, security clearances are required for personnel before submitting a bid, and there may be requirements for offsets (known as Industrial Technical Benefits or ITBs) for defense projects.

Increasing competition in several sectors such as cosmetics, vitamins, electronics and home furnishings translates into a need for competitive pricing, provocative and 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

While U.S. exporters will find opportunities across best prospect sectors outlined in this guide, U.S. businesses are finding new business opportunities in several of Canada's key industrial, governmental and consumer sectors. Public-private partnership opportunities exist within Canada's public infrastructure and government projects. For example, the Defense Production Sharing Agreement allows for U.S. and Canadian companies to jointly work on research and produce aircraft components for the defense industry.

In consumer product sectors, Canada's ethnic diversity and high level of consumer disposable income provide ample selling opportunities for food and consumer goods. Bridging all the country's industrial, governmental and consumer buying channels is e-commerce, a significant opportunity for U.S. exporters who seek to access the Canadian market. For example, Canadian small- and mid-size enterprises are shifting rapidly to the internet for business purchases, with approximately 34% of office supply sales online.

Mechanisms for facilitating trade at the U.S.-Canada border include pre-inspections and associated technological advances that streamline regulatory processing making "just-in-time" delivery of goods and services more efficient and strengthening cross-border supply chains. These mechanisms will provide enhanced opportunities for U.S. firms seeking to enter the Canadian aerospace and automotive sector supply chains.

As of this writing, a low oil price cycle has had a significant impact on the Canadian economy. Nevertheless, opportunities exist in capital expenditures in the oil industry and other natural resource sectors, including renewable energy, mining and environment-related sectors. The current market is stressed by a growing demand for pipeline access and rolling stock needed to convey increasing volumes of oil and gas produced in Canada.

Market-Entry Strategies

For many companies (particularly in the manufacturing and construction sectors), frequent visits to Canada and establishing a local presence (either physical or through a local agent/distributor) are crucial to long-term market success. Joining a U.S. trade mission to Canada or participating in a Canadian trade show are effective first steps to exploring the market.

“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.

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

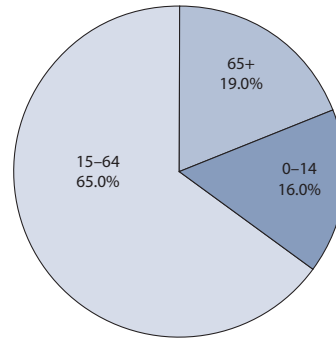
Demographics

Population in millions 37.7

Age	Male	Female
0-14	3.09	2.93
15-64	12.32	12.19
65 & Over	3.27	3.88

Median Age 41.8
Population Growth 0.81%

Demographics

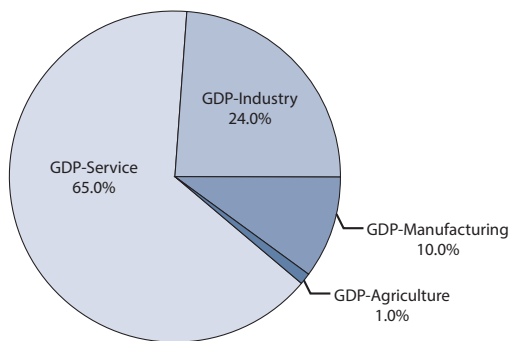


Economy

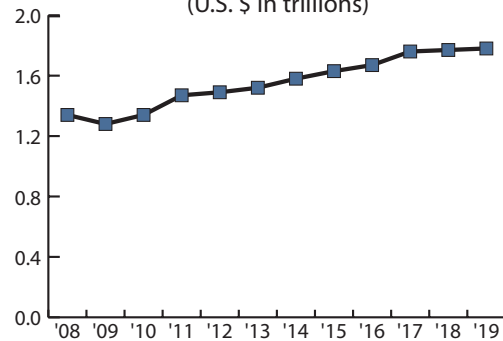
GDP (PPP)	\$1.78 trillion
GDP Per Capita	\$48,530
GDP-Real Growth Rate	1.90%
Unemployment Rate	5.70%
Inflation	1.90%

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.

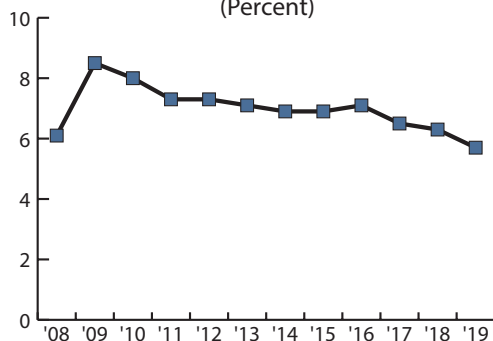
Economy



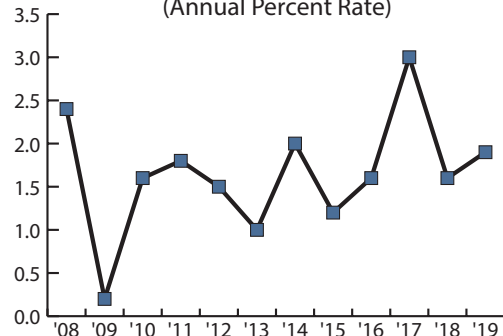
Canada GDP (PPP)
(U.S. \$ in trillions)



Unemployment Rate
(Percent)

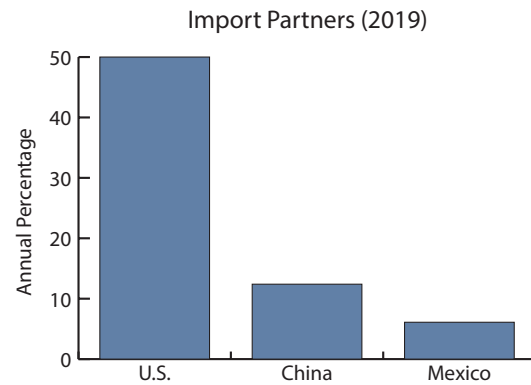


Inflation
(Annual Percent Rate)



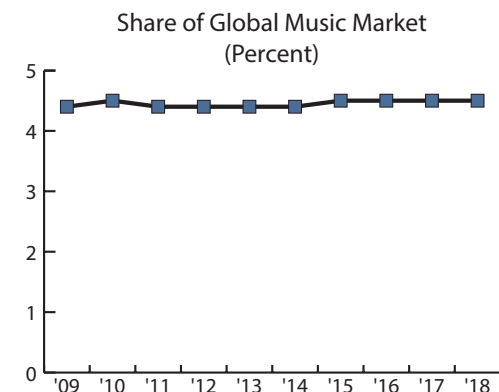
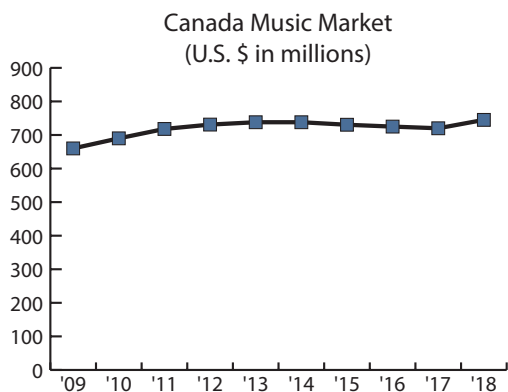
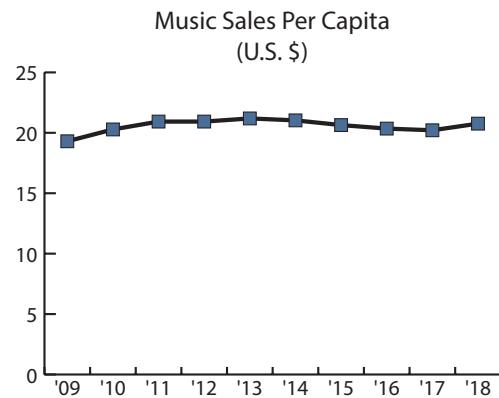
Trade

Total Export	\$446.3 billion	Export as % of GDP	25.07%
Total Import	\$453.2 billion	Import as % of GDP	25.46%

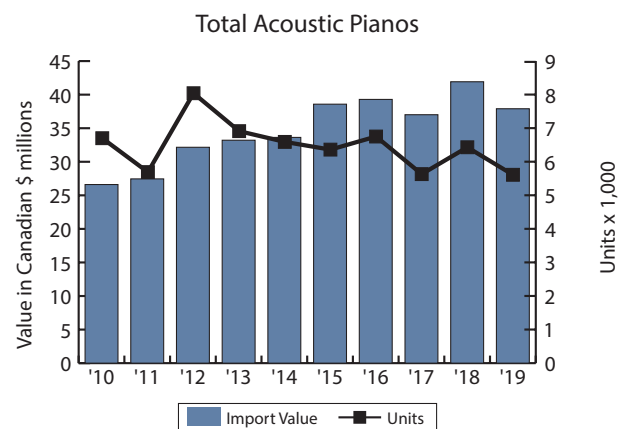
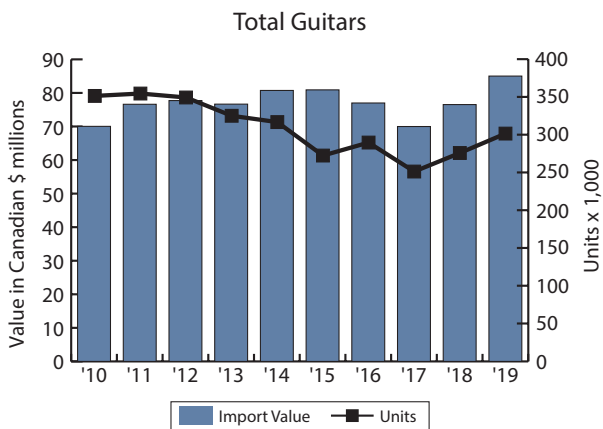
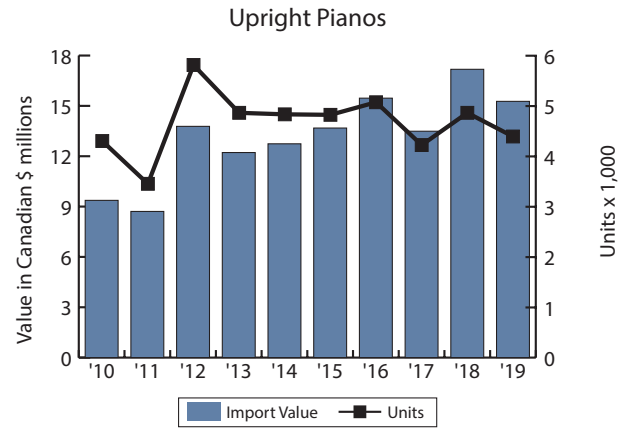
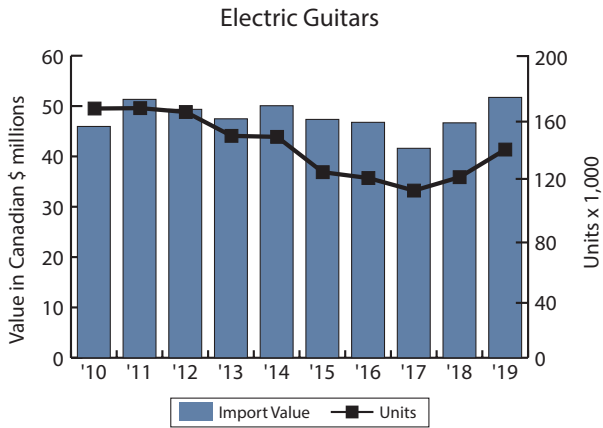
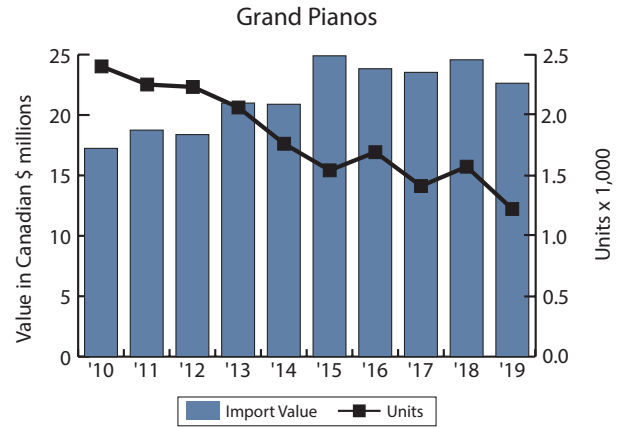
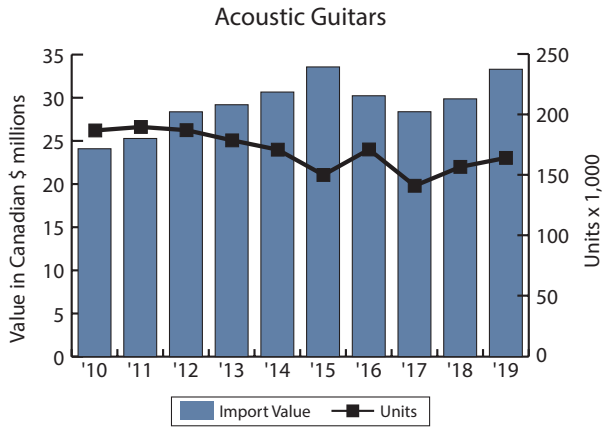


Music Industry

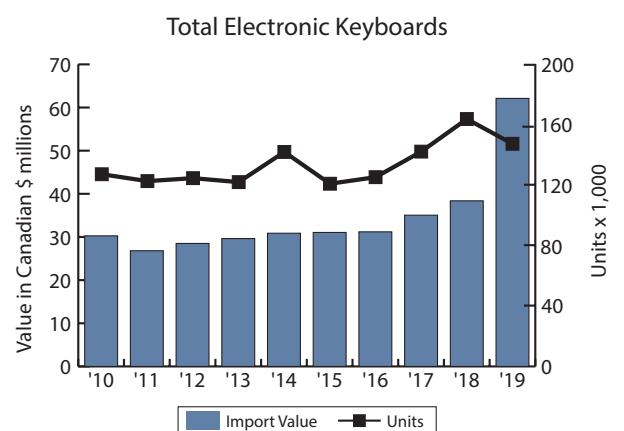
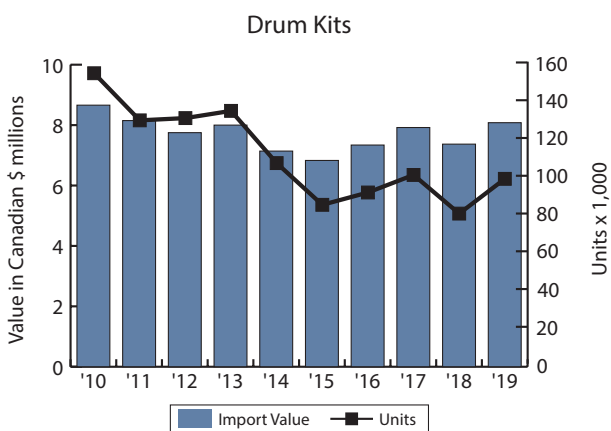
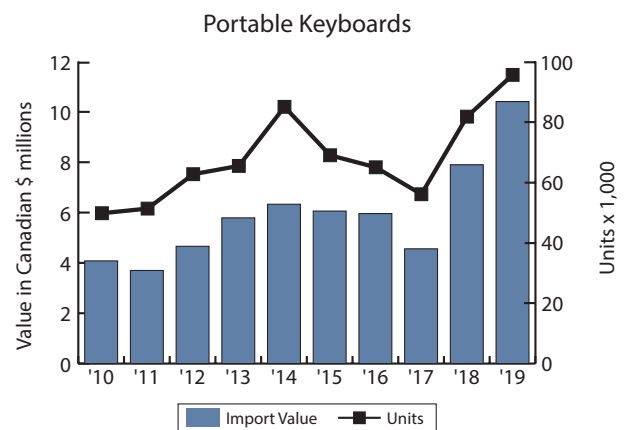
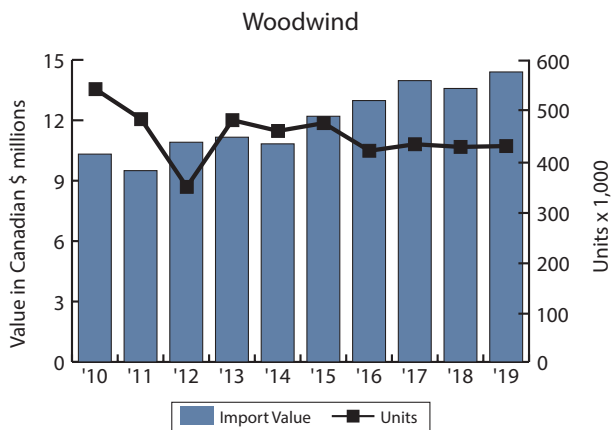
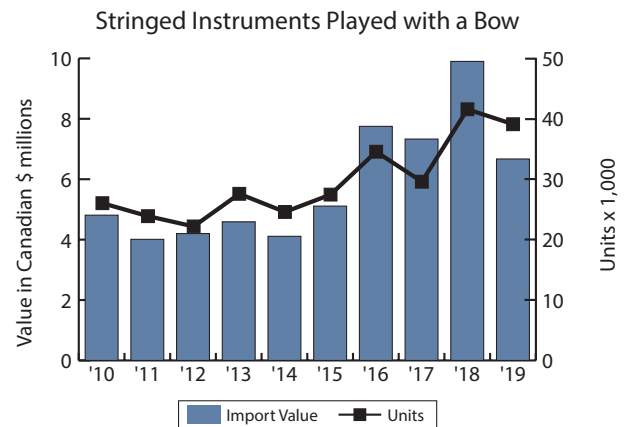
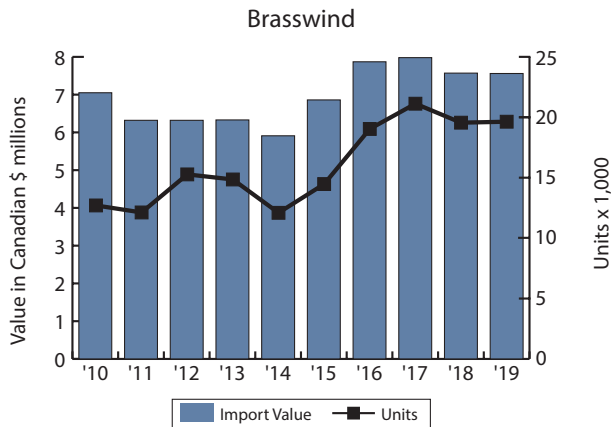
Music Market	\$745.0 million
Sales Per Capita	\$20.76
Global Share	4.50%



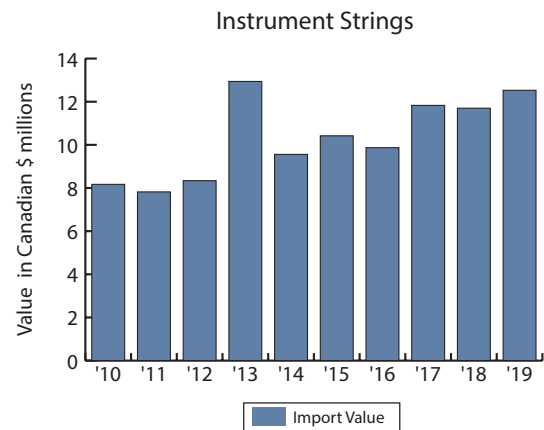
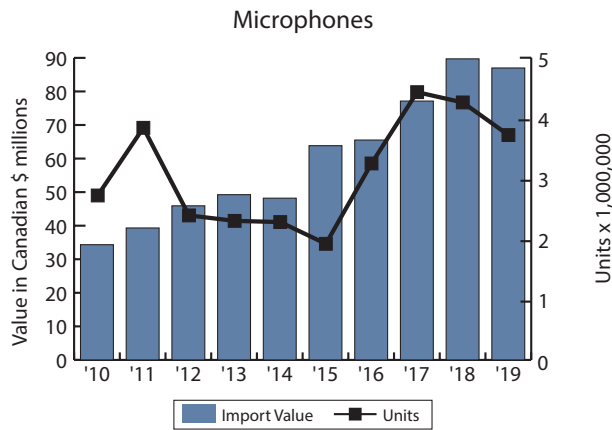
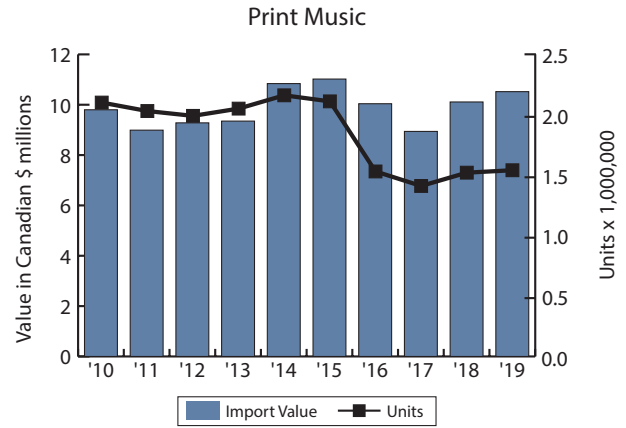
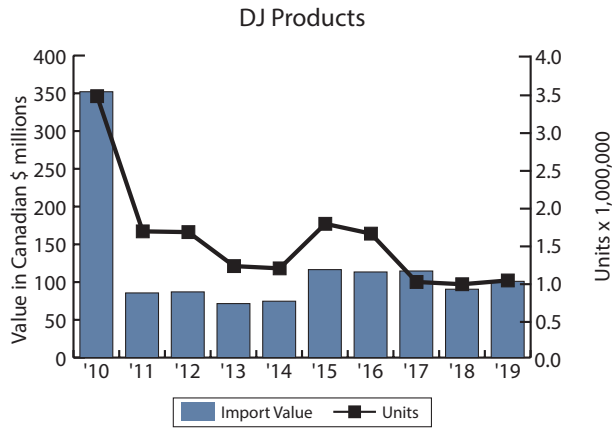
Canada Imports



Canada Imports



Canada Imports



CHINA

In 2019, China exported musical instruments to 198 countries and regions, 15 fewer countries and regions compared to 2018.

The export value to North America was to US\$541 million, an increase of 2.3%; US\$501 million to Asia, up by 10.5%; and US\$482 million to Europe, up by 12.4%.

Export value to Asia-Pacific Economic Cooperation (APEC) members reached US\$1.1 billion, which accounted for 60.9% of total exports—the largest percentage of which to major economies. Export value to Europe totaled US\$451 million, which accounted for 26% of total exports. Export value to “Belt and Road Initiative” countries reached US\$345 million, 17.3% of total exports.

The U.S., Germany and Japan are China’s top three export destinations. In 2019, export value to these three countries was US\$783 million, up 4.7% compared to last year, and accounting for 45% of all Chinese musical instrument exports.

Musical instruments imports to China continue to grow steadily, and China remains one of the most prosperous markets in the world. In 2019, China imported musical instruments from 75 countries and regions. The total import value amounted to US\$528 million, an increase of 8.2% compared to 2018.

The total import value from Asia, Europe and North America reached US\$520 million, which accounted for 98.6% of all Chinese musical instrument import values.

Japan, Indonesia and Germany are China’s top three import countries. The import value from these countries reached US\$373 million, an increase of 7.7%.

In 2019, the China Musical Instrument Association (CMIA) celebrated the 30th anniversary of its establishment. CMIA hereby expresses sincere appreciation to our counterpart music associations across the globe for their kind letters of congratulation.

Commentary by Chang Jie and Gao Ping from the Information department of the China Musical Instrument Association (CMIA)

DOING BUSINESS IN CHINA

Market Overview

Amid slowing Chinese growth, growing concern about the national security implications of technology supply chains and U.S. and Chinese retaliatory tariffs, many American companies are increasingly pessimistic about their prospects in the Chinese market. Still, China accounted for more than a quarter of global GDP growth in 2018—more than the EU, Japan, India, Brazil and Mexico combined. Chinese consumers, especially in smaller Chinese cities, have a growing demand for high-quality U.S. products.

China's growth dipped down to 6.6% in 2018, its slowest in nearly 30 years. Many economists remain concerned about China's medium-term growth prospects due to the slow pace of economic reforms, failure to bring debt levels under control and an uncertain external environment. Maintaining politically acceptable economic growth without further exacerbating the buildup in debt will be a major challenge for the Chinese leadership.

U.S. goods exports to China in 2018 were US\$120.3 billion, down 7.4% (US\$9.6 billion) from the previous year. U.S. exports of services to China were an estimated US\$58.9 billion in 2018, up 2.2% (US\$1.3 billion) from 2017 and 272% greater than 2008 levels.

While China's leadership has, in response to increasing global concerns about Chinese economic policy, repeated long-standing commitments to gradually opening China's market further to foreign participants and removing barriers to increased imports, tangible progress has been marginal at best. Indeed, foreign companies report growing concerns about the business climate in China. China continues to rely upon industrial policy tools—including subsidies, market access restrictions, pressures to transfer technology, and other support for domestic competitors—to drive the economy. These policy tools undermine the ability of foreign firms to operate on a level playing field with domestic firms in the Chinese market.

Furthermore, the Chinese Communist Party's control over every economic actor in the market has increased. The United States continues to vigorously advocate for a more balanced, reciprocal and fair bilateral economic relationship. Despite these serious challenges, market potential does exist for foreign companies, particularly those operating in industries such as energy efficiency, clean technology and health care, where critical Chinese needs provide opportunities for mutual benefit.

Market Challenges

China is a challenging place to do business. In its 2019 American Business in China White Paper, the American Chamber of Commerce in China noted that the business outlook of their companies shifted from one of cautious optimism to cautious pessimism. AmCham reports that American businesses in China faced headwinds arising from generally unfavorable interpretations of regulations, rising costs of doing business, increased competition from Chinese competitors and regulatory compliance risks. AmCham's 2019 survey found that over half of its member companies experienced an increase in non-tariff barriers in 2018.

Day-to-day business operations present a variety of obstacles. In its 2019 Ease of Doing Business Report, the World Bank ranks China 46th out of 190 countries in ease of doing business. Despite significant Chinese government efforts to streamline bureaucracy and



reduce red tape, foreign companies continue to complain about lengthy and opaque administrative procedures, especially concerning permits, registration and licensing.

While foreign firms largely continue to report profitability in China, their profit margins are shrinking. This reflects increasing competition, rising costs, heightened regulatory impediments, a shrinking labor pool and—in many sectors—overcapacity.

Market Opportunities

China's vast size, growing wealth, changing demographics and economic transformation will continue to create opportunities for U.S. firms. China's growing middle class will generate market opportunities across a number of industries. China's manufacturing economy—already 50% larger than the manufacturing economy in the U.S.—will continue to evolve away from low-cost, labor-intensive manufacturing toward more technology-intensive high value-added production. According to AmCham's most recent member survey, companies in the aerospace, health care services, and retail and distribution industries were most optimistic about China's investment environment. Consumer-based, research and development-intensive, services-sector companies view the continued rise of China's affluent middle class as a key driver for growth in China. Companies in the services sector expect to benefit from the globalization of Chinese companies and increased outbound investment.

Market-Entry Strategies

As always, companies should consider their own resources, previous export or business experience abroad, and long-term business strategy before entering the Chinese market. Representation in China by a Chinese agent, distributor or partner who can provide essential local knowledge and contacts is often critical for success, but finding the right Chinese counterpart requires preparation, patience and hard work.

Given the enormous size of the Chinese market, U.S. companies should view it in geographic segments and search for business partners, agents, or distributors that can cover specific geographical areas or industry sectors. It is best to start in first-tier cities such as Beijing, Shanghai and Guangzhou, where businesspeople have more experience in dealing with foreign companies. While the first-tier markets may be more saturated, they offer a more accessible entrée into China through which U.S. companies can then expand into second- and third-tier cities, often working with their existing business partners or even identifying new partners. Moreover, potential business partners that specialize in specific industry segments are also important to consider, as they may have connections to the large state-owned and private enterprises, often representing the most likely end-users.

The following are some essential considerations for U.S. companies when exploring business opportunities in China.

- Agents and distributors often tend to specialize in one region or one end-user, so the agent who ably represents a product in Shanghai, may fail in Guangzhou. A firm that sells testing and monitoring equipment to China's vast state-owned petrochemical industry may not have good channels into the municipal wastewater treatment sector.



- China's consumer market is fragmenting by geography, income levels and age. Even niche markets—older people in third- and fourth-tier cities, for example—can be profitable.
- A strategy that focuses on a niche or a specific region can often be the best initial approach for smaller companies. First-tier cities are the most logical place to start when entering the Chinese market for the first time.
- Government officials play an oversized role in the economy. Firms should seek to understand how their product or service is regulated and by which agency.
- Intellectual property rights holders should understand how to protect their IP under Chinese law before entering the Chinese market and should conduct thorough due diligence on potential partners or buyers before entering into any transaction. All companies and IP rights holders should consult closely with lawyers who have extensive experience with the Chinese market.

“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.

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

CHINA SNAPSHOT

Demographics

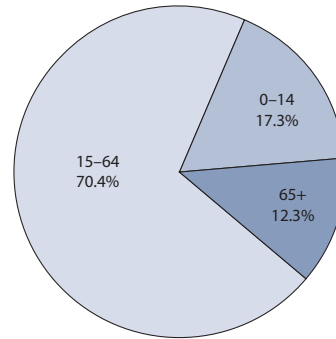
Population in billions 1.4

Age	Male	Female
0-14	0.13	0.11
15-64	0.50	0.48
65 & Over	0.08	0.09

Median Age 38.4

Population Growth 0.32%

Demographics

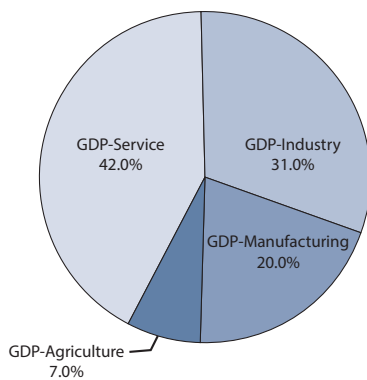


Economy

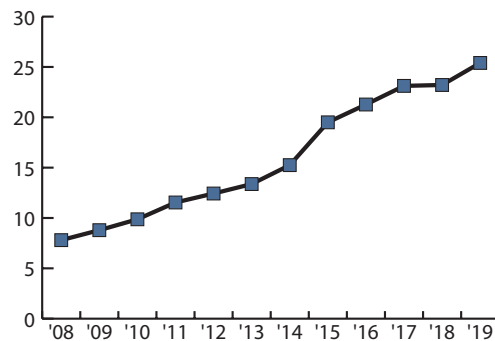
GDP (PPP)	\$25.4 trillion
GDP Per Capita	\$18,237
GDP-Real Growth Rate	6.60%
Unemployment Rate	3.60%
Inflation	4.50%

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.

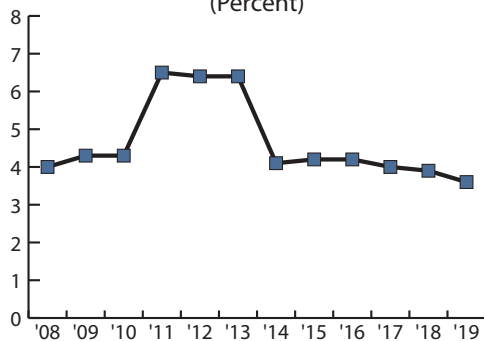
Economy



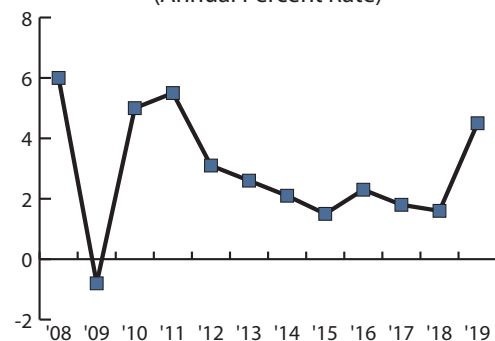
China GDP (PPP)
(U.S. \$ in trillions)



Unemployment Rate
(Percent)



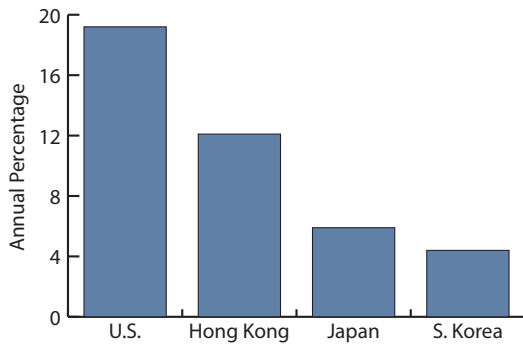
Inflation
(Annual Percent Rate)



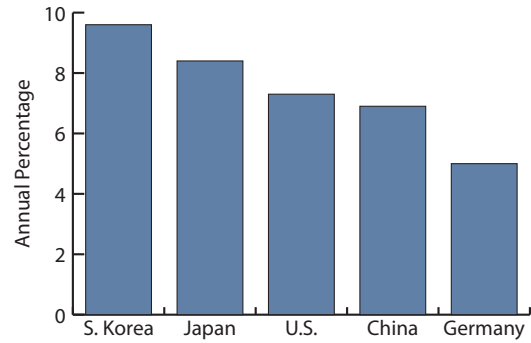
Trade

Total Export	\$2.49 trillion	Export as % of GDP	9.80%
Total Import	\$2.13 trillion	Import as % of GDP	8.39%

Export Partners (2019)



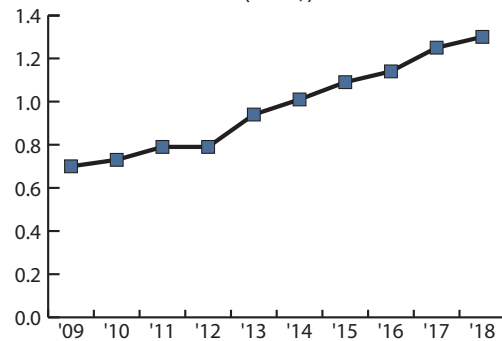
Import Partners (2019)



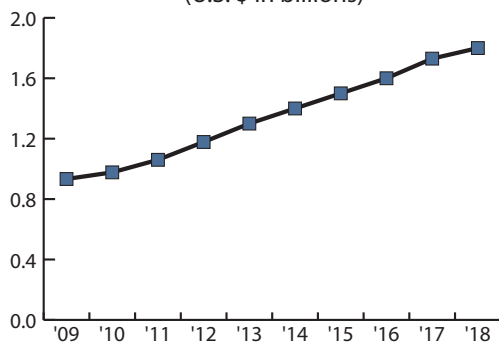
Music Industry

Music Market	\$1.80 billion
Sales Per Capita	\$1.30
Global Share	10.80%

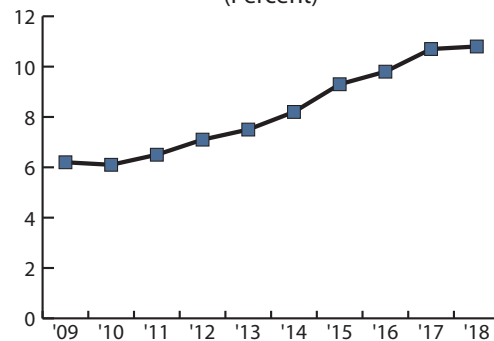
Music Sales Per Capita (U.S. \$)



China Music Market (U.S. \$ in billions)

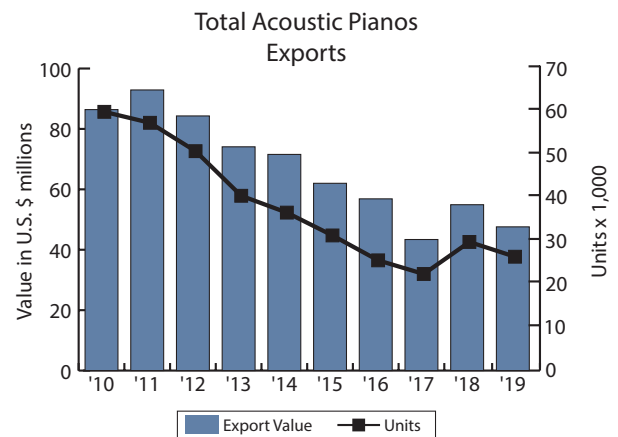
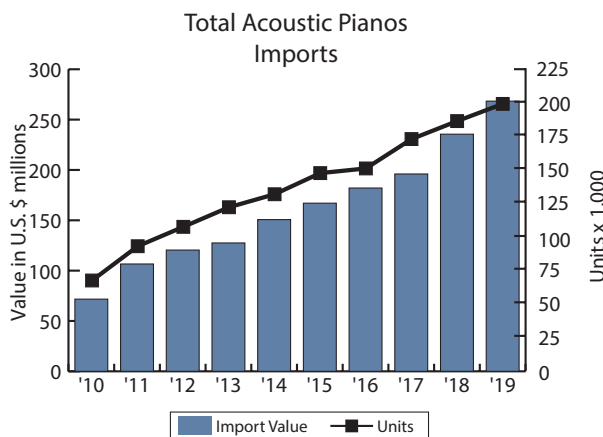
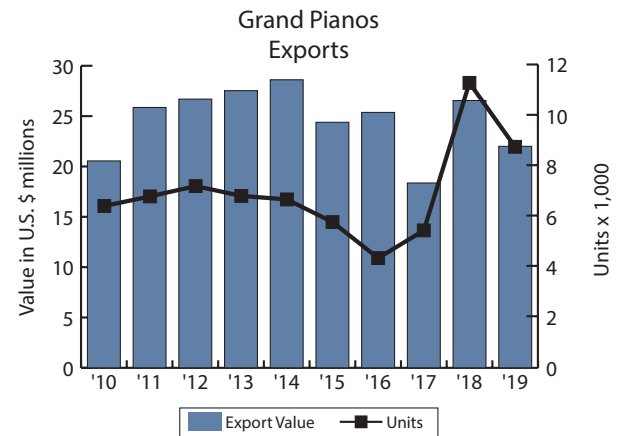
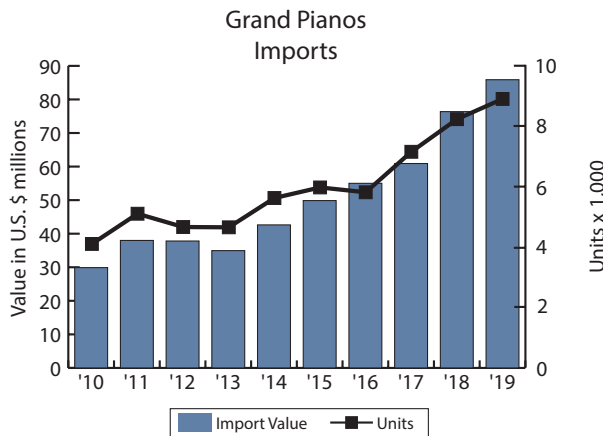
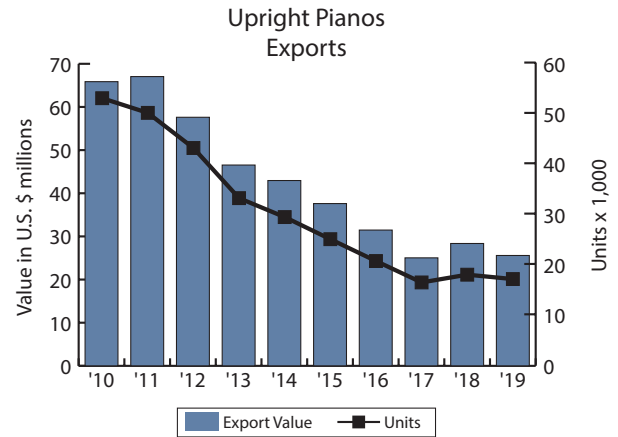
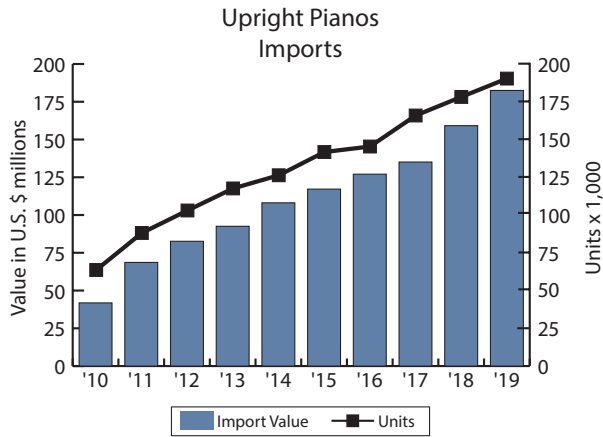


Share of Global Music Market (Percent)

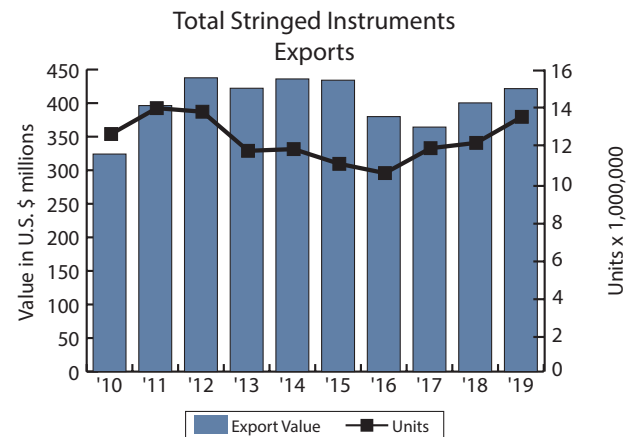
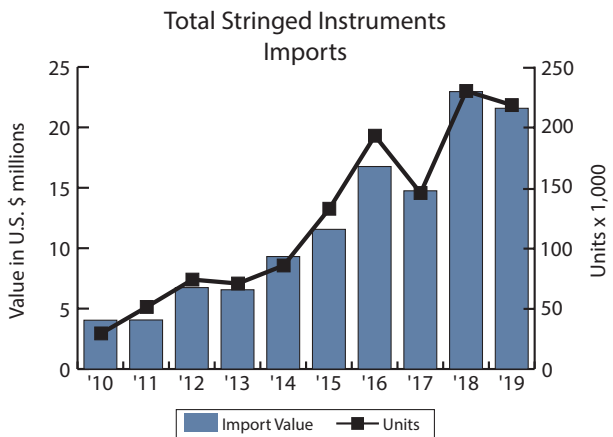
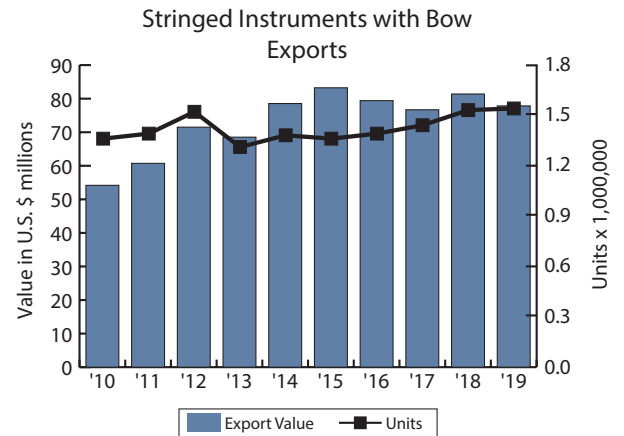
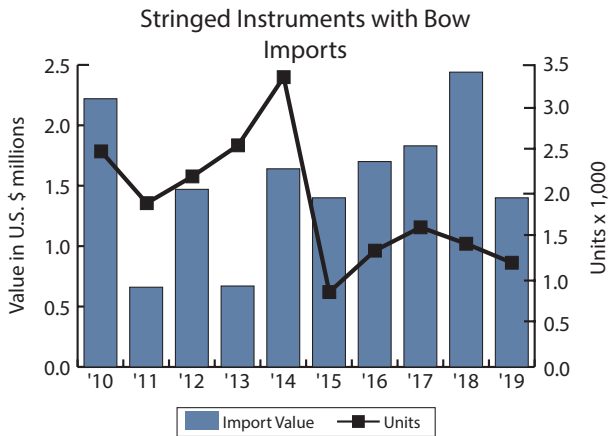
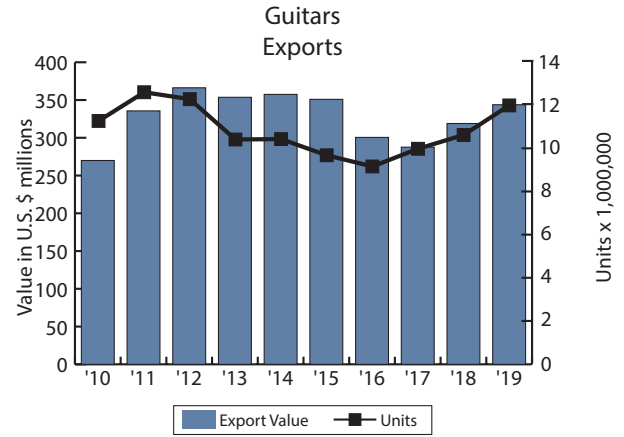
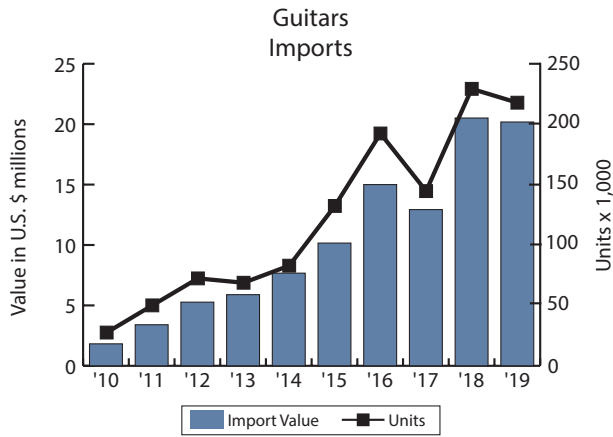


China Imports and Exports

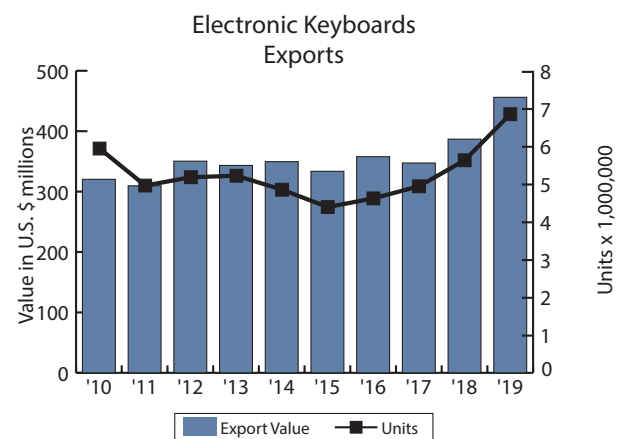
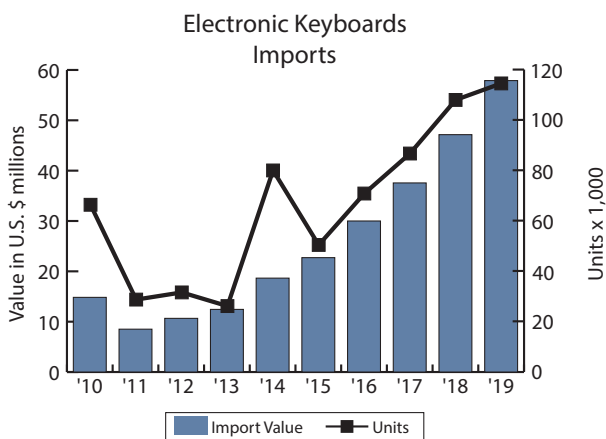
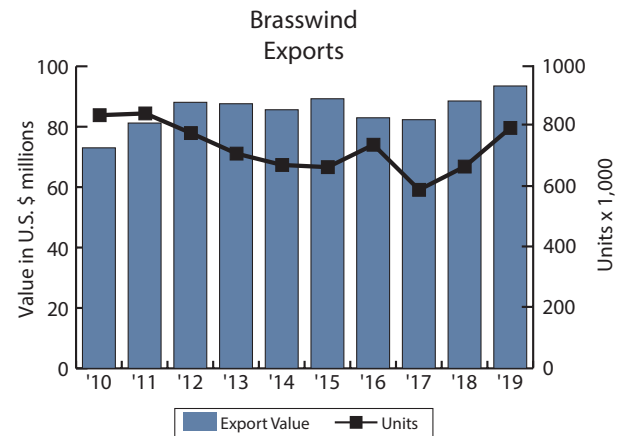
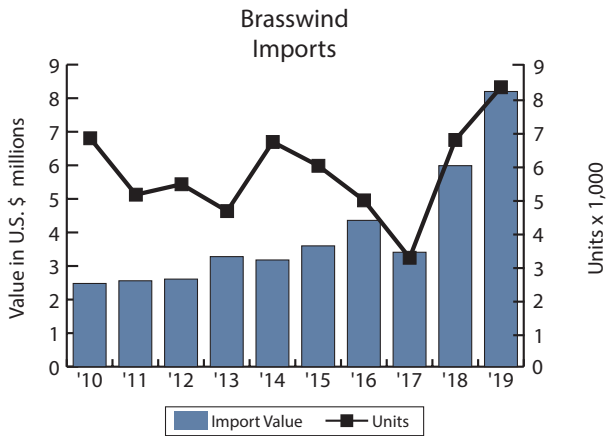
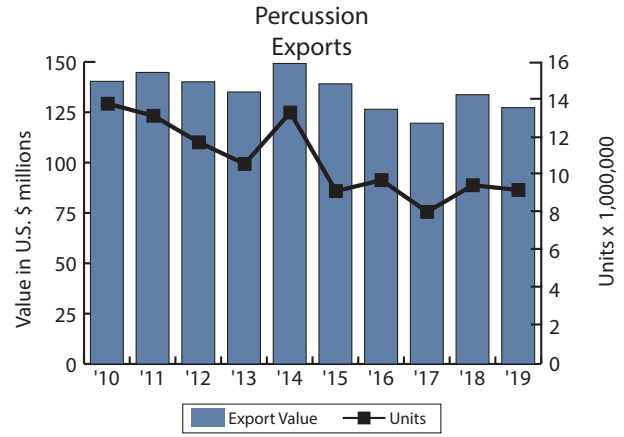
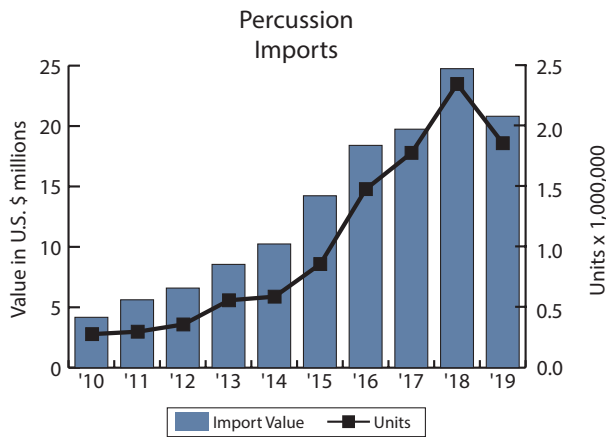
(The data received by NAMM was calculated in U.S. dollars.)



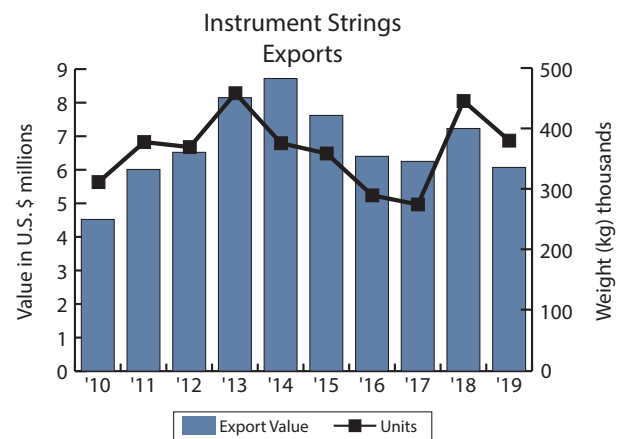
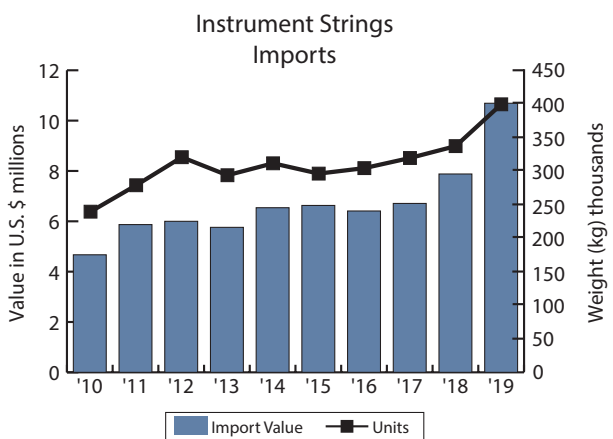
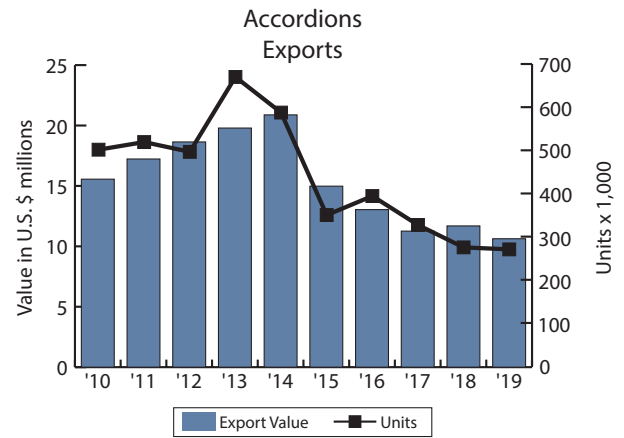
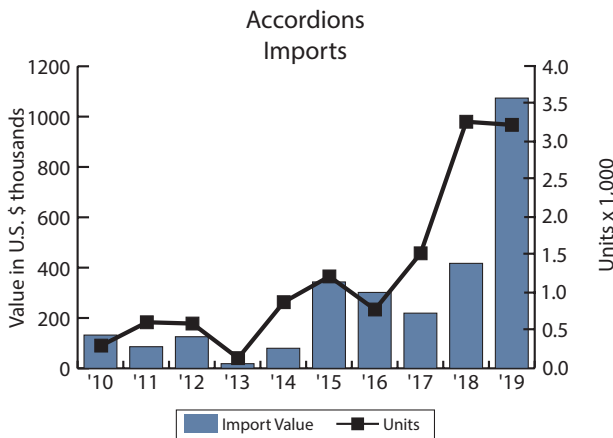
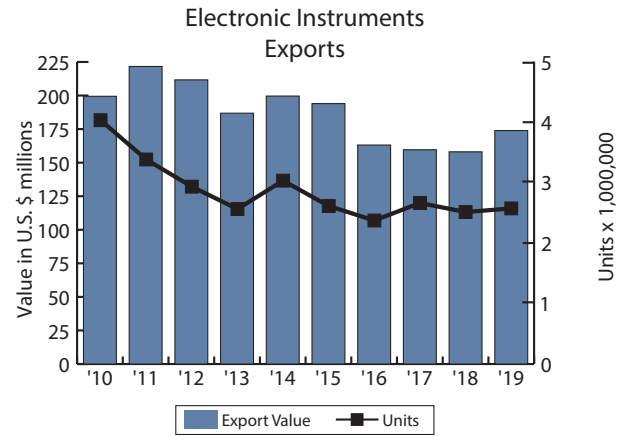
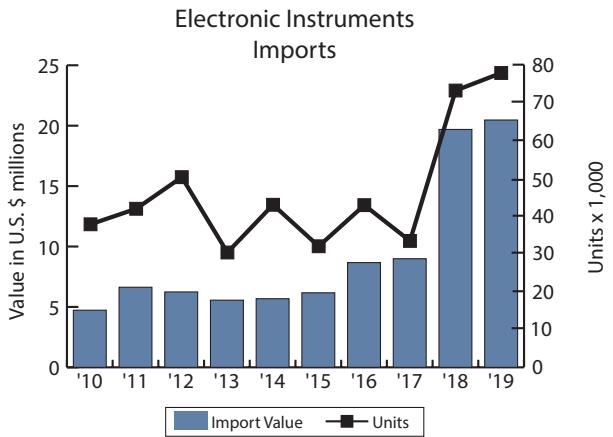
China Imports and Exports



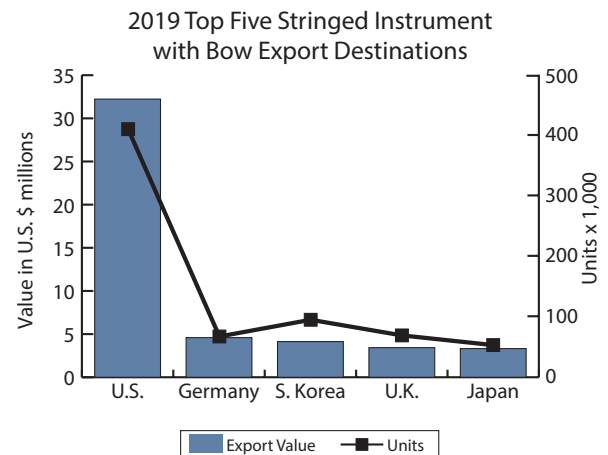
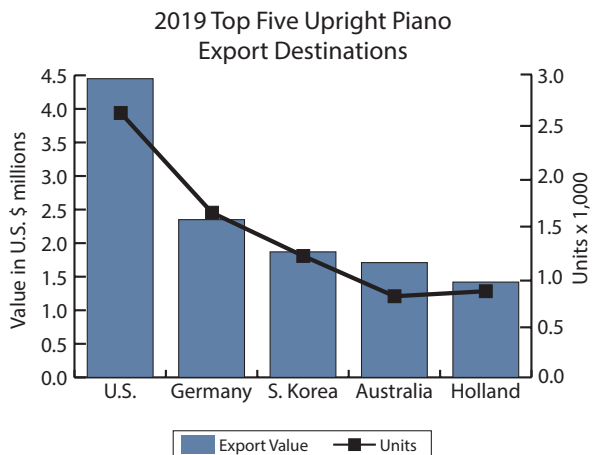
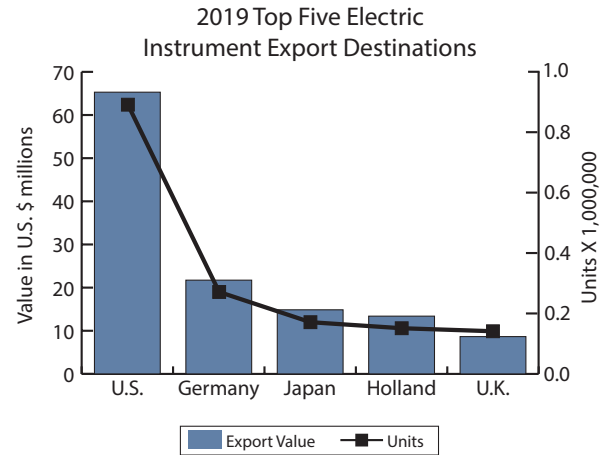
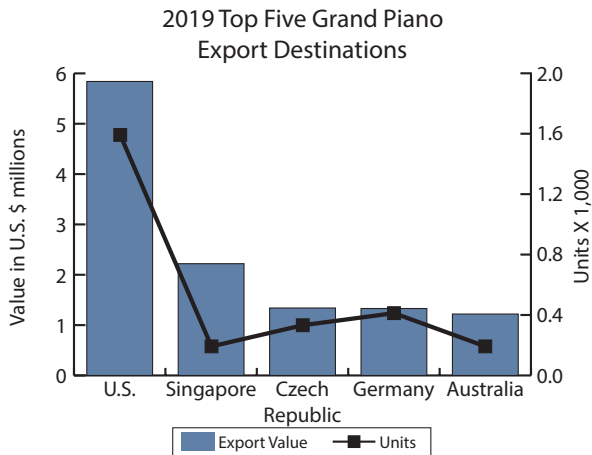
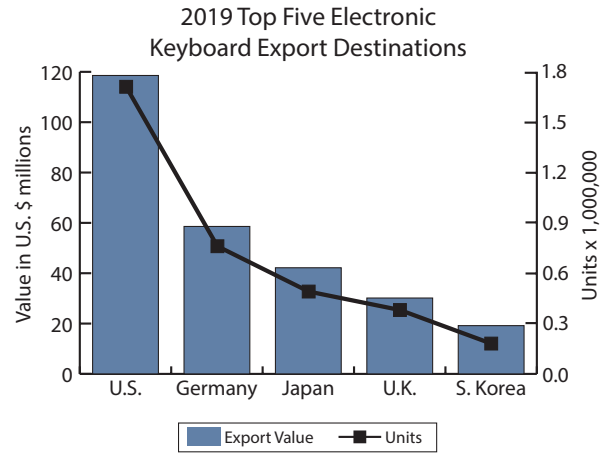
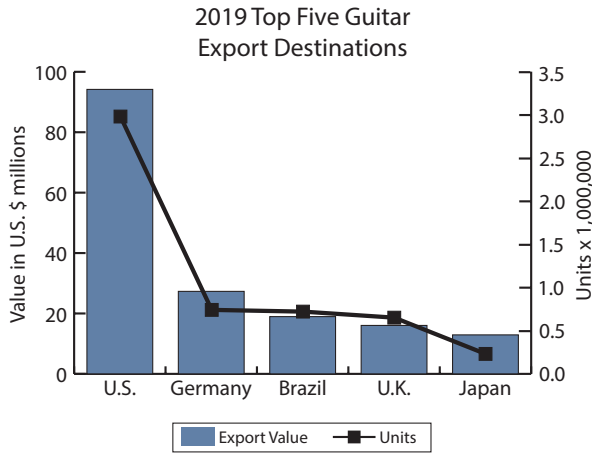
China Imports and Exports



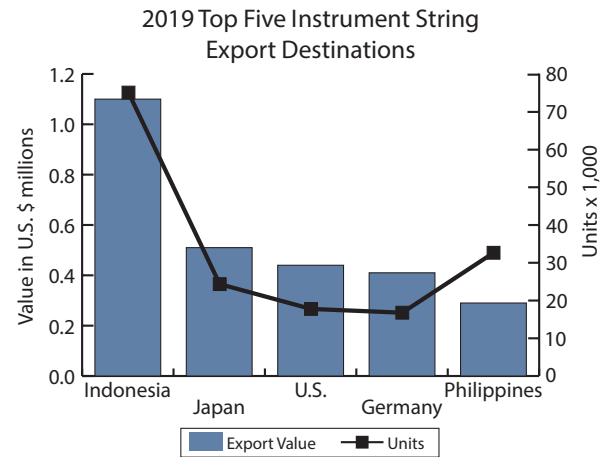
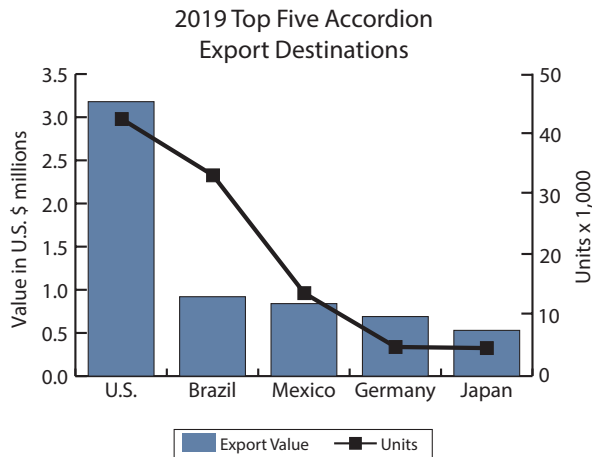
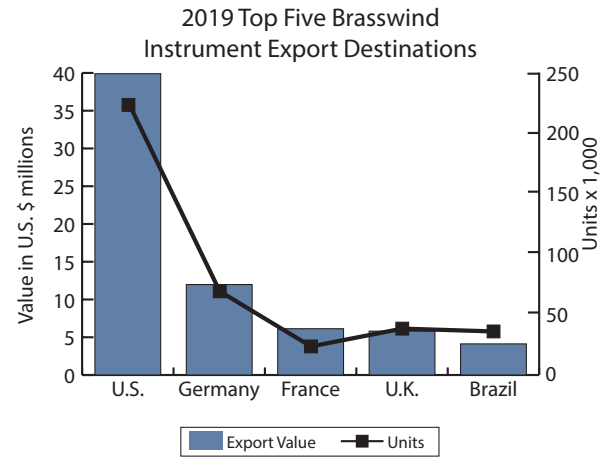
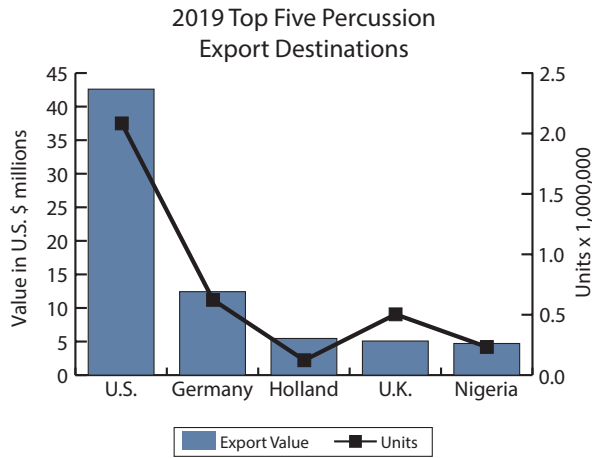
China Imports and Exports



Top Five Chinese Export Destinations



Top Five Chinese Export Destinations



CZECH REPUBLIC

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, reemerged as the Czech Republic gained political independence and joined the European Union. Today, this nation that 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 to the east.

Economy

- The Czech economy closed 2019 on a soft note, with annual growth slowing to a three-year low in the fourth quarter amid a frail external sector.
- Gross domestic product growth in 2019 was 2.4%, and the Czech Republic is ranked 46 of the 196 countries that publish GDP measurements.
- As of October 2019, the unemployment rate was the lowest in the EU at 2.2%.
- In February 2018, the Czech National Bank increased interest rates, causing the Czech koruna to appreciate to its highest level against the euro since the low koruna policy ended in 2017.

Trade

- As a medium-sized, open, export-driven economy, the Czech Republic is heavily dependent on foreign demand, especially from the eurozone. Almost 84% of Czech exports go to fellow EU states. Of that amount, more than 60% are shipped to the eurozone and 32% to Germany, the Czech Republic's largest trading partner.
- In 2019, the country's top trading partners were Germany, China, Poland, Slovakia and Italy. The U.S. ranked 10th.
- The trade balance has been positive every year since 2005, with the 2018 surplus around US\$17.6 billion.
- Import commodities include machinery and transport equipment, manufactured goods, electronic equipment, chemicals and fuels.
- The main export commodities are automobiles, machinery, and information and communications technology.

Investment

- Since the Velvet Revolution in 1989, foreign investment has played a significant part in boosting Czech productivity. The U.S. has had an important role in this regard. As of 2018, the U.S. was the third-largest non-European investor in the country.



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 to elevate itself as an important regional and international manufacturing hub and consumer market for Central and Eastern Europe.
- The World Economic Forum ranked the Czech Republic No. 1 in macroeconomic stability in its 2019 Global Competitiveness Report. The efficiency enhancers category score is a combination of the following indices: higher education and training, goods market efficiency, labor market efficiency, financial market development, technological readiness, and market size.
- The Czech Republic is a Tier 3, or "innovation-driven" economy, occupying the same level as its neighbors to the west. As such, it is very receptive to leading-edge U.S. technology products and services.
- U.S. companies are increasing their investments in the Czech Republic, which is very open to American business.

Market Challenges

The Czech market complies with EU market entry regulations. Local requirements are also compatible with EU regulations. In the 2017–2018 Global Competitiveness Report, the World Economic Forum cited tax regulations and inefficient government bureaucracy as the two most problematic factors in doing business in the Czech Republic. Tax rates, policy instability and corruption rounded out the top five challenges. There have been noted improvements in the rule of law (in terms of freedom from corruption) and fiscal freedom. However, the country continues to have issues with managing government spending. The Czech government faces other challenges and hurdles, such as the slow pace of legislative reforms, industrial restructuring, health care and pension reforms, efforts to make 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 can cover. The Czech Republic ranked 41st out of 190 countries in the "Ease of Doing Business" category in the 2019 World Bank "Doing Business" report (30th in 2018). Although the country no longer has access to EU accession funds, it continues to receive EU funding for such diverse areas as health care 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 who are seeking new opportunities outside of Western Europe.

Market-Entry Strategies

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 most Czechs live within 30 minutes of other major commercial and industrial hubs (Brno, Plzen, Olomouc, etc.). 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 and retailers, marketing the product directly to major corporations or the government, and handling after-sales service.

Companies should consider taking a regional approach to business involving one or more Central or Eastern European countries. Poland and Slovakia tend to fit into a successful regional strategy, with Hungary a close third. Performing detailed market research to identify specific sector opportunities and capitalizing on the experience of successful U.S. companies in the market is a good starting point. The local American Chamber of Commerce is a valuable resource in this regard. The Czech Republic's communications network is well developed, with email communication and website offerings an increasingly effective means of reaching local buyers. Price remains the most critical factor when 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.

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

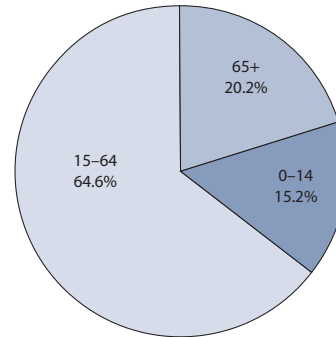
Demographics

Population in millions 10.7

Age	Male	Female
0–14	0.83	0.79
15–64	3.53	3.39
65 & Over	0.91	1.26

Median Age 43.3
Population Growth 0.06%

Demographics

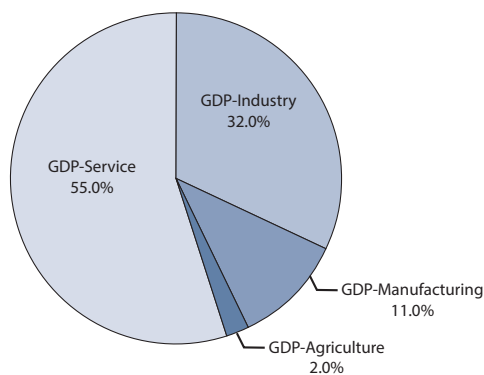


Economy

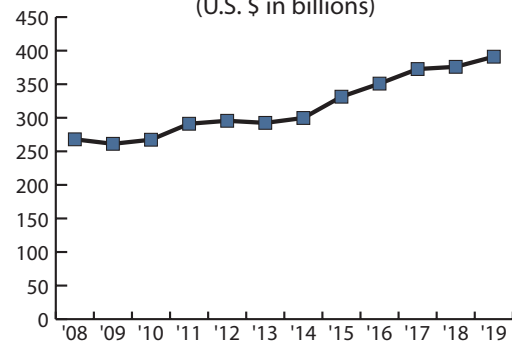
GDP (PPP)	\$391.0 billion
GDP Per Capita	\$39,744
GDP-Real Growth Rate	3.00%
Unemployment Rate	2.50%
Inflation	2.90%

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.

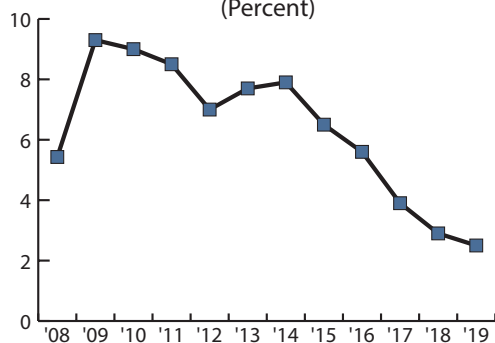
Economy



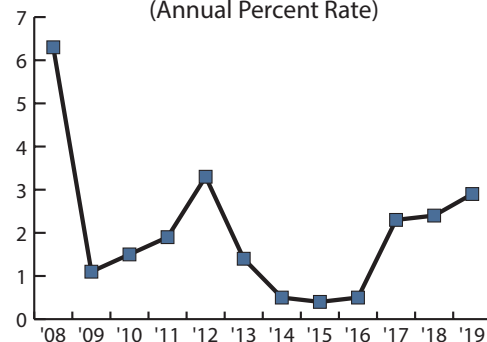
Czech Republic GDP (PPP)
(U.S. \$ in billions)



Unemployment Rate
(Percent)



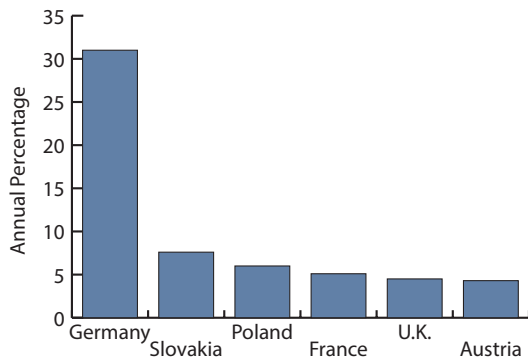
Inflation
(Annual Percent Rate)



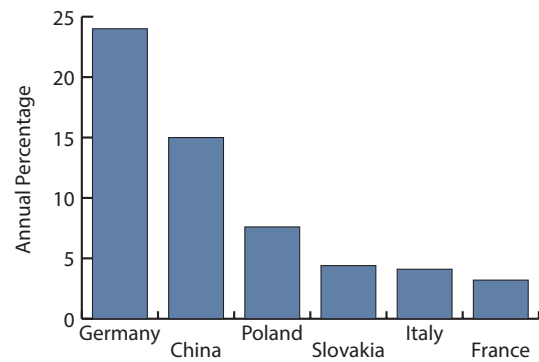
Trade

Total Export	\$198.9 billion	Export as % of GDP	50.86%
Total Import	\$178.6 billion	Import as % of GDP	45.67%

Export Partners (2019)



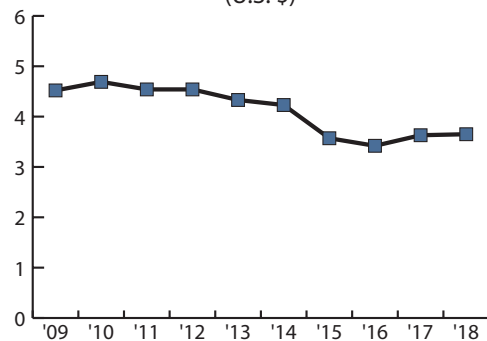
Import Partners (2019)



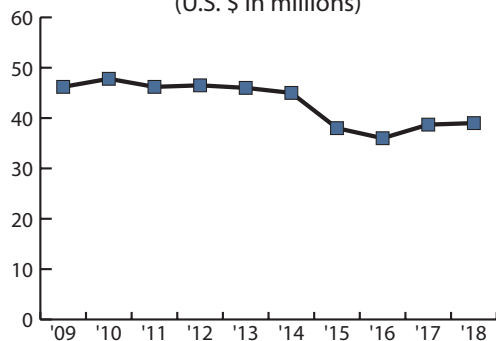
Music Industry

Music Market	\$39.0 million
Sales Per Capita	\$3.65
Global Share	0.20%

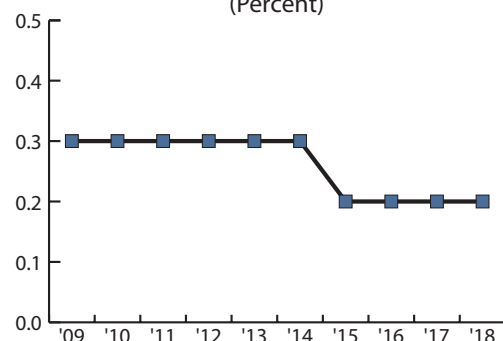
Music Sales Per Capita (U.S. \$)



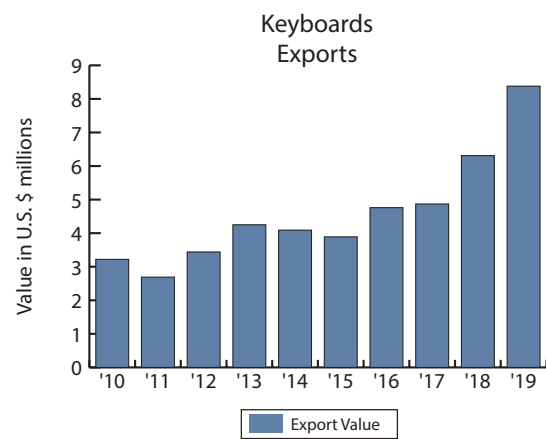
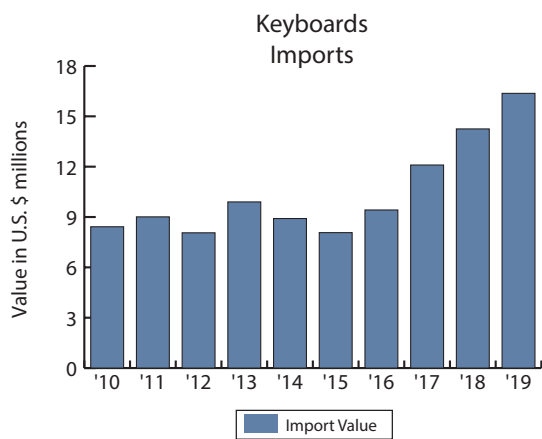
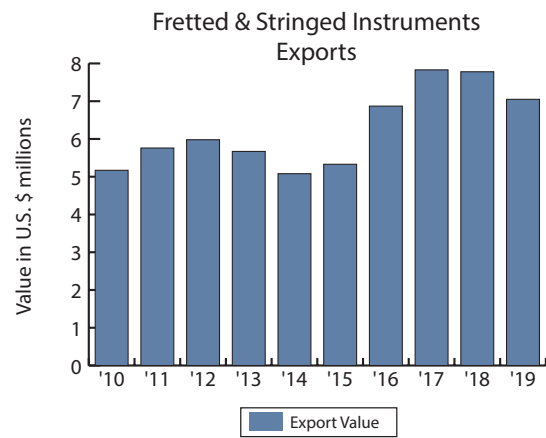
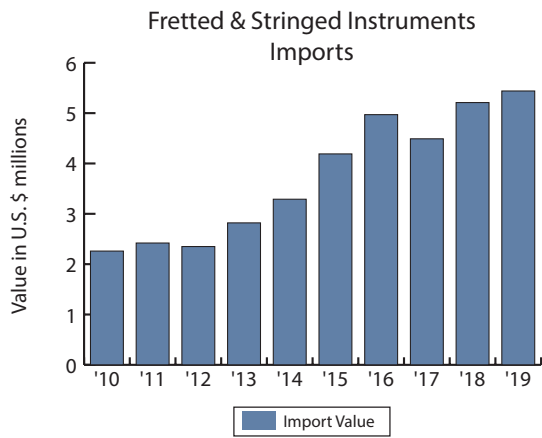
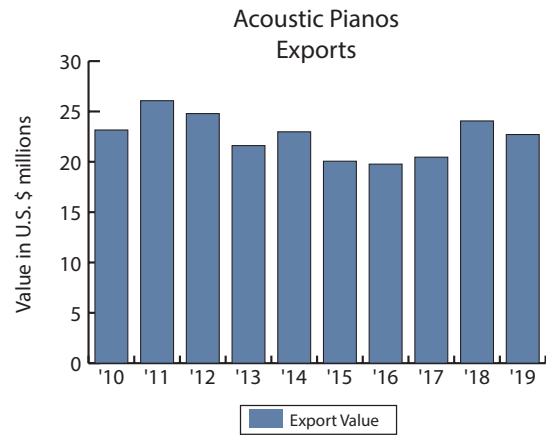
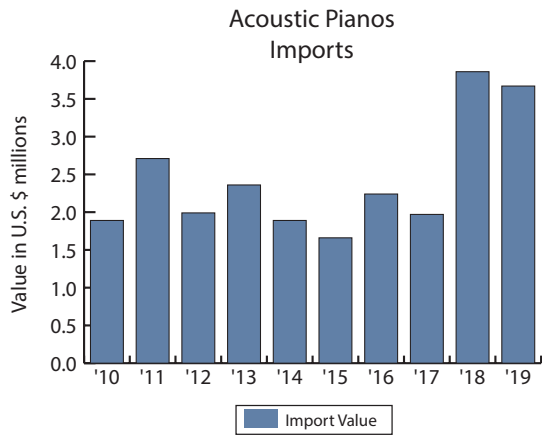
Czech Republic Music Market (U.S. \$ in millions)



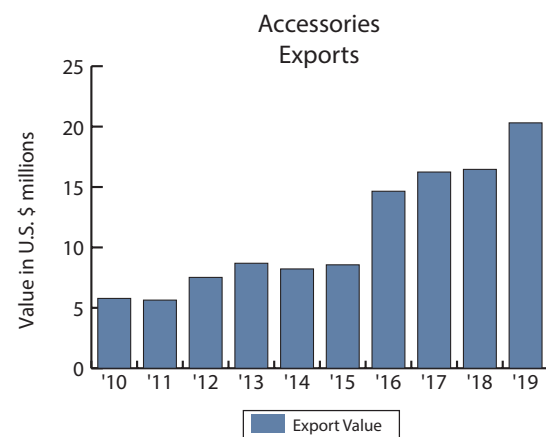
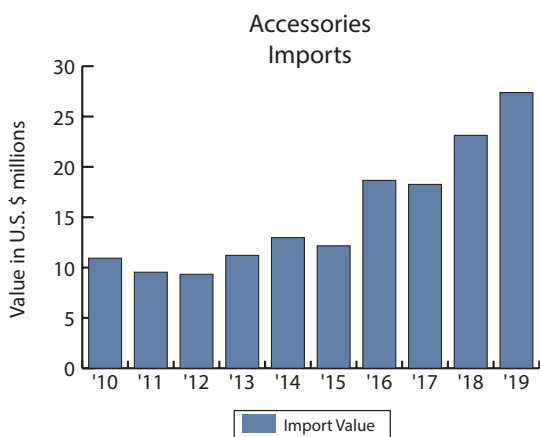
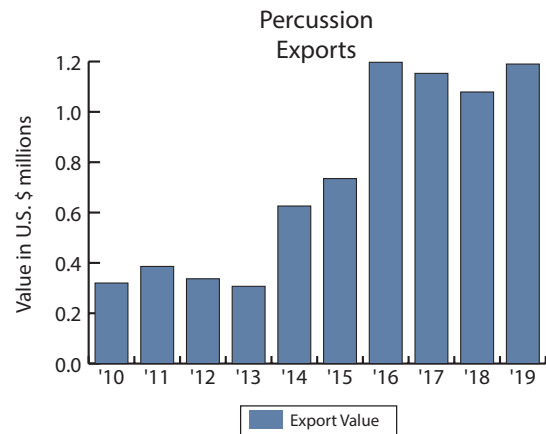
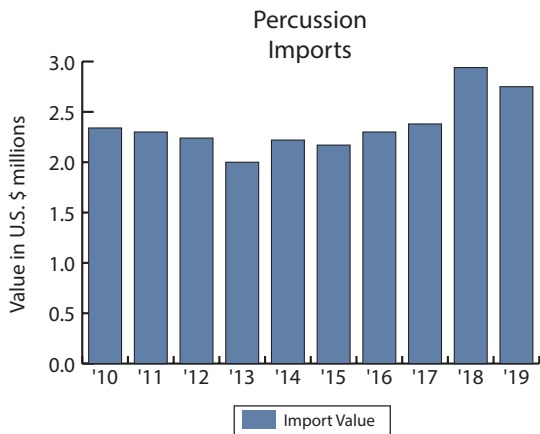
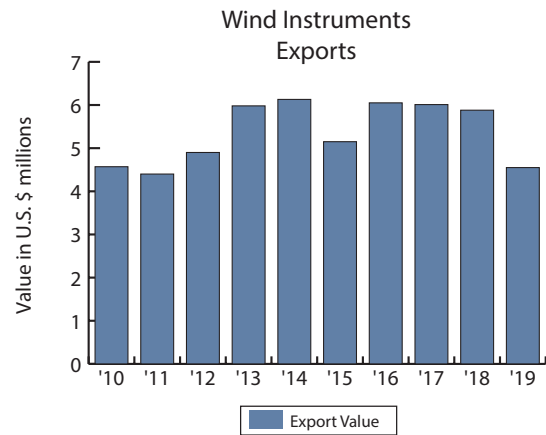
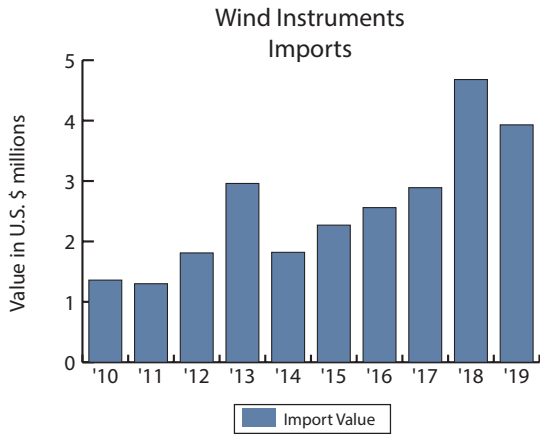
Share of Global Music Market (Percent)



Czech Republic Imports and Exports



Czech Republic Imports and Exports



FINLAND

DOING BUSINESS IN FINLAND

Market Overview

Finland, an EU member since 1995, has redefined itself from a quiet agriculture and forestry-based economy to a trendsetting global center for technology and design. The country is highly integrated into the global economy with international trade accounting for a third of its GDP. Finland's commercial clout far exceeds its modest population of 5.5 million. The International Monetary Fund estimates Finland's GDP is about US\$257.4 billion with a nominal per capita GDP of US\$46,600 (slightly higher than Canada or Germany). It is the only Nordic country that uses the euro.

Finland routinely ranks at the very top of international surveys on education, quality of life, competitiveness and transparency. It sits at the epicenter of Europe's "New North"—a unique intersection of geography, infrastructure, education, good governance and high-technology industries. Helsinki, the second most northern capital in the world, has easy connections by rail, sea and air to Tallinn, St. Petersburg and Stockholm.

Finland shares an 833-mile-long border and a complicated history with Russia. Despite Russia's occupation of the Crimea region of Ukraine, and sanctions and counter-sanctions affecting bilateral trade, Finland maintains an important commercial relationship with its larger, more populous neighbor. Many Finnish companies have successful longstanding business operations in Russia.

The EU makes up more than 60% of Finland's total trade. The largest trade flows are with Germany and Sweden. Finland's key export sectors are transportation, electronics, forestry, machinery and chemicals. Trade policy is managed by the EU, where trade-dependent Finland has traditionally been an advocate for free trade policies.

Currently, the United States represents the third-largest market for Finnish exports and Finland's seventh-largest source of imports. In 2018, two-way trade in goods and services between the U.S. and Finland was over US\$12 billion. Two-way trade in goods totaled US\$9 billion, with U.S. goods exports to Finland totaling US\$1.87 billion and Finnish goods exports to the U.S. (chiefly computer equipment and electronics, transportation equipment, chemicals, forestry products and machinery) totaling US\$7.17 billion. Two-way trade in services totaled US\$4.9 billion, with U.S. service exports to Finland totaling US\$2.1 billion and Finnish service exports to the U.S. reaching US\$2.8 billion.

Market Challenges

Finland's market is open and receptive to U.S. products and investments. There are relatively few barriers to trade. The overall size of the Finnish domestic market is comparatively small. Consumers have high expectations in terms of product innovation, design, quality and price.

Following the global economic crisis of 2008, Finland's economy struggled to regain its footing. Finnish policymakers have been working to boost economic growth and competitiveness. Finland's economy returned to growth in 2016 (+1.9%), 2017 (+2.6%) and 2018 (+2.9%), according to the Bank of Finland.

In 2016, the Finnish government and the major labor unions reached agreement on a Competitiveness Pact that, for example, reduced paid holidays and froze wages. Nevertheless, companies seeking to set up operations in Finland should note that high taxes, regulatory red tape and labor inflexibility still pose challenges to new business.

Market Opportunities

Finland offers opportunities for investment and collaboration in several industry sectors and also has a vibrant startup scene highlighting high-growth companies with information and communications technology and e-health solutions. The following developments represent market opportunities for U.S. companies:

- Driven by the need to conserve scarce energy resources, Finland has been involved in the development of low-energy and eco-efficient construction alternatives since the late 1980s.
- Growth in Finland's cleantech 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.
- Finland has many companies with expertise in developing software solutions in multiple applications that are eager to work with U.S. partners.
- The Finnish health care 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 as Finland strengthens homeland defense capability in the face of novel threats such as cybersecurity.

Many Finnish firms, from established multinationals to early-stage startups, are eager to partner with U.S. companies and to engineer solutions with "Made in USA" innovations. These Finnish firms often intend to take their solutions global, bringing their American partnerships and the associated technologies with them. U.S. companies that keep this in mind when approaching the Finnish market will often find that the value of establishing a presence in this market is worth far more than the Finnish market alone.

Market-Entry Strategies

In addition to being an EU member, Finland is especially closely linked culturally and economically with the other Nordic countries: Denmark, Iceland, Norway and Sweden. These economies are all advanced, high income and highly connected. While each country has a unique market and characteristics, certain synergies tie together these highly innovative marketplaces. With an aggregate GDP of US\$1.37 trillion and a combined population of 27 million, the Nordic region represents an excellent opportunity for U.S. companies with sophisticated high-quality products, technologies and services.

"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.

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

FINLAND SNAPSHOT

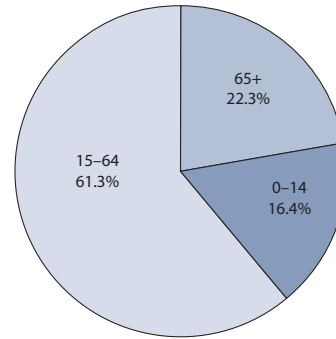
Demographics

Population in millions 5.6

Age	Male	Female
0-14	0.47	0.45
15-64	1.73	1.68
65 & Over	0.54	0.70

Median Age 42.8
Population Growth 0.30%

Demographics

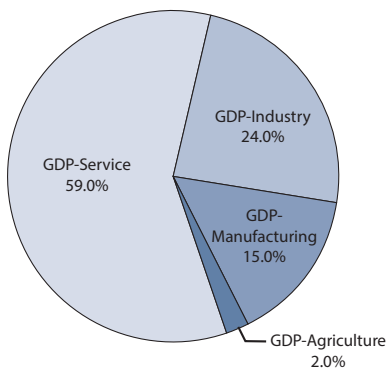


Economy

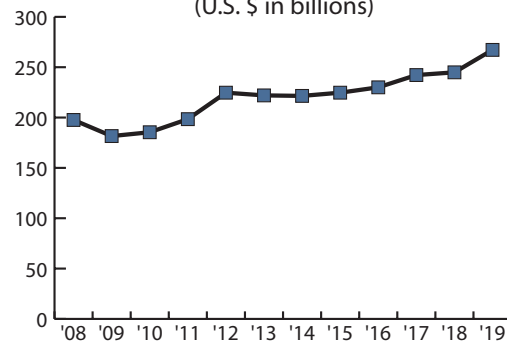
GDP (PPP)	\$267.2 billion
GDP Per Capita	\$48,880
GDP-Real Growth Rate	1.60%
Unemployment Rate	7.30%
Inflation	1.10%

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.

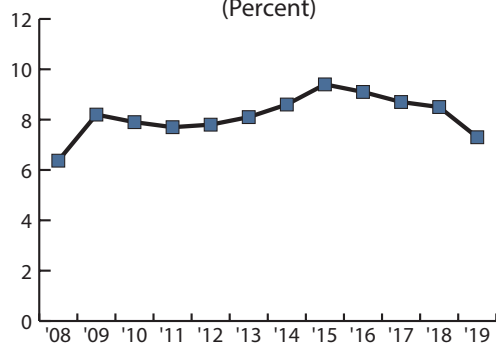
Economy



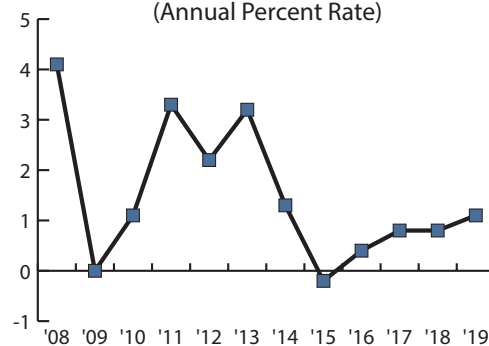
Finland GDP (PPP)
(U.S. \$ in billions)



Unemployment Rate
(Percent)

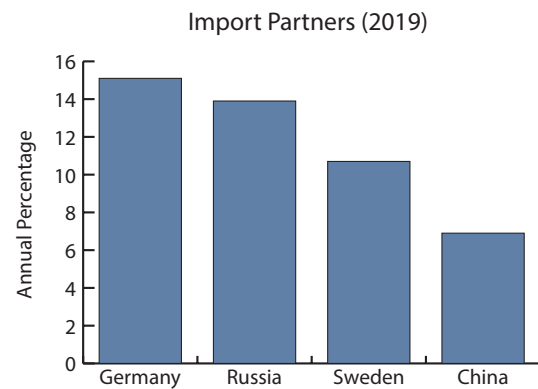


Inflation
(Annual Percent Rate)



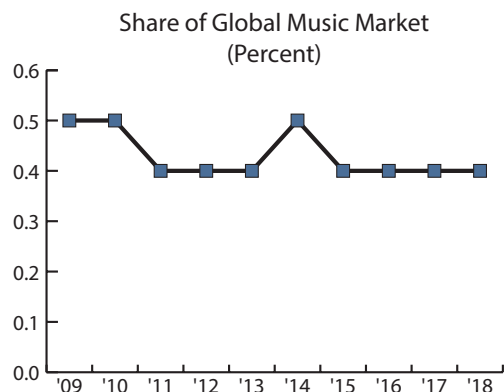
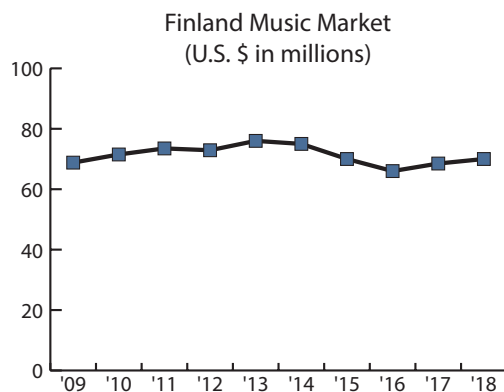
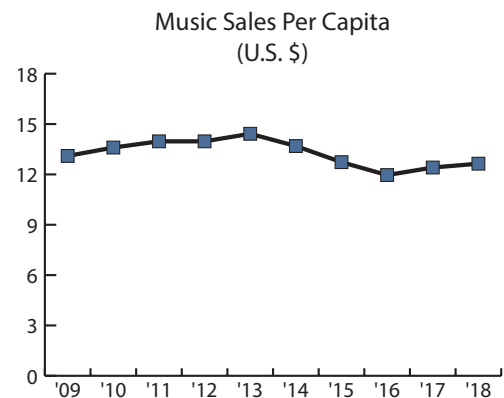
Trade

Total Export	\$75.3 billion	Export as % of GDP	28.17%
Total Import	\$78.3 billion	Import as % of GDP	29.33%

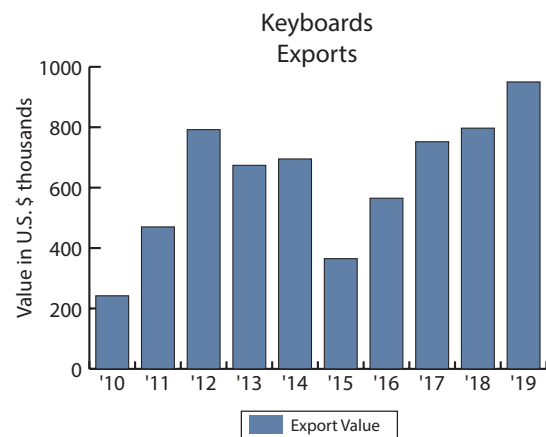
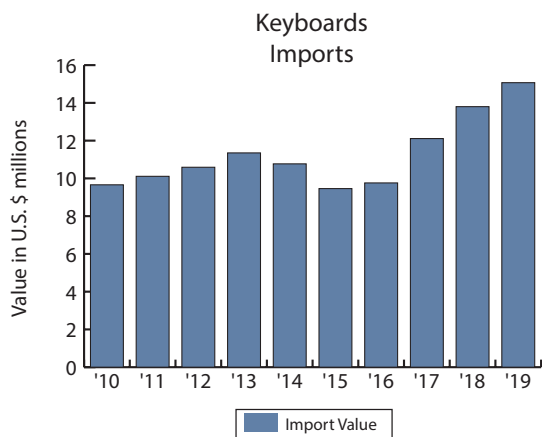
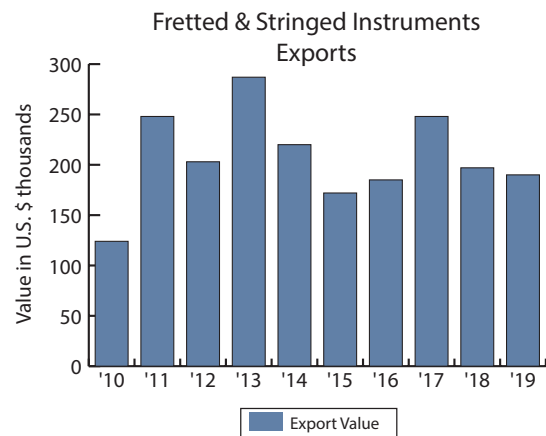
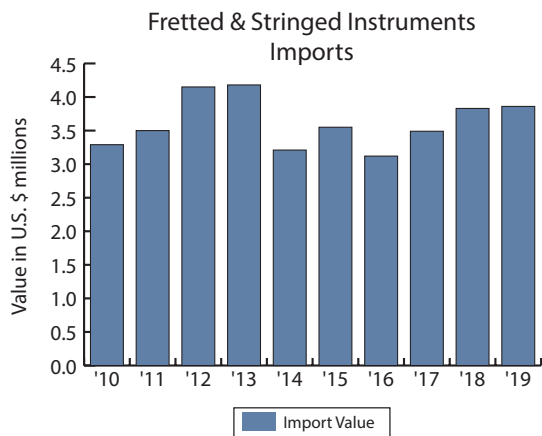
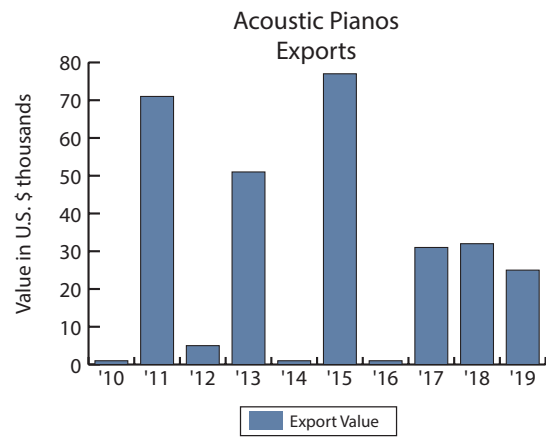
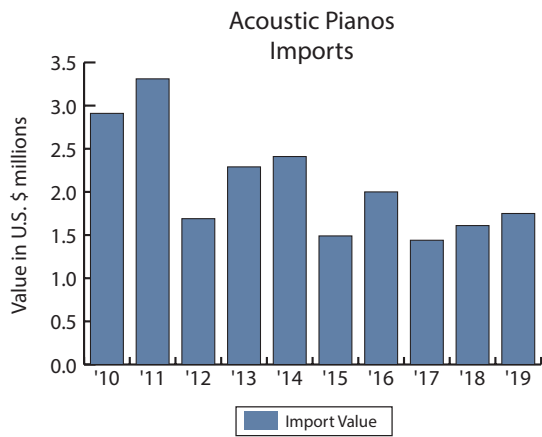


Music Industry

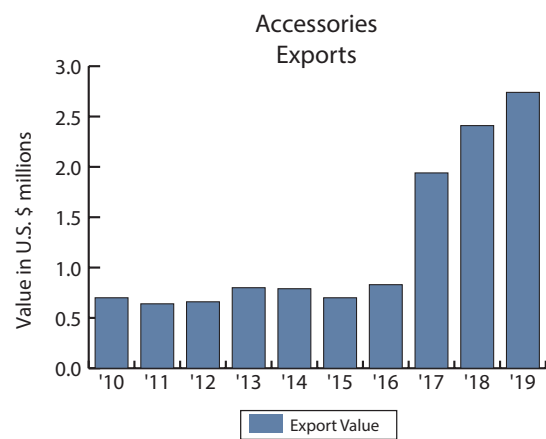
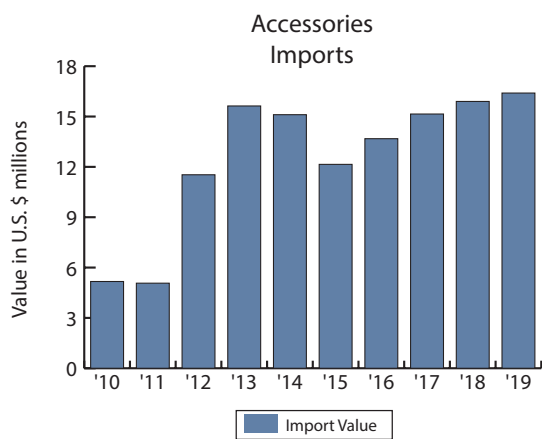
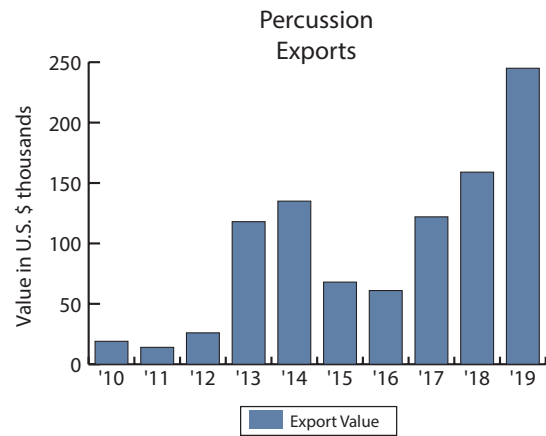
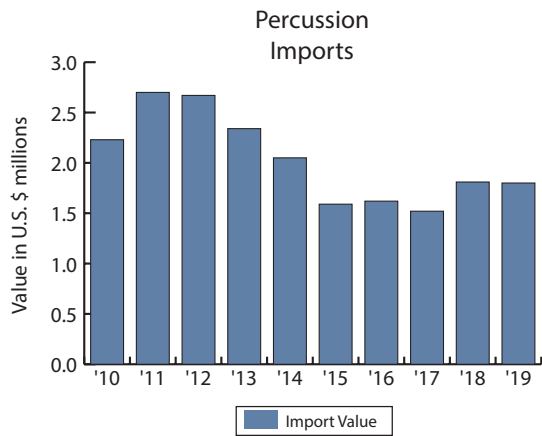
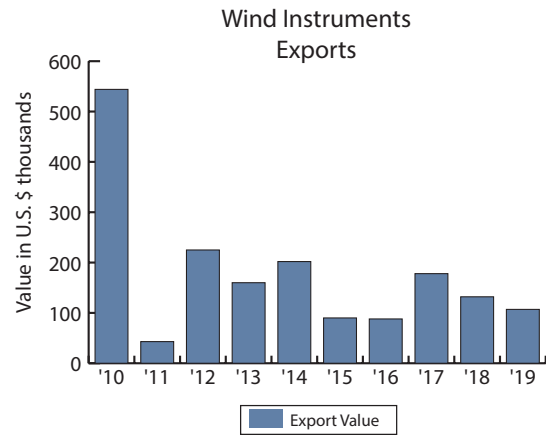
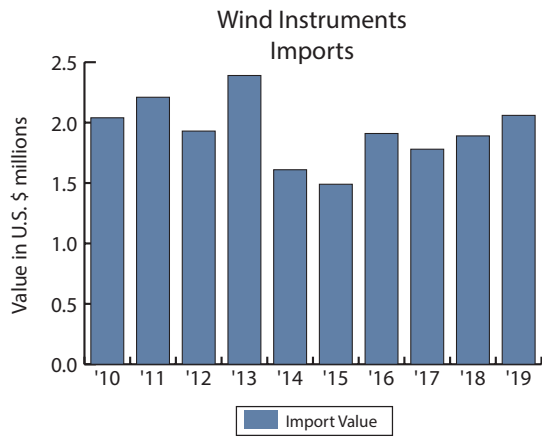
Music Market	\$70.0 million
Sales Per Capita	\$12.64
Global Share	0.40%



Finland Imports and Exports



Finland Imports and Exports



FRANCE

Business in the French music industry during 2019 was in line with previous years. No statistical data are available for that period, but we can estimate 2019 to be near the 2017 figures (about 1.5 million units sold, 25% of which are used musical instruments). Half of the market for new instruments is entry-level. The main product category remains plucked instruments, followed by keyboards, brass and woodwinds, percussion and finally stringed instruments. The situation for resellers remains fragile with intense competition from other players at the larger European market level.

In May 2019, we held a Music Fair near Paris at “La Scene Musicale” (<https://www.youtube.com/watch?v=wCbBIJWMnSw>). Thanks to our French association, CSFI, we were able to create some nice initiatives to promote music making during the year. Refer to the www.csfi-musique.fr website for more information.

But that was before COVID-19 ... as of the writing of this article in early May 2020, we must mention that for reasons known to all, we are facing a total lockdown of our industry: factories, distributors, dealers, music schools, concerts, live music ... everything is stopped for now. For those who have been following this report for several years, we have seen many changes in our industry including the rise of online sales, the increase in distance learning and online concerts and shows, not to mention the importance of social media—all these phenomena accelerated at lightning speed with the growing coronavirus crisis. Rest assured that the French music industry, like our international partners, is engaged to adapt and that we are all doing our best to be able to write positive news in next year's report!

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. The U.S. and France established diplomatic relations in 1778, and the U.S.' first trade agreement, the Treaty of Amity and Commerce between the U.S. and France, was signed that year. Relations between the U.S. and France have remained active and friendly, as we share common values and have similar policies on most political, economic and security issues.

With a GDP of approximately US\$2.8 trillion in 2018 (+1.7% growth from the year prior), France is the world's sixth-largest economy and Europe's third-largest economy after Germany and the United Kingdom. It has substantial agricultural resources and maintains a strong manufacturing sector, despite a recent decline. 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 initiated the G-20, is host to the Organization for Economic Cooperation and Development, and is a member of the G-7, the EU and the World Trade Organization, confirming its status as a leading global economic player.

France experienced 1.7% GDP growth in 2018, down from 2.4% in 2017. France's budget deficit dropped below the 3% limit to 2.5% of GDP in 2018. The OECD forecasts the budget deficit to reach 3.2% of GDP in 2019, due to the cost of the government's 17 billion-euro (US\$19.2 billion) emergency package to address the economic and social needs of middle-class and retired workers from the "Yellow Vest" protest movement. France's public debt ratio of 98.4% of GDP remains one of the highest in the eurozone.

Trade and investment ties between the U.S. and France are strong. On average, over US\$1 billion in commercial transactions, including sales by U.S. and French foreign affiliates, take 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 U.S. is the top foreign destination for French investment and is the largest foreign investor in France in terms of job creation. The U.S. and France have a bilateral convention on investment and a bilateral tax treaty addressing, among other things, double taxation and tax evasion.

France has an educated population, first-rate universities and a talented workforce. It has a modern business culture, sophisticated financial markets, strong intellectual property protections and innovative business leaders. The country is known for its world-class infrastructure, including high-speed passenger rail, maritime ports, extensive roadway networks and public transportation, and efficient intermodal connections. In 2018, France was the ninth-largest global market for foreign direct investment inflows with a year-on-year increase of 2%. In total, there are more than 28,000 foreign-owned companies doing business in France. It is the home to 29 of the world's 500 largest companies. In 2018, the World Economic Forum ranked France 17th in terms of global competitiveness. The U.S. is the seventh-largest foreign investor in France. Around 4,600 U.S. companies in France, of all sizes, employ over 480,000 French citizens.

Following the election of French President Emmanuel Macron in May 2017, the French government implemented significant labor market and tax reforms. By relaxing the rules on companies to hire and fire employees and by offering investment incentives, Macron has buoyed business confidence in France. According to the 2018 American Chamber of Commerce in France - Bain Barometer Survey on the attitudes of U.S. investors in France, 86% of American investors surveyed said Macron's reforms improved France's investment prospects and image in the U.S.

The metropolitan Paris region supports the largest concentration of technology engineers outside of Silicon Valley.

Key issues to watch in the coming months: 1) whether President Macron can maintain his pro-business reforms despite a wave of public protests, 2) how the seats obtained by Macron's party in the May 2019 European Parliament elections will affect his economic policies, and 3) continued uncertainty from Britain's exit from the EU, which presents both opportunities and challenges for France.

Market Challenges

Brexit may pose uncertainty for French and U.S. companies as they seek to understand how the departure will ultimately affect business interests and trade. France has been moderately successful in attracting companies across multiple sectors to transfer operations from the U.K. to France, touting the country's central location in Europe, high quality of life and educated labor force. Nevertheless, the uncertainty surrounding Brexit, especially the potential for trade disruptions and the movement of workers, is impacting business decision-making and may pose challenges for U.S. exporters.

In November 2018, the "Yellow Vests" protest movement emerged from discontented segments of the French public who felt left behind by Macron's ambitious reform agenda. The weekly, often violent, demonstrations have affected cities and rural communities across the country and have commandeered French political discourse. In response, the government announced 10 billion euros (US\$11.4 billion) in measures in December to assist low-income earners and pensioners. A "Great National Debate"—a combination of town halls featuring government leaders, community discussions and an online platform for public complaints and proposals—contributed to a dramatic fall in participation in the protests after Macron's government announced additional measures of about 6.4 billion euros (US\$6.99) in April.

Among U.S. investors in France, 62% said the current social climate was a "nuisance" for U.S. companies operating in France. Nevertheless, 42% of U.S. firms still plan to hire new employees in France over the next two to three years.

Currently, U.S. firms must navigate national and European regulations and standards for selling products in France. The French often interpret existing EU regulations more stringently than other member states and regulate in areas where the EU has not yet proposed legislation.

Another challenge for U.S. firms is dealing with highly concentrated retail distribution chains and networks. Many French global manufacturers and suppliers exercise strong control over these retail networks, with 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 enter 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 percentage of GDP, many of France's remaining industries, such as aerospace and pharmaceuticals, are still world leaders and receptive to foreign partners and suppliers. Its comparatively affluent populace is a leading consumer of services, particularly in the digital, educational and travel sectors.

Opportunities for U.S. exporters with innovative products can be found in a wide range of sectors, including aerospace, food products, pharmaceuticals, microelectronics, logistics and health care equipment. Call centers, biotechnology, telecommunications, information and communication technology, e-commerce, e-mobility, advanced manufacturing, smart cities and the environment are other sectors with high potential.

The French market for food products is mature, sophisticated and well served by suppliers from around the world. An increasing interest in American culture, younger, environmentally conscious consumers, and changing lifestyles contribute to France's import demand for American consumer and food products.

Market-Entry Strategies

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 U.S., 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. U.S. companies should be prepared to invest marketing resources in launching a new brand or product in France.

Like in many European countries, traditional distribution channels are being disrupted by new players in the digital and sharing economy. Many U.S. firms are doing well in this space, as well as a growing number of local competitors.

"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.

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

FRANCE SNAPSHOT

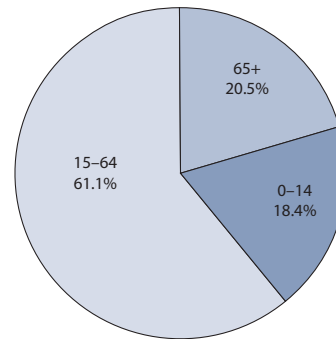
Demographics

Population in millions 67.8

Age	Male	Female
0-14	6.37	6.09
15-64	20.83	20.71
65 & Over	6.03	7.86

Median Age 41.7
Population Growth 0.35%

Demographics

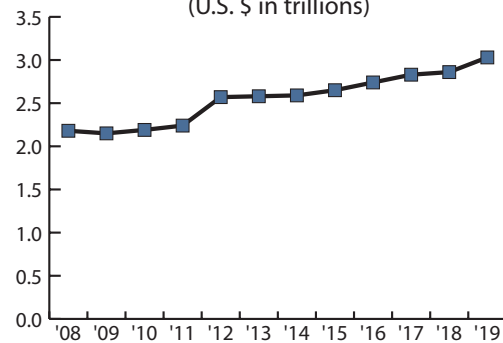


Economy

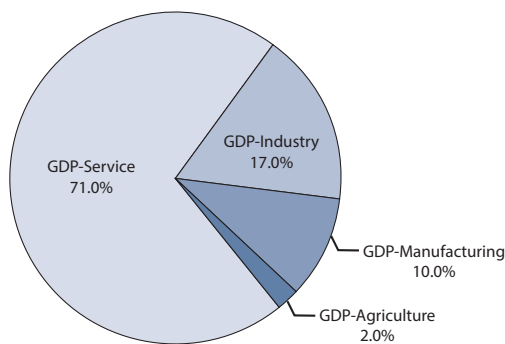
GDP (PPP)	\$3.03 trillion
GDP Per Capita	\$45,342
GDP-Real Growth Rate	1.70%
Unemployment Rate	9.10%
Inflation	1.30%

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.

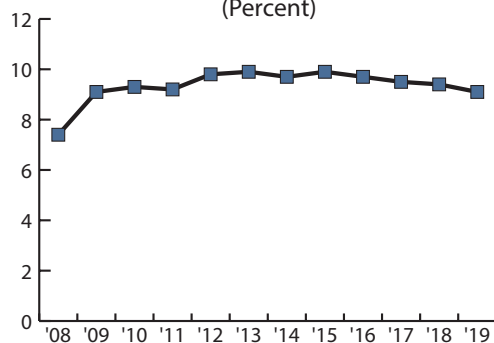
France GDP (PPP)
(U.S. \$ in trillions)



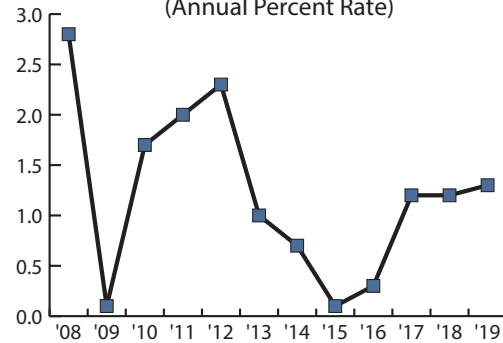
Economy



Unemployment Rate
(Percent)

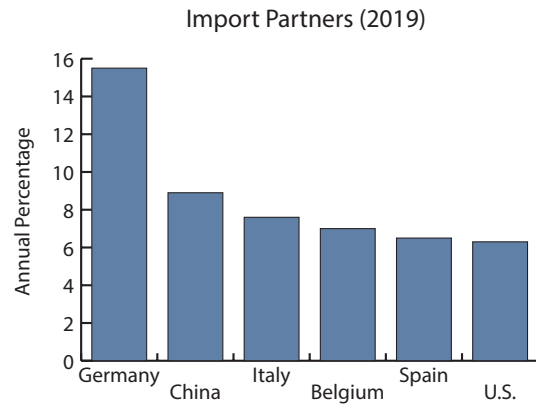


Inflation
(Annual Percent Rate)



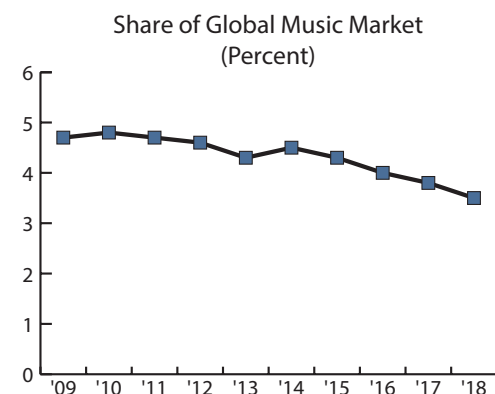
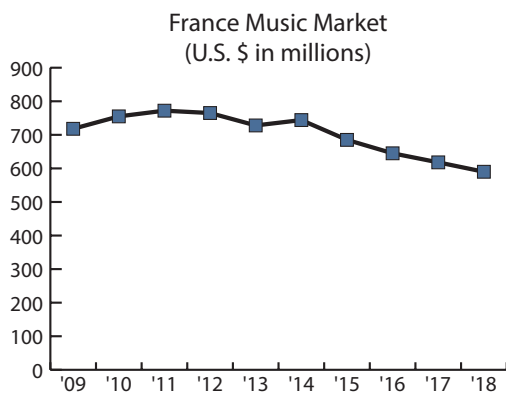
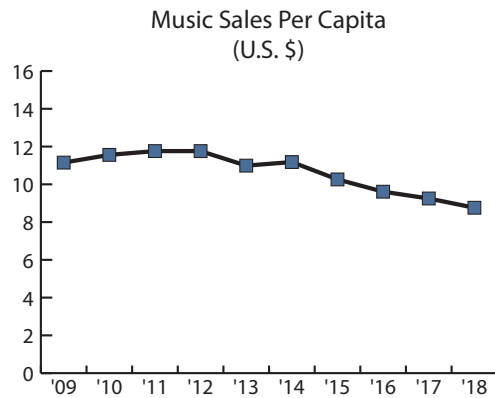
Trade

Total Export	\$568.5 billion	Export as % of GDP	18.76%
Total Import	\$659.4 billion	Import as % of GDP	21.76%

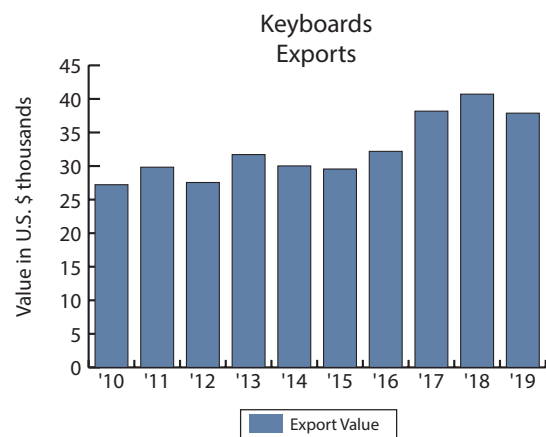
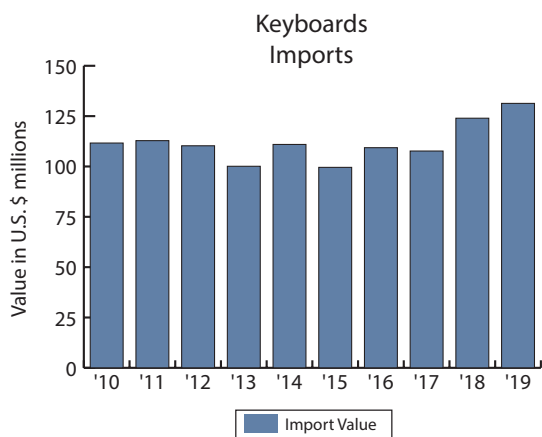
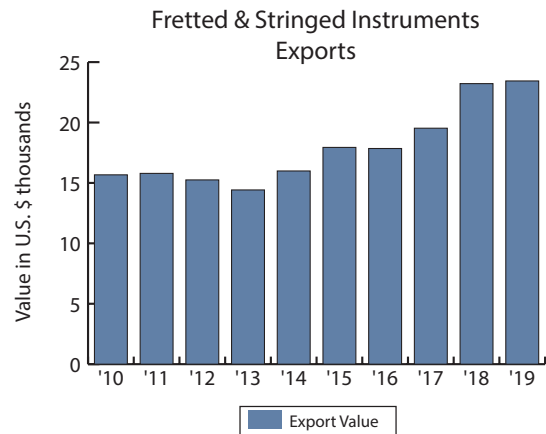
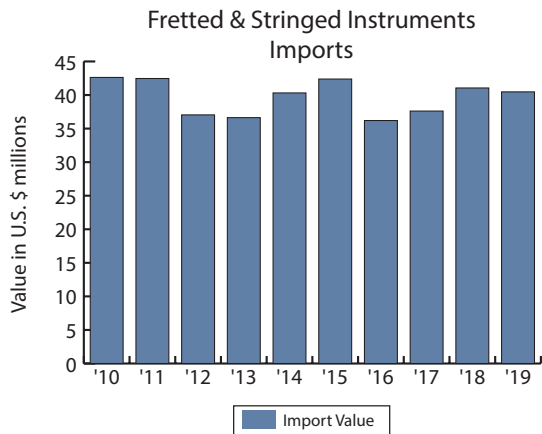
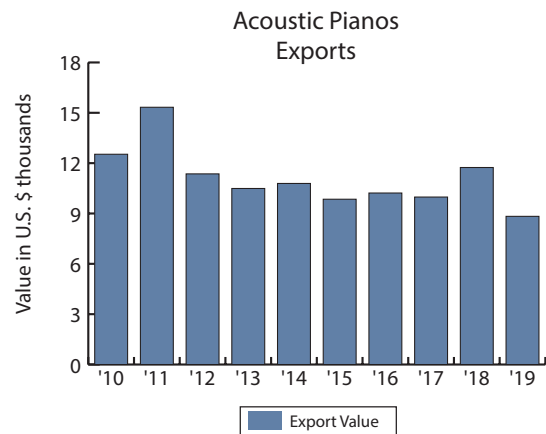
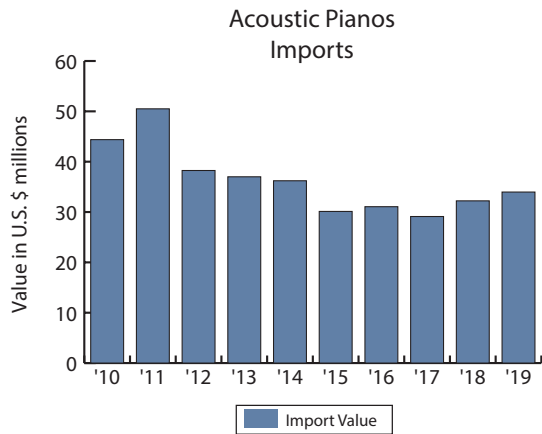


Music Industry

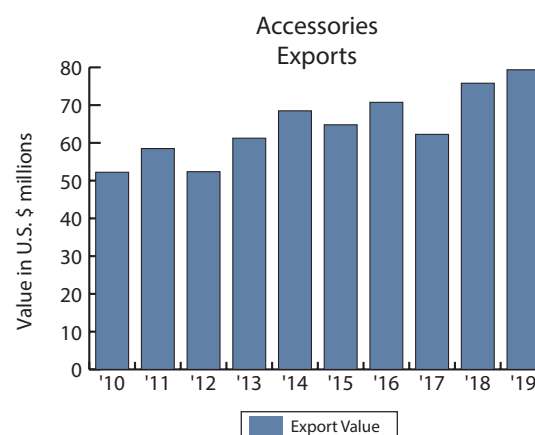
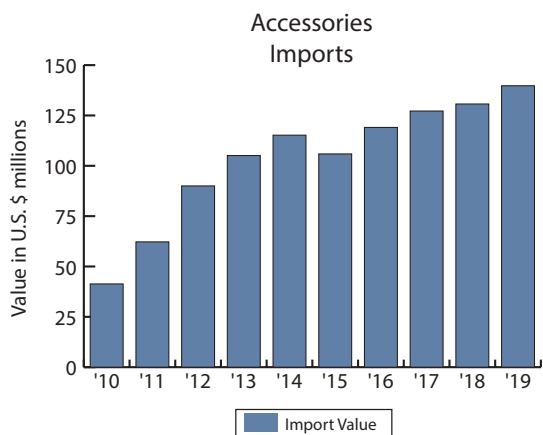
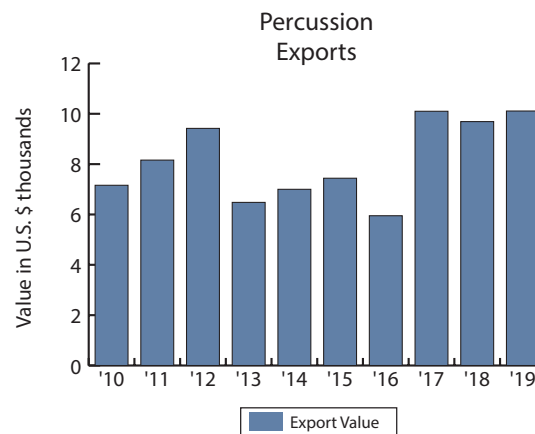
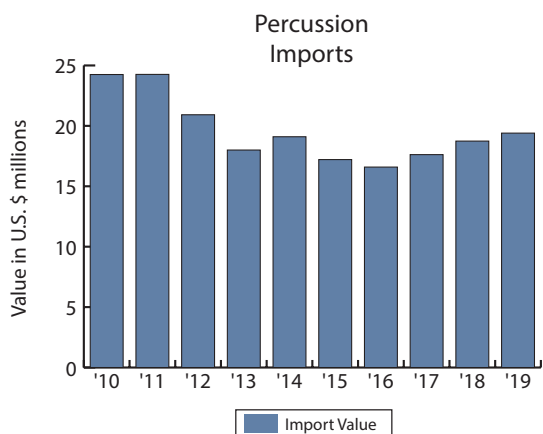
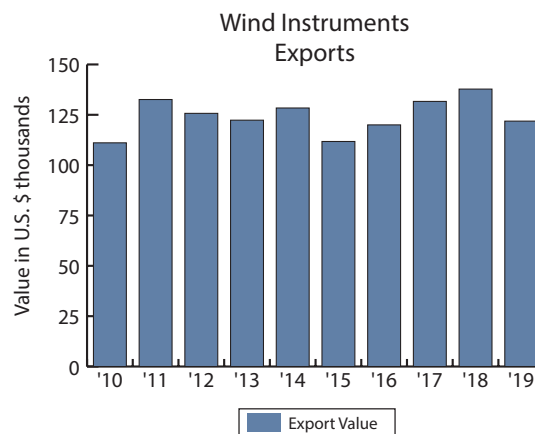
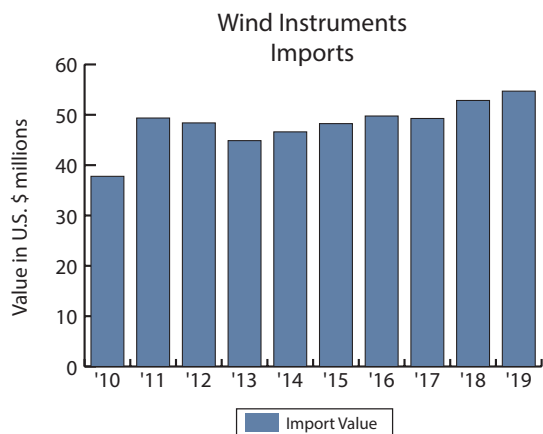
Music Market	\$590.0 million
Sales Per Capita	\$8.76
Global Share	3.50%



France Imports and Exports



France Imports and Exports



GERMANY

Strong sales growth, domestic sales stable, foreign sales significantly increasing

According to the latest available 2018 VAT statistics, 1,297 manufacturers achieved sales of 707.9 million euros (US\$836 million), while 1,635 retailers of musical instruments and other related products reached a turnover of 1.37 billion euros (US\$1.62 billion). During the last decade, the turnover of manufacturers and distributors has increased by around 25%. The number of manufacturers has increased by around 10% since then, while the number of dealers has fallen by 25%.

Nearly all (96%) manufacturers are small enterprises, but account for only one-third of industry turnover. In 2019, there were only 57 companies (3.6% more than in 2018) with more than 20 employees. This workforce of 4,081 employees (+5.2%) had a turnover of 479.7 million euros (US\$537 million) in 2019, an increase of 5.6%.

The export ratio has therefore fallen to 63.8% of total sales.

Foreign trade volume increases significantly

German exports rose by 7.3% to 694.2 million euros (US\$776.5 million, +1.8%) in 2019, and imports rose by 6.8% to 681.8 million euros (US\$762.4 million, +1.3%), resulting in a small foreign trade surplus of 12.4 million euros (US\$14.1 million).

German exports go to a broad range of target countries. The most important export destinations are France, the U.S., China, the United Kingdom, Austria, Japan, Switzerland, the Netherlands and Poland, which together account for almost 60% of all exports.

Exports to Switzerland grew at an above-average rate, with an increase of 21.5%. Exports to various countries saw increases: France by 17.4%, the U.S. by 14.0%, the Netherlands by 8.7% and the U.K. by 7.8%. In contrast, exports were weak to Poland, with an increase of just 1.7% and to China with an increase of 9.9%.



The following are 2019 German exports by product category, with the rates of change from 2018.

Category	Value in Thousands of Euros	2018 to 2019 Change	Value in Thousands of U.S. Dollars
Pianos, new	39,958 €	6.6%	\$44,700
Pianos, used	1,283 €	50.1%	\$1,436
Harpsichords	115,157 €	12.4%	\$128,762
Harpsichords and stringed instruments with keyboard	730 €	46.3%	\$818
Violins	6,357 €	10.6%	\$7,111
Stringed instruments (except violins)	6,040 €	11.3%	\$6,755
Guitars	18,991 €	-18.9%	\$21,228
Other stringed instruments	5,330 €	3.2%	\$5,964
Brass instruments	37,481 €	-1.6%	\$41,945
Accordions and similar musical instruments	3,319 €	5.6%	\$3,709
Harmonicas	9,515 €	-9.6%	\$10,639
Organs, harmonies, etc. with a keyboard	9,085 €	101.8%	\$10,176
Wind instruments	53,160 €	4.0%	\$59,456
Percussion instruments (e.g., drums, xylophones)	49,083 €	3.8%	\$54,896
Organs, sound generated electrically	854 €	-32.5%	\$952
Digital pianos	57,285 €	9.5%	\$63,983
Synthesizers	9,455 €	26.4%	\$10,578
Other musical instruments with keyboard, sound generated electrically	26,358 €	-0.5%	\$29,434
Guitars, sound generated electrically	34,670 €	12.9%	\$38,776
Other musical instruments, sound generated electrically	13,176 €	18.3%	\$14,724
Music boxes	3,480 €	78.6%	\$3,857
Other musical instruments	2,209 €	2.9%	\$2,472
Strings for musical instruments	34,380 €	4.5%	\$38,478
Parts and accessories for pianos and grand pianos	25,586 €	2.2%	\$28,629
Parts and accessories for stringed instruments	19,126 €	-3.9%	\$21,409
Parts and accessories for electric musical instruments	40,407 €	12.8%	\$45,308
Parts and accessories for wind instruments	24,069 €	-4.5%	\$26,945
Parts and accessories for other musical instruments	16,062 €	1.8%	\$17,994



About 75% of all imports come from the following five countries: China, Indonesia, the U.S., Japan and the Netherlands. The latter does not reflect Dutch domestic production, but rather that the Netherlands is a platform for the re-export of Asian products—particularly electronic instruments—to other countries such as Germany.

Imports from Indonesia grew at an above-average rate of 14.6% and from the U.S. by 13.1%. Imports from China were below average, with an increase of 3.4%, from the Netherlands by 2.5% and imports from Japan by almost 3.9%.

Production almost constant

Production by the 60 reporting companies with more than 20 employees amounted to 369.5 million euros (US\$413.7 million) in 2019, 2.7% higher than the previous year.

The following table lists the production values of individual product groups. Wind instruments were successful with an above-average performance. Due to the small number of manufacturers in individual product groups, data are not published for all product groups for reasons of confidentiality. In addition, a new list of goods was introduced in 2019, so that individual product groups cannot be compared directly to the previous year's groups.

Product Group	Value in Thousands of Euros	2018 to 2019 Change	Value in Thousands of U.S. Dollars
Upright pianos	29,274 €	0.0%	\$32,772
Harpsichords	91,629 €	3.5%	\$102,579
Organs, harmonies, etc. with keyboard	10,233 €	-16.7%	\$11,456
Accordions and others musical instruments with keyboard	14,356 €	-0.5%	\$16,072
Trumpets, cornets, flugelhorns	5,844 €	7.8%	\$6,542
Waldhorns, tenor horns, baritone horns	10,747 €	2.2%	\$12,031
Other brass instruments, e.g. trumpets	2,649 €	4.8%	\$2,966
Recorders	9,284 €	11.6%	\$10,393
Other wind instruments	11,933 €	–	\$13,359
Percussion instruments	14,490 €	-0.5%	\$16,222
Metronomes, tuning forks, pitch pipes, polyphons	28,761 €	–	\$32,198
Parts and accessories for pianos	26,617 €	0.6%	\$29,798
Parts and accessories for organs, harmonies, etc.	16,956 €	10.3%	\$18,982
Parts and accessories for stringed instruments	13,749 €	-2.7%	\$15,392
Parts and accessories for wind instruments	5,738 €	-16.7%	\$6,424
Parts and accessories for other musical instruments	43,252 €	–	\$48,421



Expectations for 2020

The year 2020 started with constant sales, but in the wake of the COVID-19 crisis, statements about further development in 2020 are pure speculation. Declines are almost certain, though the extent is currently difficult to estimate.

The significant deviation in the level of exports compared to foreign sales can be explained by different survey parameters. Only the data of enterprises with more than 20 employees, but not of smaller firms, are included in the above-mentioned foreign turnover. In contrast, export statistics comprise a total survey of cross-border trade in goods with cutoff limits in EU intra-community trade of 200,000 euros (US\$217,124) per year, and also trade with third countries of 1,000 euros (US\$1,086) per consignment of goods. This means that a much larger group is reporting export statistics—not just production companies as in the case of foreign sales—but also commercial enterprises. Furthermore, unlike foreign sales, exports of goods not produced in Germany but of foreign origin, are also recorded with the goods' full value. In Germany, foreign-origin goods make up a large proportion of total exports. In this respect, exports are significantly higher than foreign sales, and there may also be variations in their rates of change.

Commentary by Winfried Baumbach of the National Association of German Musical Instruments Manufacturers (BDMH)



GERMAN DOMESTIC RETAIL MARKET

Product Category	2019 Sales in Thousands of Euros	2019 Sales in Thousands of U.S. Dollars
Keyboard instruments and related products	177,840 €	\$199,092
String instruments and related products	100,200 €	\$112,174
Wind instruments and related products	51,920 €	\$58,124
Drums & percussion and related products	40,830 €	\$45,709
Microphones and headphones	160,410 €	\$179,579
Recording hardware	36,810 €	\$41,209
PA systems	145,760 €	\$163,178
Computer software	7,080 €	\$7,926
Other electronic products	18,250 €	\$20,431
DJ-equipment	10,200 €	\$11,419
Cables	23,560 €	\$26,375
Other accessories	19,110 €	\$21,394
Other - non-attributable products (e.g. metronomes)	129,310 €	\$144,763
Other goods reported fewer than 3 times*	60 €	\$67
Other MI products	44,600 €	\$49,930
Total	965,940 €	\$1,081,370
Print music	51,000 €	\$57,095
TOTAL including Print music	1,016,940 €	\$1,138,464

The German market for musical instruments, music equipment, pro audio equipment and print music thus increased by 3.1% from 2018 to €1.01 billion (seasonal and calendar-adjusted values) in 2019.

*Other goods reported fewer than three times—products are reported or allocated in this area when there are fewer than three reporting companies. This is for reasons of confidentiality, as market shares would quickly become apparent in the categories if only two reporting companies were to be included. For this reason, more than three companies must always report their products in at least the categories.

Source: International Music Industry Statistics (IMIS), SOMM's industry survey
Turnover MI industry at end-user prices, as measured by the voluntary industry statistics of SOMM (22 participating companies plus DMV [German Association of Music Publishers] industry statistics 2019 for the part of print music)

Commentary by Daniel Knöll, Managing Director Of the Society of Music Merchants e. V. (SOMM).



DOING BUSINESS IN GERMANY

Market Overview

The German economy is the fifth-largest in the world and accounts for one-fifth of the EU'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 market principles, but with a considerable degree of government regulation and wide-ranging social welfare programs.

Germany is the largest consumer market in the EU with a population of 82.4 million. The significance of the German marketplace goes well beyond its borders. An enormous volume of trade in Germany is conducted at some of the world's largest trade events, such as MEDICA, the Hannover Fair, Automechanika and the ITB Tourism Show. The volume of trade, number of consumers and Germany's geographic location at the center of the EU make it a cornerstone around which many U.S. firms seek to build their European and global expansion strategies.

As of April 2019, the German government and economic forecasters expect between 0.5%–0.8% GDP growth for 2019. However, all forecasters expect a rebound of the German economy in the second half of 2019 and up to 1.5% GDP growth in 2020, a number which many analysts consider Germany's long-term growth potential (around 1.5% per year). Demand has begun to shift from exports to consumption and investment, which are projected to remain the main driving force for growth in the near term. Despite budget surpluses and strong corporate profitability, investment (other than construction) remains somewhat subdued.

Employment in Germany has continued to rise for the thirteenth consecutive year and reached an all-time high of 44.8 million in 2018, an increase of 562,000 (or 1.3%) from 2017—the highest level since German reunification in October 1990.

Unemployment dropped by half since its peak in 2005, and in 2018 it reached the lowest average annual value in almost three decades. The number of unemployed people stood at 2.34 million in 2018, down 193,000 from 2017, with an average unemployment rate of 5.2% (down 0.5 percentage points compared to 2018), according to official government statistics. Using internationally comparable data from the EU's statistical office Eurostat, Germany had an average annual unemployment rate of 3.4% in 2018, the second-lowest rate in the EU. Germany's national youth unemployment rate was at 6.2% in 2018—the lowest in the EU.

Demographic changes and resulting labor bottlenecks, regulation of the labor market, and higher energy prices due to the phase-out of nuclear energy in favor of renewable sources ("Energy Transition") are seen as factors that could dampen competitiveness. Experts also fear that international trade tensions and Brexit might substantially hurt the export-oriented German economy. Despite these fears, no economic institute currently foresees stagnation or a true recession—instead, many view growth rates of around 1.5% as "a return to normal" after an interim boom.



Market Challenges

German policy poses relatively few formal barriers to U.S. trade or investment, apart from barriers associated with EU law and regulations. Germany has pressed the EU Commission to reduce regulatory burdens and promote innovation to increase EU member states' competitiveness. Germany's acceptance of the EU's Common Agricultural Policy and German restrictions on biotech agricultural products pose obstacles for key U.S. products. While not overtly discriminatory, the complexity of government regulation may offer a degree of protection to established local suppliers. Zealous application of safety and environmental standards 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. Compliance with German standards is 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, good 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, health care and medical devices, synthetic materials and automotive technology. While Germany possesses an above-average internet penetration rate within the EU for private households, high-speed internet access for business is only average (although expanding such access is a priority of the current government). Multi-media, high-tech and service areas offer great potential. Certain agricultural products also represent good export prospects for U.S. producers. In many cases, price is not the overriding factor for German buyers, but instead quality and reliability.

The German market is decentralized and diverse, with interests and tastes differing from one German region 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. However, 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.

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

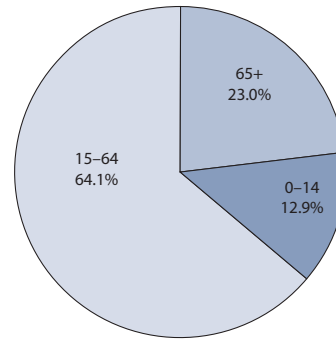
Population in millions 80.2

Age	Male	Female
0-14	5.30	5.03
15-64	25.86	25.54
65 & Over	8.15	10.28

Median Age 47.8

Population Growth -0.19%

Demographics

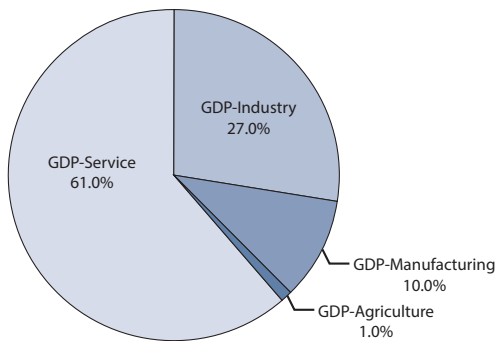


Economy

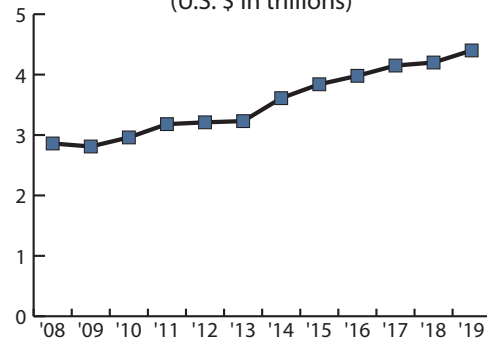
GDP (PPP)	\$4.40 trillion
GDP Per Capita	\$53,075
GDP-Real Growth Rate	1.50%
Unemployment Rate	3.20%
Inflation	1.40%

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.

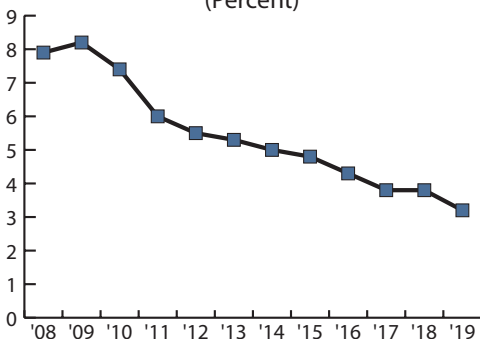
Economy



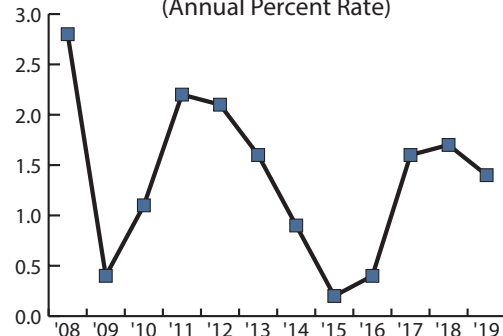
Germany GDP (PPP)
(U.S. \$ in trillions)



Unemployment Rate
(Percent)



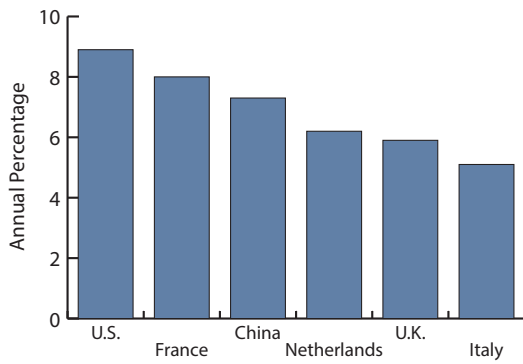
Inflation
(Annual Percent Rate)



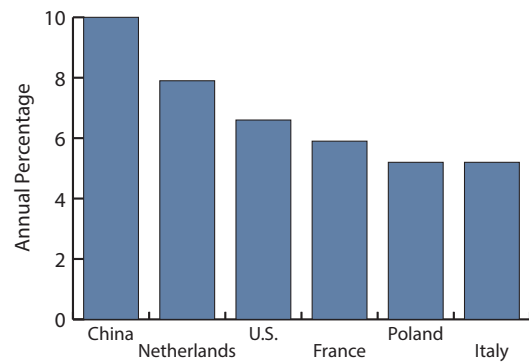
Trade

Total Export	\$1.49 trillion	Export as % of GDP	33.86%
Total Import	\$1.24 trillion	Import as % of GDP	28.18%

Export Partners (2019)



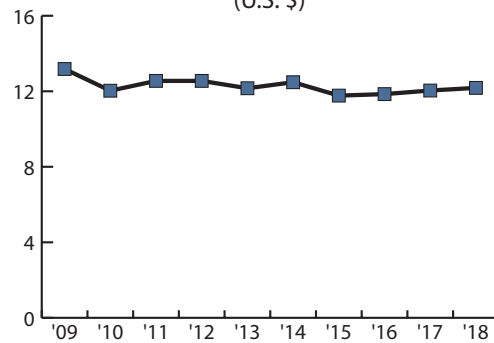
Import Partners (2019)



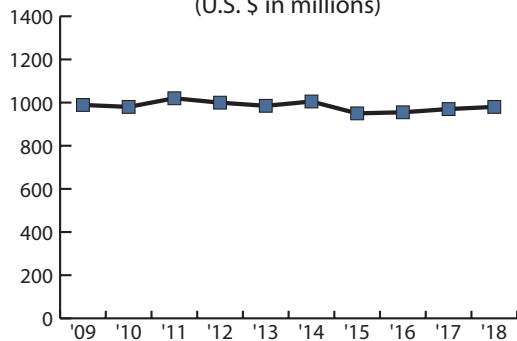
Music Industry

Music Market	\$980.0 million
Sales Per Capita	\$12.18
Global Share	5.90%

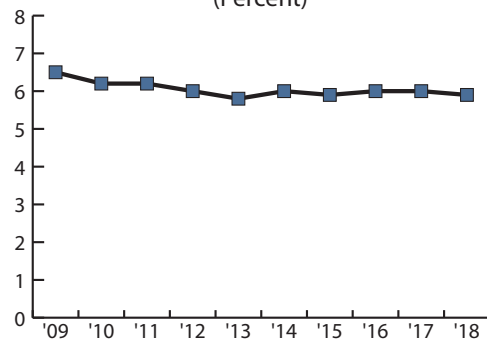
Music Sales Per Capita (U.S. \$)



Germany Music Market (U.S. \$ in millions)



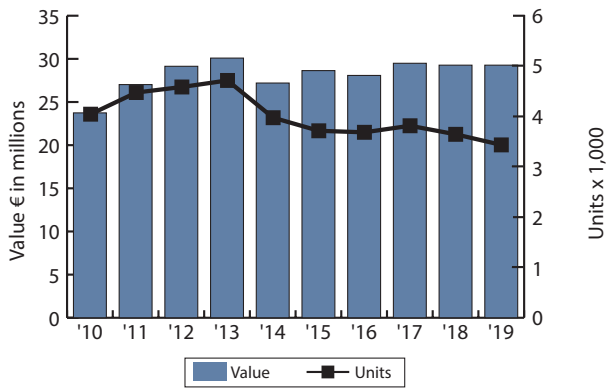
Share of Global Music Market (Percent)



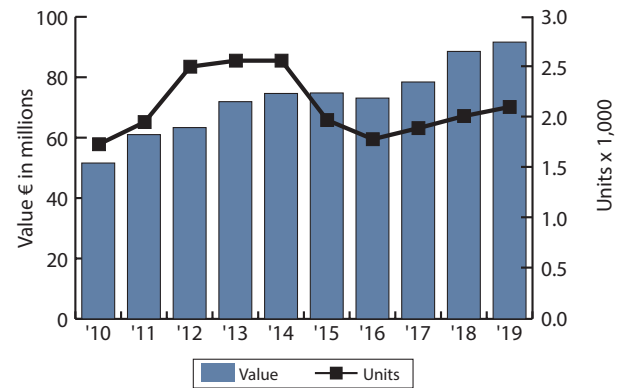
Germany Domestic Production

(Data based on manufacturers with 20 or more employees)

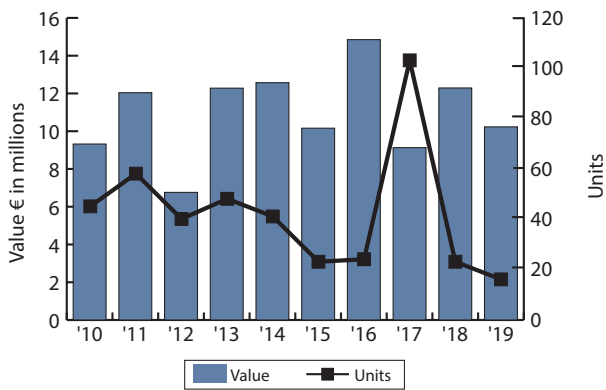
Upright Pianos



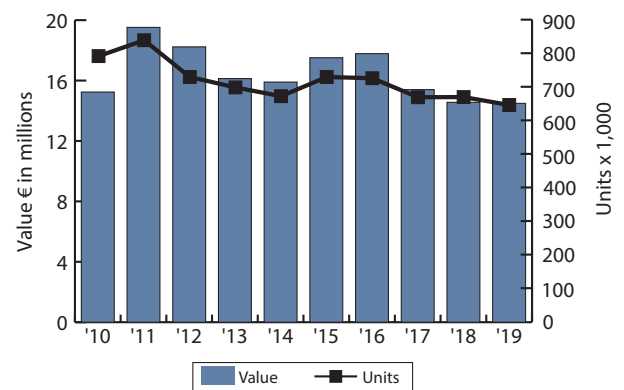
Grand Pianos



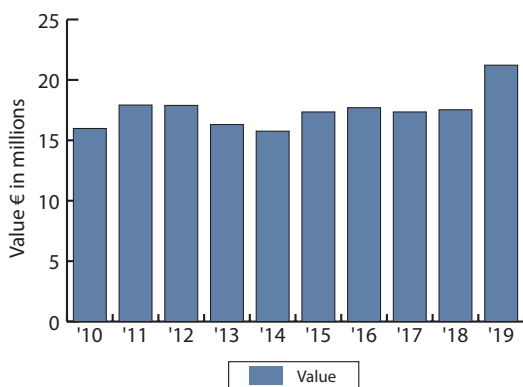
Organs



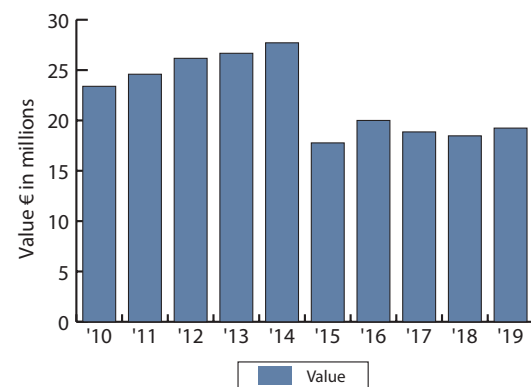
Drums & Percussion



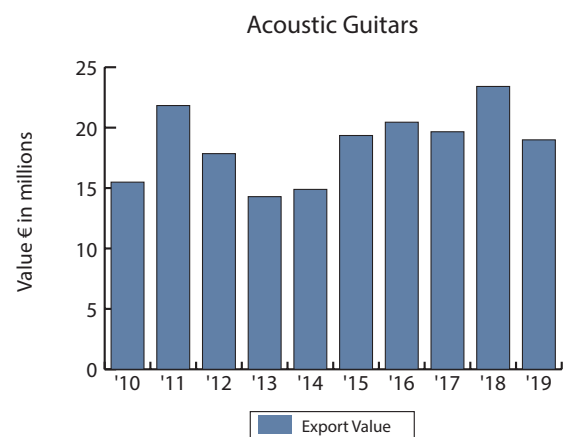
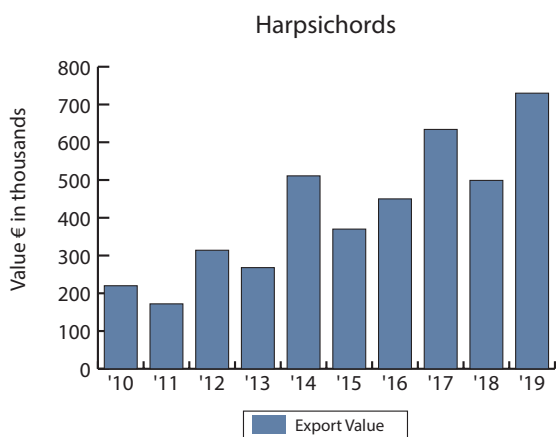
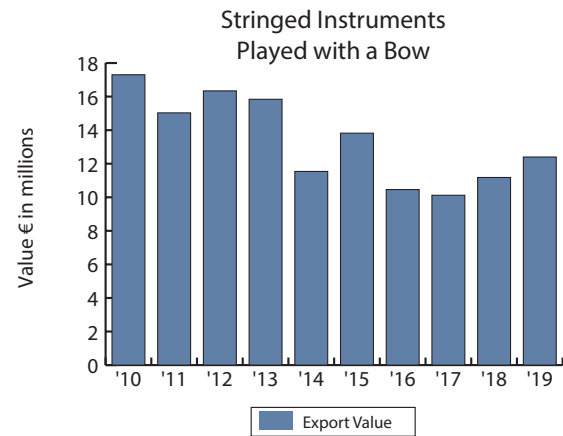
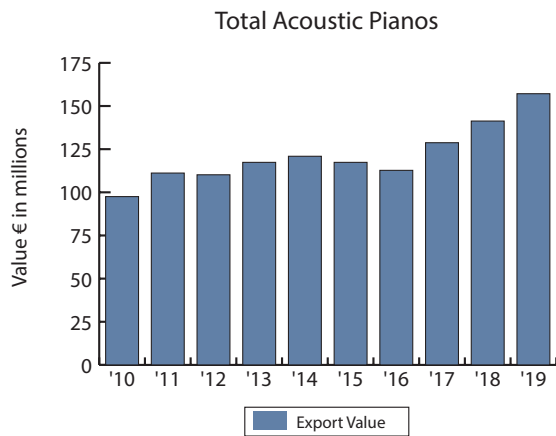
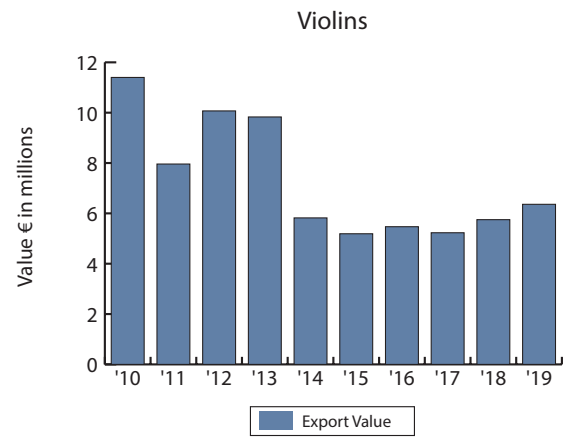
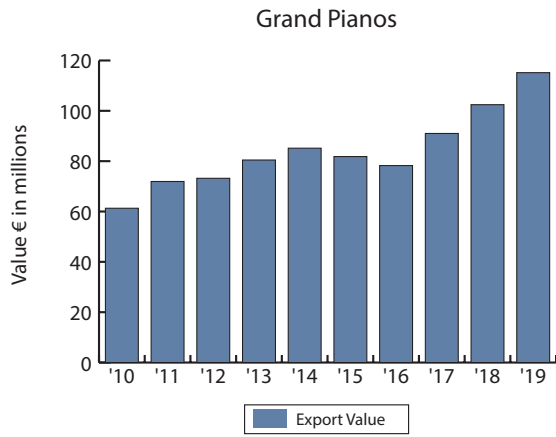
Woodwind Instruments



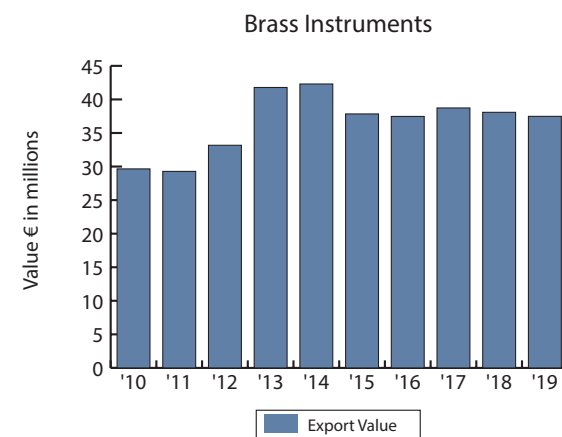
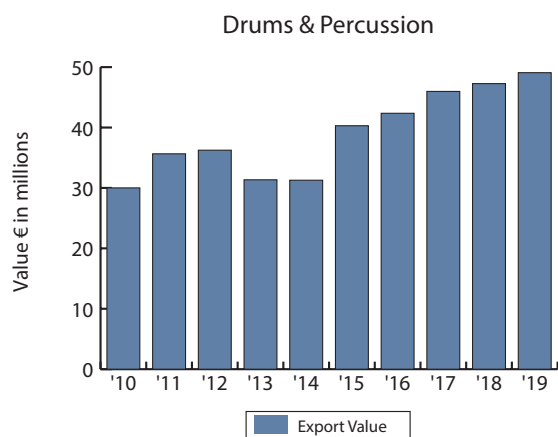
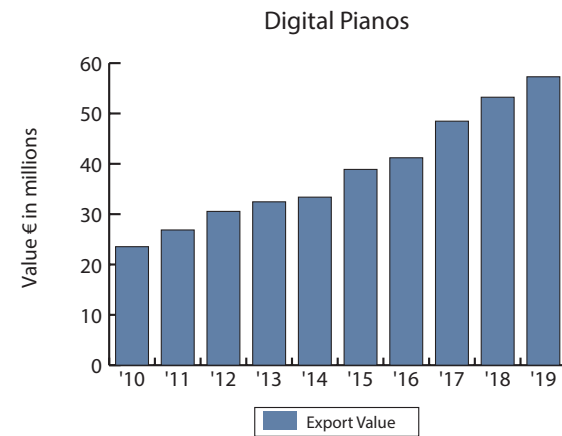
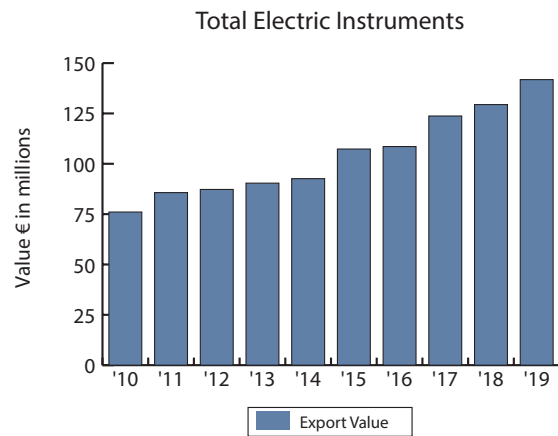
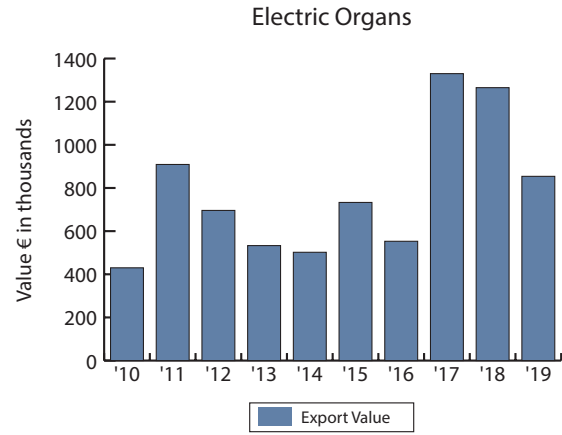
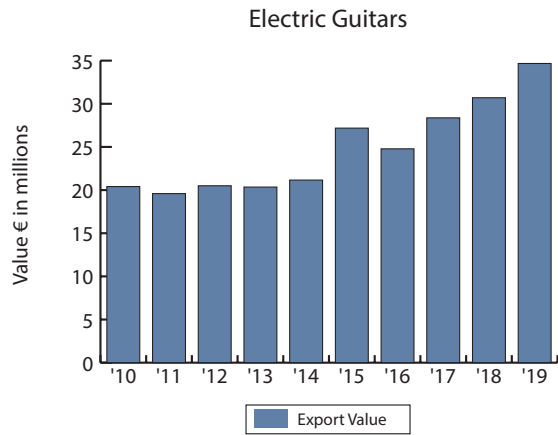
Brass Instruments



Germany Exports

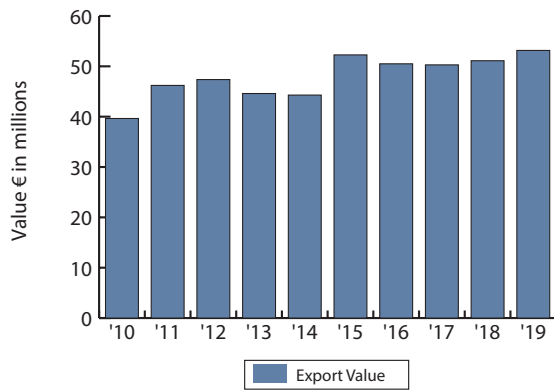


Germany Exports

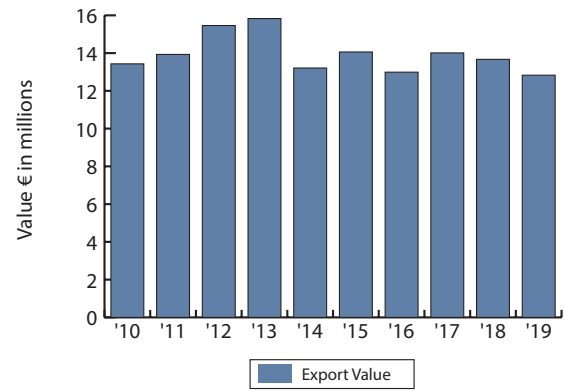


Germany Exports

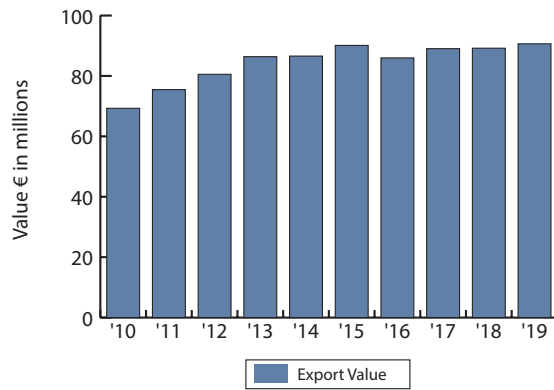
Woodwind Instruments



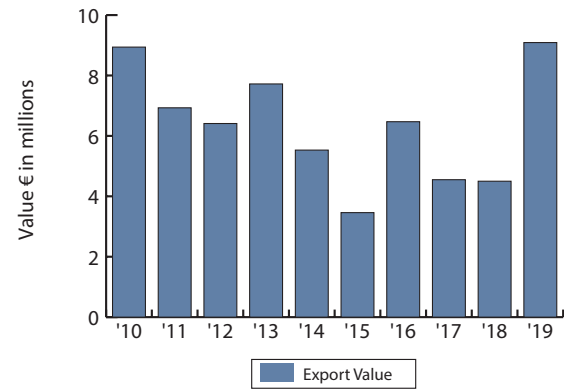
Harmonicas & Accordions



Total Wind Instruments



Total Organs & Harmoniums



HUNGARY

The majority of people active in the European vocal music scene sang among friends, family or in a church community, rehearsal room, on stage or at home over the last few years. Nearly 52 million European citizens, or 12.5% of the European population older than 15, sing regularly. This rate is only 5% in Hungary, with 429,000 citizens aged 15 or older who 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 aged 15 or older. Unfortunately, this number is critically low at 2.8% in Hungary, which manages to outrank only Bulgaria in this tally. In 2013, only 290,000 Hungarian adults older than 15 years played musical instruments, which is significantly fewer than the rate in Slovakia, the next highest-ranking country.

As for music education, 36% of respondents spent an average of four to five years learning to sing or play an instrument, which shows that music training is present and strong in Hungary. Twenty-two percent of respondents attended a music school—the main venue for music learning in Hungary. Others learned to play a musical instrument at home from family, in a school course or a choir, or are self-taught.

The problem in Hungary is that these students do not remain in the music scene at the hobby level, indicating that music teaching methodology needs improvement.

That is why the “Hangszert a kezbe” (Grab an Instrument) interactive exhibition was created. The program has been running with huge success for three years. At the interactive exhibition, every instrument can be tested, and participants can also take part in special music training. HANOSZ, the Hungarian Association of Musicians, organizes the program with the support of the NKA Hangfoglalo Pop Music Support Program (Hangfoglalo Program, formerly the Cseh Tamas Program).

Facilities

The music industry's development is well illustrated by the establishment and strengthening of joint initiatives and music industry institutions.

Perhaps the most important of these is the Music Hungary Association, which was founded in the second half of 2018. The purpose of the association is to bring together industry players so that they can combine forces in pursuit of their common interests for the future.

An important moment in building an international presence was the launch of an international showcase festival called Budapest Showcase Hub (BUSH). Launched in November 2016, BUSH focuses specifically on music production in Central and Eastern Europe.

Another critical effort in recent years was building up Hungarian pop music exports. An important result of this initiative is the creation of Hungarian Oncoming Tunes (HOTS) in early 2017 to help export Hungarian music.

Artisjus Hungarian Bureau for Copyright Protection organized the Songwriter Expo (DEX) with the stated aim of building a Hungarian community of authors and assisting these authors in their professional development during the first quarters of 2018 and 2019.

The Hangfoglalo Program has also established stable organizational frameworks. From the beginning, the program's work has been supported by an office that moved to its final location on January 1, 2018.

In 2018, HOTS took over the Hangfoglalo Program and became an institution within the Hungarian pop music support system. HOTS helps to showcase festivals, as well as to assess the potential of various markets.

The Budapest Music Expo is another great event organized by HANOSZ. With 80 exhibitors and nearly 300 programs annually, it is the largest music exhibition in Eastern Europe and the only one in Hungary. Admission to this exhibition is free.

Support

Over the past 27 years, the National Cultural Fund of Hungary, or NKA for its initials in Hungarian, became the supreme institution responsible for funding cultural life in and outside Hungary. The compensation that resulted from the blank tape levy is of great value to Hungarian composers, performers and producers.

Copyright collectors give 25% of these proceeds to the National Cultural Fund of Hungary. This revenue is then redistributed in the industry through the Hangfoglalo Program, which is funded through this particular tax revenue. It was more than 3.5 billion HUF (more than US\$13 million) until 2018.

The online distribution of recordings is much less profitable for industry artists than the platforms that connect the listeners directly with the music. This phenomenon of the music industry, called value gap (or transfer of value), describes when the revenues of the digital market are not yet realized. This loss of income affects the composers and investors the most, mainly due to online video-sharing platforms.

The Market

As for the music market of Hungary, about 48 retailers and 32 wholesale companies cover it. The biggest problem in the last five years is that smaller stores cannot compete with the supply and marketing policies of foreign online shops.

In Hungary, it is not typical to make brand promotion videos in the Hungarian language. However, the English language skills of the older age group are not sufficient to be able to find information in the original language.

The Hungarian Musical Product Market in 2019

Imports of musical instruments and musical tools jumped surprisingly high in 2019 compared to 2018. Not only the growth, but also the rate of growth, is remarkable. There are many areas where the increase is more than 50%. These include microphones,

headphones, recording systems, stringed keyboards, percussion instruments, electric guitars and accessories. In the latter, most products are purchased for electrical instruments. The market for classic accessories like the metronome and tuning forks has been in decline for years.

Import of grand pianos and upright pianos jumped significantly in the last two years (fourteenfold turnover from 2017 to 2018), probably influenced by a tender from the Ministry of Human Resources to have a piano in every school/classroom. As far as we know, apart from this, the instrument pool for music schools is in a terrible state in general.

There has been a big decline in only a few segments. For example, digital keyboards requiring a separate amplifier fell by one-tenth compared to the previous year.

In the field of loudspeakers, sales vary from year to year. We can see fluctuation from 30% to 50% except for combined loudspeakers, which have been growing steadily year by year since 2015.

Unfortunately, we do not have such an overview of product prices, but Hungarian consumers are still price-sensitive enough. It is likely that they buy the lower price category products, in the largest volume, in the musical instrument market.

Music Revenues

In the Hungarian music industry, the majority of sales are still not generated by direct purchase of records. Instead, purchases are mainly generated by radio stations, television broadcasts, background music service in shops, or through the blank tape levy where royalty revenues are distributed to the artists, composers and publishers through collecting agencies. These types of income make up 80% of annual sound recording profits. The national copyright collecting agencies are Artisjus, MAHASZ (Hungarian Recording Industry Association, Hungarian Group of IFPI) and EJI (Bureau for the Protection of Performers' Rights), which are the engines of the Hungarian music industry.

Society Artisjus is an association of music composers, songwriters, authors, writers, poets, their heirs, and music publishers. The nearly 5 billion HUF (US\$15.7 million) paid to Hungarian authors is 17% more than what they received in 2018. The number of rightsholders is 13,819.

EJI represents over 650,000 performing artists worldwide, directly or through bilateral agreements, and pays out over US\$9.3 million per year to its rightsholders.

Localities

Approximately 600 stages work with fixed programs plus the cultural centers in Hungary. According to Society Artisjus, 47,612 live music shows were held in Hungary in 2017. A great majority of these were pop music concerts (44,217).

On June 30, 2019, Hungarian Central Statistical Office statistics included 6,955 beverage stores and music venues. The quality of their technical equipment varies.

Besides this, Hungarian enterprises organize other big festivals like Sziget, the largest European festival (number of visitors: 530,000, number of stages: 15–18), Balaton Sound, VOLT Festival and hundreds more events throughout the country.

In addition to the Sziget Festival's results, there has been a measurable development and growth in other segments of the festival market in recent years. Trends show that new festivals appear on the market almost every year. It is not unusual for these new players to organize such festivals that will compete with events well-known to the audience, often including foreign performers.

In 2017 there were 1,041 festivals, which included 13,500 concerts. The festival season runs from April to September, but the three summer months are really strong, with 61% held in June, July or August.

According to a list compiled on Wikipedia, there are 194 theatres in Hungary, of which 26 are professional theater companies. They finance the renewal of their sound systems for the most part through public procurement.

How Do Artists Live?

ProArt's questionnaire confirms some details.

Most musicians do not earn a living from their musical activities. Even for those who have only casual work or part-time work with music and composing, non-musical income makes up most of their income.

Due to the small size of the domestic market, musicians have a number of parallel activities: most of them perform at least two to three music performances at the same time.

Sixty percent of musicians also have a non-musical related job. The civilian work of musicians is clearly justified by the fact that playing music is partly an unpredictable, partly inadequate source of income.

Musical income comes primarily from concerts: this is half of the musical income of musicians. This is followed by royalties: copyright royalties 20%, artist royalties contribute 4% to the income of the responding musicians. Sales revenue is 7%; digital and physical media are almost the same. Teaching is also an important source of revenue.

The survey also concluded that even in a “good year,” musicians barely make 4 million HUF (US\$14,583) from music-related activities, while in a “bad year,” they report about 950,000 HUF (US\$3,463). This means that in good years, those participating in the survey make around the minimum wage per month, and in bad years music is considered a side-job— a secondary form of income.

About Hungary

Hungary is an OECD high-income economy, has the world's 54th-largest economy by nominal GDP, and the 53rd-largest by PPP. It ranks 45th on the Human Development

Index, owing in large part to its social security system, universal health care and tuition-free secondary education. Hungary's rich cultural history includes significant contributions to the arts, music, literature, sports, science and technology. It is the 13th most popular tourist destination in Europe, attracting 15.8 million international tourists in 2017, owing to attractions such as the largest thermal water cave system in the world, the second-largest thermal lake, the largest lake in Central Europe and the largest natural grasslands in Europe. Hungary's cultural, historical and academic prominence classify it as a middle power in global affairs.

Hungary joined the EU in 2004 and has been part of the Schengen Area since 2007. It is a member of numerous international organizations, including the United Nations, NATO, WTO, World Bank, the International Investment Bank (IIB), the Asian Infrastructure Investment Bank (AIIB), the Council of Europe and the Visegrád Group.

Hungary's Economy

Based on preliminary data of national accounts, the deficit of the general government sector was 958 billion HUF, 2.0% of the GDP. According to data produced in compliance with the methodological requirements of the system of national accounts (ESA 2010), the revenues of the general government sector increased by 8.4% (20.6 trillion HUF or US\$64.8 billion), and its expenditures grew by 8.2% (21.5 trillion HUF or US\$67.7 billion).

In the fourth quarter of 2019, the national economy's investments expanded by 5.9%. The slowdown in the rate of expansion was primarily the result of the fallback of investments in the predominant manufacturing sector—within it partly in the manufacture of motor vehicles. In the majority of service sections, investments grew above the national average. In 2019, the volume of investments grew by 14%, reaching its highest level so far.

The number of active enterprises increased by 5.0% in 2017. The key to growth was in the hands of private entrepreneurs, who, after more than 10 years, once again gained a majority over business partnerships. Most of the new businesses that started in 2017 started out as micro-businesses and most often in science and technology, construction or trade, or vehicle repair. Among enterprises formed in 2012, business partnerships and enterprises operating in Western Transdanubia showed the highest survival rates in 2017.

Commentary by Géza Balogh, President of HANOSZ, Hungary's National Association of Instrumentalists, using data provided by the Hungarian Central Statistical Office and from the reports on the websites of Artisjus and National Cultural Fund of Hungary.

DOING BUSINESS IN HUNGARY

Market Overview

Hungary, located in Central Europe with a population of nearly 10 million, successfully transitioned from a centrally planned economy to a market-based one after the fall of communism in 1989. It is a member of the OECD (1996), NATO (1999), the EU (2004) and the Schengen Zone (2007). Per capita income is two-thirds that of the EU-28 average, and the total GDP in 2018 was US\$155.7 billion. Hungary boasts a strategic location in Europe, access to EU markets, a highly skilled and educated workforce, and a sound infrastructure that have led companies such as GE, Arconic, Blackrock, UPS, Coca-Cola, National Instruments, Microsoft, IBM and many others to locate manufacturing and services facilities in the country. According to Uniworld, there are more than 400 wholly owned U.S. companies in the country. The Government of Hungary statistics indicate U.S. affiliates employ approximately 105,000 Hungarians, making the U.S. the second-largest investor in Hungary after Germany, in terms of employment numbers.

Foreign direct investment in Hungary has helped modernize industries, create jobs, boost exports and spur economic growth. Hungary's cumulative FDI stock since 1989 totals more than US\$80 billion and is centered around key sectors such as automotive, IT, electronics, logistics, food processing, and more recently, shared service center operations. To stimulate additional foreign investment, the government lowered the corporate tax from 19% to 9% in 2017—the lowest rate in the EU.

According to U.S. Department of Commerce data, U.S. merchandise exports to Hungary in 2018 totaled US\$1.75 billion, a slight decrease compared to 2017. Export leaders were machinery, electric machinery, vehicles, electronics, IT equipment, automotive components, industrial engines, and other manufacturing technologies and supplies. Hungary boasts a significant trade surplus driven by its primary trading partners within the EU (particularly Germany).

According to the European Commission, Hungary's GDP annual growth rate was 4.9% in 2018 and is forecast at 3.7% for 2019—yet first-quarter GDP growth was 5.3%—the highest within the EU. However, analysts believe that EU structural funds skew forecasting and that this is not an accurate reflection of economic activity. The unemployment rate decreased significantly from 10.2% in 2013 to 3.4% as of May 2019. Some of this improvement, however, is due to unemployment benefit reforms that require public aid recipients to participate in a “public works” program that the government deems as employment in its official statistics.

Market Challenges

Hungary's regulatory climate makes it an increasingly difficult place to conduct business. The country dropped from 48th to 53rd place among 190 economies in the World Bank's latest Ease of Doing Business ranking (behind Poland, the Czech Republic and Slovakia).

- Since early 2016, multinationals have identified shortages of qualified labor, both white- and blue-collar, as the most significant obstacle to investment in Hungary.

- During recent years, the government has introduced several new taxes, which mostly hit the banking, energy, retail and telecommunications sectors. In certain industries, such as media and retail, these unpredictable, sector-specific tax and regulatory policies have favored national and government-linked companies.
- In addition, Hungary's value-added tax rate for most products and services is 27%, the highest VAT in the EU.
- Hungary saw a ten-point decrease in its Transparency International's Corruption Perceptions Index ranking over the last six years, moving from 55th in 2012 to 46th in 2018. In 2016, the government of Hungary withdrew from the Open Government Partnership, a transparency-focused international organization, after refusing to address the organization's concerns about transparency and good governance.
- EU funding is a large driver of Hungarian GDP growth. Current draft budget proposals for the next tranche of long-term EU funding show that Hungary may lose as much as 24% of its cohesion funds, which would seriously impact economic activity.
- After the April 2018 national election, Prime Minister Victor Orban's ruling Fidesz party retained its leadership and won the majority of votes in the 2019 EU Parliament elections. The Government of Hungary remains focused on being an export-oriented economy, facilitating FDI and a further lowering of taxes. It remains to be seen what will happen with public-sector activity.

Market Opportunities

Hungary maintains an open economy, and its high-quality infrastructure and central location are features that make it an attractive destination for investment. Despite the many challenges that accompany the local business environment, Hungary remains an attractive market for U.S. investment and exports. 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 electronics industries
- Government emphasis on innovation and knowledge-based technologies

EU funding through 2020 has driven Hungarian growth, as it has been used for more than 60,000 projects to improve telecommunications, energy and highway infrastructure. As part of the National Development Plan (2014—2020), Hungary allocated approximately US\$33 billion to projects ranging from tourism and infrastructure development to health

care and environmental protection. However, the EU plans to tighten rules on which development projects are eligible for EU funding, thereby creating a demand on Hungary's national budget.

Market-Entry Strategy

The U.S. Government, through the U.S. Embassy in Budapest and the Departments of Commerce, State and Agriculture stands ready to support U.S. firms, whether entering the market 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 Government of Hungary tenders, or facing business problems due to government policies. Specifically, the staff at the Embassy's Commercial Section help U.S. firms to access the Hungarian market and solve commercial problems through counseling, market research and cost-effective service programs.

"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

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

HUNGARY SNAPSHOT

Demographics

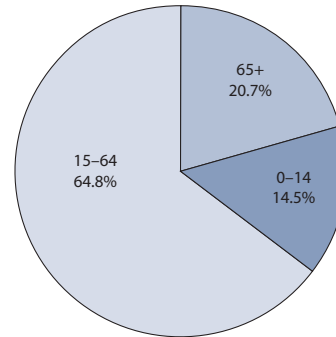
Population in millions 9.8

Age	Male	Female
0-14	0.73	0.69
15-64	3.16	3.17
65 & Over	0.77	1.25

Median Age 43.6

Population Growth -0.28%

Demographics

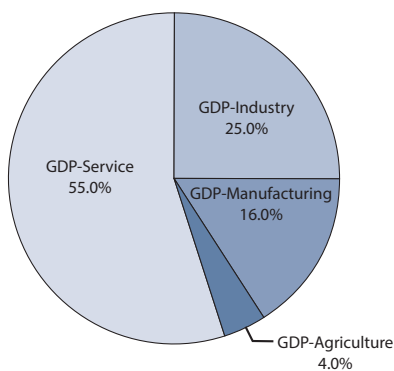


Economy

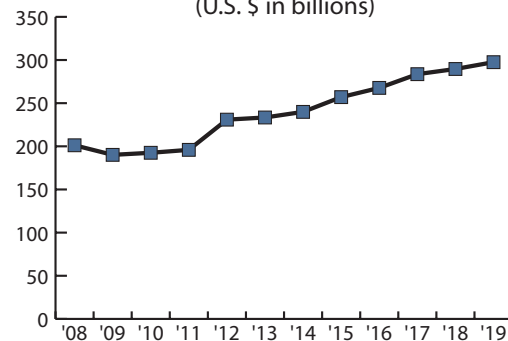
GDP (PPP)	\$297.5 billion
GDP Per Capita	\$31,103
GDP-Real Growth Rate	4.90%
Unemployment Rate	3.50%
Inflation	3.40%

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.

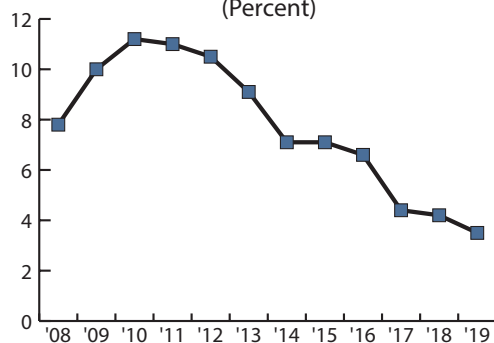
Economy



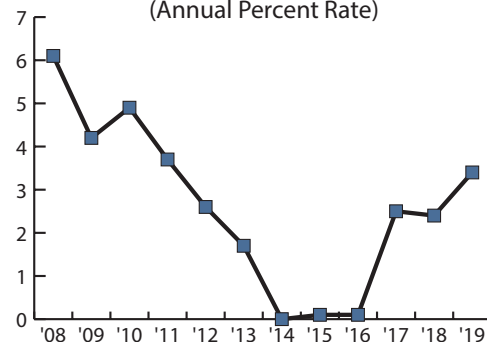
Hungary GDP (PPP)
(U.S. \$ in billions)



Unemployment Rate
(Percent)



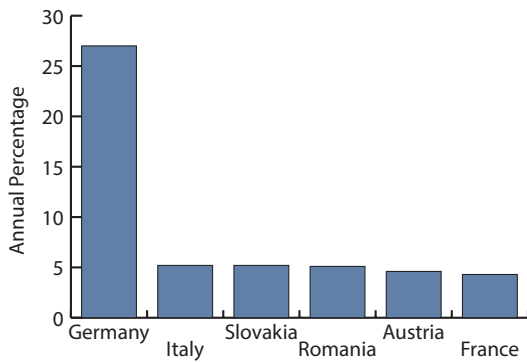
Inflation
(Annual Percent Rate)



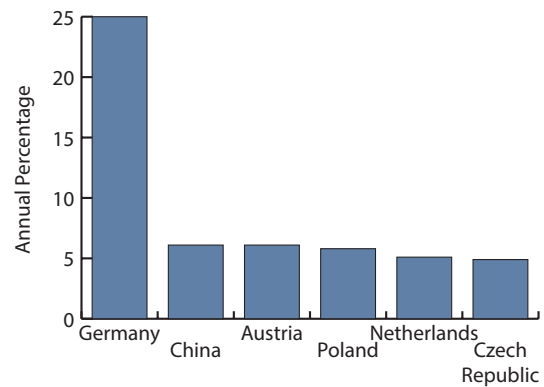
Trade

Total Export	\$122.0 billion	Export as % of GDP	41.00%
Total Import	\$116.6 billion	Import as % of GDP	39.17%

Export Partners (2019)



Import Partners (2019)

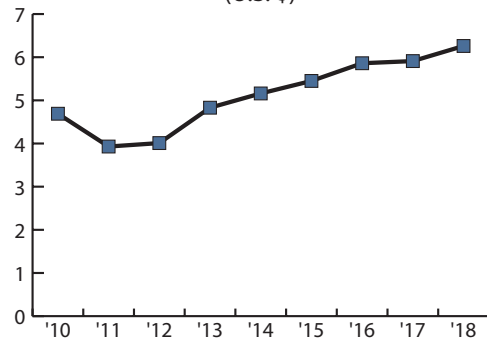


Music Industry

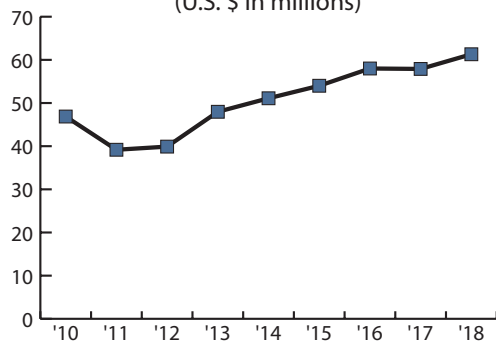
Music Market	\$61.3 million
Sales Per Capita	\$6.26
Global Share	0.40%

HANOSZ began reporting data on Hungary in 2010.

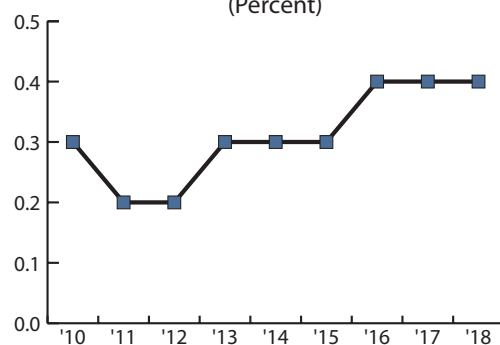
Music Sales Per Capita (U.S. \$)



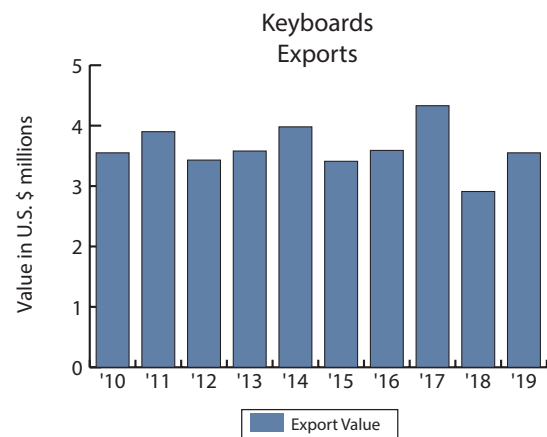
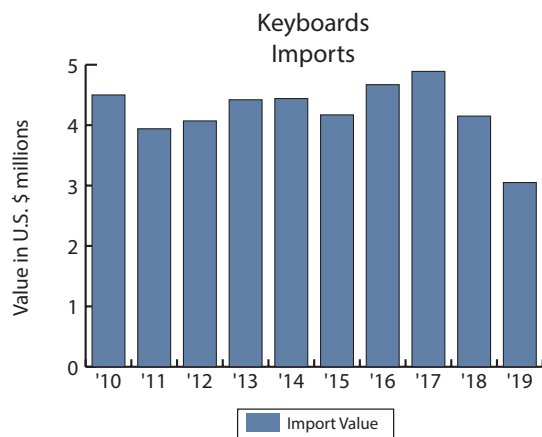
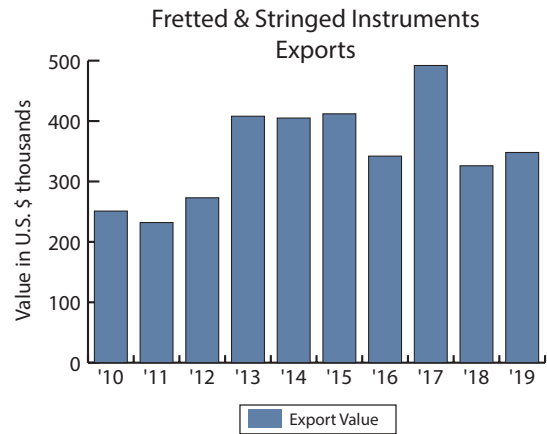
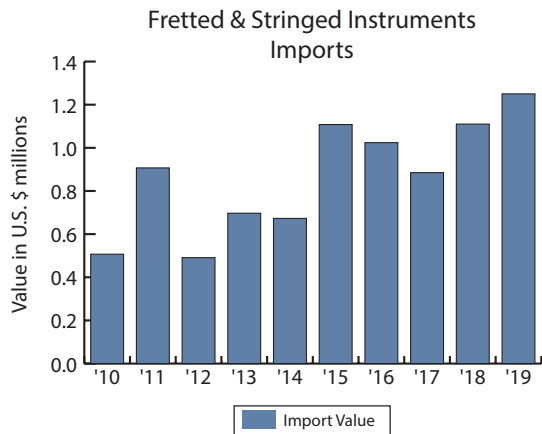
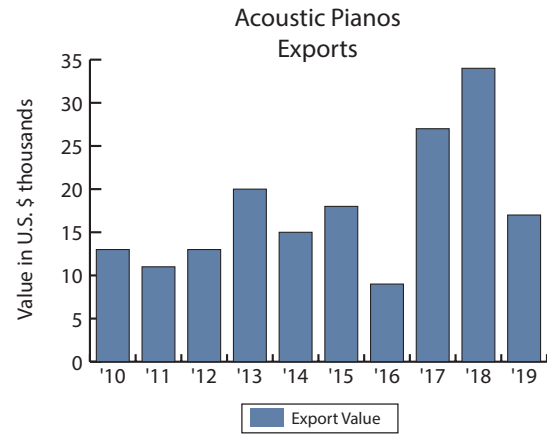
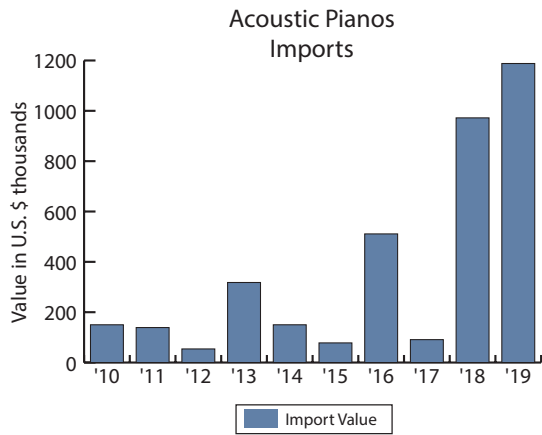
Hungary Music Market (U.S. \$ in millions)



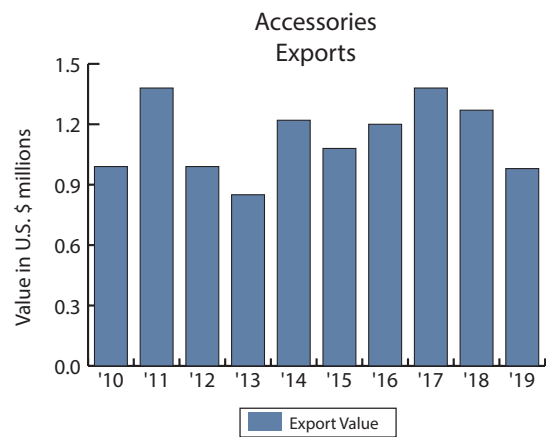
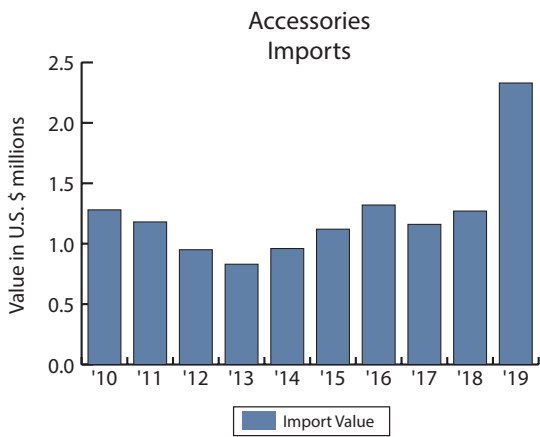
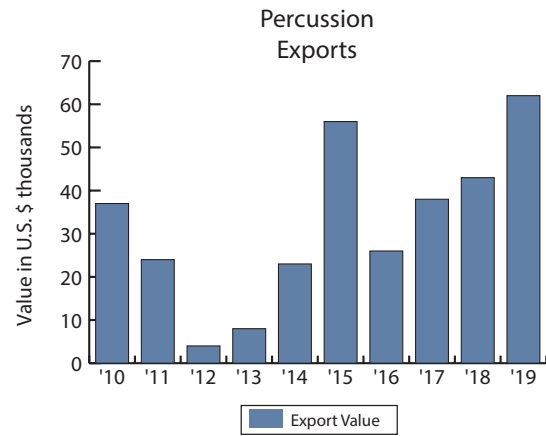
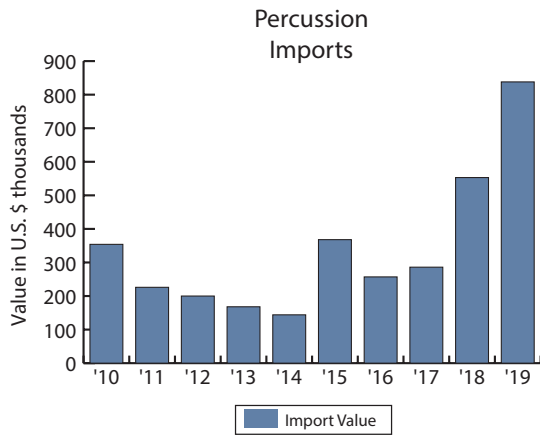
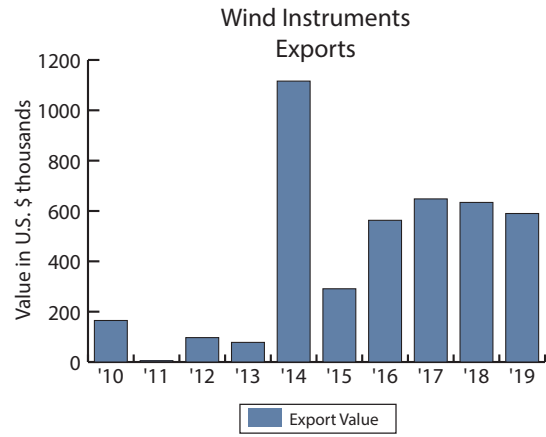
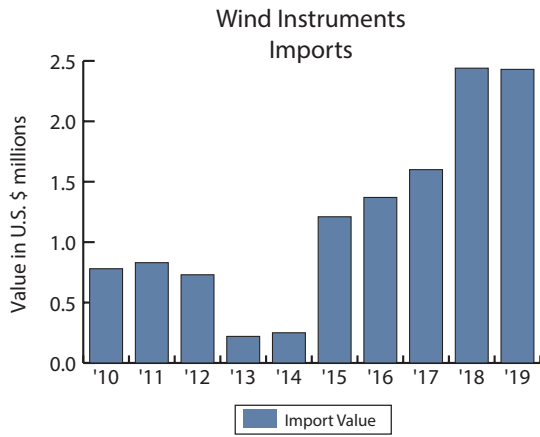
Share of Global Music Market (Percent)



Hungary Imports and Exports



Hungary Imports and Exports



INDIA

DOING BUSINESS IN INDIA

Market Overview

Bilateral U.S.-India trade expanded to US\$142.1 billion in goods and services in 2018 against a backdrop of Indian GDP growth of 7.1% and declining overall levels of global trade volumes. The United States remained one of India's largest trading partners, with exports of U.S. goods and services to India reaching US\$58.9 billion, and imports from India hitting US\$83.2 billion. The U.S. also remained India's top export market, while India was the 12th-biggest export market for U.S. goods in 2018. Despite these gains in bilateral trade, there exists enormous potential to further increase our trade. India's US\$24.2 billion trade surplus with the U.S. is its largest with any country.

India-sourced foreign direct investment in the U.S. was valued at US\$13.1 billion in 2017, an increase of US\$1 billion from the previous year. India-sourced FDI supported approximately 66,800 U.S. jobs in 2016. India's FDI in the U.S. is led by professional, scientific and technology services, but also includes depository institutions and manufacturing. U.S.-sourced FDI into India was valued at US\$44.5 billion in 2017, but much U.S. investment enters the country from third-country intermediaries. U.S. companies directly employ approximately 1.3 million Indians and support an estimated 6 million jobs across the country. U.S. companies are the largest foreign investors and employers in India. Most major U.S. companies are active in the market, including fast-growing U.S. franchisors that are responding to changing consumer tastes and an expanding consumer class, particularly in urban areas.

India's economy performed well in 2018, with GDP growing at over 7% coupled with a stable rupee and steady, relatively low inflation. India remains a difficult market for doing business, despite a 23-place jump in the World Bank's 2019 Ease of Doing Business Index, ranking 77th out of 190 countries surveyed. The primary gains resulted from improvements in granting construction permits and trading across borders. However, large trade irritants remain for U.S. industry in the health care, information and communications technology, aviation, agriculture and financial services sectors. Steel excess capacity and ongoing antidumping and countervailing duties cases also present challenges.

The U.S. designated India as a "Major Defense Partner" in June 2016, paving the way for greater trade and technology sharing on par with that of the U.S.'s closest allies and partners. On July 30, 2018, the U.S. Department of Commerce announced that India would move to Tier 1 of the Department's Strategic Trade Authorization license exception, expanding the scope of military exports that can be made available to India without individual licenses.

In May 2019, the Narendra Modi-led Bharatiya Janata Party won the world's largest democratic election by a landslide. Prime Minister Narendra Modi's government once again has an absolute majority in the lower house of Parliament. At the beginning of his first term in 2014, Modi undertook the "Make in India" initiative, a campaign to attract international capital to the country's struggling manufacturing sector and increase the share of manufacturing GDP. Modi also made several moves to open the economy to foreign investment in civil aviation and e-commerce, and the Government of India (GOI) implemented a national Goods and Services Tax to replace the complex web of national and state government taxes. It appeared that the GOI was developing a more business-friendly stance to spur job creation and maintain its growth momentum. However, some protectionist measures tarnished this image in the run-up to the 2019 national elections.

Bilateral tensions have increased over market access and tariff policies. These include the U.S.'s 25% steel and 10% aluminum tariffs under the national security-based Section 232 law. India supplied less than 3% of U.S. steel and aluminum imports in 2017. On June 16, 2019, India imposed retaliatory tariffs of 10% to 50%, targeting U.S. goods such as nuts, apples and steel. India is challenging the U.S. tariff increases in the World Trade Organization. In response, the U.S. requested dispute consultations at the WTO in early July 2019, and argued that India was unfairly discriminating against U.S. imports vis-à-vis those from other WTO members. Separately, after an internal review process and protracted negotiations with the Government of India that were unsuccessful in increasing market access, the U.S. terminated India's benefits under the Generalized System of Preferences on June 5, 2019. The GSP provides duty-free tariff treatment to certain imports from eligible developing countries to support their economic development. India was the top GSP beneficiary worldwide. In 2018, the GSP represented 11% (US\$6.3 billion) of U.S. merchandise imports from India, such as chemicals, auto parts and tableware. The termination of India's GSP benefits reinstated U.S. tariffs, which range from 1% to 7% on the top 15 GSP imports from India.

Opportunities for U.S. companies to succeed in India, however, are still abundant, and the potential to increase bilateral trade is significant. Indian conglomerates and high-tech companies are generally equal in sophistication and prominence to their international counterparts. Indian companies in certain industrial sectors, such as information technology, telecommunications, pharmaceuticals, textiles and engineering, are globally recognized for their innovation and competitiveness. U.S. 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 roads, railroads, seaports, airports, power grids and telecommunications infrastructure are significant obstacles as India 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 has devoted significant portions of its recent annual budgets toward infrastructure development and plans to execute this infrastructure enhancement largely through its homegrown public-private partnership model. India's current PPP model has had a mixed record, as seen in the slow development of numerous metro transit, road/highway, airport, mining and energy projects. Land acquisition issues and litigation often result in construction delays, and government tenders generally attract unrealistically low bids, meaning that cost overruns are prevalent. U.S. companies have been successful in certain areas of India's infrastructure development, but competition from other countries remains stiff. As a result, the U.S. industry's market share in India in this sector has been declining.

High Tariffs and Protectionist Policies

U.S. exporters and investors face non-transparent and often unpredictable regulatory and tariff regimes. Many U.S. services have limited access to the market. India has the highest average applied tariff of any G-20 country and among the highest bound tariff rates in the WTO.

Data Localization Requirements and E-Commerce Curbs

The GOI is actively pursuing policies requiring that various kinds of financial data be stored only in India, severely affecting many U.S. companies. A proposed data protection bill is working its way through the Indian legislature, which would affect a wide range of businesses, both Indian and international. The bill's directive that all critical data be stored and processed only in India is worrisome and needs further clarification. Also, recent changes to the laws governing what e-commerce companies can sell online and how they can sell have been a blow to U.S. online companies. The new law restricts discounts by e-commerce companies and prevents companies from selling products from entities that they own, or with which they are affiliated.

Local Content Requirements

The GOI is pursuing local content requirements in specific areas, including information and communications technology (ICT), electronics and solar energy, to spur an increase in the manufacturing sector's contribution to India's GDP. These policies negatively affect U.S. exporters.

India drafted a policy expressing a preference for domestically manufactured telecommunications and ICT products in government procurement, citing security concerns. Furthermore, the Department of Telecommunications must be notified of all telecom and ICT product purchases by the GOI that have security implications. All imported ICT equipment targeted by this policy requires mandatory licensing and certification from accredited labs in India, but this regulation has not been fully enforced due to the limited capacity of Indian testing labs.

Powers of States

U.S. companies face varying business and economic conditions across India's 29 states and seven union territories and will need regional strategies to succeed in India. As a federal system, much power and decision-making are decentralized in India, with state-level differences in political leadership, quality of governance, regulations, taxation, labor relations and education levels. U.S. firms should factor these state variations into their business strategies for India.

The current GOI has promoted the idea of "cooperative, competitive federalism" to encourage states to compete against each other to attract investment.

Local Governments

Local governments vary in their attitudes, abilities and capacities to support business and industry. Key to starting up and growing a business in India are local government processes and speed of granting permits and approvals for everything from electrical and water connections, to infrastructure, construction, real estate, vehicle purchases and registration, and much more. As with state-level variation, political leadership, quality of governance, regulations, taxation, labor market and relations, infrastructure, service delivery, and education and skill levels all vary from community to community. U.S. firms should factor these local variations into their state and national business strategies.

Market Opportunities

The following sectors provide growth opportunities for U.S. companies in relation to the Indian market:

- Energy
- Health care and medical equipment
- Defense
- Civil aviation
- Environmental technology
- Information and communications technology
- Safety and security
- Mineral and mineral processing equipment
- Agriculture
- Education services
- Travel and tourism

Market-Entry Strategies

Strategic planning, due diligence, consistent follow-up, and perhaps most important, patience and commitment, are all prerequisites for successful business in India. This market necessitates efforts that address differing regional opportunities, standards, languages, cultures 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 continuously 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 can often be effectively addressed through 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 Considerations

There are many foreign companies eyeing opportunities in India. For entry into the Indian market, it is essential to identify the target market and identify 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 understanding the diverse market and strategies toward specific regions and income groups (i.e., target segments); crafting offerings according to the target group to gain early acceptance; considering the large, informal sector in your planning; approaching the market consistently; obtaining mandatory licenses and approvals; and understanding that import procedures are one of the key issues for first-time exports to India. Proper documentation and understanding of Indian import procedures will help to ensure smooth entry of products into the Indian market.

“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.

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

INDIA SNAPSHOT

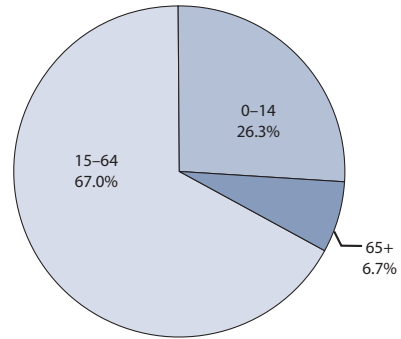
Demographics

Population in billions 1.3

Age	Male	Female
0-14	0.19	0.16
15-64	0.46	0.43
65 & Over	0.04	0.05

Median Age 28.7
Population Growth 1.10%

Demographics

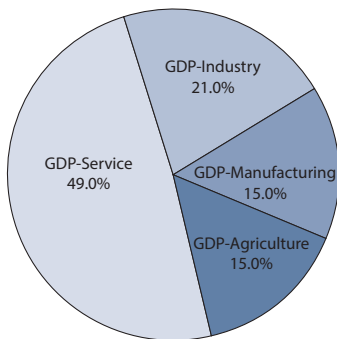


Economy

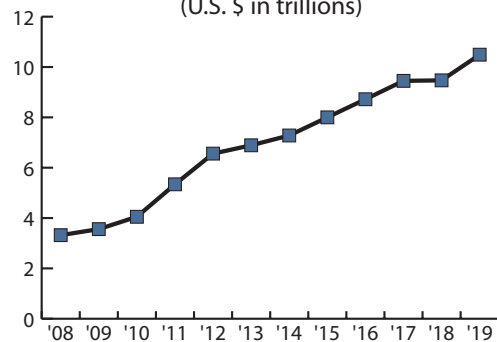
GDP (PPP)	\$10.49 trillion
GDP Per Capita	\$7,763
GDP-Real Growth Rate	5.00%
Unemployment Rate	7.60%
Inflation	4.50%

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.

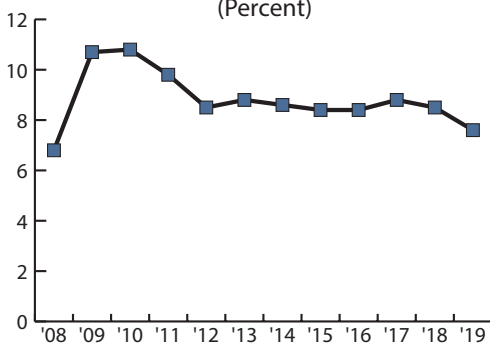
Economy



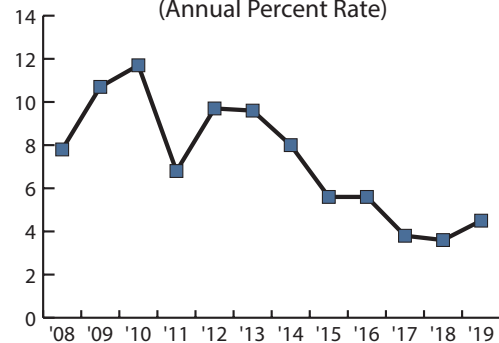
India GDP (PPP)
(U.S. \$ in trillions)



Unemployment Rate
(Percent)

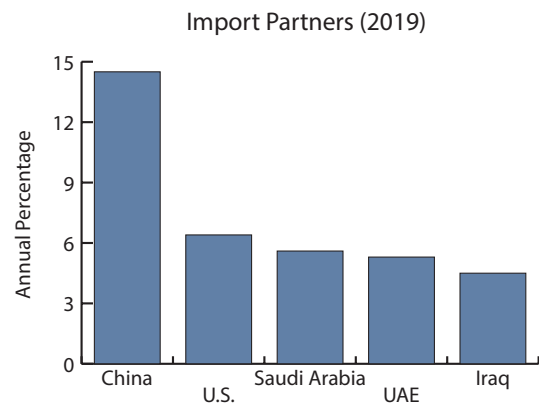
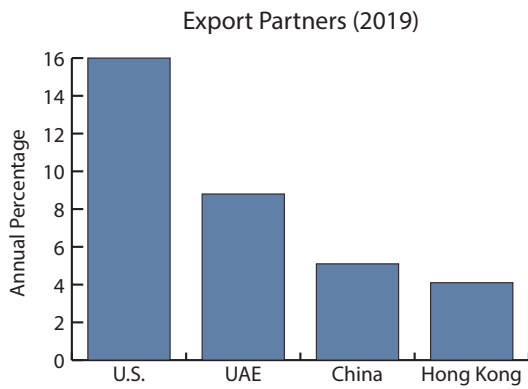


Inflation
(Annual Percent Rate)



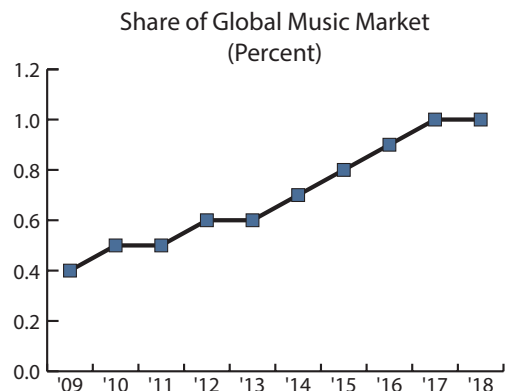
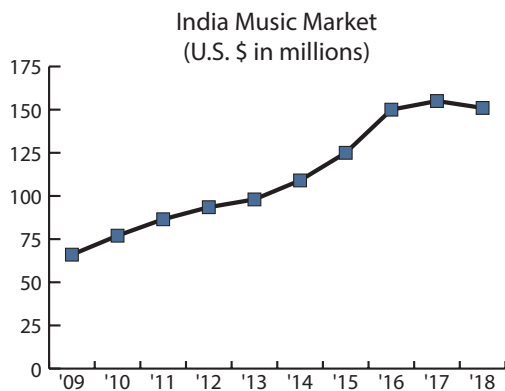
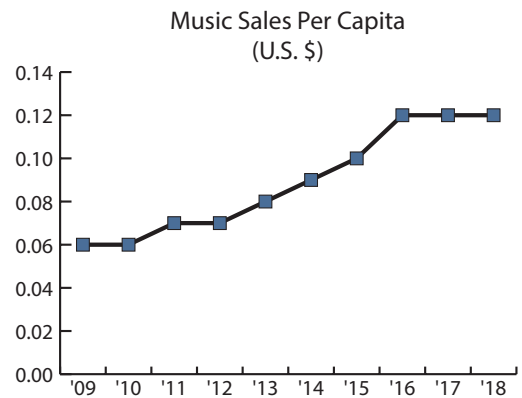
Trade

Total Export	\$322.5 billion	Export as % of GDP	3.07%
Total Import	\$507.6 billion	Import as % of GDP	4.84%

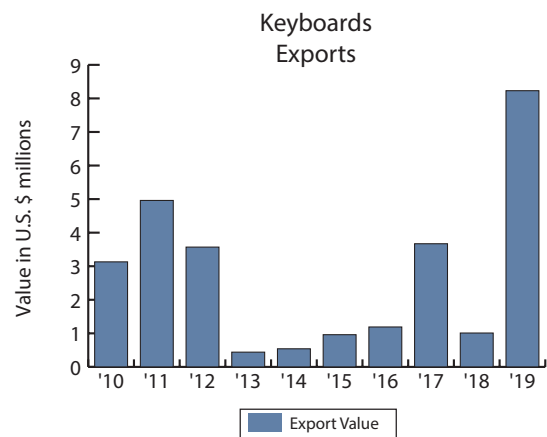
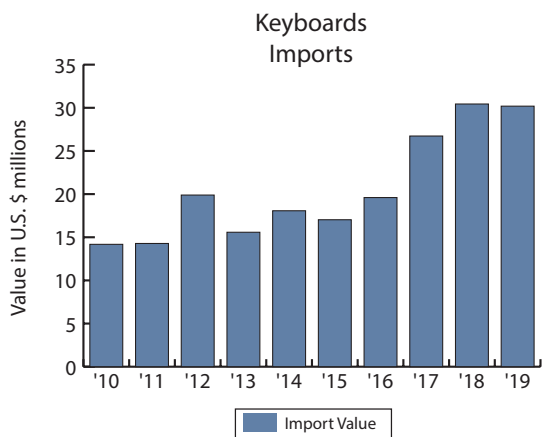
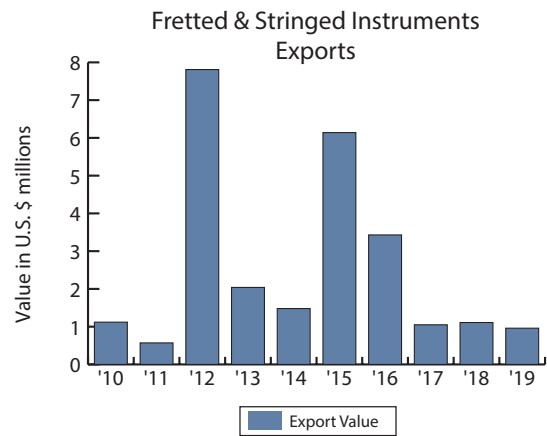
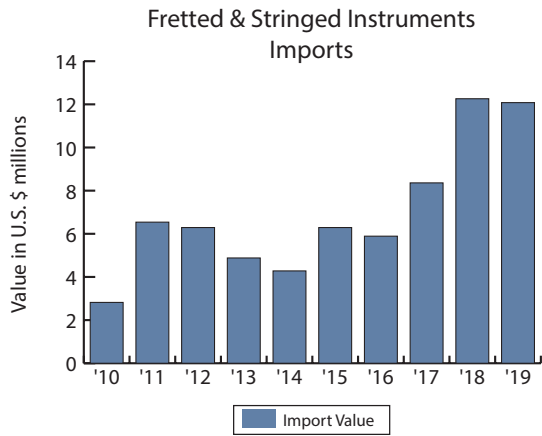
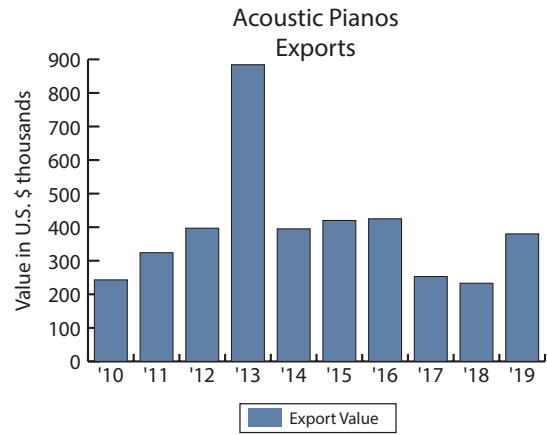
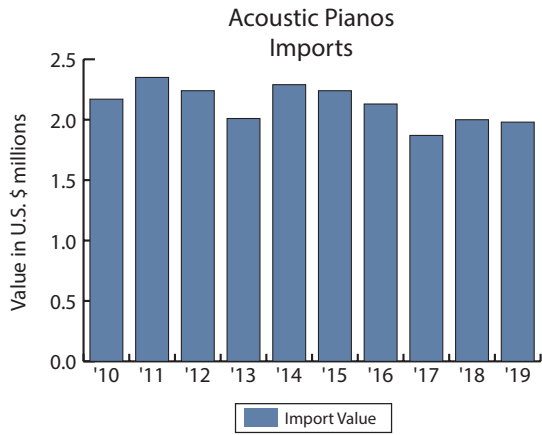


Music Industry

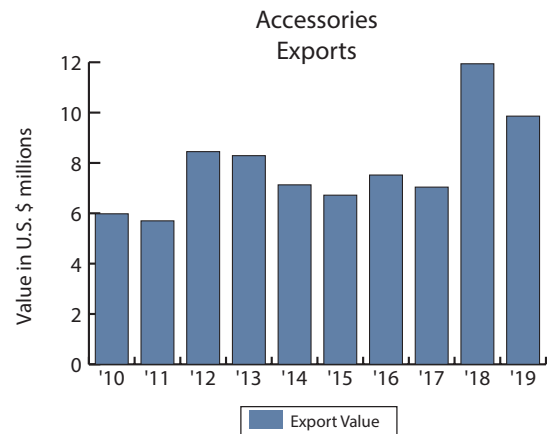
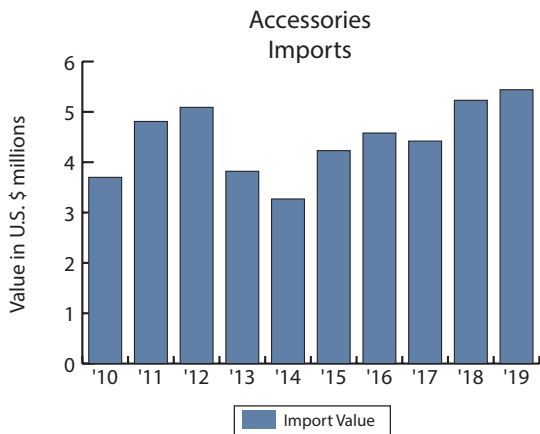
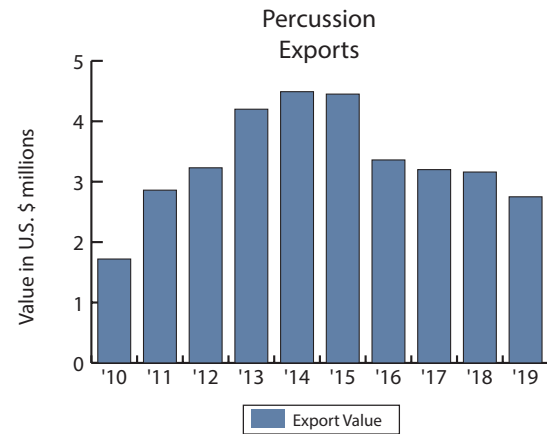
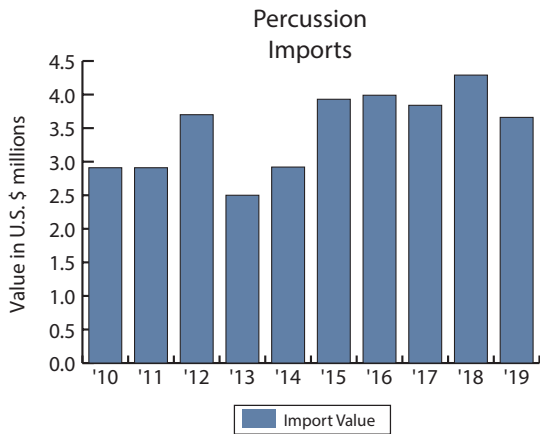
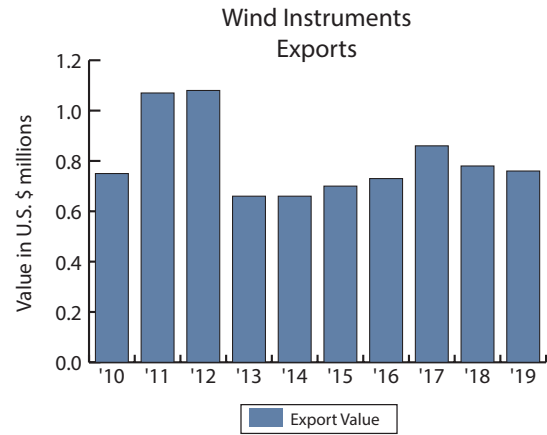
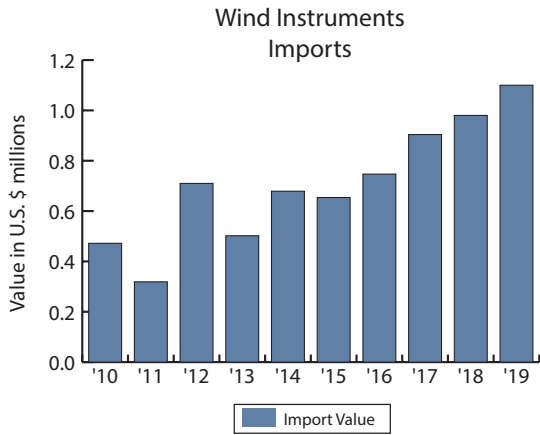
Music Market	\$151.0 million
Sales Per Capita	\$0.12
Global Share	1.00%



India Imports and Exports



India Imports and Exports



ITALY

Due to COVID-19, data collection for the year 2019 has not yet been completed. We will instead refer to data from the last Observatory available from 2018—a crucial year for the Italian musical instruments market. In fact, most indicators pointed to a situation worsening to an extent unseen since 2013. In particular, there were decreases across several areas from the previous year: by -3.86% for sell-in turnover by manufacturers and wholesalers, by -3.62% for sell-out value of specialist retailers, and by -11.85% for import trade.

Based on data provided by 119 specialist retailers of musical instruments, equipment and editions, the estimated value of the Italian market in 2018 is 541.6 million euros. Most of the survey participants expect revenues to remain steady or slightly decline over time.

There were 1,289 specialist retailers in Italy in 2001, but 17 years later, only 965 remain. The employment level has been affected too, but to a lesser extent.

The trend for MI manufacturers is exactly the opposite. Over five years, they increased from 997 to 1,083 in 2018. As the average size of these firms has not increased proportionally, one can assume that artisans are gaining prominence and pushing Italian manufacturing forward.

The latter still benefit from a good reputation abroad. In fact, the Italian export of musical instruments has grown by +30.84% in five years, reaching 139 million euros in 2018 and a positive balance sheet for the first time since 2014. Pianos, wind instruments, string instruments and accessories are the mainstays of the Italian export flow.

A further trend is the growing number of MI repairers and maintenance repair shops all over the country—but the numbers remain modest, with 210 in 2018. As the online channel is progressively asserting itself within the MI distribution system, this expansion is somehow physiological. Though no precise estimate of its value is available, the online channel accounted for just 6.38% of total revenues by manufacturers and wholesalers in 2016, and increased to 11.05% two years later.

Apart from the national and foreign websites that sell musical instruments, the situation is critical for most MI market operators. The economic and financial performances of manufacturers, wholesalers and specialist retailers have been analyzed separately. Total turnover and earnings before interest, taxes, depreciation and amortization grew steadily for MI manufacturers while being low and declining for wholesalers, thus forecasting a structural crisis for the latter group and a renewal in the market functioning. As far as specialist retailers are concerned, smaller shops have declining revenues and profits. Medium-sized shops and chain stores suffer from shrinking margins and progressively heavier credit exposure. The fierce price war with online sellers must account for part of the reduced marginality of the traditional distribution system.

This snapshot of the Italian market underscores the urgency and necessity—conveyed by this document—for public, organic measures to support thousands of firms all over Europe and to prevent neglect of our common cultural and social heritage.

The major issue that occurred in 2019 was a radical change in the distribution area (no official data available). Most traditional distributors have shut down or have been forced to find alliances in a new multinational, European business model.

Due to a lack of total sales increase and the overall situation, we see a growing need to refocus the musical instrument business for the entire supply chain in Italy. Due to the current pandemic-related public health emergency, more retailers have begun to operate online. Meanwhile, the leading online sales company has opened a retail store in Rome as a first step to adding physical shops to their online business.

The number of retailers decreased by about 15% over the past few years. In contrast, online sales from abroad, even without official figures, are estimated to have reached 25% to 30% of total sales in Italy.

Activities to promote music education in the Italian school system remain a primary focus. Our association collaborated with the minister of education to launch a 7-year initiative, spanning 1990 to 1997. The project was a milestone achievement in the introduction of an important new element to school principals' academic priorities. A dedicated committee created by the former minister continues the work on this project, having added 1,845 music classes with instrument lessons to secondary schools and 140 to high schools.

Music courses are included in schools' curricula but have low rates of adoption due to bureaucracy and administrative difficulties and delays. Less than 15% of the student population enjoy access to music instrument lessons, so our association still works to support this effort to expand access to music lessons for all students.

The musical instrument industry does not hold significant influence over institutional "decision-makers" due to our small numbers in the direct economy and among occupations. We are trying to promote an alliance with the wider world of music makers who generate huge financial, economic and occupational numbers. They operate in parallel industries: live performances, radio, TV, recordings, and encompass brass bands, rock 'n' roll artists, music schools, etc. These alliances may help us to gain some institutional influence. This is no easy task, as every single sector focuses on its own business, and the current environment does not support the creation of a music system network.

At the time of this writing, Dismamusica has launched a campaign on our socials with top musicians called "Artisti insieme per l'Italia." This campaign encourages the public to buy musical instruments in Italy, which not only helps Italian retailers, but promotes keeping music shops alive as a critical part of our overall physical, cultural space. Music shops not only sell instruments, but offer services to the local community, including music lessons, PA rentals for live music, marching band and music conservatory support, piano tuning and repairs for amateurs and professional musicians, professional advice to final consumers, etc. Each shop that closes its windows is a big loss for the local community.

Commentary by Antonio Monzino, President of Dismamusica, in collaboration with Prof. Fabio Antoldi and his team of CERSI, a research department of the Univesità Cattolica del Sacro Cuore di Milano

DOING BUSINESS IN ITALY

Market Overview

- Italy is the world's eighth-largest economy with a GDP of US\$2.18 trillion in 2018. Although Italy emerged from its recession in the first quarter of 2015, the Italian GDP remains five percentage points below its pre-crisis peak. Italy's GDP grew by 0.9% in 2018, and the Government of Italy projects it will grow by 0.2% in 2019.
- In 2018, Italy was the 19th-largest market for U.S. exports, which totaled approximately US\$23.2 billion, and the fourth-largest export market in the EU, following Germany, Netherlands and France. However, export values to the Netherlands (Rotterdam) and Belgium (Antwerp) are skewed by the "Rotterdam Effect" where goods are valued at the port of entry, but then distributed throughout the EU.
- U.S. exports to Italy are concentrated in high-value sectors such as pharmaceutical products (17%), machinery (12%) and aircraft (7%).
- The United States remained by far Italy's largest non-EU export market with roughly a 9% share of all non-EU exports. In 2018, the U.S. was Italy's third-largest destination for exports, with U.S. imports from Italy totaling US\$50.1 billion, following Germany and France. The U.S. had a goods trade deficit with Italy valued at US\$31.95 billion in 2018.
- In 2018, Italian foreign direct investment in the U.S. totaled US\$35.67 billion, supporting 78,200 American jobs. Top industry sectors for Italian FDI include industrial machinery, automotive components, metals, software and IT services, consumer products and alternative energy.
- Italy's cumulative inward FDI is well below the EU average, primarily due to structural problems, which affect domestic as well as foreign investment. U.S. direct investment in Italy totaled US\$30.70 billion in 2017, ranking Italy eighth in Europe—receiving less than half of U.S. investment in France and one-fourth of that 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 current Italian government formed in June 2018, when the anti-establishment Five Star Movement and the far-right League party came together to form a populist coalition government. Giuseppe Conte serves as Prime Minister.
- Italy has a population of approximately 61 million. Industrial activity is concentrated in the north—this northern industrial corridor spans from Turin in the west, through Milan, to Venice in the east. It is one of the most industrialized and prosperous areas in the world and accounts for more than 50% of Italy's national income. By contrast, Italy's southern region, or "Mezzogiorno" is less developed.
- Small- and medium-sized firms—many of them family-owned—comprise 99% of Italian businesses and produce 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.
- Italy ranks 51 out of 190 countries in the World Bank Doing Business Report, down from 46 in 2017. Though its index score is gradually improving, it ranks 53 out of 176 countries in Transparency International's Corruption Perception Index.

Market Challenges

- Italy's growth lags below the EU average, although domestic consumption appears to be slowly rebounding. The Italian GDP grew marginally in 2018, and unemployment remains well above the EU average, particularly youth unemployment, which is the highest across the eurozone at 33%.
- Italy is a mature and sophisticated manufacturing 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.
- Italy has one of the lowest levels of internet penetration of all European countries. Despite its rising trend, digitalization rates among Italian firms remain quite low, and the majority of SMEs are far from embracing the internet.
- 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.

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 and services with little or no domestic competition; and where U.S. products offer clear technological, design, or price advantages.
- Best prospects for U.S. exports to Italy include: advanced manufacturing, airport and ground support equipment, automotive components, biotechnology, cosmetics and toiletries, cybersecurity, medical devices and technologies, pet products, safety and security equipment, smart grid technologies, and travel and tourism.
- Key U.S. exports to Italy include pharmaceutical products, industrial machinery and machine tools, electrical appliances, automobiles and auto parts, food and wine, and travel and tourism services.

- Pharmaceuticals ranks first among manufacturing sectors for U.S. investments. In 2015, U.S. biopharmaceutical companies had an annual turnover of 6 billion euros (US\$6.6 billion), 20% of the entire industry.
- The agricultural sector makes up a significant portion of U.S.-Italy trade. In 2018, U.S. agricultural, forest and fish exports to Italy were US\$1.4 billion, and U.S. imports from Italy were US\$5 billion. As a net agricultural importer, Italy imports most raw materials and ingredients. Italy's economic strength is in the processing and the manufacturing of goods, primarily in small- and medium-sized family-owned firms. Italy exports mainly consumer products to the U.S., while the U.S. exports mostly bulk commodities to Italy.
- 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 2018–2019 include European Utility Week, EICMA and Showcase USA-Italy.
- The U.S. Department of Commerce actively promotes investment in the U.S. through our SelectUSA program. In Italy, we have extensively promoted opportunities to invest in the U.S. to Italian businesses, trade associations and multipliers. The Italian delegation to the SelectUSA Investment Summit in Washington, D.C., has consistently been among the largest worldwide.

Market-Entry Strategies

- The cultivation and maintenance of personal relationships are a vital part of doing business in Italy. Finding the right Italian agent, distributor, or business partner is therefore essential. It is usually not effective to rely on agents or distributors located 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 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, as it may take two to three times longer than expected to forge relationships, establish a market presence or set up a business.

“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.

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

ITALY SNAPSHOT

Demographics

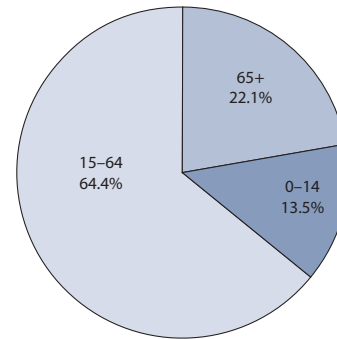
Population in millions 62.4

Age	Male	Female
0-14	4.29	4.10
15-64	19.83	20.40
65 & Over	5.95	7.83

Median Age 46.5

Population Growth 0.11%

Demographics

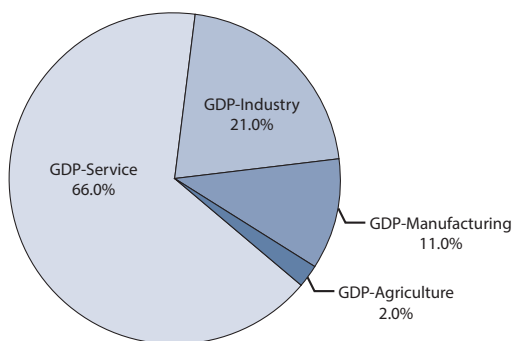


Economy

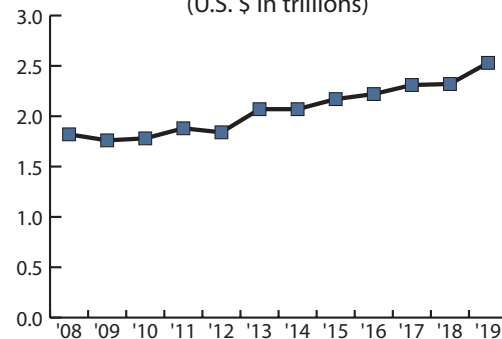
GDP (PPP)	\$2.53 trillion
GDP Per Capita	\$41,830
GDP-Real Growth Rate	0.90%
Unemployment Rate	9.20%
Inflation	0.60%

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.

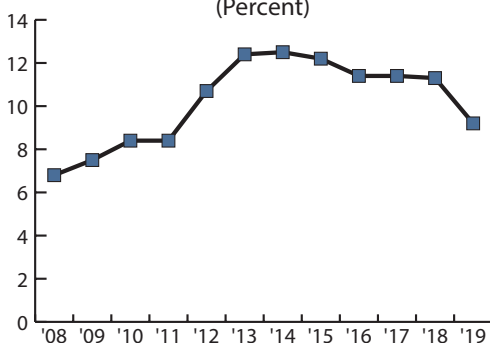
Economy



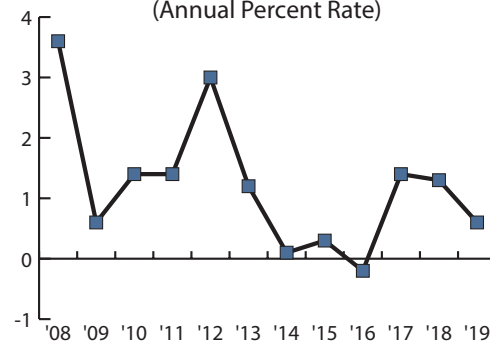
Italy GDP (U.S. \$ in trillions)



Unemployment Rate (Percent)



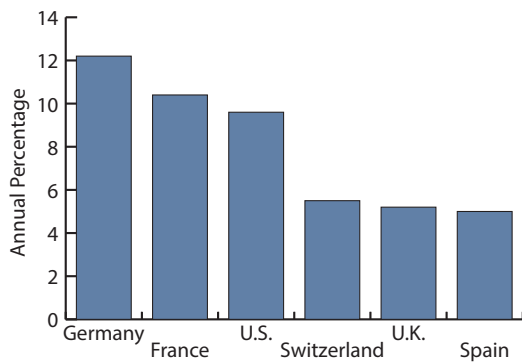
Inflation (Annual Percent Rate)



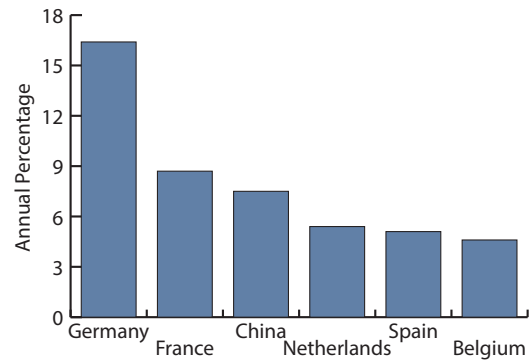
Trade

Total Export	\$532.7 billion	Export as % of GDP	21.05%
Total Import	\$473.6 billion	Import as % of GDP	18.72%

Export Partners (2019)



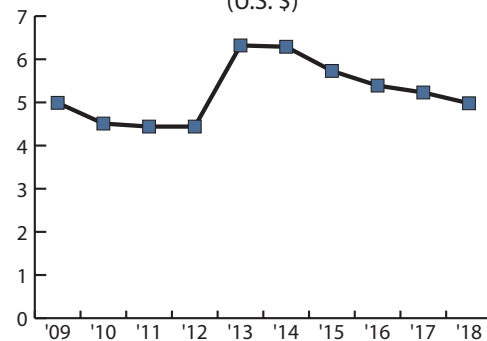
Import Partners (2019)



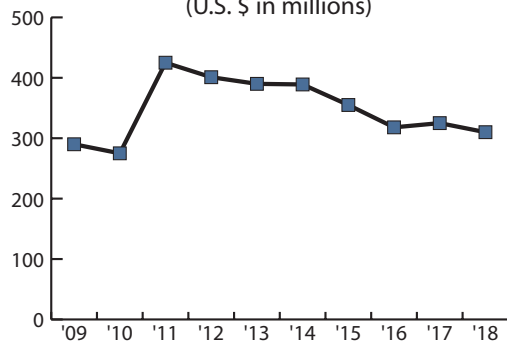
Music Industry

Music Market	\$310.0 million
Sales Per Capita	\$4.98
Global Share	1.90%

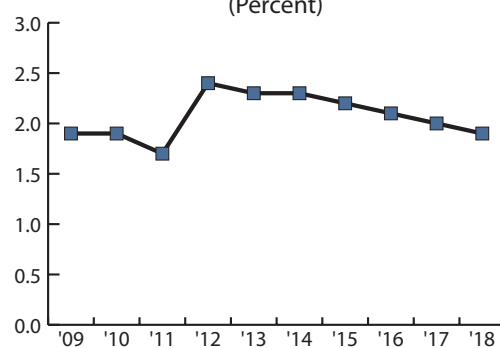
Music Sales Per Capita (U.S. \$)



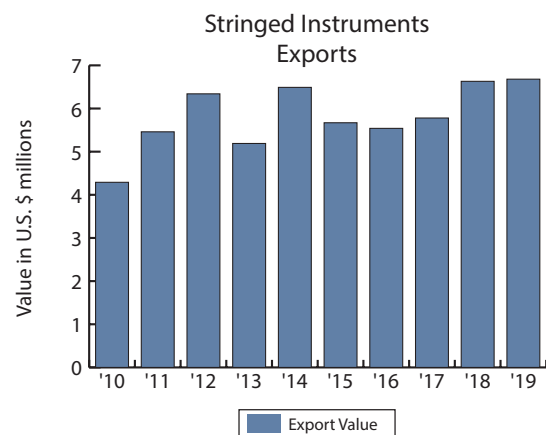
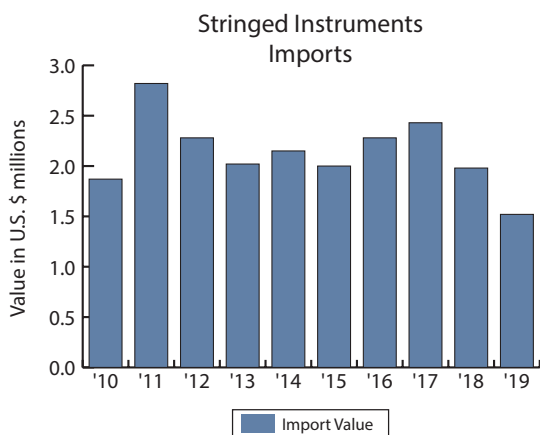
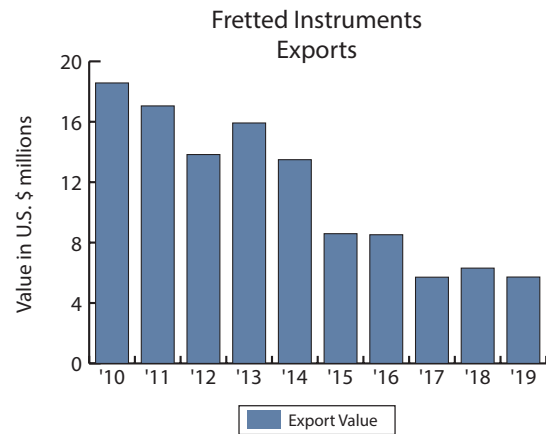
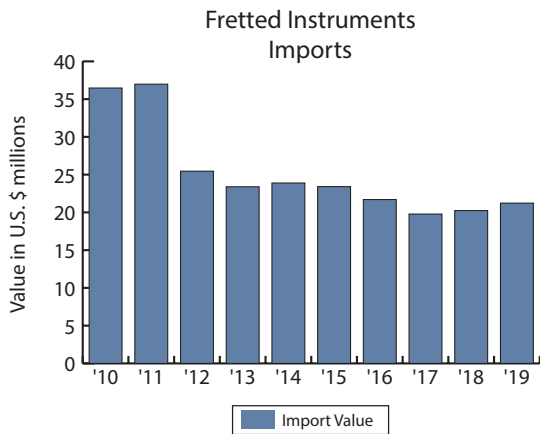
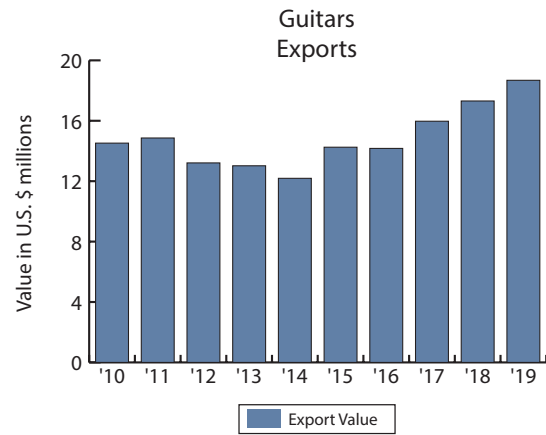
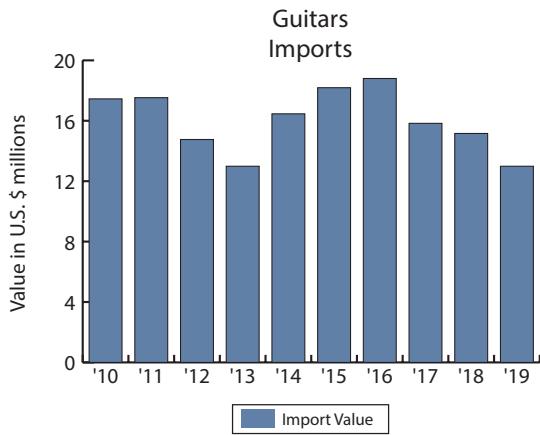
Italy Music Market (U.S. \$ in millions)



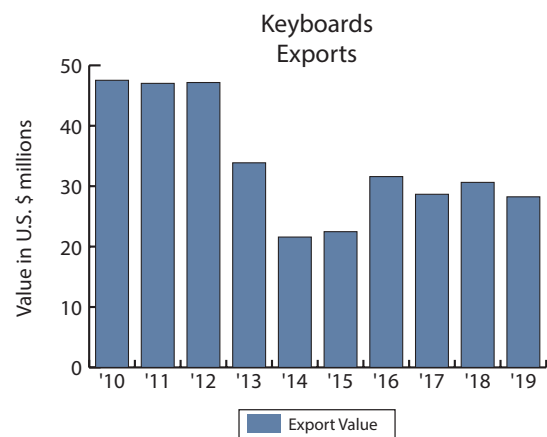
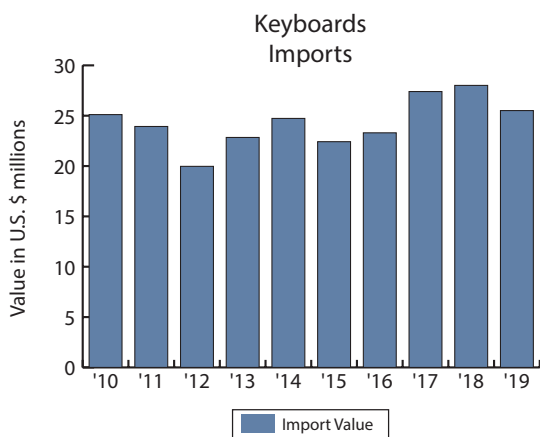
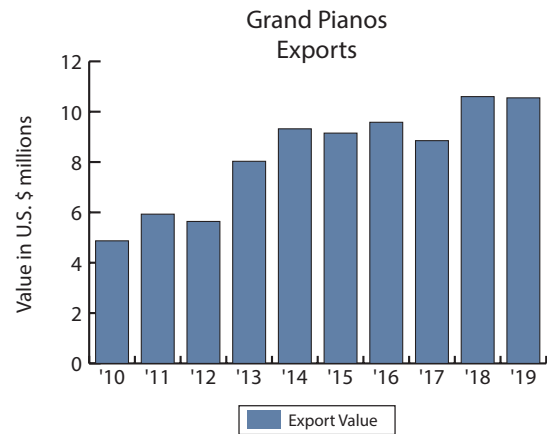
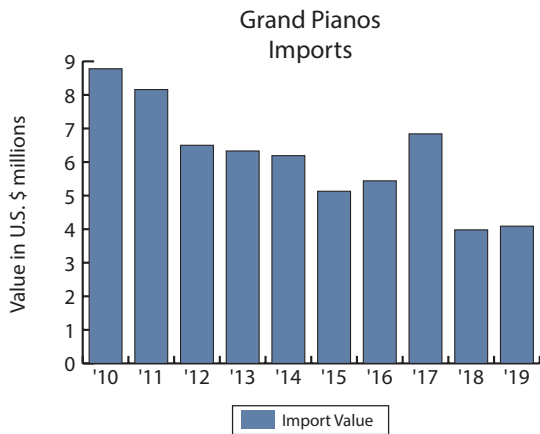
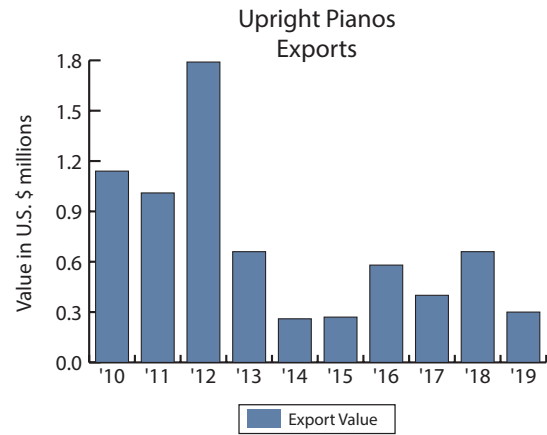
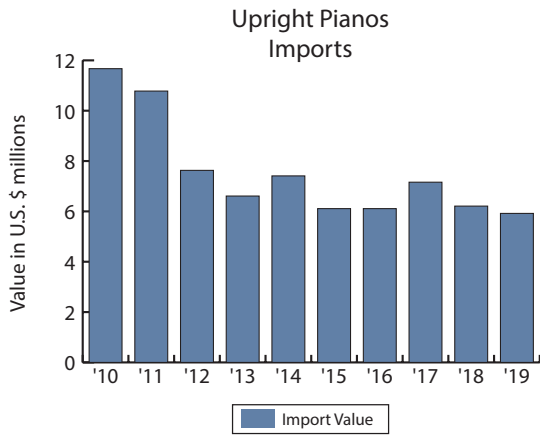
Share of Global Music Market (Percent)



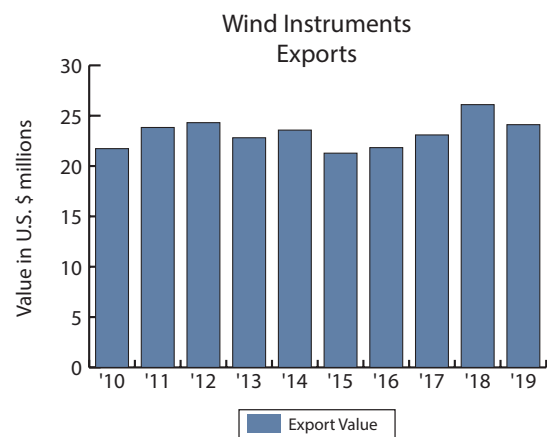
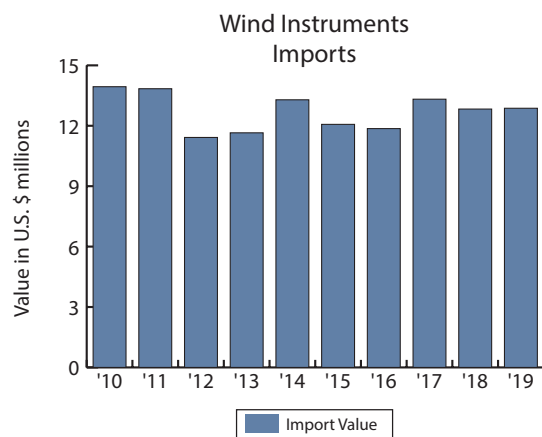
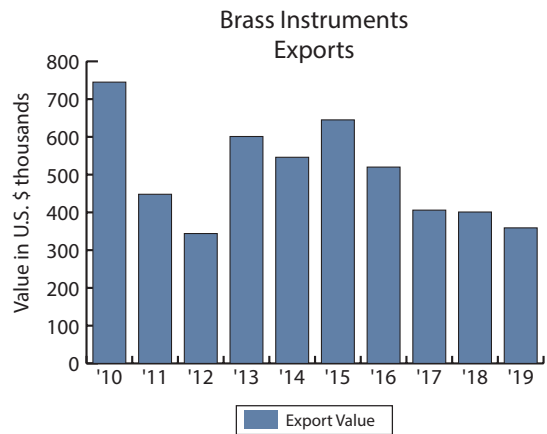
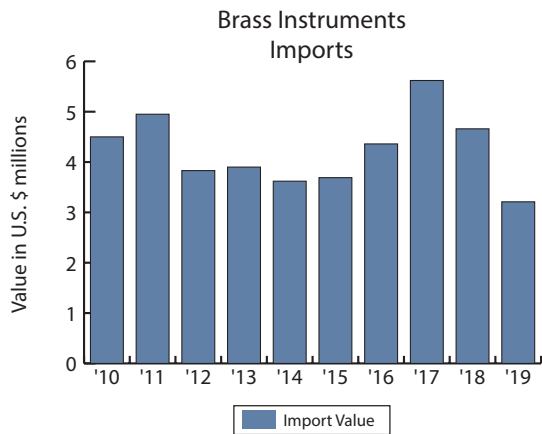
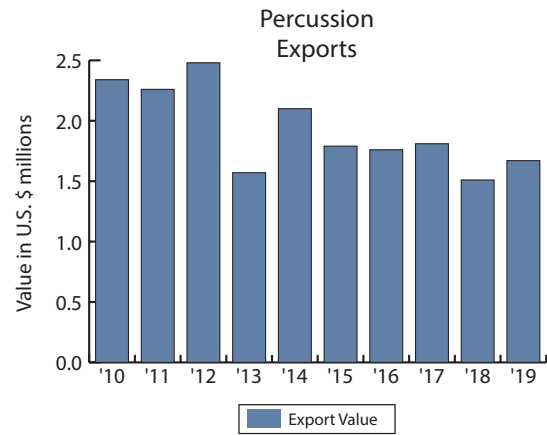
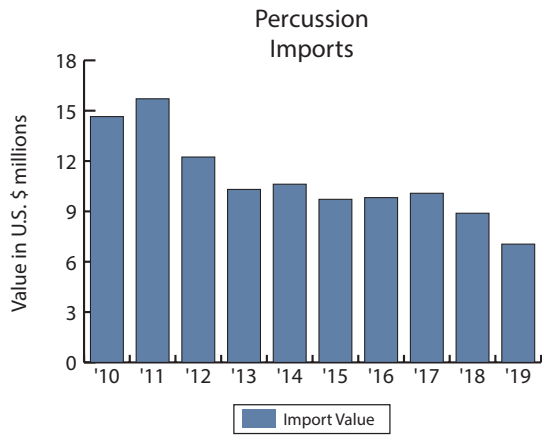
Italy Imports and Exports



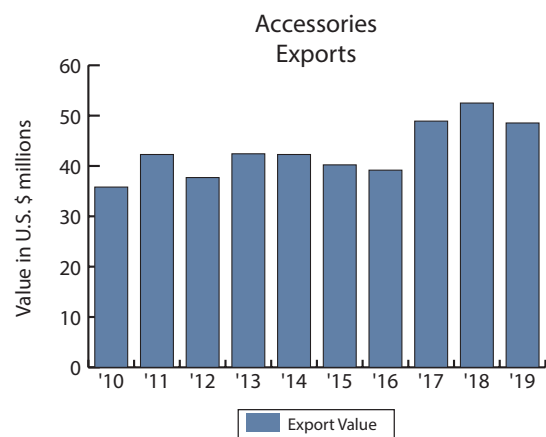
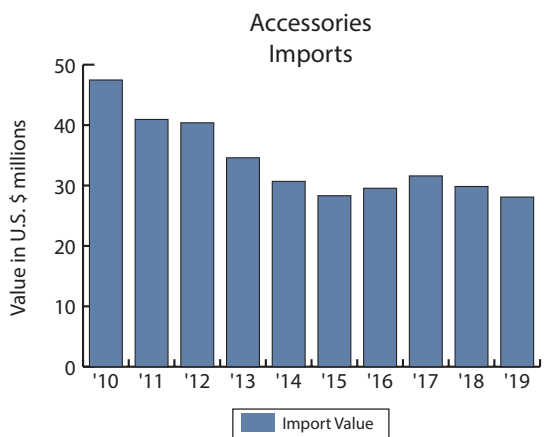
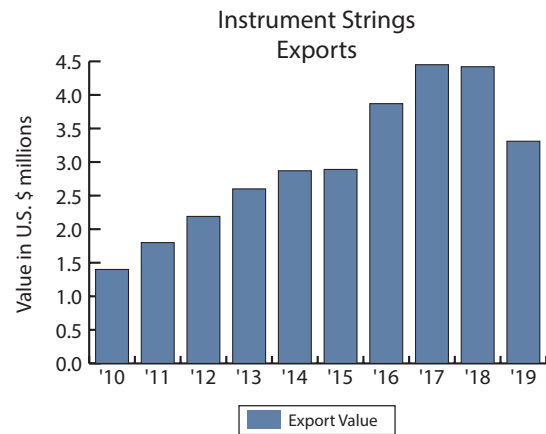
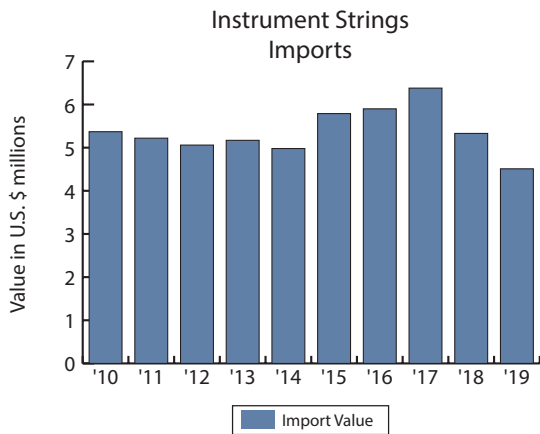
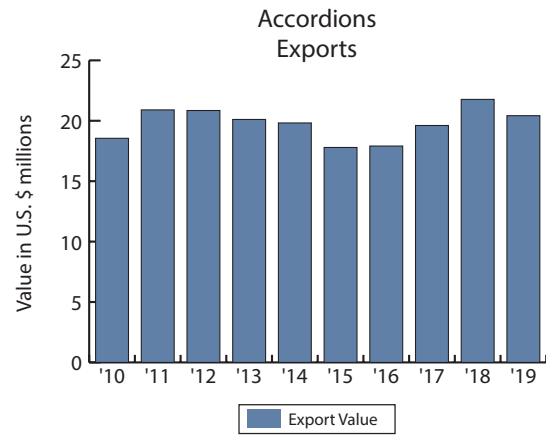
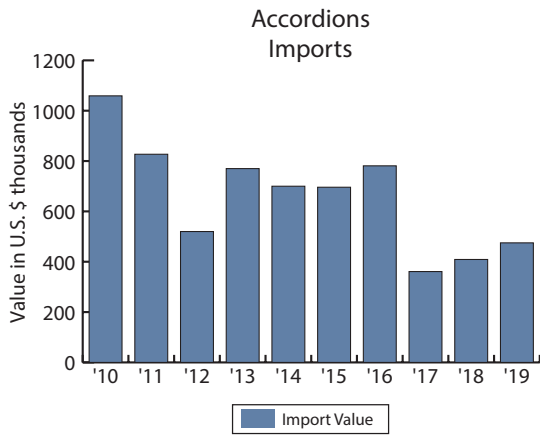
Italy Imports and Exports



Italy Imports and Exports



Italy Imports and Exports





JAPAN

The Japan Musical Instruments Association (JMIA) completed its 2018 industry survey, having sent questionnaires to a total of 71 manufacturers and 364 retailers to research production (shipments) in Japan from April 1, 2018 to March 31, 2019. Fifty manufacturers and 116 music retailers participated in this survey.

2018 Manufacturers' Survey Summary

Domestic sales decreased 4% in units but increased 8.9% in value to 55.3 billion yen (US\$513.7 million). Increased unit price brought excellent results in value both for exports and domestic sales.

Large keyboard instruments

Domestic shipments of grand pianos increased 3% to 3,375 units, but unit price declined slightly. Though unit price went up marginally, upright piano shipments decreased 3% to 9,344 units. Automatic player pianos performed well, but digital pianos were stagnant with a minor decrease in units. Unit price also went down moderately—a trend since 2017.

Shipments of electronic keyboards with standard-size keys dropped 7% in units; however, they jumped up 40% in value, which suggests the number of adult players in this market are increasing. The same is true for electronic keyboards with mini-size keys.

Manufacturers reported that they had stepped up production of upright and grand pianos in Japan and overseas as well.

Wind and stringed instruments

Domestic shipments of flutes, piccolos, clarinets, saxophones, oboes, bassoons and trombones all increased in value. This increase, coupled with the fact that they failed to meet the 2017 level in units, suggests there were substantial mark-ups, upgrading to higher models, and growing demands from adult music makers.

Healthy shipments of band instruments are seen in increased imports from EU countries. In 2018, Japan imported 14% more band instruments from that region, and their total value increased by 12%. One negative trend is that shipment of trumpets and cornets decreased 21% in units, and 15% in value from the previous year. Given that trumpets are one of the most popular brass instruments and known for their ease of maintenance when compared with woodwind instruments, a good percentage of trumpets may be distributed through mass merchandisers.

Domestic shipments of stringed instruments including violins, celli, violas, double basses and electric violins all went down in units, but went up in value thanks to increased unit price. Other stringed instruments for export, including mandolins, banjos and harps, advanced more in value than in units. It seems that expensive instruments such as harps contributed to the result.

Percussion instruments

Domestic shipments of drum kits, hardware, sticks and mallets declined in units and value. A slight slowdown was recognized in 2018 after a good performance the year before. Domestic shipments of educational percussion, including castanets, tambourines, triangles,



electronic drum kits and single electronic drums, outperformed 2017's results. Educational percussion increased in particular by 25% in units and 18% in value. It may reflect surging popularity for simple rhythm instruments with senior citizens—the use of which is said to ward off dementia and give them the pleasure of music making while contributing to their wellness.

Guitars and related products

Domestic shipments of electric acoustic guitars, electric guitars and basses, and guitar and bass amps also increased. Exceptional shipments of electric guitars and basses brought a dramatic 2.3-time increase in value over the previous year. That increase may be related to some manufacturers' extraordinary shipments of high-end models to experienced adult guitarists.

Digital musical instruments

Keyboard synthesizers and other digital musical instruments, including digital wind instruments, showed steady growth in the domestic market. The Japanese consumer is more inclined to select advanced models of keyboard synthesizers. Portable digital recorders also achieved excellent shipments in the domestic market.

It is apparent that Japanese manufacturers of acoustic pianos, digital pianos, synthesizers and guitars are accelerating production at overseas sites in recent years.

2018 Music Retailers' Survey Summary

Pianos (including acoustic pianos, digital pianos, automatic player pianos and used pianos)

There was little change in the acoustic piano market, but there was a slight increase in the unit price of new and used grand pianos and used upright pianos. On the contrary, the unit price of new upright pianos, automatic player pianos and digital pianos has slightly declined. Sales of new upright pianos are continuously impacted by broader available selections of digital pianos and used models. The advent of new products featuring a light-weight and compact structure at an attractive price point worked to drive down the average unit price.

In the long run, the large keyboard market may become a bright spot as JMIA is now promoting a massive market development campaign, "Music Playing Revitalizes Your Brain and Leads to a Happy Life." Expert research shows that music performance is proven to help ward off dementia and maintain good physical and mental health in senior citizens.

Organs and portable keyboards

Electronic organs are widely recognized as an educational instrument for children. Thus, sales of organs keep falling as the number of school-age children declines. Though no remarkable new models entered the market during the year, the average unit price of organs rose by 30,000 yen (US\$279) to 416,000 yen (US\$3,864), reflecting the popularity of the instruments among the adult players.

Sales of portable keyboards slightly dropped as a whole, but models with standard-size keys significantly increased both in units and value. The average unit price rose by about 20%. While demands for the instrument are in a downward trend among young families, they are gaining popularity in the senior market.



Wind and stringed instruments

The market traditionally has a broad and massive customer base ranging from school-age children to adult band members. The number of school-age children is declining, which adversely affects the school-use market. However, it's expected that the overall market will keep its size as, in the coming years, the industry is expected to see a new customer base of middle-aged and senior ex-wind players with rich musical experience.

Total sales in this segment surged slightly in units but declined 3% in value. Unit prices for flutes and piccolos, clarinets, saxophones and trombones rose partly due to mark-up and a customer preference for more premium products.

There was no sign of change in the stringed instruments market. Japanese consumers had previously lost interest in Chinese instruments, but their resurgence in the Japanese market is increasing with improvements in quality standards for those instruments. Imports from European countries declined only at a moderate level. Demand is stable for fractions, which indicates a healthy entry market.

Guitars (including acoustic guitars, electric guitars, amps, effect processors and ukuleles)

Total sales of guitars as a group went down about 10% in units, but increased slightly in value, which suggests a substantial rise in unit price.

While sales of new acoustic guitars, including electric acoustic guitars, slightly declined in units, they remained unchanged in value. New electric guitars and basses achieved a slight increase both in units and value. This may suggest in part, growing popularity in band activities among teens and young adults in their 20s, and middle-aged and senior citizens.

Sales of used electric guitars and basses were good, with an increase of 4% in units and 2% in value. The market for used gear looks to be expanding through both an existing store distribution network and on the internet.

Consumer interest continues to shift to more compact and inexpensive models of guitars and bass amps. Sales of these remained at the previous year's levels in value but went down a bit in units.

Sales of guitar effects processors and tuners declined 4% in units. Sales of guitar and bass strings decreased 15%, which is largely attributed to bulk purchasing on the internet that bypasses the brick and mortar retail network.

Backed by continuing interest among music makers, ukulele sales increased 37% in value, and the average unit price also went up.

Percussion instruments (including drum kits, marching drums, educational percussion, xylophones, glockenspiels, digital drums, cajons, sticks and hardware)

Sales for this segment dropped 27% in units, but rose 2% in value. Drum kits went down by about 10% both in units and value, but snare drums and toms combined declined by 30% or so in units and value.



Cymbals, sticks, mallets and digital drums share more than 50% of the segment sales. Sales of digital drum kits, which are the largest of the category, went up 30% in value, but the average unit price slightly diminished. Cymbals rose 10% in value. Sticks and mallets decreased 30% in value.

Though their share of the category is relatively small, ranging from 3% to 8% of the total, sales of educational percussion, xylophones with legs and glockenspiels with legs showed a significant growth between 200% and 300% in value.

Digital musical instruments (including keyboard synthesizers)

In 2017, sales of keyboard synthesizers totaled only 3,000 units or so. A year later, they recovered to 10,000-plus units, another record following that of 2016 both in units and value. The average unit price was 74,000 yen (US\$687), but industry experts point out that the market is divided into two opposite price points, high-end models and inexpensive entry-level models.

Other digital musical instruments declined 40% in units but kept a marginal 10% decline in value. Average unit price went up to 59,000 yen (US\$548).

The report doesn't indicate which kind of digital musical instrument was the market leader, but it is likely that sales were good for sound modules for high-end users and for integrated sound production systems connectible with samplers, sequencers and the like priced between 50,000 yen and 100,000 yen (US\$465 and US\$929).

Other small musical instruments (including harmonicas, key harmonicas, accordions, recorders and ocarinas)

Harmonicas, key harmonicas and recorders individually occupy a range of 20% to 30% of the total sales of the segment, or 80% of the market combined. They maintained stable sales in the year. Because an influential number of new retailers participated in this year's survey, their sales performance is relatively more apparent in this segment.

Sales of recorders were almost flat, but harmonicas increased 37% and key harmonicas by 17%. Sales of these instruments suffer greatly from a weak school-use market as the number of school-age children is decreasing year after year. On the other hand, the market is expanding among amateur musicians of young and older generations, who are rediscovering the pleasure in music making.

Ocarina sales went up 10% both in units and value as music activities grew in local communities with more adult music makers taking up the instrument.

PA Systems and recording equipment (including power amps, mixers, speakers, microphones, MTRs, etc.)

Sales of self-contained PA systems, which share 46% of the category, doubled in value over the previous year. They achieved excellent sales in units, and the average unit price notably increased. As the retail price for wireless microphones comes down to around 28,000 yen (US\$260), they are currently taking the place of cable microphones. As a result, wireless microphones achieved excellent sales in units and value.



The market for portable digital recorders was stagnant during the year except for some high-end models, as consumer preference has shifted to smartphone recording apps. Category sales went down by about 20% from the previous year.

Computer music and DJ hardware (including music production software, peripherals, DJ mixers and controllers, lighting equipment, etc.)

Industry specialists believe that entry-level digital musical instruments will be replaced by software applications. The industry survey verifies this view, and the computer music category has outperformed digital musical instruments since 2017.

Influential YouTubers and VTubers are contributing to the online streaming market in recent years, and this trend has boosted the sales of music production software and hardware for private use. Sales of related hardware, including audio interfaces and controllers, slipped down 21% in units but jumped up 47% in value. Plug-ins and loops also increased from 30% to 40% in units and value, while recording and sequence software dropped 40%.

Despite a rather humble market size, DJ products are gradually increasing in popularity among amateur musicians. The category failed to achieve better sales over the previous year, but digital DJ controllers continued to grow with a 16% increase in units.

Printed music

Printed music's downward trend continued from the previous year in units but advanced 30% in value. As a result, the average unit price rose by about 40% to 2,100 yen (US\$19.51). This rise in unit price may be led in some part by more expensive songbooks from big-name artists like Queen, and scores from hit movies such as Bohemian Rhapsody. However, we do not have any reliable source for information regarding what contributed the most to the substantial rise in the average unit price.

It is widely said that printed music sales have declined by 10% annually at brick and mortar retail stores, possibly due to online dealers. Self-taught piano and guitar books are popular among senior customers.

2019 Japanese Music Products Export and Import

Export growth of pianos and acoustic guitars

The statistics compiled by The Ministry of Economy, Trade and Industry show that total shipments of acoustic pianos surpassed 40,000 units for the first time in the last five years. It gained 4% growth in value over the previous year.

Last year's healthy piano industry performance is verified by statistics from Shizuoka Musical Instruments Manufacturers' Association, with increases in grand and upright piano production as well as exports. While domestic shipments of upright pianos remained stagnant at 9,758 units (a modest 2% increase), exports that constitute 70% of total production increased by 6% to 18,159 units, the largest growth since 2011.

Domestic shipments of grand pianos went up 4% to 3,832 units, and exports also rose 3% to 8,843 units and 9.77 billion yen (US\$90.7 million) in value.



According to METI statistics, shipments of electronic pianos and electronic home organs decreased by 3%, the lowest level in history at 139,000 units. Shipments of electronic keyboards slightly recovered in units with a 6% increase to 79,000 units, but price-wise they sunk to historic lows.

Wind instruments achieved more than a 4% increase in shipments at 179,000 units. The 7% increase in acoustic and electric guitars to 160,000 units is attributed to brisk exports.

Export and import data from The Ministry of Finance show that Japan exported 70.7 billion yen (US\$656.7 million) worth of music products last year, which is a minimal 2% increase, almost equivalent to the previous year. As in past years, upright and grand pianos led exports, sharing 50% of the total value with 22.9 billion yen (US\$212.7 million)—an 8% increase for upright pianos and a 3% increase for grand pianos.

Other segments with increased shipments include reed instruments and other wind instruments, up 7% to 9.7 billion yen (US\$90.1 million) and piano parts and accessories, up 5% to 4.8 billion yen (US\$44.6 million).

While exports of electric guitars decreased 6% to 2.9 billion yen (US\$26.9 million) from the previous year, exports of guitars and other stringed instruments increased 8% to 1.1 billion yen (US\$10.2 million).

Total imports advanced 2% to 55.4 billion yen (US\$514.6 million). The best performing segments include electronic musical instruments with keyboards (11.2 billion yen or US\$104 million, +8%), guitars (4.2 billion yen or US\$39 million, +8%), piano parts and accessories (3 billion yen or US\$27.9 million, +9%), grand pianos (1.9 billion yen or US\$17.6 million, +40%) and upright pianos (1.2 billion yen or US\$11.1 million, +15%).

Commentary by Shuncho Mori, Director, Japan Music Trades

DOING BUSINESS IN JAPAN

Market Overview

Japan is one of the most important trade and investment partners for the United States. In 2018, bilateral U.S.-Japan trade in goods and services surpassed US\$300 billion, as both exports and imports increased versus 2017. U.S. goods exports to Japan reached US\$75.7 billion, while services exports were US\$45.4 billion, for a total of US\$121.1 billion—up 6% from 2017. Top U.S. exports to Japan include civilian aircraft and related parts, industrial machines, natural gas, pharmaceuticals, medical devices and travel and tourism. Imports of goods from Japan topped US\$142 billion, as services imports neared US\$37 billion, for a total of US\$179.1 billion—up 4.5% from last year. Top Japanese imports are autos, auto parts and electronics. Japan is the fourth-largest export market and trading partner for the U.S., which has a trade deficit with Japan of US\$68.5 billion in goods (principally autos and related parts) and a trade surplus of US\$10.5 billion in services.



Japan is the third-largest source of foreign direct investment into the U.S., behind only the United Kingdom and Canada. Japan's total stock of FDI in 2018 was US\$484 billion, a change of US\$15 billion from US\$469 billion in 2017. Japan's FDI position in the U.S. on a historical cost basis has grown every year for the past 10 years, from US\$238 billion in 2009. Direct investment in the U.S. by Japanese companies is predominantly in manufacturing, particularly transportation equipment (e.g., autos). These investments support U.S. jobs (close to 1 million) and contribute to U.S. economic output and exports.

There are several reasons for American firms to participate in the Japanese market. In addition to its size and wealth, Japanese business partners expose American companies to new technology, rigorous competition and—in some cases—the opportunity to partner with Japanese firms in third markets.

Why Do Business with Japan?

- Japan is the third-largest economy in the world after the U.S. and China. It is the fourth-largest importer of U.S. products after Canada, Mexico and China. Japan is a key member of the international trade system with a market that respects the rule of law and provides strong protections for intellectual and real property rights.
- Japan's consumer economy is large, broad-based and sophisticated. Per capita income of US\$43,118 underpins its strength as a consumer market.
- Japan is highly dependent upon the import of natural resources. For example, it is the world's largest net buyer of food products in the world. The U.S. is the leading supplier of its agricultural imports, as well as agricultural capital equipment and related technologies. Total U.S. food, agricultural and fishery exports to Japan were worth more than US\$13 billion in 2018. Japan is the world's largest importer of liquefied natural gas, and the third-largest coal importer.
- Japan's rapidly aging population, which has begun to decrease overall, continues to send ripple effects through its society and economy, shaping present and future demand in economic spheres as disparate as robotics and pharmaceuticals, franchise and real estate.
- Japan's role as host of the 2020 Olympic and Paralympic Games may present related opportunities for U.S. firms as economic activity expands in anticipation of the Games.
- Japan's strategic alliance and deep economic integration with the U.S. presents opportunities in advanced sectors such as space, defense and security. Japan is a leading importer of U.S. aerospace and defense equipment and, increasingly, an integrated co-developer. Related growth sectors include defense procurement, advanced manufacturing and cybersecurity solutions.



- With global reach and deep knowledge of Japan's economic, political, cultural and commercial landscape, the U.S. Commercial Service is uniquely positioned to help U.S. companies engage with Japanese companies at home or abroad.

Economic Policy and International Trade

Prime Minister Abe's economic revitalization plan ("Abenomics") consists of a three-pronged strategy that combines expansive fiscal policy, monetary easing and structural reform with the aim of lowering corporate taxes, increasing wages and increasing consumption. Japan has gradually reduced its support to the agricultural sector, but structural change and productivity growth remain limited.

Demographics

Japan's population is declining as it ages rapidly. The population may decrease by as much as one-third by 2060, from 127 million to 87 million. The proportion of the population older than 65 will rise from 27% today to 40% by 2060. The Japanese government and business community seek to offset its effects on economic growth and government budget resources.

Recent Developments

Japan's economy has enjoyed steady, albeit slow growth since Prime Minister Abe came to power in 2012. Starting in December of that year, Japan has seen the longest economic expansion since the end of World War II. But consistent and sustained growth may continue to be a challenge as Japan deals with large government debt and a declining and aging population. Decreasing exports, especially to China, as well as the scheduled October 2019 consumption tax hike (from 8% to 10%), are other headwinds.

The entry into force of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (the successor to the Trans-Pacific Partnership, which does not include the U.S.) in December 2018, as well as the Japan-EU Economic Partnership Agreement in February 2019, have placed some U.S. exporters at a competitive disadvantage, particularly in agriculture. In April 2019, the U.S. and Japan began the first in a series of negotiations toward a bilateral trade agreement (U.S.-Japan Trade Agreement). Those talks are ongoing. The U.S. has stated its interest in a comprehensive agreement. Discussions to date have been on goods, including agriculture, as well as the need to establish high standards in the area of digital trade.

Market Challenges

Tariffs on most imported goods into Japan are relatively low. However, cultural, regulatory and other non-tariff barriers to market entry continue to exist. The following is a non-exhaustive list of some barriers companies may encounter:

- Japan-specific standards and testing requirements
- Import license requirements
- Restricted or prohibited imports
- Temporary entry of goods
- Certifications
- Labeling requirements



- Long term local partner/distributor relationship issues and expectations
- High context business relationships and procedures

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:

- Agriculture
- Aircraft and related parts, equipment and services
- Cloud computing
- Cybersecurity
- Defense procurement
- Education and training
- Health care information technology
- Liquefied natural gas
- Nuclear decommissioning and decontamination
- Pharmaceutical
- Renewable energy
- Semiconductors
- Smart grid

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. Industry, company objectives and a number of other factors will determine the best market entry strategy:

- Selling to a dedicated distributor
- E-commerce
- Direct exporting
- Partnering
- Joint ventures
- Piggybacking
- Turnkey projects
- Licensing
- Franchising
- Buying a company

Using the Japanese language is 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 interlocutors and professional interpreters are typically used, Japanese business people will appreciate efforts made to communicate in even basic Japanese. Top priorities for marketing in Japanese include:

- Business cards
- Product marketing information



- Detailed technical specifications
- Reliable point of contact and customer service
- Website with detailed product information
- Basic self-introduction phrases in Japanese
- Having an interpreter or bilingual assistant when appropriate

Japanese Business Culture Basics

An appreciation of Japanese business culture and social practices is also useful for establishing and maintaining business relationships in Japan. Indifference to local business customs conveys the exporter's lack of commitment or international business experience and may lead to misunderstandings and lost opportunities. Finally, exporters must take time to understand the demands and expectations of the Japanese consumer in areas such as product quality, appearance, packaging and display, delivery and after-sales service. Additional business culture concepts to keep in mind:

- Japanese society is complex, structured, respectful of age, hierarchical and group-oriented.
- Group decision-making is important in Japan. Reaching consensus may take longer than in Western business culture.
- Japanese companies often take a long-term approach to developing business relationships.
- Business travelers to Japan should bring a large supply of business cards (with their title) when they come to Japan; printing two-sided bilingual cards is recommended.
- Japanese customers' and business associates' high expectations of excellence in product and service quality cannot be overemphasized.

"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.

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

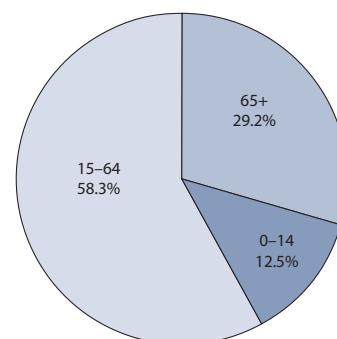
Population in millions 125.5

Age	Male	Female
0-14	8.05	7.62
15-64	36.69	36.52
65 & Over	16.03	20.59

Median Age 48.6

Population Growth -0.27%

Demographics

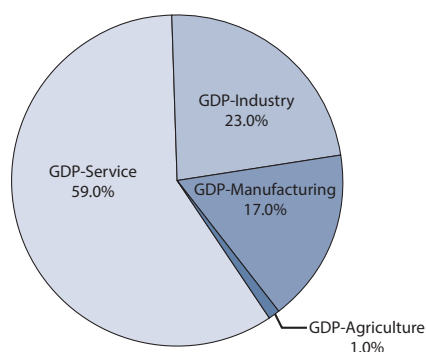


Economy

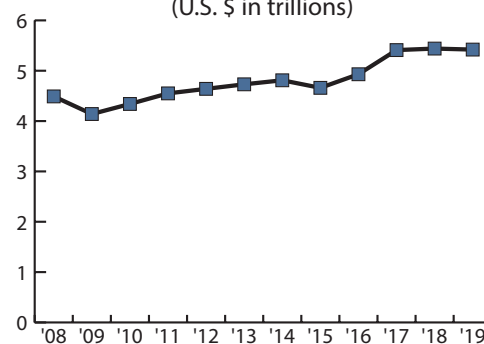
GDP (PPP)	\$5.42 trillion
GDP Per Capita	\$42,798
GDP-Real Growth Rate	0.80%
Unemployment Rate	2.40%
Inflation	0.50%

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.

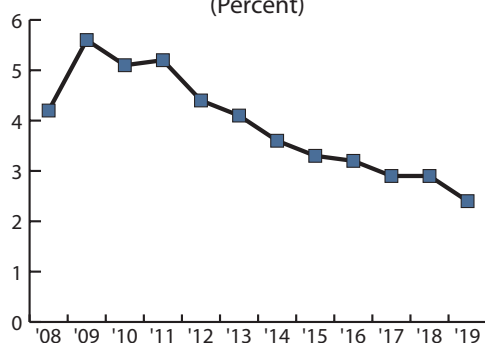
Economy



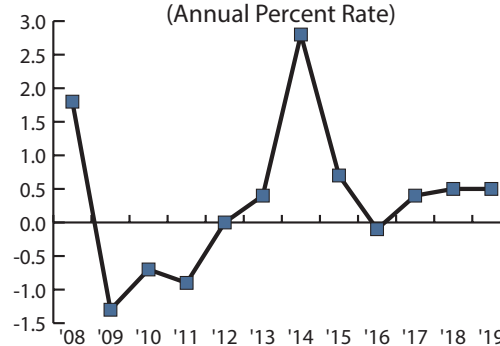
Japan GDP (PPP)
(U.S. \$ in trillions)



Unemployment Rate
(Percent)



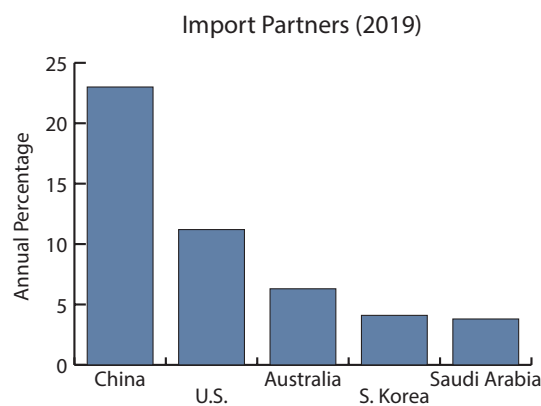
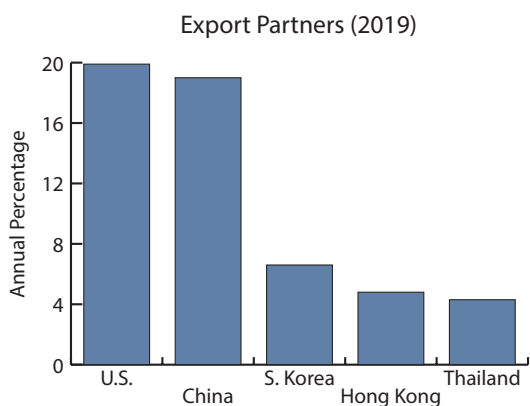
Inflation
(Annual Percent Rate)





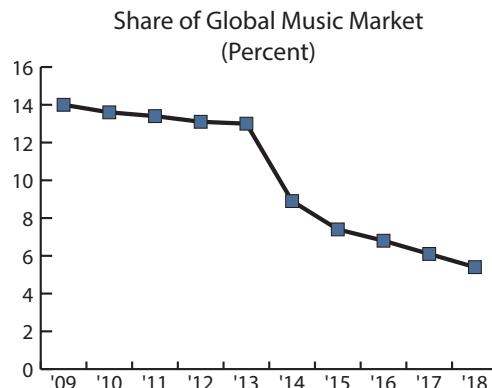
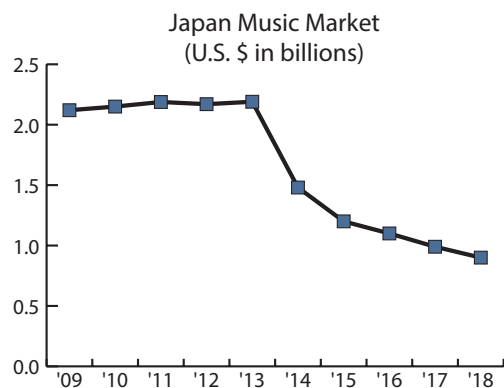
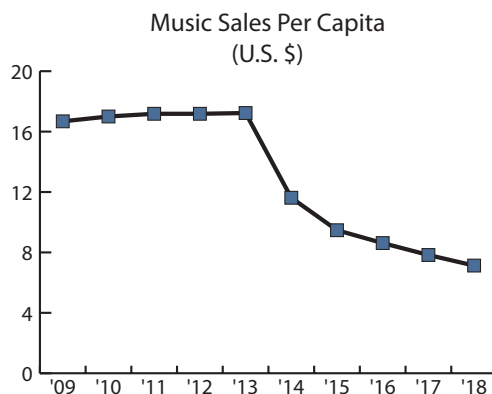
Trade

Total Export	\$705.6 billion	Export as % of GDP	13.02%
Total Import	\$720.9 billion	Import as % of GDP	13.30%



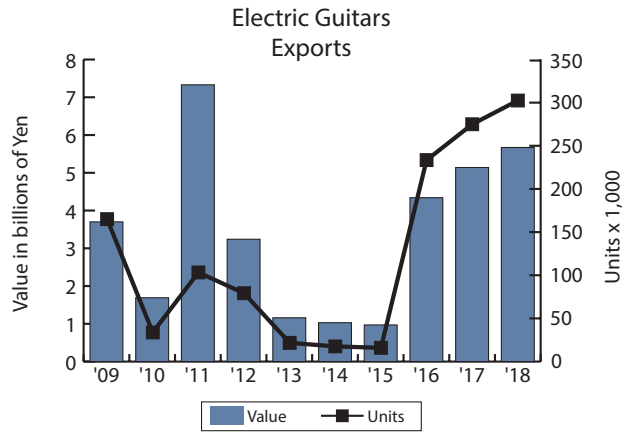
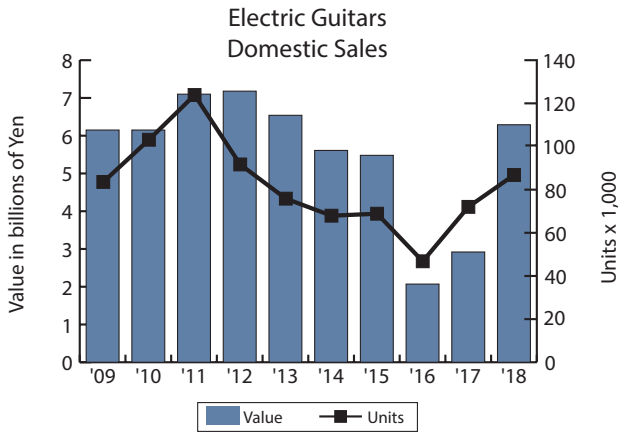
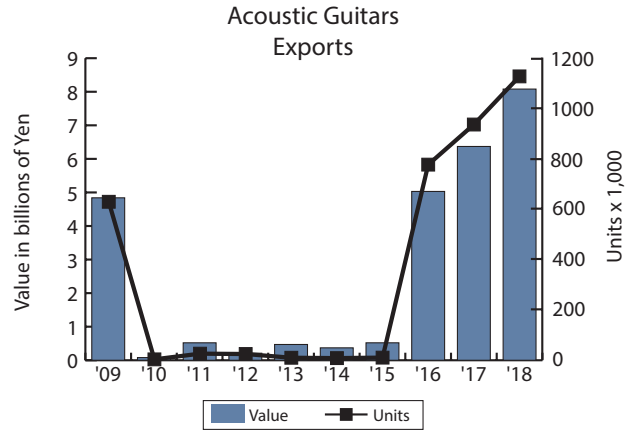
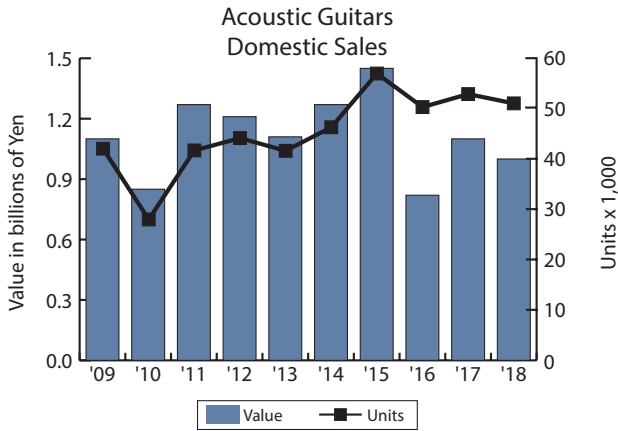
Music Industry

Music Market	\$900.0 million
Sales Per Capita	\$7.13
Global Share	5.40%



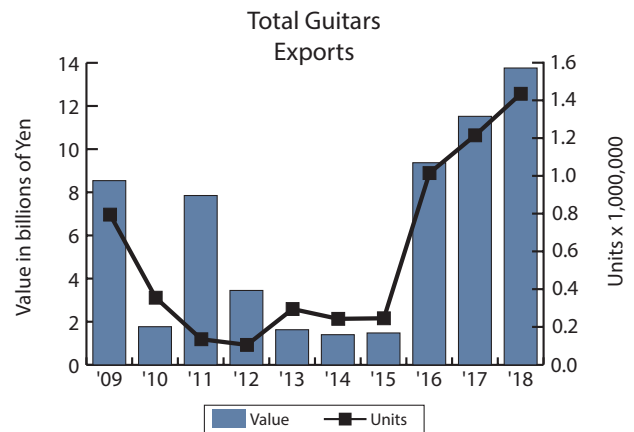
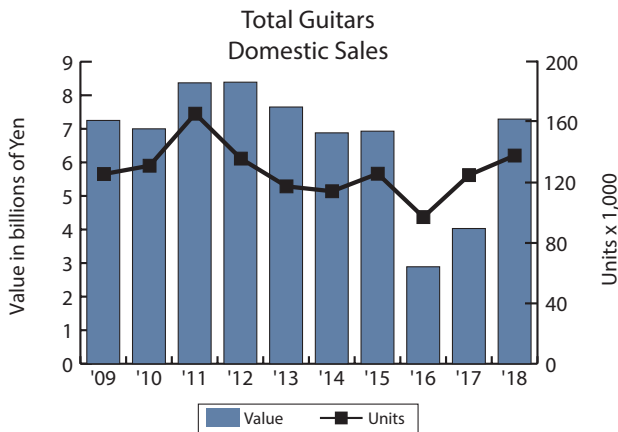
Japan Domestic Sales and Exports

*Note regarding the export data: the knockdown production and intermediary trade data are not included starting in 2010
 *Starting with 2016, data is recalculated to now include months between April and March rather than January through December

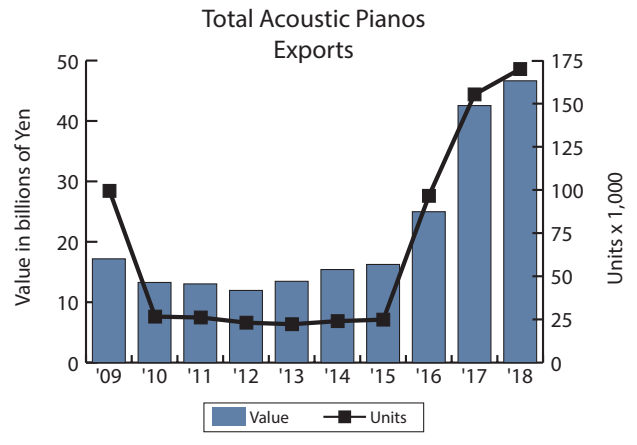
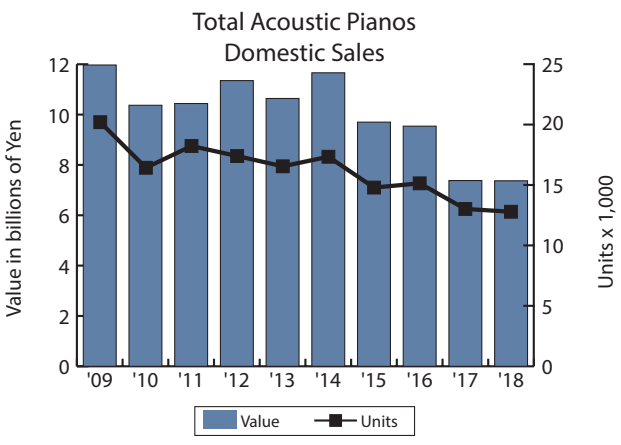
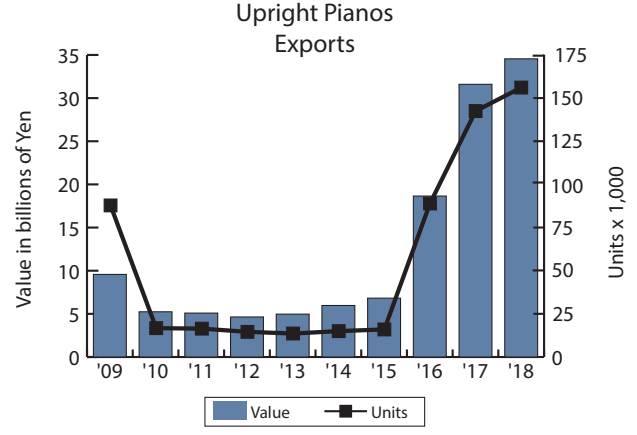
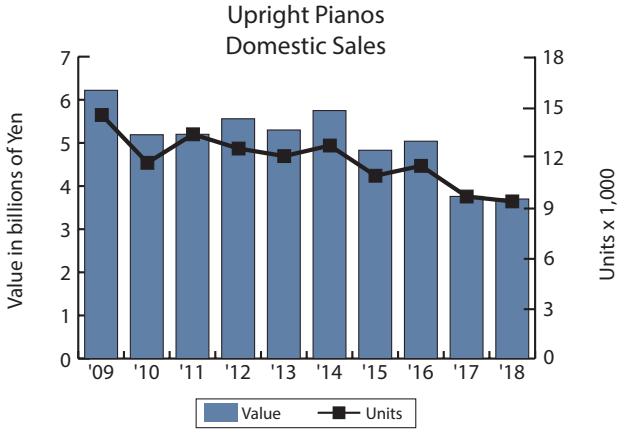
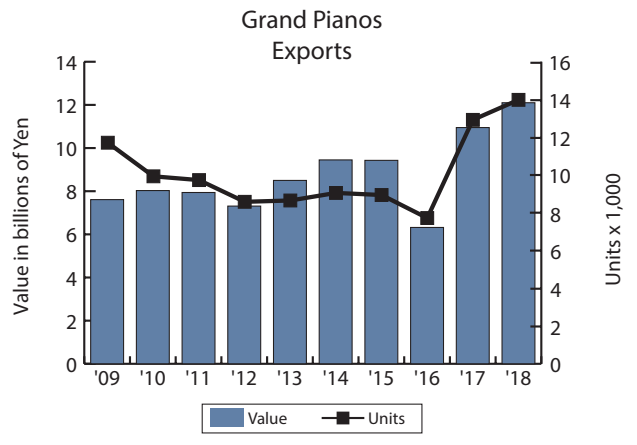
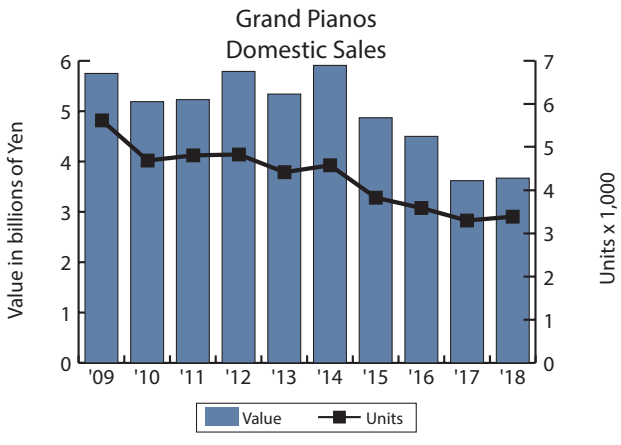


Electric Guitars category includes electric basses and electric-acoustic guitars.

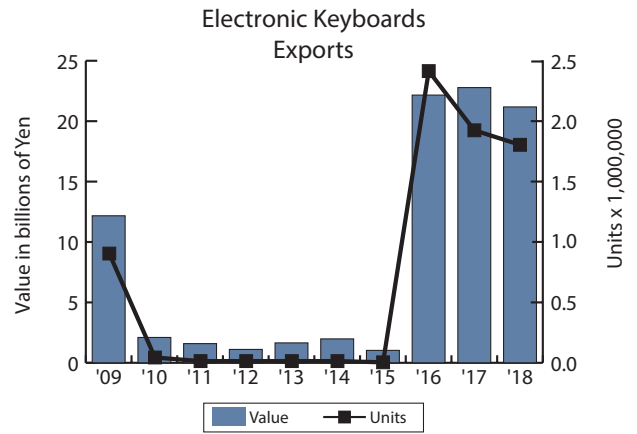
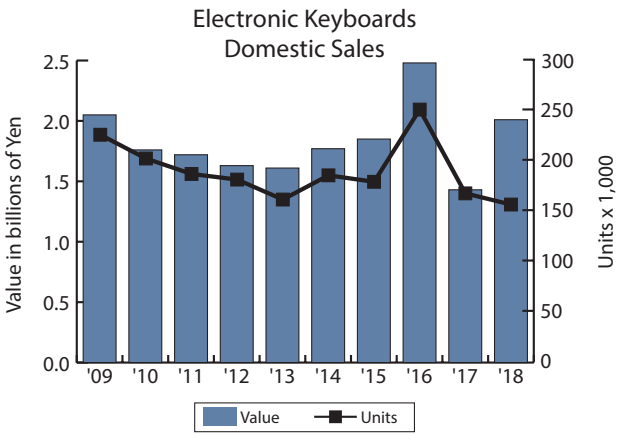
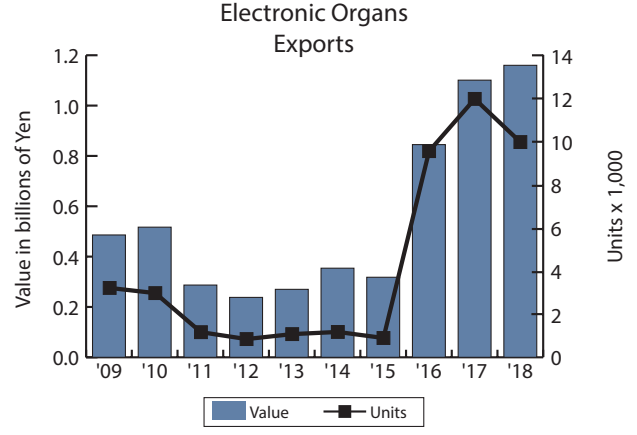
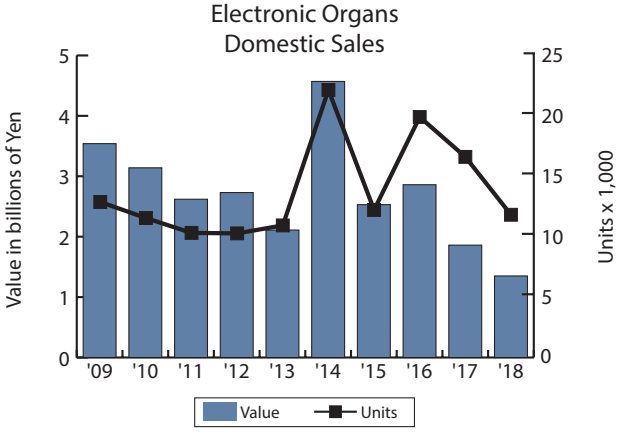
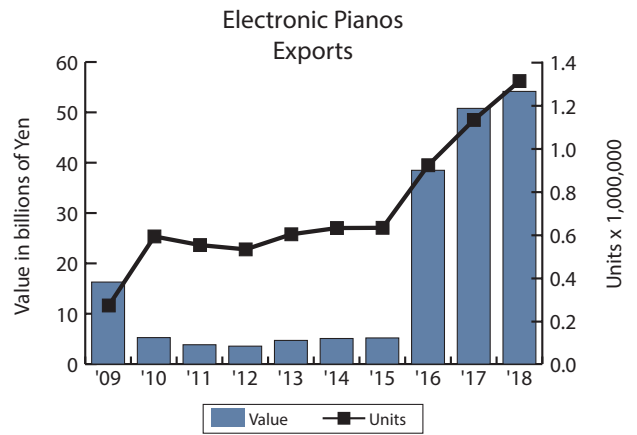
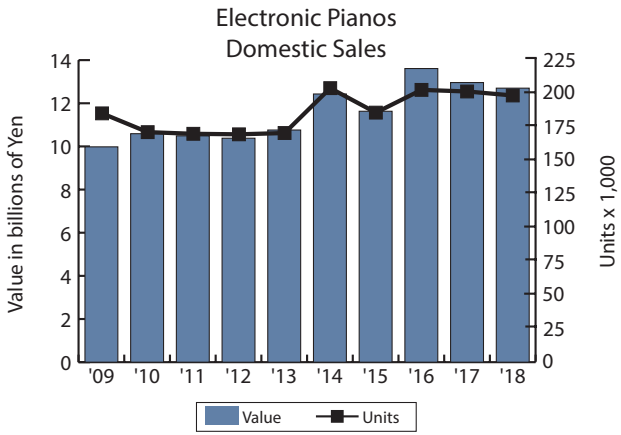
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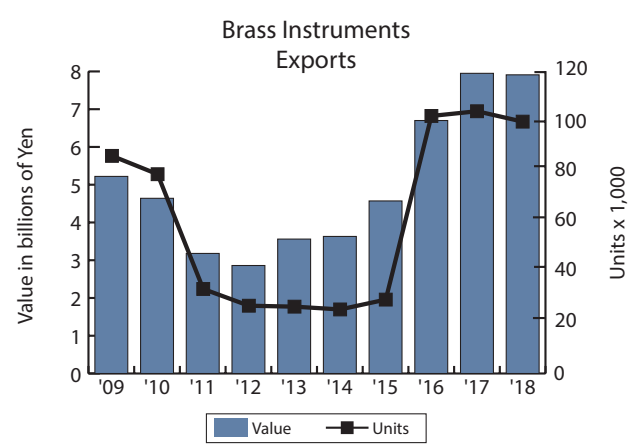
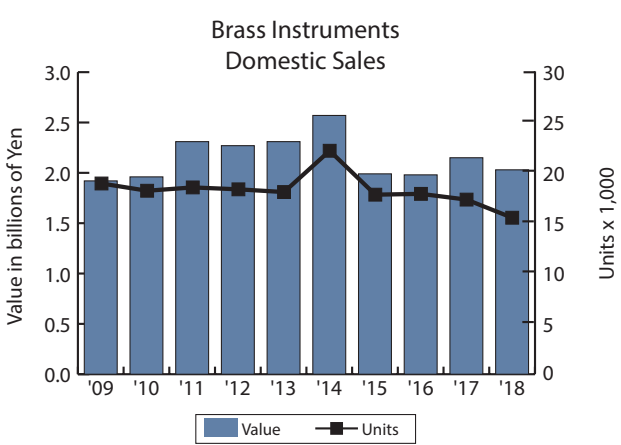
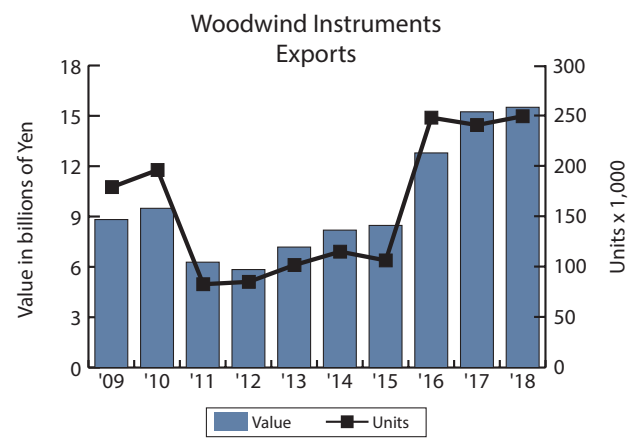
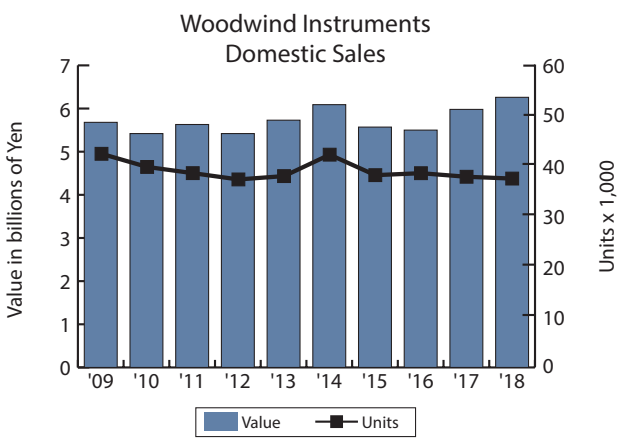
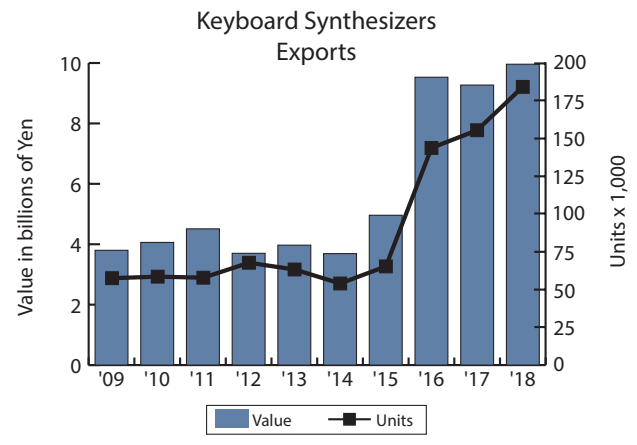
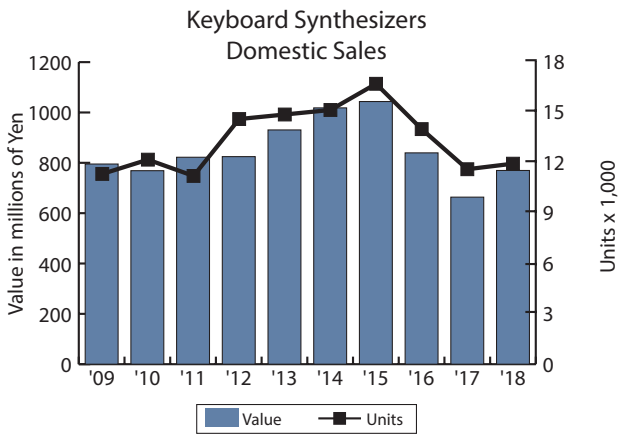
Japan Domestic Sales and Exports



Japan Domestic Sales and Exports



Japan Domestic Sales and Exports



MEXICO

Since May 2019, the Mexican economy and political situation have not improved. Now that we face the COVID-19 pandemic, we fear a far worse situation than anticipated.

Overall, the economy fell in 2019 and ended with negative growth. The exchange rate remained stable due to foreign investment in government bonds, which paid over 5% interest and are still attractive and not speculative.

As we entered 2020, one could foresee a negative economic outlook and fears of losing investment-grade qualification as a country.

COVID-19 has, unfortunately, accelerated the economic downturn. In addition to this pandemic, plummeting oil prices and a 30% devaluation of the Mexican peso have worsened a precarious economic situation.

Overall, the country now faces serious challenges in addressing probably the worst recession in more than 30 years. The health system will be overrun, just like in other countries. Public spending was mostly directed to now obsolete projects, which have drained financial reserves, and an economic slowdown will, in turn, reduce tax revenues.

Obviously, no country was prepared for the pandemic. However, mismanagement of all aspects by the Mexican government will leave many small- and medium-sized companies very unstable or permanently out of business.

Insecurity is on the rise with an average of more than 80 murders per day, and there will likely be more deaths due to gang wars than from COVID-19. Unfortunately, these numbers will continue to climb with rising unemployment.

Before the pandemic hit Mexico, music product sales were already below the same period in 2019. The exchange rate will likely continue to fall against the U.S. dollar, putting the peso at a possible 40–50% devaluation by the end of the year.

Music players most likely will continue making their music at home and look for other ways to share their passion with the rest of the world. Business will probably shift more toward online sales, continuing the trend of the last few weeks.

Mexico remains a very musical country, and I believe it will overcome these difficult times. Music will help to bring us all together again.

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

DOING BUSINESS IN MEXICO

Market Overview

There are five key reasons why U.S. companies should consider exporting to Mexico:

- Mexico is the 15th-largest economy in the world.
- Given Mexico's large, diversified market, most U.S. products can be sold successfully, and the renegotiation of NAFTA seeks to generate even more opportunities for U.S. companies.
- Mexico continues to experience stable economic growth.
- Recent economic reforms have liberalized key sectors such as energy and telecommunications, creating market opportunities.
- Close cultural, social and economic ties to the U.S. make Mexico a natural market to consider for first-time and expanding exporters.

Mexico's US\$1.1 trillion economy makes it the second-largest economy in Latin America and the 15th-largest economy in the world. Mexico has a large, diversified economy that is linked to its deep trade and investment relations with the U.S. The International Monetary Fund revised the country's estimated real GDP growth from 1.9% to 2.1% in 2018, with growth strongly tied to the U.S. economy and global oil prices. In 2013 and 2014, Mexico passed sweeping reforms in the energy, telecom, labor, financial and education sectors. The government instituted these reforms to increase Mexico's global competitiveness, and the energy and telecom reforms, in particular, offer a multitude of new opportunities for U.S. firms.

Today, Mexico is the U.S.' third-largest trading partner (after Canada and China) and the second-largest export market. Two-way trade in goods and services totaled US\$623 billion in 2017, and this trade directly and indirectly supports millions of U.S. jobs. The U.S. sold US\$243 billion of American products to Mexico in 2017 and US\$33 billion in services, for a total of US\$276 billion in U.S. sales to Mexico. Mexico is the first- or second-largest export destination for 27 U.S. states. Mexico is the third-largest agricultural export market for the U.S., buying US\$19.5 billion in U.S. agricultural products, including corn, soybeans, dairy, pork, beef, fish and forestry products in 2017. Mexico accounts for more than one-eighth of all U.S. agricultural exports worldwide, which represents nearly two-thirds of Mexico's total agricultural imports.

Both countries have over US\$122 billion in bilateral, reciprocal foreign direct investment. Mexico is the 19th-largest investor in the U.S., having invested a total stock of US\$35.4 billion at the end of 2017. The FDI stock between the two markets has risen more than sixfold since 1996. U.S. affiliates of Mexican-owned firms in such diverse sectors as food, communications, plastics, metals, auto components and business services employed 79,900 American workers in 2015. Over the last 20 years, our supply chains have become increasingly integrated.

The North American Free Trade Agreement, which came into force in January 1994, created a free trade zone for Mexico, Canada and the U.S. Under NAFTA, there are no tariffs for qualifying goods and services traded among the three countries. However, as of the writing of this guide, the U.S. imposed tariffs on Mexican steel and aluminum under Section 232 of the U.S. Trade Expansion Act of 1962. Mexico subsequently imposed retaliatory tariffs on various U.S. products and brought a complaint against the U.S. to the World Trade Organization.

The U.S., Canada, and Mexico entered into NAFTA renegotiations on August 16, 2017, to address the administration's concerns that while our economies and businesses have changed considerably over the last 24 years, NAFTA has not. The U.S. seeks to support higher-paying jobs in the U.S. and to grow its economy by improving U.S. opportunities under NAFTA. The NAFTA negotiations include trade in goods; sanitary and phytosanitary measures; customs, trade facilitation, and rules of origin; technical barriers to trade; good regulatory practices; trade in services, including telecommunications and financial services; digital trade in goods and services and cross-border data flows; investment; intellectual property; procedural fairness for pharmaceuticals and medical devices; state-owned and controlled enterprises; competition policy; labor; environment; anti-corruption; trade remedies; government procurement; small- and medium-sized enterprises; dispute settlement; and currency. On August 27, 2018, the U.S. and Mexico announced an agreement in principle on bilateral issues related to NAFTA renegotiations. Canada expressed its intention to negotiate its remaining issues, which may or may not require additional formal discussion with Mexico. To ratify any final agreement, each country has its own process with specific timelines for notification and approval. For future developments and information on eventual agreements, check the Fact Sheets and NAFTA pages at the Office of United States Trade Representative (www.ustr.gov).

Mexico is a member of the World Trade Organization, Asia-Pacific Economic Cooperation, the G-20, and the Organization for Economic Cooperation and Development. Mexico has more free trade agreements than any other country in the world—12 FTAs covering 46 countries—which include the EU, European Free Trade Area, Japan, the Pacific Alliance, Israel and 10 countries in Latin America. On March 8, 2018, 11 Asia Pacific countries, including Mexico, signed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, formerly known as the Trans-Pacific Partnership. The Mexican Senate ratified this agreement on April 24, 2018. For U.S. exporters, Mexico's participation in these international agreements means that the Mexican market is generally one of the most open and competitive in the world.

Mexico is the most populous Spanish-speaking country in the world. Seventy-nine percent of its 125 million inhabitants live in urban areas. Ten percent of the population is considered wealthy, and about 44% live in poverty. The remaining 46% 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 an IMF-estimated GDP of approximately US\$1.1 trillion, and a 2017 estimated per-capita income of US\$9,304 (or US\$19,900 on purchasing power parity basis). There is a large manufacturing base in a wide range of sectors.

Market Challenges

U.S. firms are strongly advised to conduct due diligence on a Mexican firm or individual before entering into any type of agreement. In Mexico's larger cities, it is possible to hire a local consulting or law firm to obtain information about a company or individual. In addition, local chambers and associations can assist U.S. firms in locating economic reports on a particular firm.

Market Opportunities

Mexican companies, government agencies and entire industries are deeply familiar with and receptive to U.S. products and services. U.S. producers often find it straightforward to market and sell their services and products in Mexico. Mexico's most promising sectors include agriculture, agribusiness, auto parts and services, aerospace, education services, energy, environmental technology, franchising, housing and construction, packaging equipment, plastics and resins, security and safety equipment and services, information technology, transportation infrastructure equipment and services, and travel and tourism services. However, given the size of the Mexican market, there is almost no product a company cannot sell successfully in Mexico with the right preparation, commitment, pricing and service.

In addition to vibrant private sector growth in many industries, Mexican government programs are a specific area to watch. Mexico's new administration will be inaugurated on December 1, 2018, for a six-year term. Mexico's outgoing administration (2012-2018) advanced a reform and development platform that continues to affect opportunities for U.S. firms, especially in the areas of energy and telecommunications. Furthermore, a key promise was to expand strategic public infrastructure and industrial development nationwide. A centerpiece of this effort was the implementation of a consolidated National Infrastructure Program (Programa Nacional de Infraestructura, or PNI) announced in April 2013. The plan focused on transportation, water, energy, health, urban development, communications and tourism, with an anticipated total investment of US\$586 billion, counting both public funding and private investment. The Peña Nieto administration also enacted a new Public-Private Partnership law, providing a clear legal environment for PPP investment in infrastructure and related projects. Many of the PNI projects have been completed, but many still represent opportunities in currently approved or future phases. Facing fiscal pressures, the government continued to cut public infrastructure spending in 2017 and 2018, delaying some projects. More extensive and longer-term projects involve PPP spending and will extend for years or decades beyond 2018, such as Mexico City's New International Airport. Decision-making on some projects slowed or paused during the 2018 election cycle, and we anticipate more clarity on the future of these projects and related government spending by early 2019.

Market-Entry Strategies

Successful market entry into Mexico is not entirely different from establishing sales channels in the U.S. In general, a U.S. firm's strategy should be based on establishing an agent, representative or authorized distributor for its products and services in Mexico, or through opening a representative office. Given the size of the market, this strategy should consider specific regional territories. Most firms assign Mexican agents or distributors in different locations. Many companies find it works well to use three or four specific territories,



often centered in Mexico City for central and southern Mexico, Guadalajara for western Mexico, Monterrey for northeastern Mexico, and Baja California for the northwestern border and maquiladora (twin plant manufacturing) zones. For selling to the government, it can be essential to have a local office or representative. For regulated products or services such as health care solutions, U.S. firms will also need to allow time for and utilize local support to obtain regulatory approvals. Beyond efforts to establish representation, organize it into territories, and obtain approval for regulated products, promotional plans also require consideration.

Trade shows, advertising, social media campaigns and sales calls all work well in Mexico. Mexican buyers are generally price-sensitive, and government buyers have strict rules for favoring lowest-price offers, so establishing an effective pricing structure is vital. Legal counsel, protection of intellectual property, sales, shipping, and after-sales support all need to be elements of a strategy for this market. We address all these topics in more detail in other chapters of this guide. Finally, these tips may be useful:

- To do business in Mexico, it is crucial to develop and maintain close relationships with clients and partners. Mexicans prefer regular direct communication, especially in the initial stages of establishing rapport. Email is widely used, and platforms such as WhatsApp are very popular for quick interactions.
- Mexican consumers are generally quite knowledgeable about U.S. products and services. Due in large part to the proximity to the U.S., popular U.S. brands are widely recognized in Mexico.

“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

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

MEXICO SNAPSHOT

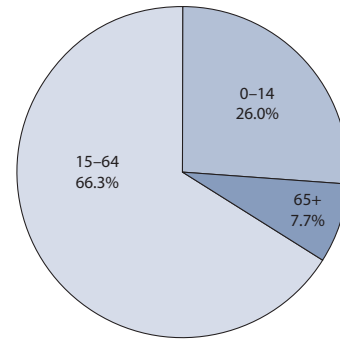
Demographics

Population in millions 128.6

Age	Male	Female
0-14	17.11	16.35
15-64	41.55	43.77
65 & Over	4.37	5.49

Median Age 29.3
Population Growth 1.04%

Demographics

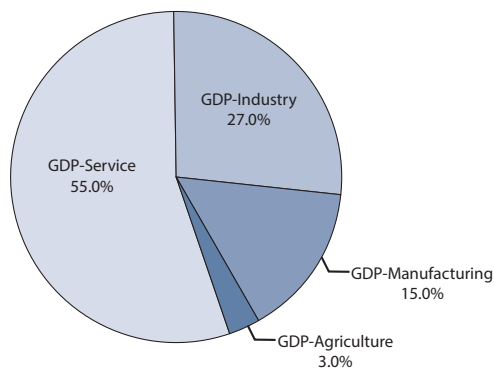


Economy

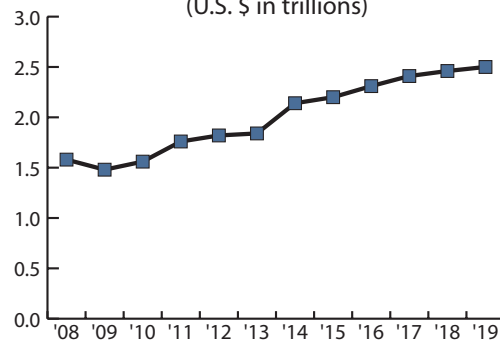
GDP (PPP)	\$2.50 trillion
GDP Per Capita	\$19,945
GDP-Real Growth Rate	2.00%
Unemployment Rate	3.40%
Inflation	3.60%

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.

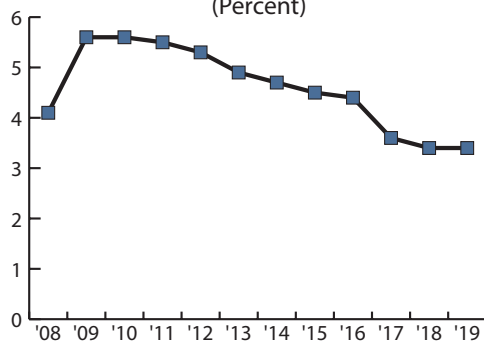
Economy



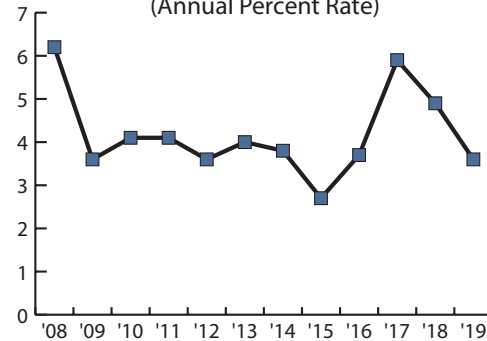
Mexico GDP (PPP)
(U.S. \$ in trillions)



Unemployment Rate
(Percent)

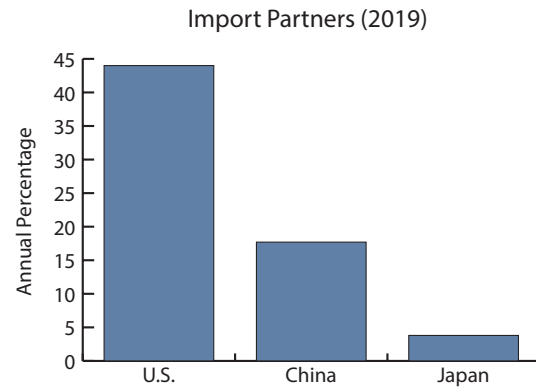


Inflation
(Annual Percent Rate)



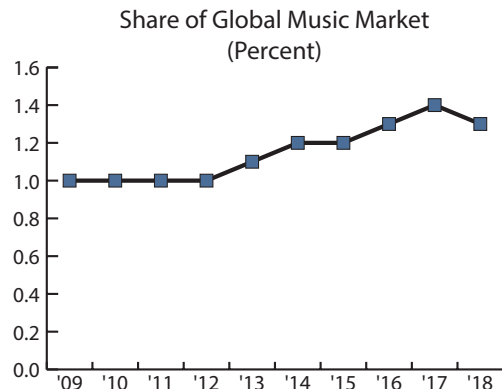
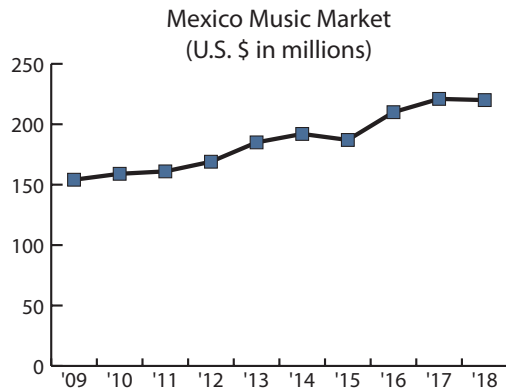
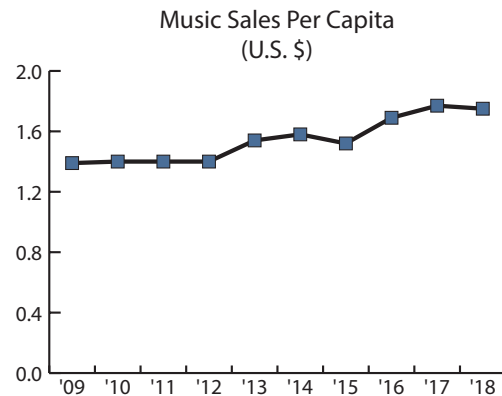
Trade

Total Export	\$472.3 billion	Export as % of GDP	18.89%
Total Import	\$467.3 billion	Import as % of GDP	18.69%

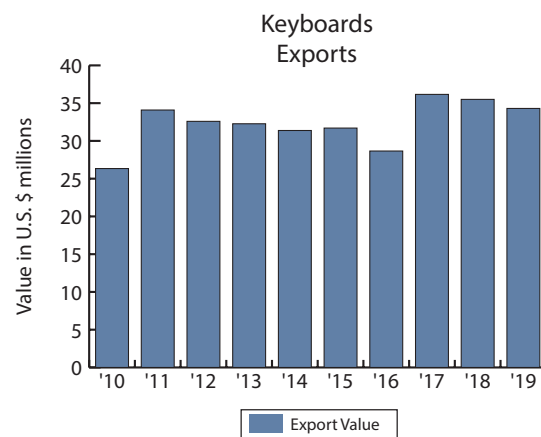
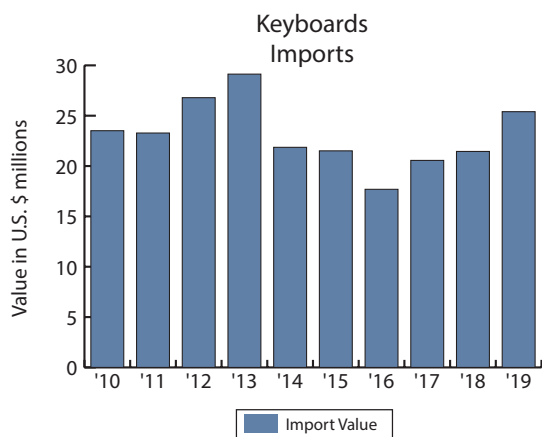
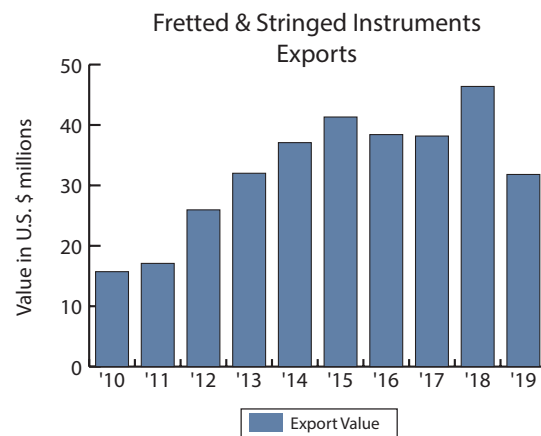
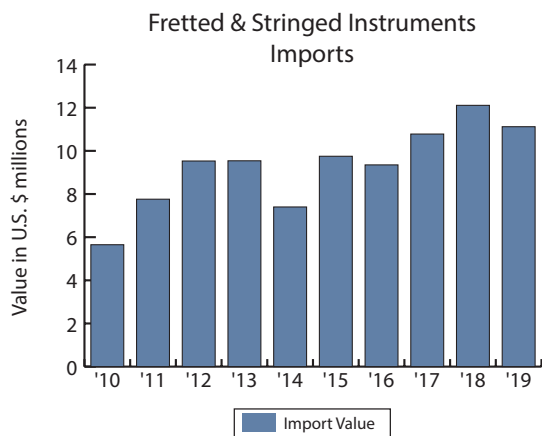
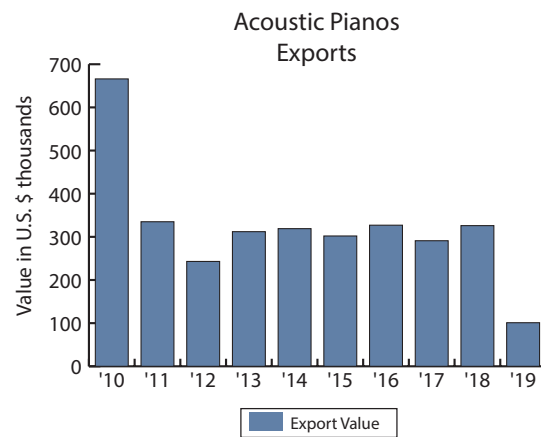
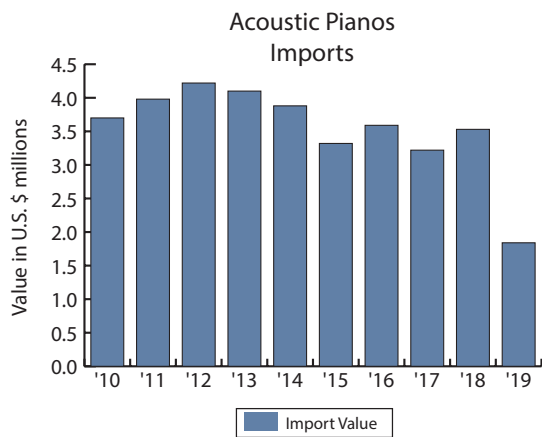


Music Industry

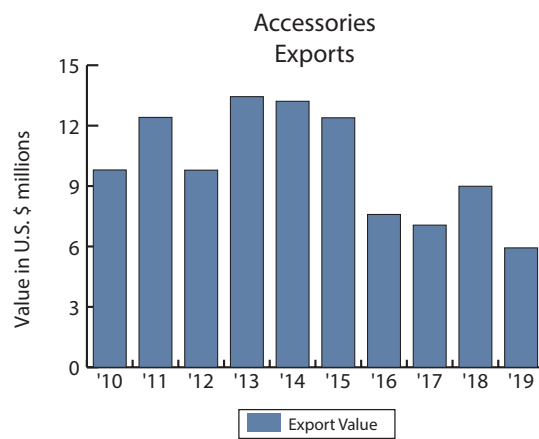
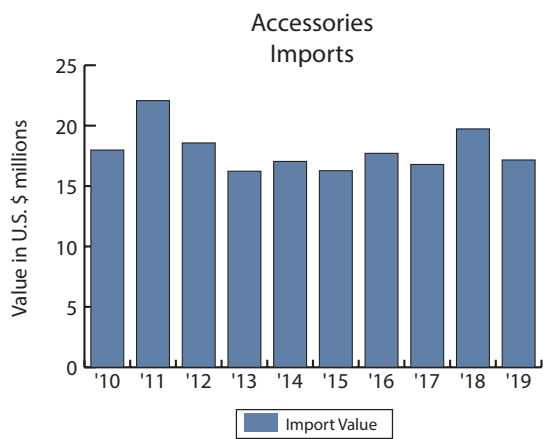
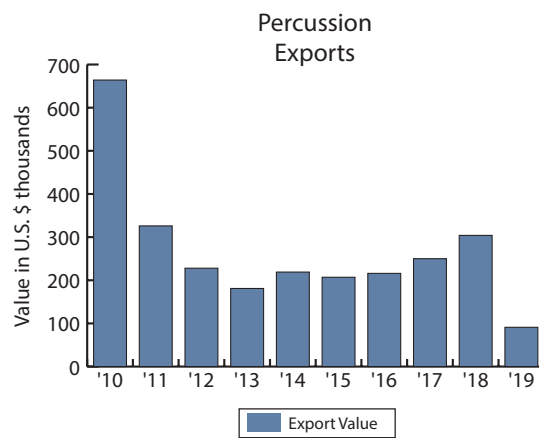
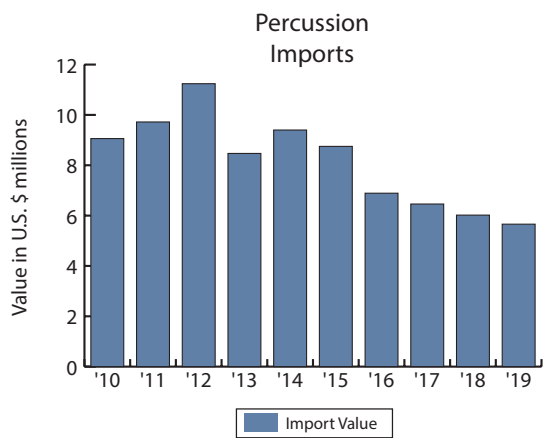
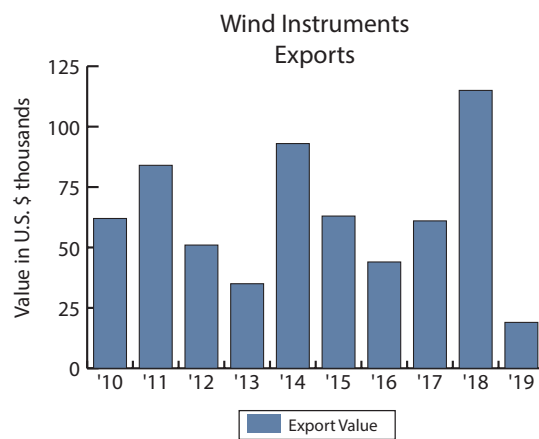
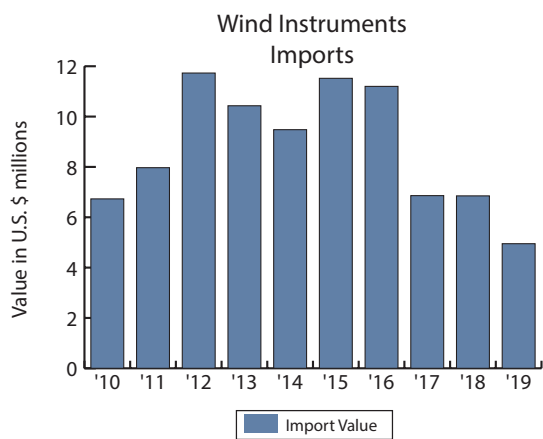
Music Market	\$220.0 million
Sales Per Capita	\$1.75
Global Share	1.30%



Mexico Imports and Exports



Mexico Imports and Exports



NETHERLANDS

DOING BUSINESS IN THE NETHERLANDS

Market Overview

- The United States' partnership with the Netherlands is our oldest bilateral continuous relationship and dates back to the American Revolution.
- The Netherlands is a geographically small (approximately the size of the state of Maryland), densely populated country of 17 million people occupying a highly strategic commercial location, with Europe's busiest port in Rotterdam.
- Over 170 million consumers reside within a 300-mile radius of Rotterdam (roughly one-third of the population of the expanded EU's 28 member states).
- More than 80% 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.
- The country's core distribution points include Rotterdam, Europe's largest port and Amsterdam's Schiphol Airport, the fourth-largest airport 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 world's seventeenth-largest economy and the fifth-largest in the European Monetary Union (the eurozone), with a GDP of US\$912 billion in 2018.
- The U.S. is the largest foreign investor in the Netherlands and our bilateral trade surplus (US\$24.7 billion in 2018) with the Netherlands is larger than that with any other U.S. trading partner.
- Various international surveys rank the Netherlands among the top countries in the industrialized world with the most favorable business and investment climates. The 2018 World Economic Forum Global Competitiveness Index places the Netherlands sixth among the world's most competitive economies. The Economist Intelligence Unit ranks the Netherlands fifth in its 2018 global business environment ranking for 2018 – 2022.

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

- A country with the best logistics and distribution networks in Europe
- A country with strong links to the rest of Europe and beyond

The Netherlands recorded a 1.5% surplus in the 2018 general government budget, which was the second consecutive surplus. Public revenue rose significantly by 4.7%, mainly due to higher taxes and statutory contributions. At the same time, government expenditure rose sharply at 4.1%.

The Dutch economy is currently experiencing stable growth (2.5% in 2018), and the Dutch Government projects a further 1.5% GDP growth in both 2019 and 2020. Expected 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 few significant trade barriers.
- Because of the size, accessibility and competitive nature of the Dutch market, local importers usually insist on an exclusive distributorship.
- U.S. exporters may need to adapt their products and documentation for the Dutch market.

Market Opportunities

- EU public procurement is technically open to U.S. firms, and there are opportunities for U.S. companies to participate in the renewal of the Dutch transport infrastructure.
- The rule of thumb is that products selling well in the U.S. market will generally have market potential in the Netherlands.

Market-Entry Strategy

- Dutch buyers appreciate quality and service, but price is the most critical element for market entry.
- Assure that delivery dates are met and that after-sales service is available.
- Launching products requires vigorous and sustained promotion, as it takes time for consumers to change their buying habits. Products must be adapted for both technical requirements and consumer preferences.
- Merely labeling a product to conform with national requirements is insufficient for realizing full market potential.
- The Dutch market is highly competitive. The “golden key” to doing business is courtesy, especially in regard to replying promptly to requests for price quotations and orders.

- Dutch business executives are generally more conservative than their U.S. counterparts.
- Friendship and mutual trust are highly valued, and once trust is earned a productive working relationship will follow.
- U.S. exporters should maintain close liaison with their Dutch distributors and customers to exchange information. Periodic visits to the market are 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.
- Most Dutch people speak their minds and will not waste your time if they are not interested in your product.

“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.

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

NETHERLANDS SNAPSHOT

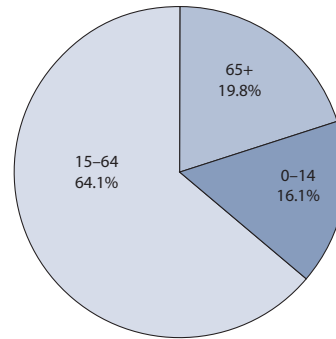
Demographics

Population in millions 17.3

Age	Male	Female
0-14	1.43	1.36
15-64	5.56	5.51
65 & Over	1.56	1.87

Median Age 42.8
Population Growth 0.37%

Demographics

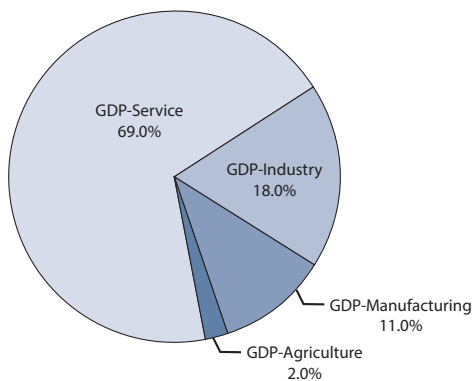


Economy

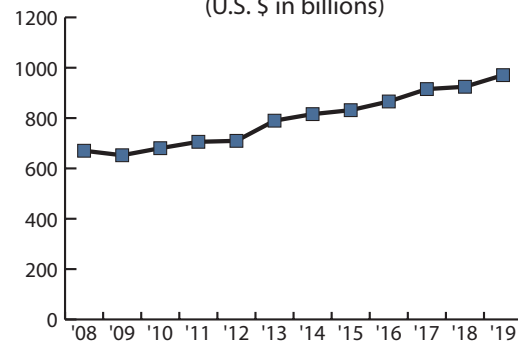
GDP (PPP)	\$970.6 billion
GDP Per Capita	\$56,329
GDP-Real Growth Rate	2.60%
Unemployment Rate	3.80%
Inflation	2.70%

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.

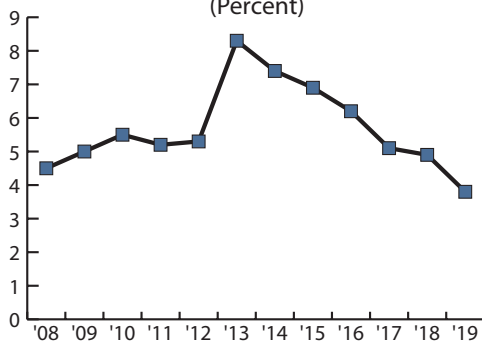
Economy



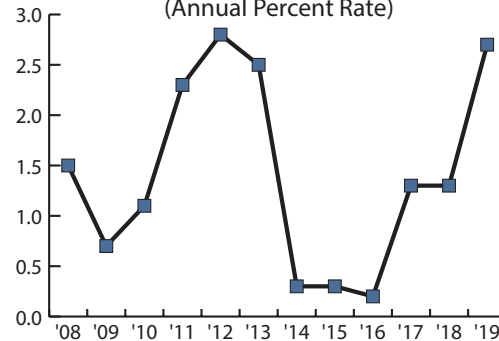
Netherlands GDP (PPP)
(U.S. \$ in billions)



Unemployment Rate
(Percent)

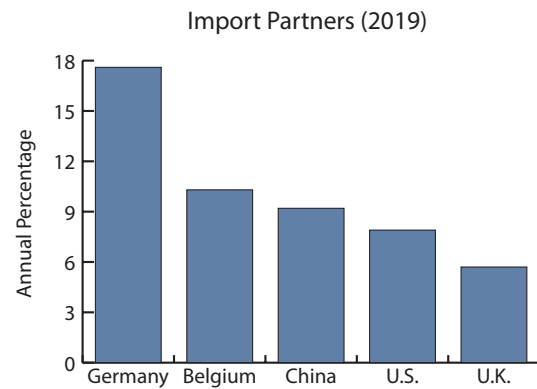
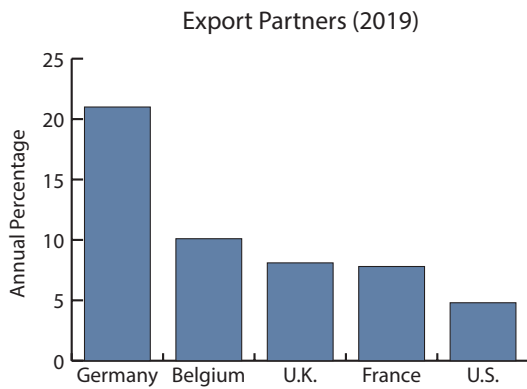


Inflation
(Annual Percent Rate)



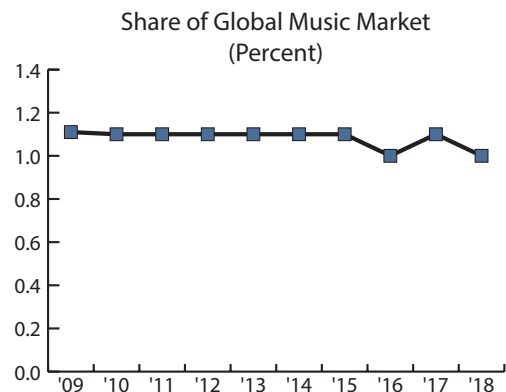
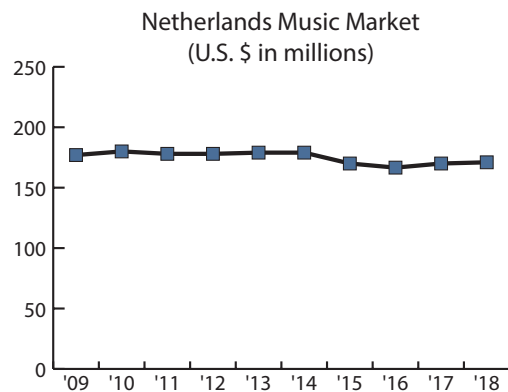
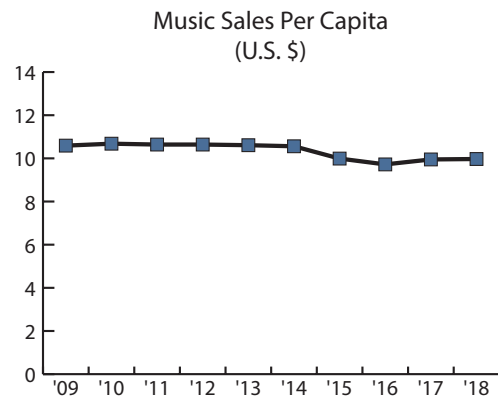
Trade

Total Export	\$555.9 billion	Export as % of GDP	57.28%
Total Import	\$500.6 billion	Import as % of GDP	51.58%

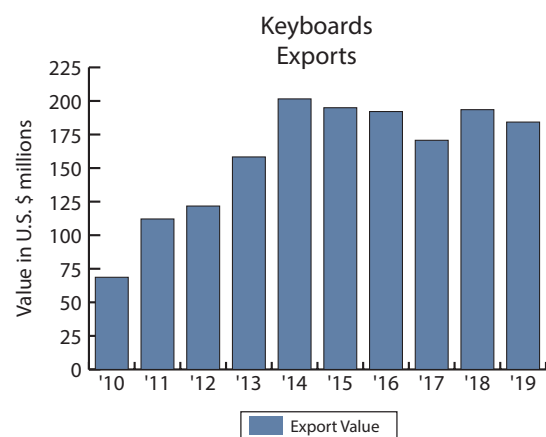
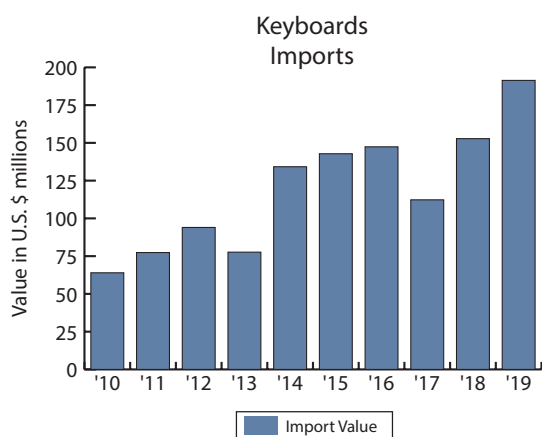
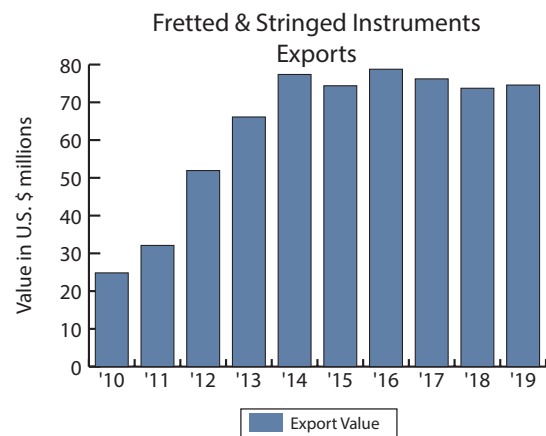
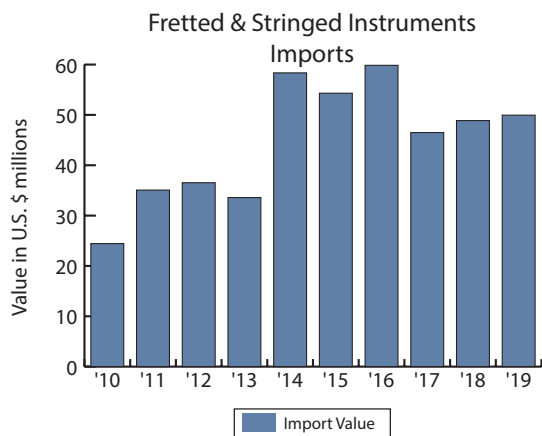
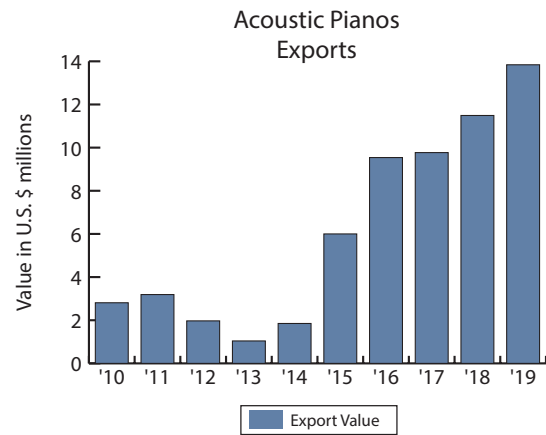
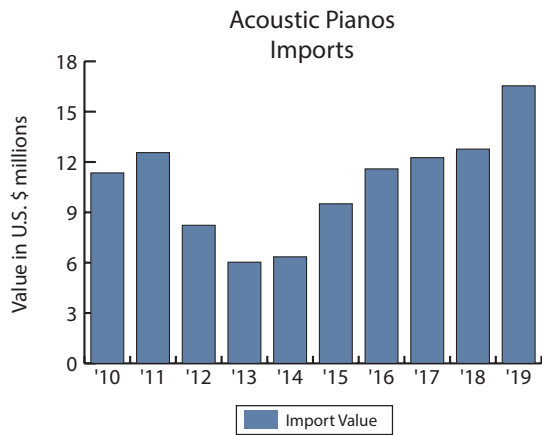


Music Industry

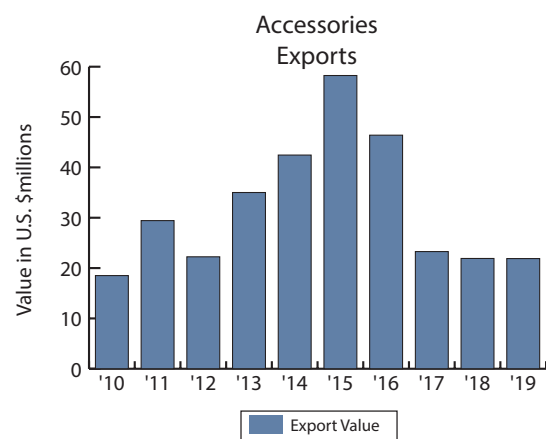
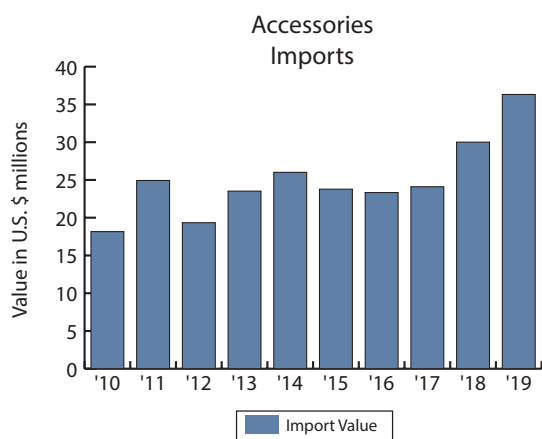
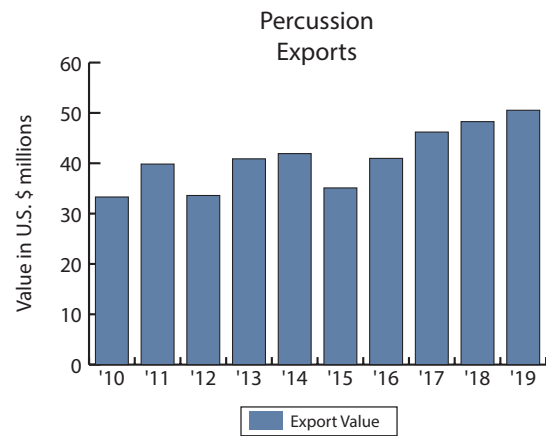
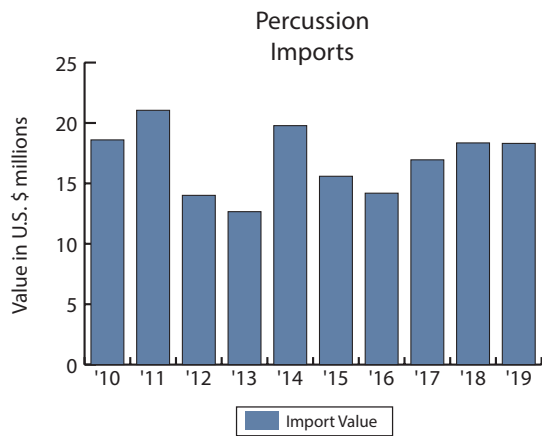
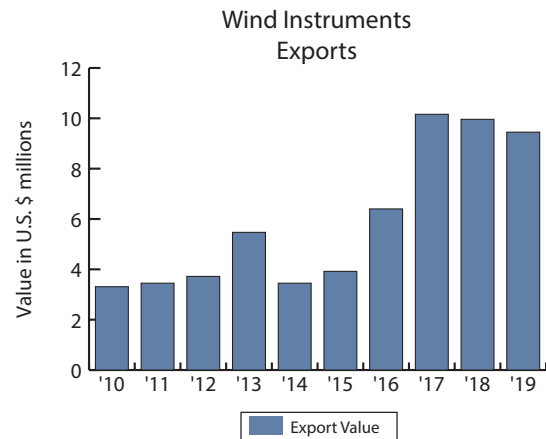
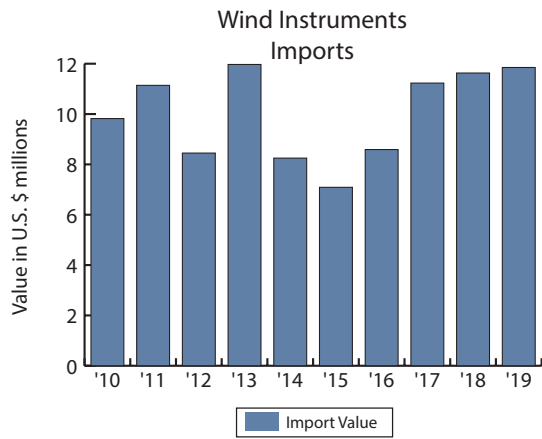
Music Market	\$171.0 million
Sales Per Capita	\$9.97
Global Share	1.00%



Netherlands Imports and Exports



Netherlands Imports and Exports



NORWAY

DOING BUSINESS IN NORWAY

Market Overview

- Norway is a modern, energy-rich country with a population of 5.3 million.
- Norway is considered one of the world's wealthiest countries with a GDP per capita based on purchasing power parity exceeding US\$72,000.
- Norway's external financial position is very 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 13th-largest exporter of crude oil (2018). 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 relatively evenly distributed, making every person a consumer. Unemployment rates are low at 3.2%. Interest rates are also 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, and maintains control over a number of large-scale state enterprises—some of them fully owned, and some publicly traded—but where the government has controlling interests.
- Norway is in Northern Europe and is a part of the Scandinavian Peninsula. The volcanic island of Jan Mayen and the Arctic archipelago of Svalbard are also part of Norwegian territory.
- The majority of the country shares an eastern border with Sweden; its northernmost region is bordered by Finland to the south and Russia to the east; 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, Norway is one of the most sparsely populated countries in Europe. It is a narrow and mountainous country nearly 2,575 kilometers long with a jagged coastline 10 times its length.
- Norway is a vibrant, stable democracy.
- Most Norwegians are fluent in English and many have very close cultural and familial ties to the United States.
- Norway and the U.S. have similar business ethics.

- Norway is not a member of the EU, but is linked to the EU through the European Economic Area agreement. Under the EEA, Norway is functionally part of the single EU market, except in fisheries and agriculture.
- Norway is part of the Schengen Agreement, which guarantees the free movement of people and the absence of internal border control between 22 of the 28 EU member states, as well as Norway, Iceland, Switzerland and Liechtenstein. Passport controls between Schengen countries were reintroduced in 2017.

Market Challenges

- The overall economic and trade relationship 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. Norway adheres to EU sanctions against Russia, including those with an economic focus.

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 technology, shipping and maritime, defense and aerospace, health care, travel and tourism, and consumer goods sectors.

Market-Entry Strategies

- U.S. exporters seeking general export information and assistance or country-specific commercial information should consult 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.

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

NORWAY SNAPSHOT

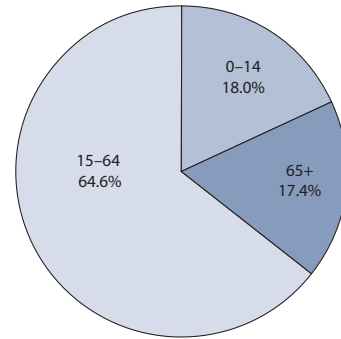
Demographics

Population in millions 5.5

Age	Male	Female
0-14	0.50	0.48
15-64	1.82	1.72
65 & Over	0.44	0.51

Median Age 39.5
Population Growth 0.85%

Demographics

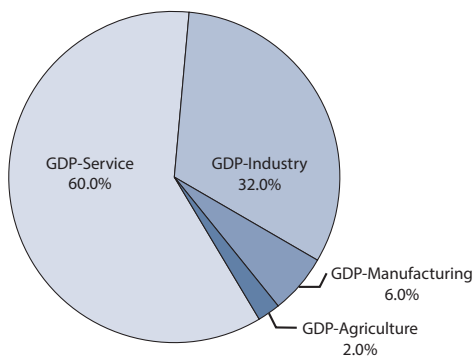


Economy

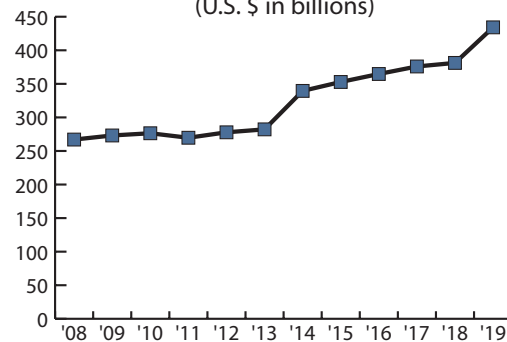
GDP (PPP)	\$434.17 billion
GDP Per Capita	\$75,452
GDP-Real Growth Rate	1.90%
Unemployment Rate	3.90%
Inflation	2.20%

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.

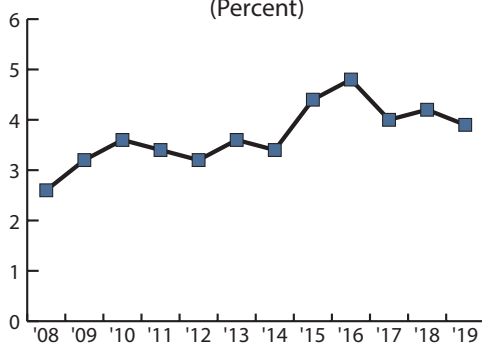
Economy



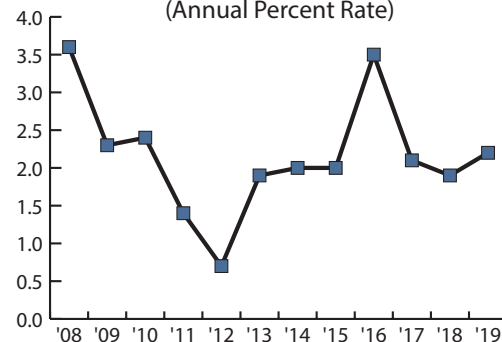
Norway GDP (PPP)
(U.S. \$ in billions)



Unemployment Rate
(Percent)

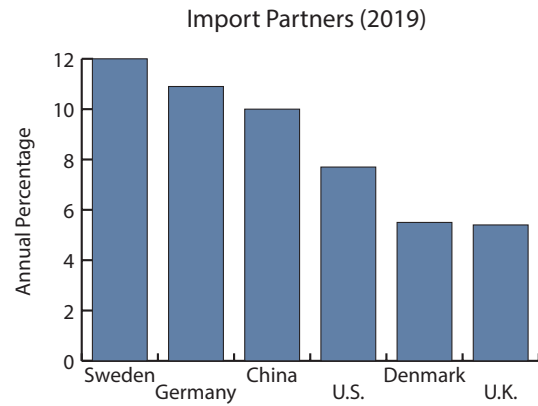


Inflation
(Annual Percent Rate)



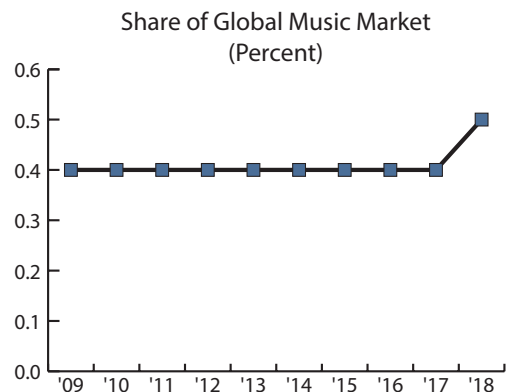
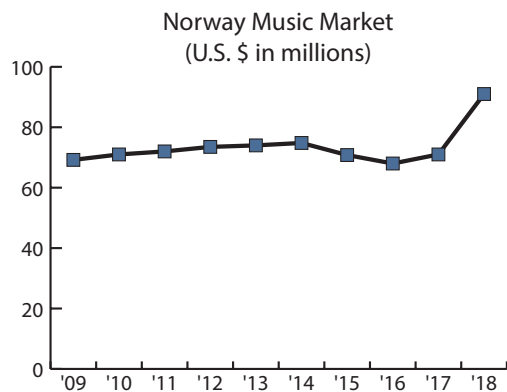
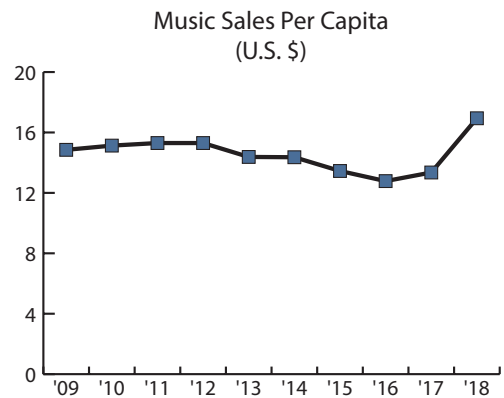
Trade

Total Export	\$122.6 billion	Export as % of GDP	28.25%
Total Import	\$87.4 billion	Import as % of GDP	20.14%

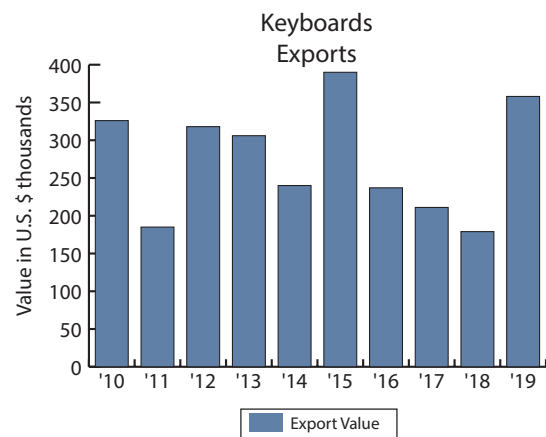
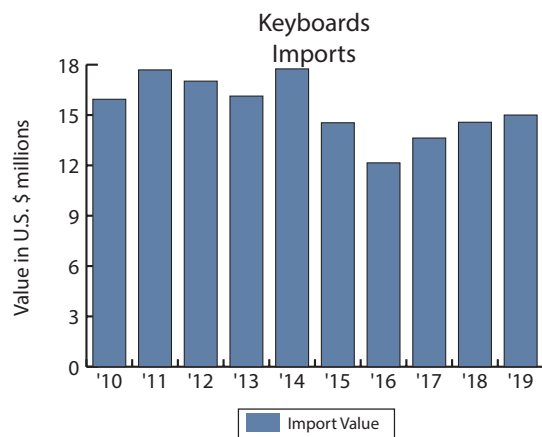
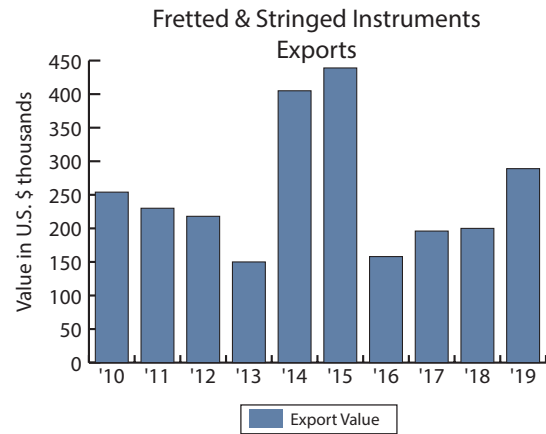
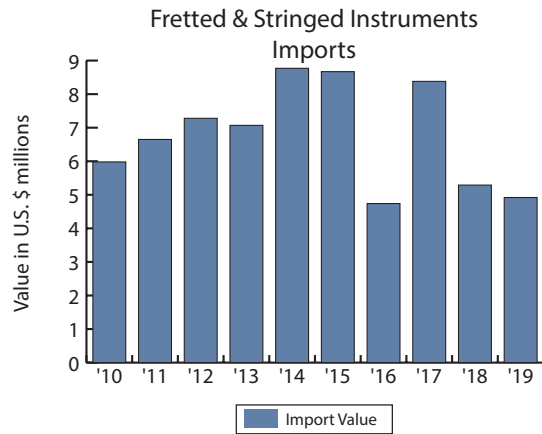
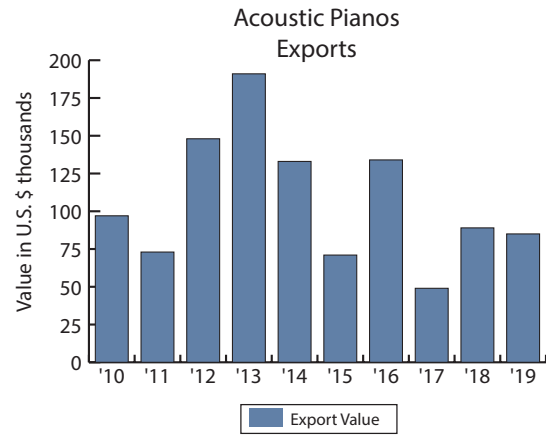
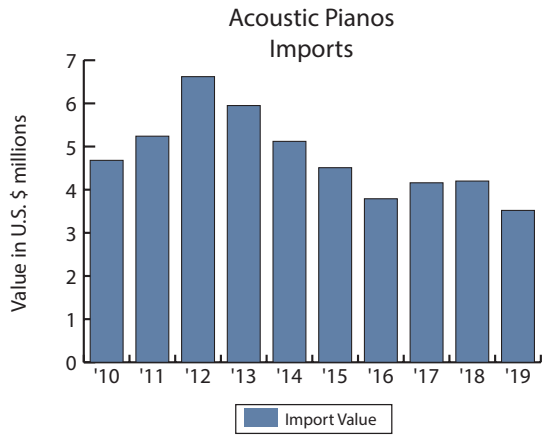


Music Industry

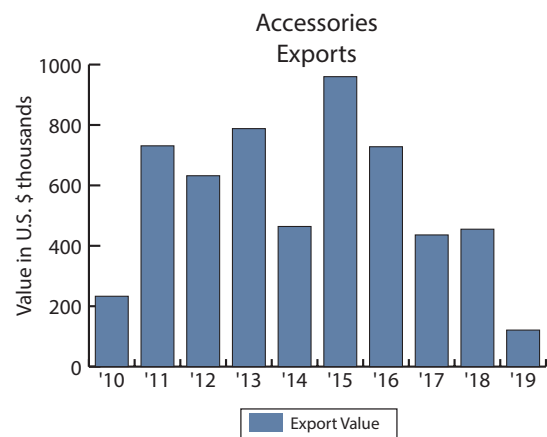
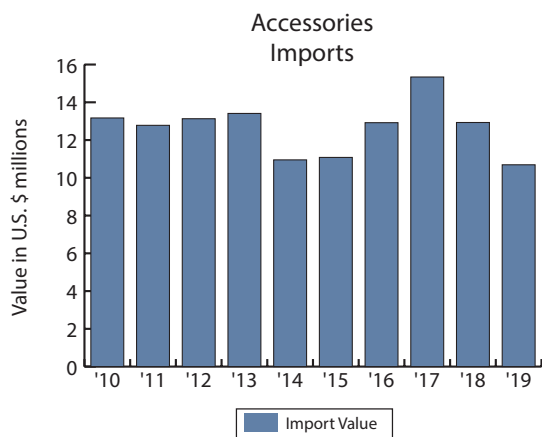
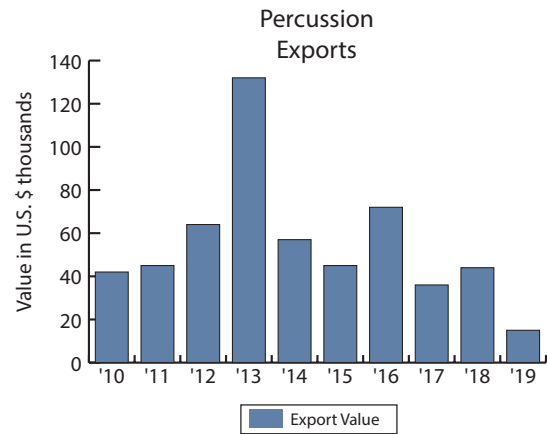
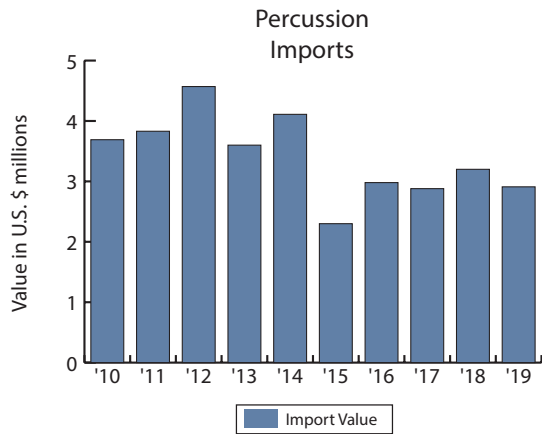
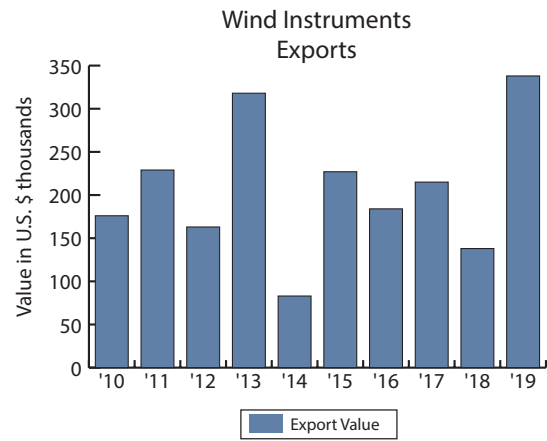
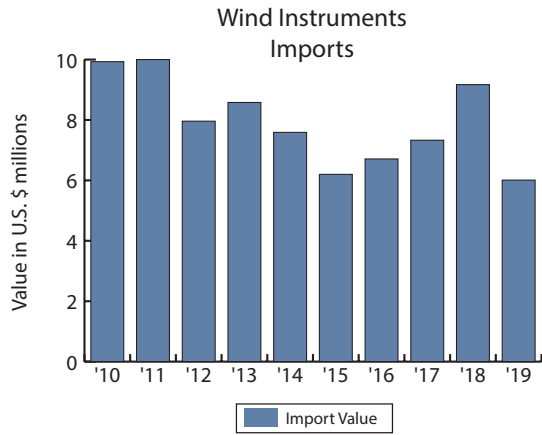
Music Market	\$91.0 million
Sales Per Capita	\$16.94
Global Share	0.50%



Norway Imports and Exports



Norway Imports and Exports



PHILIPPINES

DOING BUSINESS IN THE PHILIPPINES

Market Overview

The Philippines is the 13th-largest country in the world by population (more than 104 million) and the fourth-largest English-speaking country. It also has one of the youngest populations in the world, with about 41% of people under the age of 20. About 90% of Filipinos between the ages of 10 and 64 are functionally literate. Relatively high population growth of nearly 2% annually will continue to help drive economic growth for the next several years, while also increasing the strain on the country's social spending and infrastructure.

The government's "Build Build Build" infrastructure program failed to significantly spur economic activity in 2018 as Philippine annual GDP growth slowed for the second consecutive year to 6.2%, from 6.7% in 2017. Growth, which was below the government's 6.5%–6.9% target range, was dragged down by the weak performances of exports (up 13.4% in real terms from 19.7% in 2017), manufacturing activity (up 4.9% from 8.4% in 2017), and agricultural harvests (up 0.9% from 4.0% in 2017). Meanwhile, public sector construction outlays accelerated by 21.2% in 2018 from 12.7% the previous year.

Consumer spending—supported by remittances from more than 10 million Filipino migrants and overseas workers—remained the major component of domestic demand. However, this growth slowed in 2018 (up 5.6% in real terms from 5.9% in 2017) as high inflation eroded consumer sentiments. Combined public and private sector construction expenditures rebounded to 13.6% after slowing to 5.8% in 2017. Investments in durable equipment increased slightly to 12.4% in 2018, albeit still slower than the 37.7% recorded in 2016. Amid escalating global trade tensions, the delay in the approval of the 2019 budget (signed four months late in April 2019), and a prolonged national dry spell, major multilateral lenders reduced growth projections to 6%–7% for 2019, from the government's ambitious 7%–8% target. However, ratings agencies have maintained the Philippines' investment-grade rating, with the S&P 500 backing the country's upgrade from BBB to BBB+ with a "stable" outlook, citing its continued above-average economic growth and sustainable public finance.

Consumer price inflation soared further in 2018 and averaged 5.2% for the full year (higher than 2.9% in 2017), exceeding the central bank's targeted 2%–4% range. Inflation accelerated for nine consecutive months from January 2018 and reached a high of 6.7% in September. The surge was attributed to supply disruptions that pushed food prices higher, rising global oil prices, and the effects of the first tax reform package enacted into law in December 2017. This tax reform imposed or increased excise taxes on petroleum products, sugar-sweetened beverages, automobiles, tobacco and liquor, coal and other goods. Inflation tapered starting November at 6.0% and eased further in 2019, hitting 3% in April and averaging 3.6% in the first quarter of 2019. The central bank expects inflation to remain within the target range of 2%–4% in 2019 until 2020. However, it remains cautious amid the more severe and prolonged episodes of drought and the continued rise in global crude oil. The combination of falling inflation and slowing growth led the central bank to cut benchmark interest rates by 25 basis points in May 2019, unwinding part of the 175 basis points of interest rate hikes it undertook in 2018. The central bank immediately flowed the

rate cut with a 2% downward adjustment to the reserve requirement ratio for banks, from 18%–16%.

The Philippines balance of payments deficit widened significantly, from US\$863 million in 2017 to US\$2.31 billion (equivalent to 0.7% of GDP) in 2018. The current account logged a deficit for a third consecutive year, following 13 straight years of surpluses prior to 2016, and increased from 0.7%–2.4% of GDP (US\$7.9 billion). This increase exceeded the central bank's 1.9% target, driven by rising machinery and equipment purchases from abroad to support infrastructure projects under the administration's "Build, Build, Build" development program. The higher current account deficit reflected the widening of the merchandise trade gap by almost 22% year-on-year, to over US\$49 billion as the merchandise import bill (up 9.4%), outpaced export revenues (down 0.3%). The rise in export goods was offset by gains from services (up 20.7%), which mostly comprise business process outsourcing revenues, and remittance inflows and earnings from investments abroad by Filipino citizens (up 19.2%).

Meanwhile, the capital account surplus (US\$65 million) fell by 6.3% in 2018 but posted a US\$3.8 billion surplus for the first quarter of 2019, compared to the US\$1.2 billion deficit for the same period in 2018. The financial account deficit widened to US\$7.8 billion from US\$2.8 billion the previous year, as more substantial net inflows of foreign direct investments combined with significantly lower net outflows in other financial investments. This is attributed mainly to lower net lending by local banks to non-residents and net repayments of foreign loans, rather than offset the net outflows of portfolio capital (US\$858 million, down by 65%).

The Philippine Stock Market was one of the world's poorest performers in 2018, reflecting weak sentiments toward corporate earnings following the steep rise in the prices of commodities, depreciating peso and slowing economic growth. The Philippine Stock Exchange index gained 6.1% in the first quarter of 2019—higher than the 2.6% posted in the last quarter of 2018—and up from the 6.8% decline in the first quarter of 2018. Following the central bank's lowering of interest rates by 25 basis points and bank reserve requirement ratios by 2%, the Manila index rose 1.6% to a near four-month high.

Net foreign direct investment inflow, which had been trending upward since the administration of former President Benigno Aquino III, reversed its uptrend and fell by 4.4% year-on-year to US\$9.8 billion in 2018 from a record-high of US\$10 billion. This fell short of the US\$10.4 billion government projections for the year. The Philippines remains behind on FDI investments compared to Southeast Asian peers. The United States—with an estimated US\$7.1 billion FDI stock in 2017, a 12.5% increase from 2016—ranks among the Philippines' top investors. The Philippines has improved overall in various competitiveness rankings over the past seven to eight years, though several declines were reported in the past year. However, the inadequate state of infrastructure remains a weak spot, and investors continue to cite government red tape, regulatory uncertainties, a slow judicial system and corruption as challenges to doing business in the country.

The Philippine Central Bank's gross international reserves fell to a seven-year low and contracted to US\$79.2 billion as of the end of December 2018, from US\$81.6 billion a year ago. However, these reserves continued to increase, reaching US\$83.96 billion in April 2019. This is an equivalent of 7.4 months of imports of goods, payments for services, and primary income.

From 2% of GDP under its predecessor, the Duterte administration has programmed a higher annual budget deficit ceiling of 3% of GDP to boost spending on social services, undertake an ambitious infrastructure plan, and make more significant inroads to reduce poverty. The 2018 fiscal deficit of 3.2% of GDP ended above the programmed deficit. Revenue collections increased by 15.2% year-on-year and exceeded the target set for the year, while expenditures exceeded the goal by over 1%. The implementation of a tax reform law implemented in January 2018 (known as the Tax Reform for Acceleration and Inclusion, or TRAIN I) fueled higher revenues, while hefty infrastructure development and social services funding contributed to higher spending and the wider deficit.

The government raised the 2019 deficit target to 3.2% of GDP to accommodate more substantial provisions for infrastructure projects. Infrastructure and other capital outlays, which surged 41.3%, exceeded the full-year 2018 goal by 3.6%, bolstered by spending that included road and bridge networks, flood control projects and military modernization. The TRAIN I tax reform package featured a more progressive scheme to personal income tax. It simplified estate and donor's tax, as well as value-added tax, and increased taxes for certain products. However, the additional increase in revenue collection generated under the measure was not enough to hit the 2018 target. Tax collection fell short of its 2018 goal by 4.0%, although it grew by 10.2% annually.

The government's proposed second Comprehensive Tax Reform Program, known as TRAIN II, aims to reduce the current 30% corporate income tax, considered the highest in Southeast Asia. It also includes provisions to modify and limit the tax incentives granted to certain businesses and proposes tax amnesty in certain areas of tax collection. The Duterte administration has proposed a total of 4–5 tax reform packages to comprise the CTRP. Together, these packages would generate an additional average of 0.7% of GDP in revenues from 2018 to 2022, when President Duterte is scheduled to end his six-year term. The government hopes to shepherd further tax policies and administrative reforms to achieve its twin goals: raising revenues more from 15.7% of GDP in 2017 to 17.5% of GDP by 2022, and promoting a simpler and more equitable tax system.

Sustained economic growth, resilience to domestic and external shocks and a strong fiscal position have earned the Philippines a credit rating of BBB+, which is two notches above the minimum investment grade. This rating is the highest achieved thus far in the Philippines' credit-rating history, awarded by S&P 500. Fitch and Moody's pegged the country's rate a notch above minimum investment grade. Credit rating agencies are closely watching further progress on tax reform, infrastructure spending (particularly on "flagship" projects), budget implementation, and are also monitoring monetary policy responses to accelerating inflation, foreign exchange rate volatility, and rapid credit growth.

The unemployment rate fell to 5.3% in 2018 from 5.7% in 2017, translating to 2.3 million jobless Filipinos in 2018. This decline came amid a lower labor force participation rate (down 0.3 percentage points to 60.9%) and a higher underemployment rate (up 0.3 percentage points to 16.4%). These rates indicate challenges with the availability of quality of jobs. The government reported the creation of 826,000 net jobs in 2018, but this was below the annual target of 900,000 to 1.1 million jobs. The official national poverty rate declined to 21.6% in 2015 from 25.4% in the previous 2012 survey, and anecdotal evidence suggests the middle class is expanding. Although gradually improving, the high level of inequality nevertheless remains a challenge, with the incidence of poverty varying significantly across regions.

The political situation in the Philippines is stable. Elected in 2016 for a six-year term, President Duterte enjoys high approval ratings. He has cracked down on crime and illegal drugs, though his anti-drug campaign has drawn criticism from the international community and human rights groups. Economic stability and business activity have generally continued unabated.

The Duterte administration is attempting to end one of the longest-running and most debilitating militant insurgencies in Southeast Asia. Despite the liberation of Marawi City—a regional hub of 200,000 people in the southern island of Mindanao—from a five-month terrorist siege in October 2017, terrorism remains a threat. The entire island of Mindanao remains under martial law at least through the end of 2019. Although there has been progress in implementing the 2014 peace agreement between the government and the Moro Islamic Liberation Front, with the government providing greater political and economic autonomy for Muslim Mindanao, there remain significant challenges to peace and security.

U.S.-Philippines bilateral trade has grown by almost 70% since 2009, reaching US\$21.3 billion in 2018. In 2018, the Philippines ranked as the 32nd-largest export destination for U.S. products and the 29th-largest source of U.S. merchandise imports. The U.S. trade deficit with the Philippines was at US\$3.9 billion in 2018.

In 2018, the U.S. was the Philippines' second-largest merchandise export market after China, with more than 15% of total exports. The U.S. was the Philippines' fourth-largest supplier, with a 7% share of the country's merchandise import bill.

The U.S. was the Philippines' fourth-largest country supplier in 2018, with a 7% share of the country's imports. The Philippines' top three import sources are China, with a 20% import share, Korea at 10% and Japan at 10%. The U.S. was the Philippines' largest export market, with 15% of the total value in 2018.

Market Challenges

Graft and corruption. The Philippine Government has made significant strides in fighting graft and corruption. President Duterte has stated zero tolerance for corruption and has even provided the Philippine public a hotline to call to report inefficient and corrupt public servants. Corruption, a hindrance to business and outside investment, is a pervasive

and long-standing challenge in the Philippines. The country's ranking in Transparency International's Corruption Perceptions Index of 180 economies fluctuated from 85 in 2014, 95 in 2015, 101 in 2016, 111 in 2017, and 99 in 2018.

Ineffective judicial system. The Philippines' slow and complicated judicial system can inhibit the timely and fair resolution of commercial disputes. Most cases take many years to reach a final verdict.

Limited ownership. The Philippines has restricted foreign ownership in selected industries, including utilities and the media. The Government also lists several professions where foreign participation is not allowed.

Regulatory system. Product registration, product standards and environmental and labeling requirements place restrictions on certain products.

Value-Added Tax. The VAT is a 12% tax levied on the sale of all goods and services, including the imports of goods into the Philippines. The VAT is an indirect tax that is generally passed on to the consumer.

Infrastructure. The Philippines lags behind many of its neighbors in infrastructure development. Major improvements are needed in transport infrastructure. Overcapacity in international airports across the country presents a significant impediment to development and tourism. Urban traffic and port congestion are often identified as constraints to business.

Internet penetration. The country ranks as one of the lowest in the region for internet penetration, connectivity, and speed, but costs are comparable to the American market. Cybersecurity remains a concern.

Highly price-sensitive market. U.S. products are generally known for high quality but are also more expensive. U.S. exporters should not expect to apply their U.S. pricing strategy in this market. Distributors and customers will request payment terms.

Philippine government procurement. There are procurement opportunities with the Philippine government, but a local partner is generally required. The law for government procurement, Republic Act (RA) 9184, calls for the lowest cost-compliant bid, has significant paperwork requirements, limits advance payment to a maximum of 15%, and only allows 75% payment upon acceptance of delivery of goods. The remaining 10% is withheld until after the warranty period is completed.

Customs. U.S. exporters need to ensure their Philippine consignee has the proper accreditation to receive imports. In addition, specific products require special licenses and permits prior to shipment.

Market Opportunities

The best prospects for U.S. companies in the Philippines include transportation infrastructure, defense, and information and communications technology. Strong subsectors include health care, energy and tourism.

The Philippines will spend about US\$4.4 billion on ICT over the next six years. Priority subsectors include cybersecurity, the cloud and telecommunications.

The Armed Forces of the Philippines is undertaking a 15-year modernization program that started in 2012 and will continue through 2027. The total cost of the 15-year program is projected to be over US\$40 billion. Opportunities exist for sales of aircraft, ships, unmanned vehicles, intelligence and surveillance systems, communications, personal protective equipment and weapon systems.

Through the administration's "Build, Build, Build" Initiative, US\$180 billion will be spent on projects including airports, ports, bridges, roads and rail infrastructure. Opportunities exist for U.S. firms to compete on projects tenders through the Government Appropriations Act. Japanese tied-aid projects cover a large portion of this initiative, but U.S. firms can work on these projects as a sub-contractor, or as a supplier through the main Japanese contractor.

Market-Entry Strategies

- Agents and distributors are commonly used in the Philippines and are essential for most U.S. companies.
- Government procurement requires a foreign firm to have a local partner, with certain exceptions.
- U.S. companies should visit their agents and distributors to strengthen these relationships and assess the local companies' abilities. If possible, they should also visit existing and potential clients with their agents and distributors to promote their product lines and to better understand the clients' requirements.
- U.S. companies should be patient yet diligent in pursuing contracts, particularly projects with the Philippine Government.

"Doing Business in the Philippines" article is provided by the U.S. Commercial Service, the trade promotion arm of the U.S. Department of Commerce's International Trade Administration.

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

PHILIPPINES SNAPSHOT

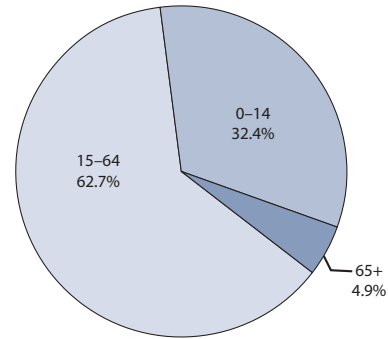
Demographics

Population in millions 109.2

Age	Male	Female
0-14	18.06	17.33
15-64	34.57	33.90
65 & Over	2.16	3.15

Median Age 24.1
Population Growth 1.52%

Demographics

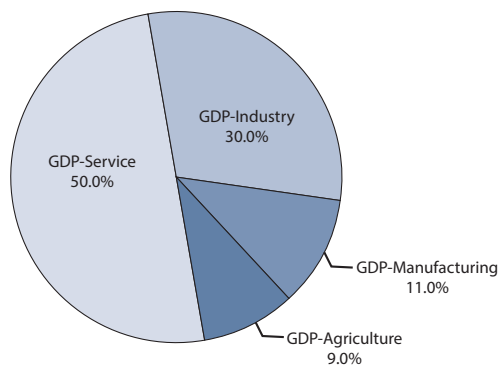


Economy

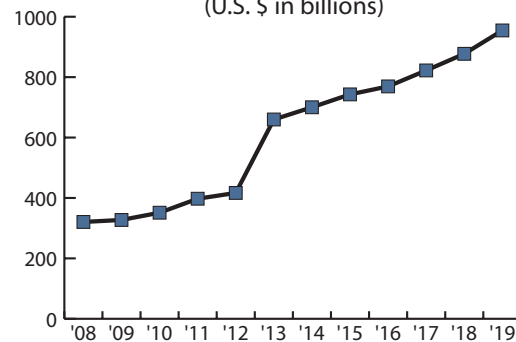
GDP (PPP)	\$954.6 billion
GDP Per Capita	\$8,951
GDP-Real Growth Rate	6.20%
Unemployment Rate	2.40%
Inflation	2.50%

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.

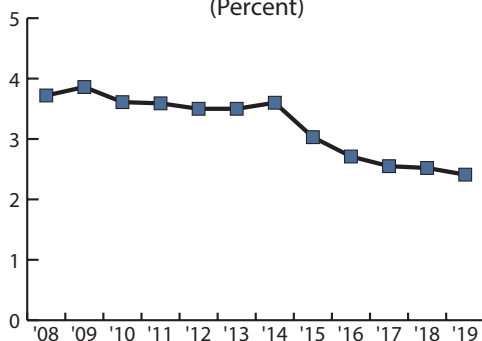
Economy



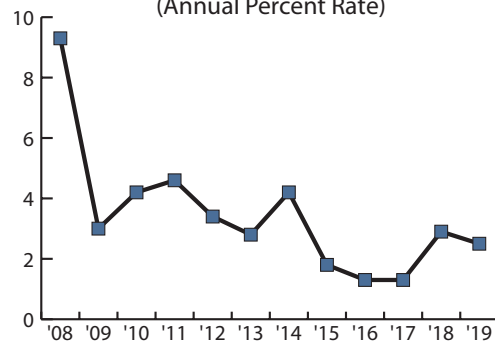
Philippines GDP (PPP)
(U.S. \$ in billions)



Unemployment Rate
(Percent)

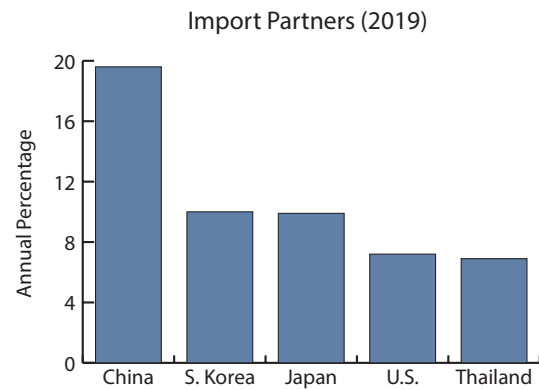


Inflation
(Annual Percent Rate)



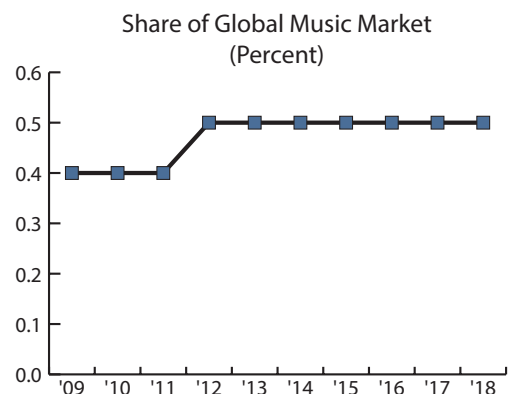
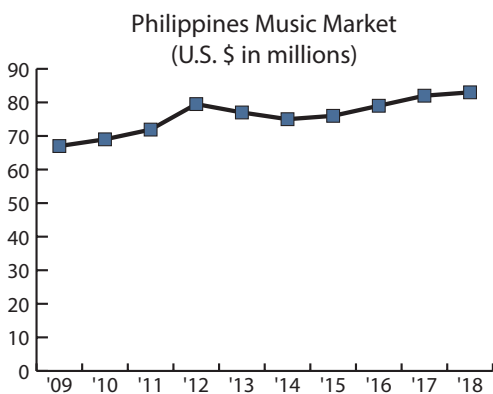
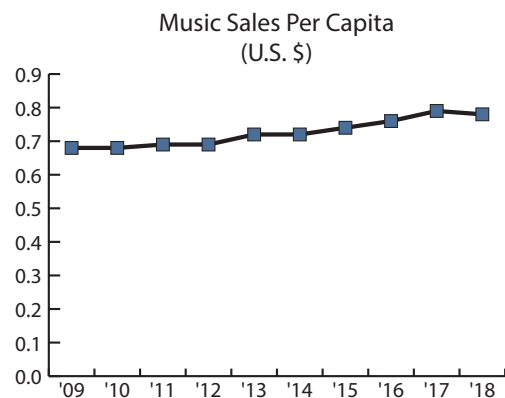
Trade

Total Export	\$67.5 billion	Export as % of GDP	7.07%
Total Import	\$115.0 billion	Import as % of GDP	12.05%



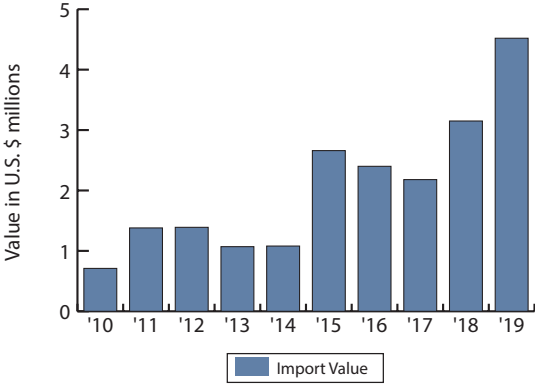
Music Industry

Music Market	\$83.0 million
Sales Per Capita	\$0.78
Global Share	0.50%

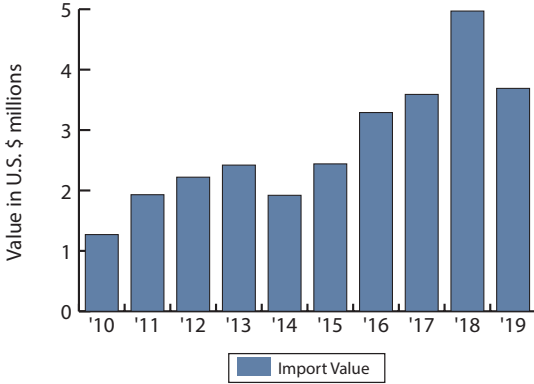


Philippines Imports

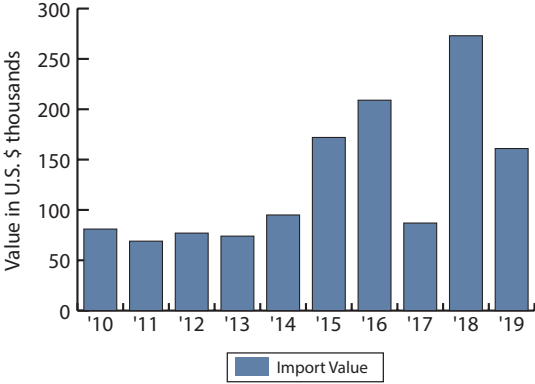
Guitars



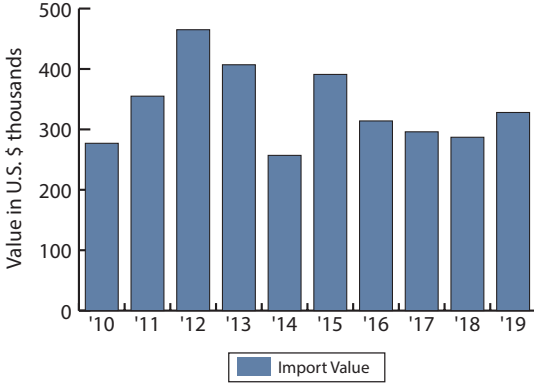
Fretted Instruments



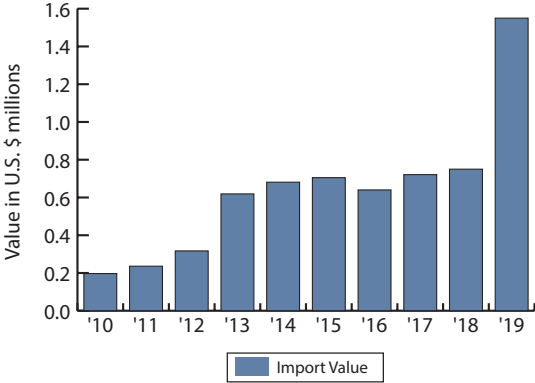
Stringed Instruments



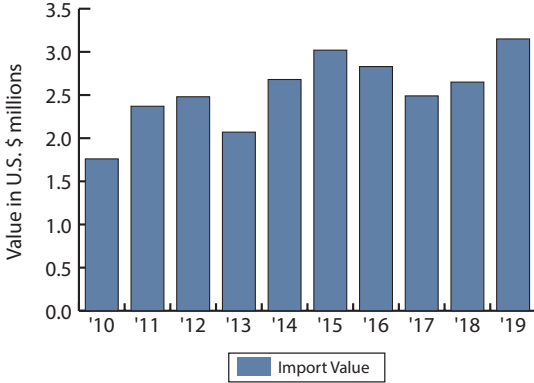
Upright Pianos



Grand Pianos

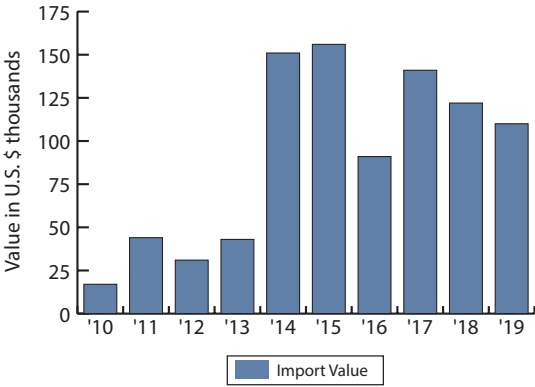


Keyboards

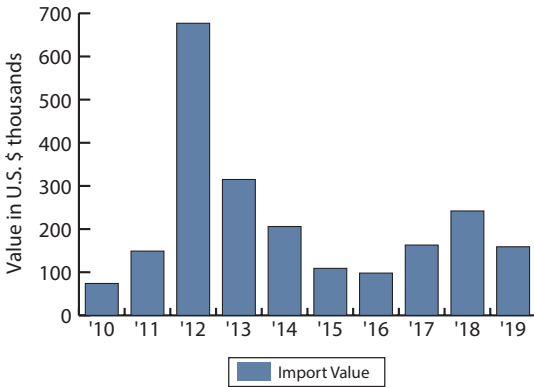


Philippines Imports

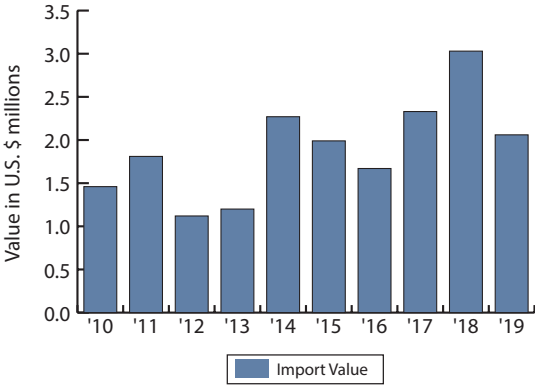
Brass Instruments



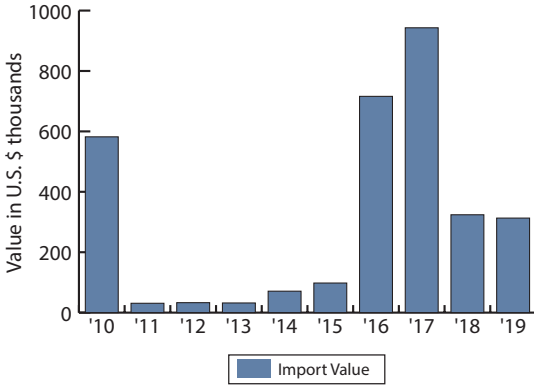
Wind Instruments



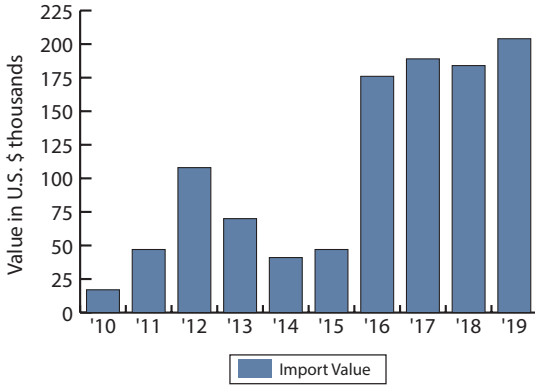
Percussion



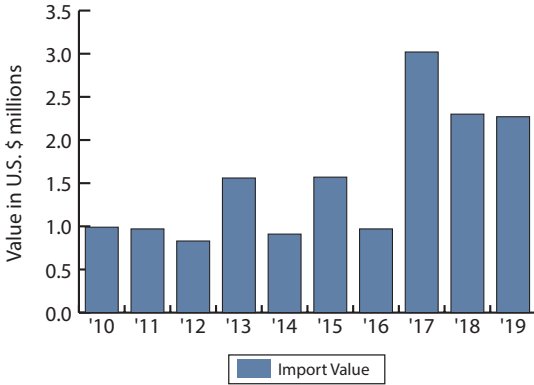
Organs



Instrument Strings



Accessories



RUSSIA

The musical instruments market in Russia depends on the general economic situation. From early 2017 until now, the Russian economy has been under the influence of external factors: falling oil prices, sanctions and capital flight. But in 2019, several important things occurred. The price of oil rose from US\$30 per barrel in 2016 to US\$60 in 2019. This means that the state budget of Russia has grown. But the most important development for the musical instruments market was the approval of national projects in various fields, including National Project “Culture” and National Project “Education.” These projects included the purchase of new musical instruments and equipment for schools, philharmonic societies, orchestras and concert halls.

When organizing government tenders, the priority was domestic production. But in general, the whole market has doubled. Even the demand for instruments that are not acceptable for music schools or orchestras grew, indicating that the National Projects have increased interest in music and music education.

State procurements resulted in not only growth of the musical instruments market but also an increase in the average price of orchestra instruments. For instance, the average price of violins increased from US\$35.12 in 2017 to US\$75.46 in 2019. Other bowed instruments increased from US\$105.63 to US\$1,071.67. The import of brass and other wind instruments increased by three to four times.

The entire orchestra instruments market grew by 200%–300% and even 698% for bowed instruments.

Additionally, we can see that the average price of rock ‘n’ roll instruments (guitars, drums and synthesizers) has remained stable. However, sales of such instruments increased by about 50%.

Looking into the Future

It is not easy to make any forecasts. Nobody knows how the COVID-19 situation will affect the global economy and the Russian economy as a part of it.

We already faced oil prices falling by half. The new monetary policy of the Russian government allows the ruble to fluctuate much less, so the ruble fell by only 10%.

National Project “Culture” and National Project “Education” are planned to continue for six years, from January 1, 2019, until the end of 2024. But due to the situation with COVID-19, the general structure of the state budget will likely be overhauled. It is expected that support for the manufacturing sector of the economy will increase.

Commentary by Aramais Kaltakhchan, President of Dynatone Music, Russia

DOING BUSINESS IN RUSSIA

Market Overview

Russia presents both significant challenges and opportunities for experienced American exporters. Russia's 2014–2016 economic downturn, driven by low oil prices, Western sanctions, and compounded by a lack of structural economic reform, squeezed both Russian corporations and the average consumer. While targeted American and European economic sanctions remain in place and have gradually expanded, there is no overall trade embargo on Russia. On the back of a tight fiscal and monetary policy, coupled with higher oil prices, Russia returned to GDP growth of 1.7% in 2017, and the economy is expected to expand at a comparable or slightly slower pace in 2018. Over 1,000 American firms of all sizes continued to do business in Russia, given its 142 million consumers, US\$27k+ GDP per capita (as measured in purchasing power parity, or PPP), a growing middle class and highly educated and trained workforce.

There are two broad considerations when assessing business prospects in Russia: geopolitics and market dynamics. Russia's continued aggression in Ukraine and Syria has raised tensions with the United States and its allies and led to increased economic restrictions. U.S. and European economic sanctions instituted in 2014, and subsequently augmented, remain firmly in place and are not expected to be lifted in the near term. Restrictions continue on the financial sector, defense industry, and on offshore, Arctic and shale oil and gas. In addition, a number of Russian entities and individuals are subject to sanctions, requiring American firms to conduct careful due diligence on potential business partners. For the past three years, U.S. agricultural exporters have been hit with Russian countersanctions, among a number of protectionist, import-substitution policies designed to provide Russian firms implicit or explicit advantages over international competitors. In 2018, the Russian Duma passed legislation endorsing further restrictions on Western imports, and legislation is under consideration to make illegal any cooperation with Western sanctions. These laws may not be implemented, as potential damage to the Russian economy could be significant.

Aside from sanctions, market characteristics, including increasing state dominance of the economy, high costs of borrowing and a lack of broad economic reform will likely continue to constrain economic growth and market potential. Large, publicly traded U.S. multinational corporations, as well as small- and medium-sized enterprises, continue to carefully monitor the overall business climate in Russia, balancing opportunity with risk. Both Western and Russian firms approach 2020–2021 eager to capitalize on opportunities, but cognizant of the significant challenges facing Western market participants. Stable oil prices, a less volatile ruble, tight fiscal and monetary policy, and a return to growth in some sectors will likely keep the Russian economy growing through the end of 2019, albeit slowly. Indeed, both Western and Russian firms report year-on-year demand growth for large industrial equipment in the mining, energy and heavy equipment sectors. However, retail and residential construction are examples of sectors that remain weak. Early in 2018, S&P assigned Russian debt ratings of BBB- (lower investment grade), while in early 2019, Moody's assigned Russian debt an improved rating of Baa3 (also lower investment grade).

Despite the need for deeper, structural economic reforms, most analysts doubt there will be any significant policy changes that would catalyze significant economic acceleration. Finally,

from a rule-of-law standpoint, 2019 was a tumultuous one for foreign investors, as they can be in weak positions when Russian law enforcement intervenes on behalf of competitors or business partners, apparently seeking to use political connections to rebalance business relationships in their favor.

Two-way U.S.-Russia trade reached over US\$24 billion in 2017, 18% higher than in 2016, but well off its peak of US\$38 billion in 2013. American investment in Russia was about US\$9 billion in 2015 (latest data available). These figures are conservative, as they do not include all third-country trade and investment flows of U.S. origin or reinvested earnings from subsidiaries of American parent corporations. Numbers aside, American firms view the Russian market as a long-term, strategic play, given its population, natural resources, growing consumer class and access to a low-cost labor force.

Market Challenges

Russia is a large country with varied market segments spread across 11 time zones. The major markets of Moscow and St. Petersburg are well-served, and new market entrants will face stiff competition from established businesses. However, markets in other large cities such as Yekaterinburg, Novosibirsk and Vladivostok may not be as developed, but can move quickly on a new product/service offering.

- Given U.S. sanctions against specific sectors, entities and individuals in Russia, companies need to plan for compliance and assess future risk. The U.S. Embassy's Commercial Service can counsel your firm on such considerations and connect you with key U.S. Government resources to navigate the Departments of Treasury, State, Homeland Security and Commerce for more information on export controls and economic sanctions.
- There has been a long-term trend of “import substitution” serving as an official policy of the Russian government. Preferential financing for Russian companies, soft guidelines that limit the purchase of foreign products, official “buy-Russian” preferences in government tenders, and mandatory storage of customer data on local servers are representative of policies that can inhibit U.S. firms’ ability to compete from a price/quality standpoint.
- While business rule of law has improved in the last two decades in Russia, it remains weak by Western standards. This state of affairs has arguably worsened, as illustrated by the high-profile arrest in early 2019 of a long-term American investor on criminal charges for issues relating to a business dispute.
- Burdensome regulations, the preponderance and strength of state-owned enterprises, and government policies encouraging localization present challenges to U.S. exporters. Russia is included on the Special 301 Priority Watch List due to significant shortcomings in the protection of intellectual property rights. While the character and severity of these IPR risks vary by industry, the prospect of compulsory licensing for pharmaceuticals is among persistent challenges.

- With real incomes flat in recent years, Russian importers and consumers remain price-sensitive and will ask many questions about the product/service offering. Prospective exporters need to come with convincing arguments to support a strong negotiating position.
- Outside of universities and the circle of internationally active companies, English is not widely spoken, even in large cities such as Moscow and St. Petersburg. A little conversational Russian can go a long way, especially in de rigueur meals and toasts when you meet new business contacts.

Market Opportunities

With a vast landmass, extensive natural resources, more than 142 million consumers and pressing infrastructure needs, Russia remains a major potential market for U.S. exporters. Russia is the world's 11th-largest economy by nominal GDP and the sixth-largest by PPP, as cited by the International Monetary Fund. According to the IMF, 2018 GDP per capita (PPP-based) was US\$29,032. Russia is a high-income country with an educated, trained workforce and sophisticated, discerning consumers.

A combination of low oil prices, structural limitations and sanctions pushed Russia into a recession in 2015, with the economy contracting by 4%, followed by a 0.6% drop in 2016. The Economist estimates that structural weaknesses, low investment and fiscal tightening will keep GDP growth at about 1%–2% a year in the medium term. In 2017, the real GDP growth rate was 1.5%, and according to IMF estimates, the real GDP growth rate in 2018 was 1.8%. The IMF has forecast 2019 GDP growth at 1.4%.

In terms of trade in goods, Russia was the 36th-largest export market and the 23rd-largest exporter to the U.S. in 2018. Russia was the 28th-largest overall trading partner to the U.S. Exports to Russia in 2018 were US\$6.7 billion, a decrease of 5% from 2017 (although U.S. exports of products other than commercial aircraft actually rose modestly in 2018).

Russian exports to the U.S. in 2018 were US\$20.7 billion, an increase of 22% from 2017. In 2018, Russia's leading individual trading partners were China, the Netherlands, Germany, Belarus, Turkey, South Korea, Poland, Italy, Kazakhstan and the U.S.

In 2018, the latest available data showed that the U.S. direct investment position in Russia was US\$14.8 billion, an increase of 6.5% from 2017. The direct investment position of Russia in the U.S. was US\$3.9 billion, a decrease of 7.1% from 2017. Given the prevalence of third-country trade and investment channels, official figures for U.S.-Russian trade and investment likely understate U.S. companies' extent of business involvement with Russia. Many American firms view the Russian market as a long-term, strategic play given its large population, natural resources, growing consumer class and access to a relatively low-cost yet skilled labor force.

Russia joined the World Trade Organization in August 2012. In the same year, the U.S. Congress also enacted legislation to establish permanent normal trade relations with Russia. Russia's commitment to not raise tariffs on any product above the negotiated rate meant

that U.S. manufacturers and exporters experienced more secure and predictable access to the Russian market.

For American businesses, Russia's accession to the WTO also provided the following benefits, although Russia has been slow to fulfill or has backtracked on certain WTO obligations:

- 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 rulemaking
- More effective WTO dispute resolution mechanisms

In some areas, subsequent Russian government actions, such as prohibitions it has placed on imports of U.S. and European agricultural products since August 2014, have effectively negated market-opening measures that resulted from Russia's WTO accession.

Market-Entry Strategies

Russia is a market for internationally experienced U.S. firms of all sizes with compelling product/service offerings. Be prepared to invest significant time, personnel and capital on the front-end to ensure success down the road.

- Use the resources of the U.S. Commercial Service in Russia to get to market more cheaply, quickly and for the long term. We work with the U.S. Foreign Service's economic officers and the U.S. Foreign Agricultural Service to help American firms find reliable partners quickly and expand existing business in Russia and throughout Eurasia.
- Network with the American Chamber of Commerce in Russia and the U.S.-Russia Business Council. These two organizations have in-depth knowledge of the market and can help you network with other American companies who have "been there."
- Face-to-face business is an important factor for Russian partners. Frequent travel and communication will help your business grow and manage the inevitable problems that will arise in this developing market.
- Think long term. Russia is not a market for quick and easy wins.

"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.

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

RUSSIA SNAPSHOT

Demographics

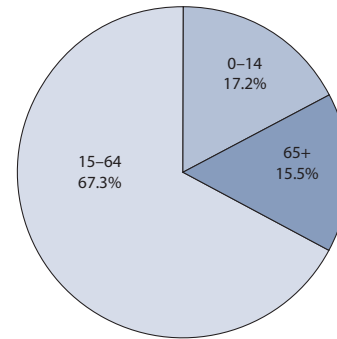
Population in millions 141.7

Age	Male	Female
0–14	12.55	11.88
15–64	45.97	49.32
65 & Over	7.03	14.97

Median Age 40.3

Population Growth -0.16%

Demographics

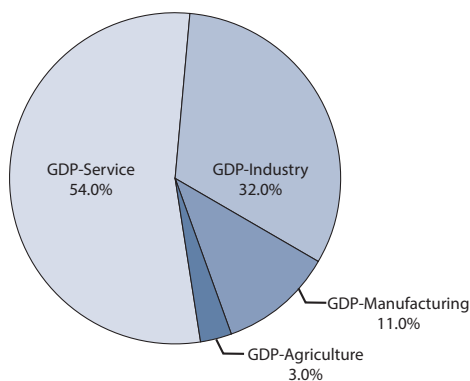


Economy

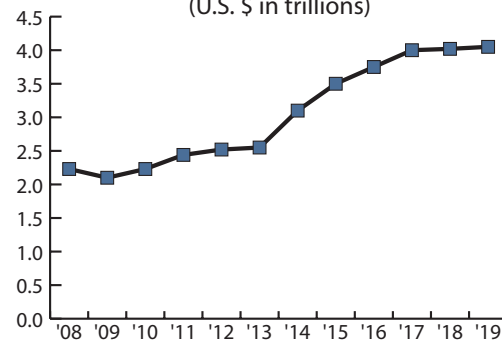
GDP (PPP)	\$4.05 trillion
GDP Per Capita	\$27,588
GDP-Real Growth Rate	2.30%
Unemployment Rate	4.60%
Inflation	4.70%

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.

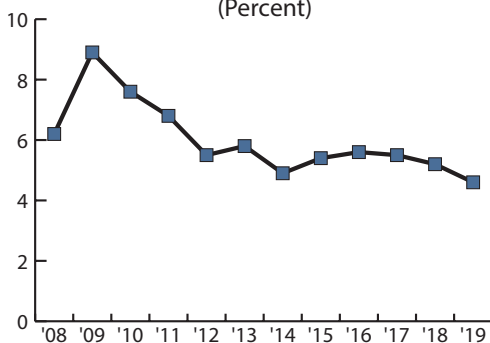
Economy



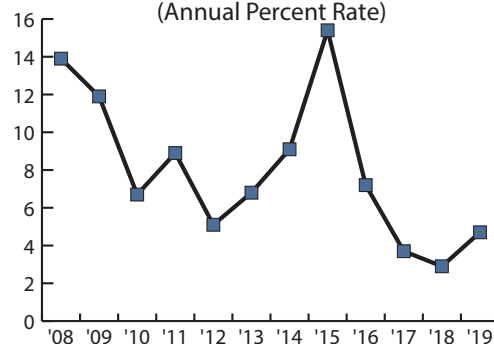
Russia GDP (PPP)
(U.S. \$ in trillions)



Unemployment Rate
(Percent)

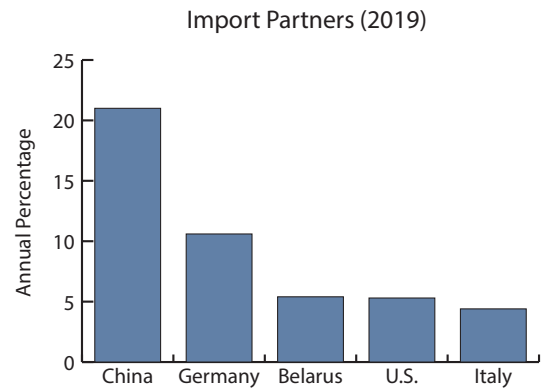
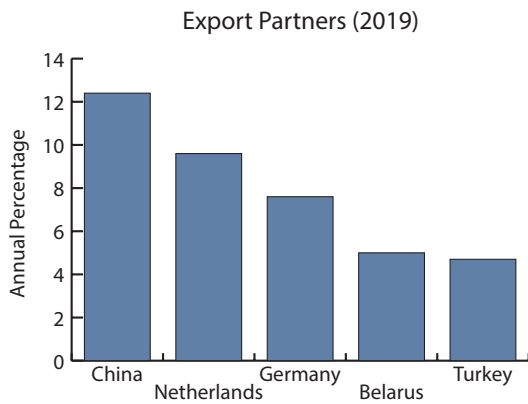


Inflation
(Annual Percent Rate)



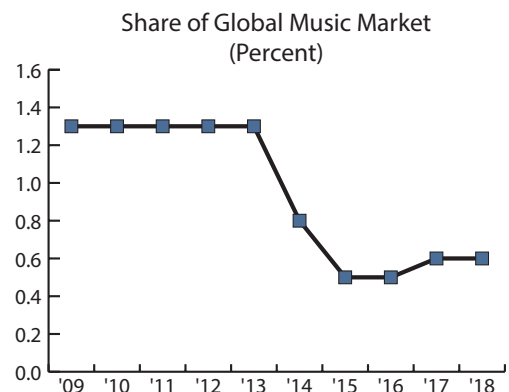
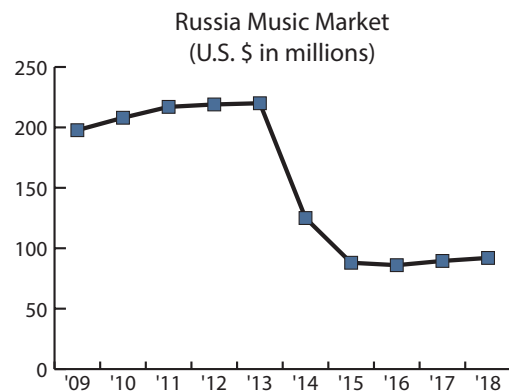
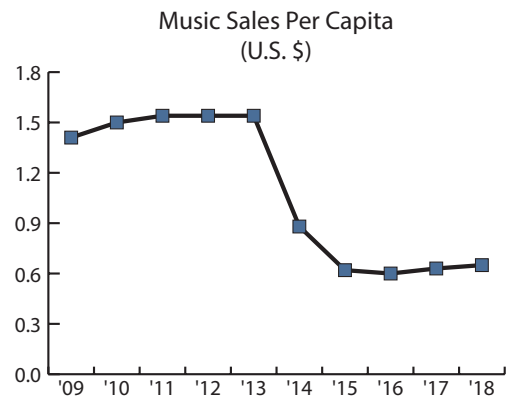
Trade

Total Export	\$451.5 billion	Export as % of GDP	11.15%
Total Import	\$240.2 billion	Import as % of GDP	5.93%

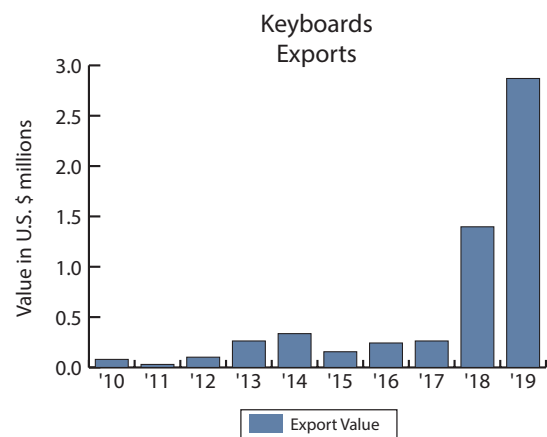
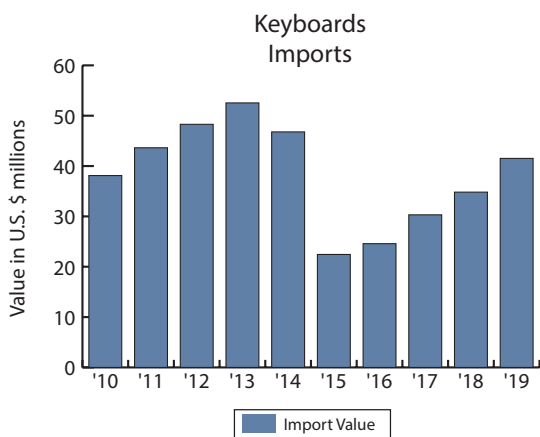
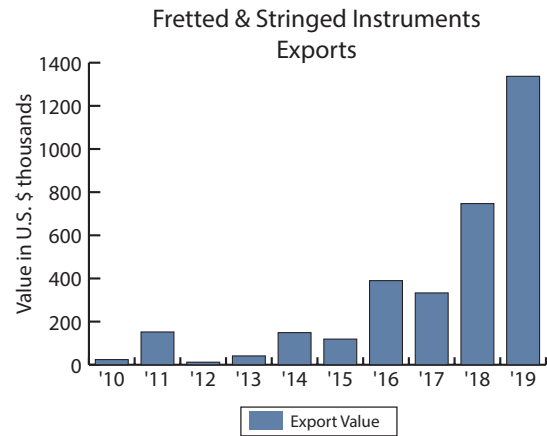
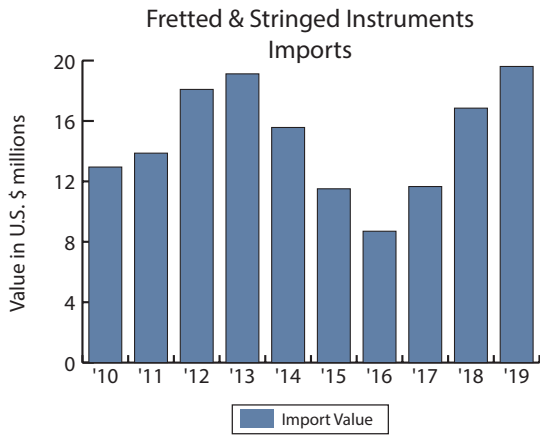
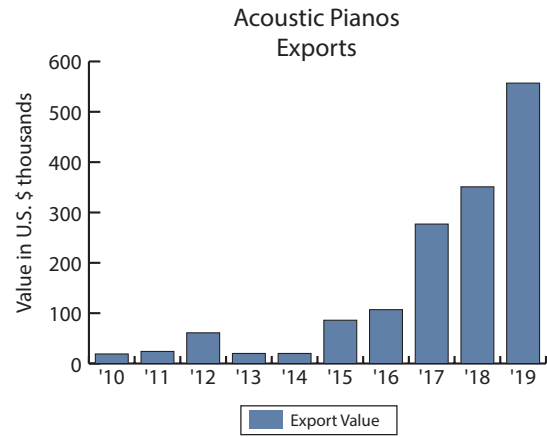
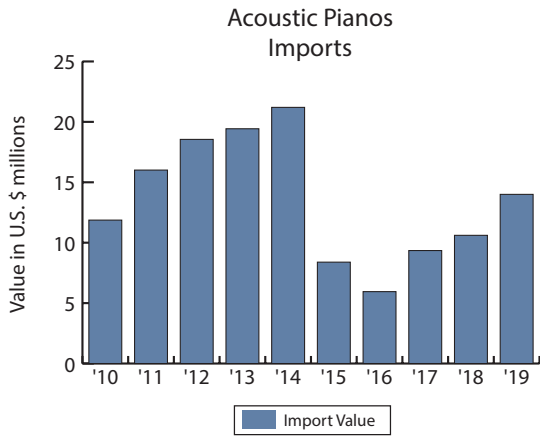


Music Industry

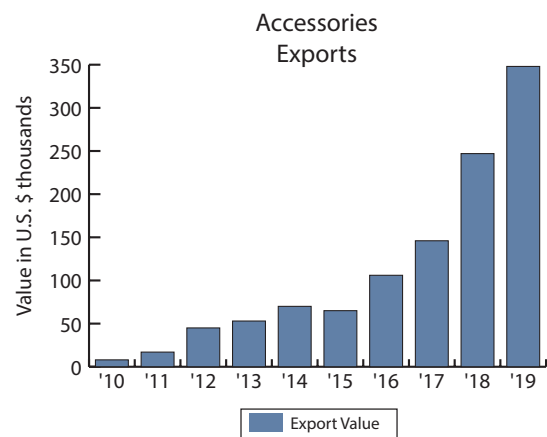
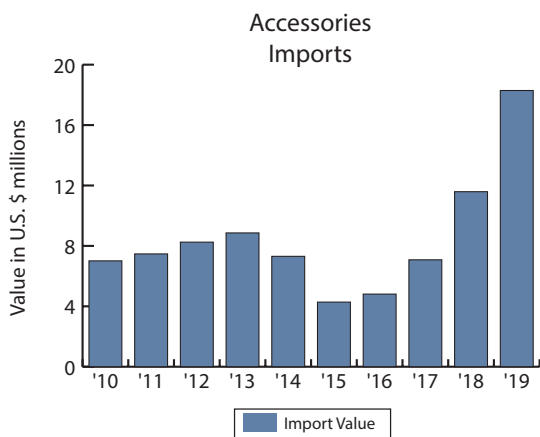
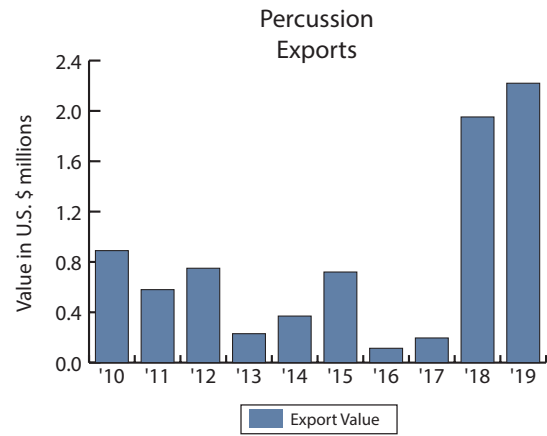
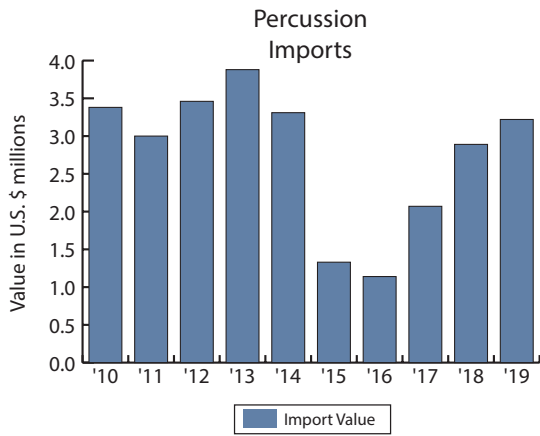
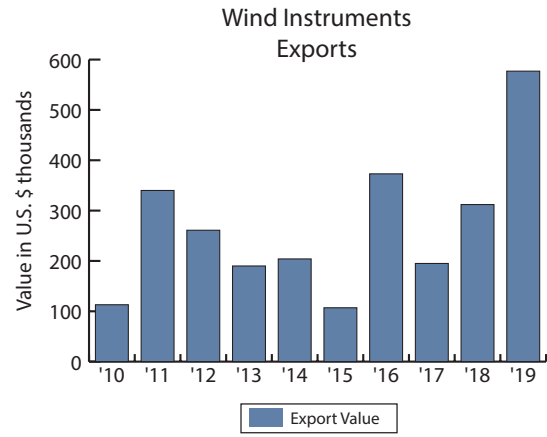
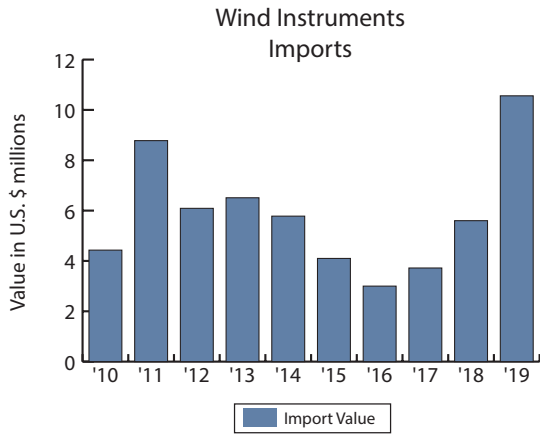
Music Market	\$92.0 million
Sales Per Capita	\$0.65
Global Share	0.60%



Russia Imports and Exports



Russia Imports and Exports



SOUTH KOREA

DOING BUSINESS IN SOUTH KOREA

Market Overview

The Republic of Korea is a promising country for U.S. companies to conduct business. Korea's GDP is currently valued at US\$2.09 trillion, ranking 11th in the world and third in East Asia. As Korea's long-established strength in the shipbuilding, steel and petrochemical industries has begun to wane in recent years, the country's leaders are looking toward other more technology-intensive industries to drive growth. Such industries include health care (medical devices, pharmaceuticals and biotechnology), industrial chemicals, information technology components, semiconductor manufacturing, aerospace and defense, energy, environmental technology and transportation.

U.S. companies have already begun to identify opportunities in these growing industries. U.S. companies have also begun partnering with local Korean companies to expand market opportunities to third-country markets including the Association of Southeast Asian Nations, the Middle East and other markets of Asia-Pacific. Korea remains one of the world's most trade-dependent nations, with trade comprising 90% of GDP. Given its robust shipping and air cargo infrastructure, Korea serves not only as a market endpoint for U.S. goods and services, but also as a hub for expansion into other markets.

Market Challenges

U.S. companies attempting to conduct business in Korea face various challenges including unique industry standards, less-than-transparent regulations, resistance to foreign business models, and competition and price pressures from domestic manufacturers. In addition to these challenges, U.S. exporters of agricultural commodities must navigate multiple import regulations and testing requirements. Despite these challenges, firms that are innovative, patient and committed to establishing a presence in the Korean market will find business to be rewarding and Koreans to be eager and loyal customers. For example, Korean consumers are quick to adopt new technologies, and many U.S. firms have found their technological products to be well-received.

U.S. small- and medium-sized enterprises must remain flexible with Korean business counterparts on contract terms, such as renegotiating price, quantities and delivery terms following business deals or on bilateral contractual agreements. The traditional approach to business deals in Korea, where the signing of a contract is perceived as just the beginning of a business relationship, differs significantly from the typical U.S. model. U.S. enterprises hoping to succeed in Korea should familiarize themselves with tactics and strategies for sustaining positive relationships with their Korean counterparts.

Market Opportunities

The Korea-U.S. Free Trade Agreement, last amended in March 2018, has helped facilitate bilateral trade and makes Korea a more attractive market to pursue. With more than 92% of tariffs now reduced or at zero, U.S. products are becoming increasingly cost-competitive. EU products have also enjoyed reduced or zero-tariff access to the market since mid-2011. Australia, Canada and China also have free trade agreements with Korea.

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.
- 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.

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

SOUTH KOREA SNAPSHOT

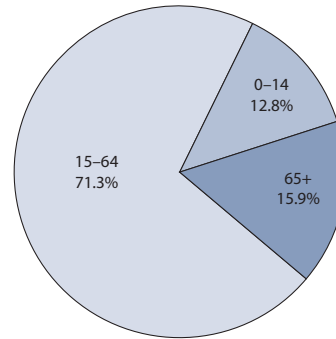
Demographics

Population in millions 51.8

Age	Male	Female
0-14	3.40	3.20
15-64	19.00	17.96
65 & Over	3.57	4.68

Median Age 43.2
Population Growth 0.39%

Demographics

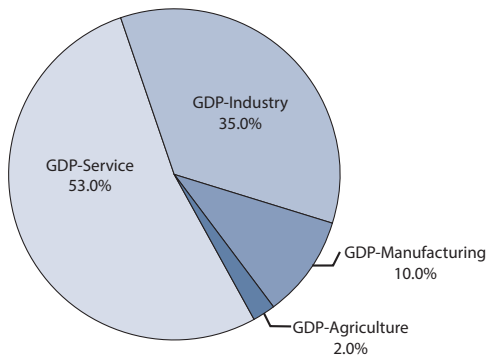


Economy

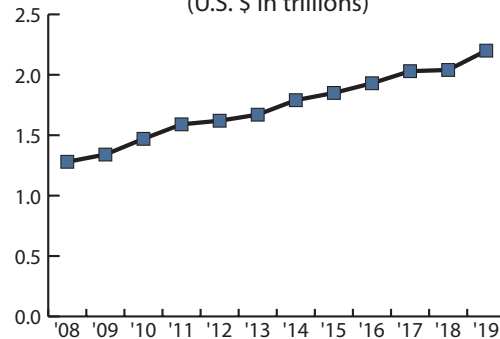
GDP (PPP)	\$2.20 trillion
GDP Per Capita	\$40,100
GDP-Real Growth Rate	2.70%
Unemployment Rate	3.80%
Inflation	0.40%

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.

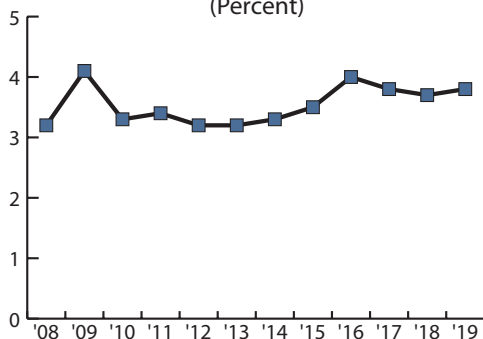
Economy



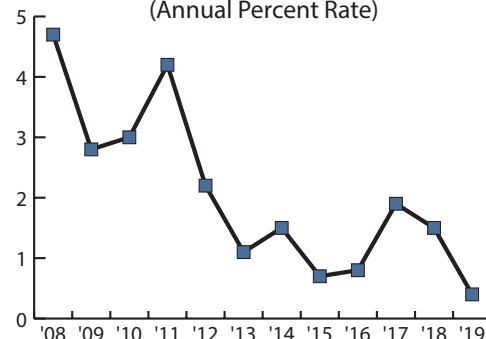
South Korea GDP (PPP)
(U.S. \$ in trillions)



Unemployment Rate
(Percent)

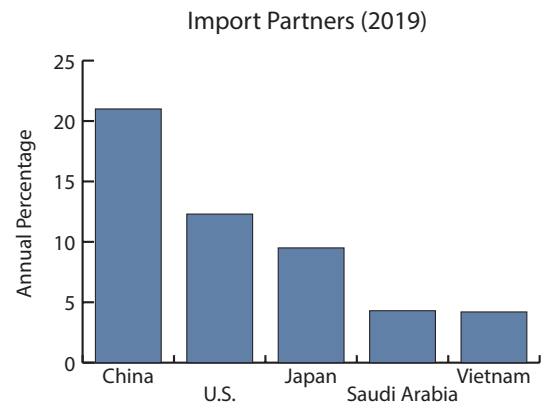


Inflation
(Annual Percent Rate)



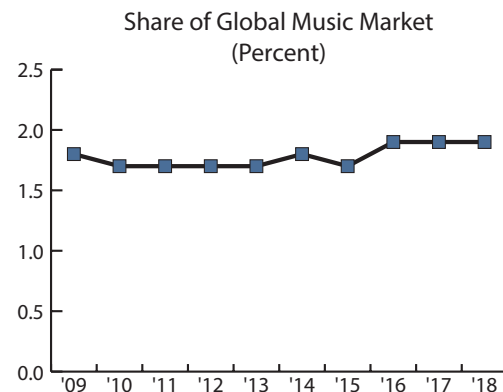
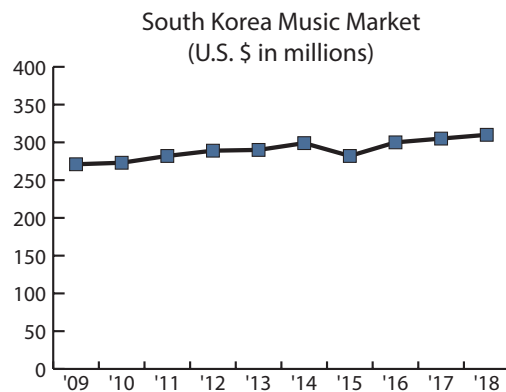
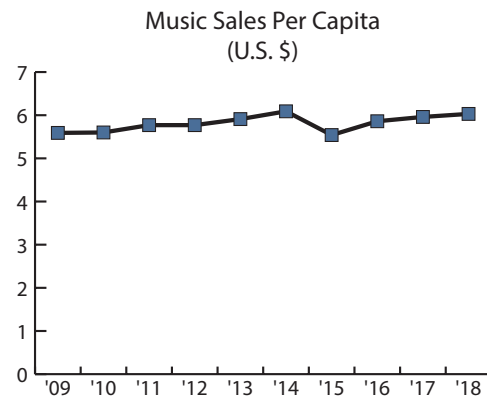
Trade

Total Export	\$604.8 billion	Export as % of GDP	27.49%
Total Import	\$535.2 billion	Import as % of GDP	24.33%

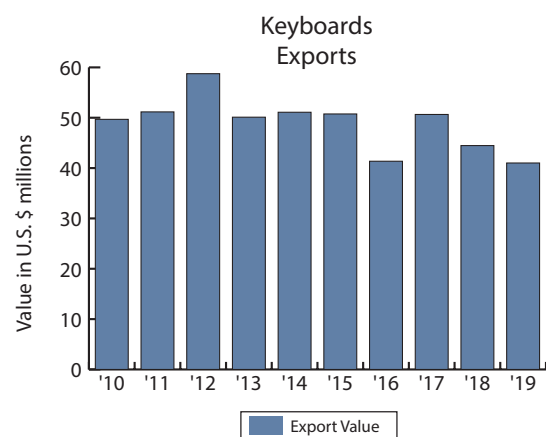
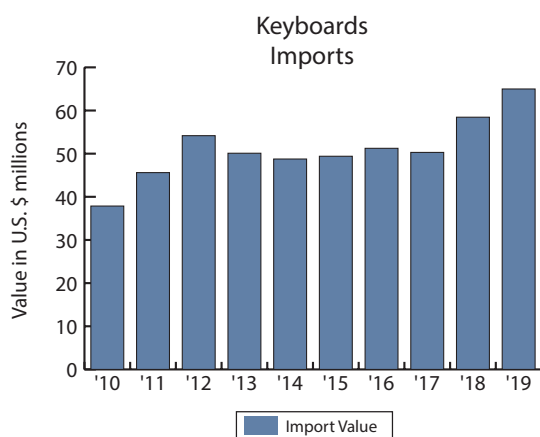
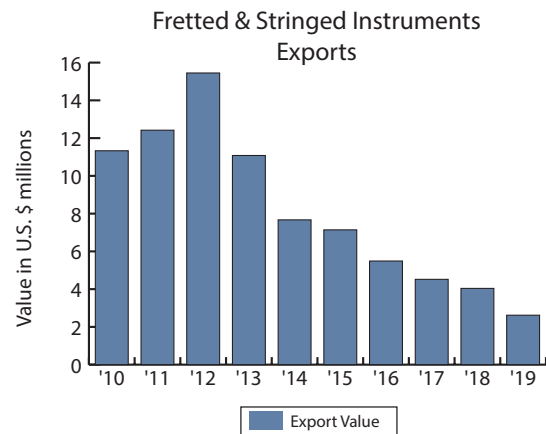
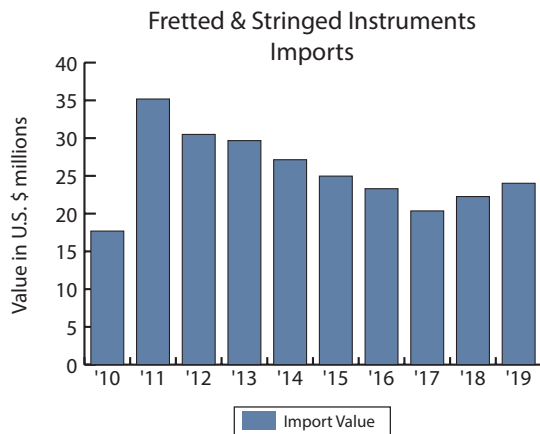
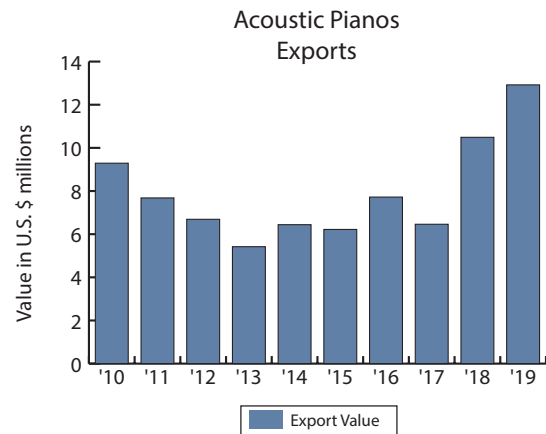
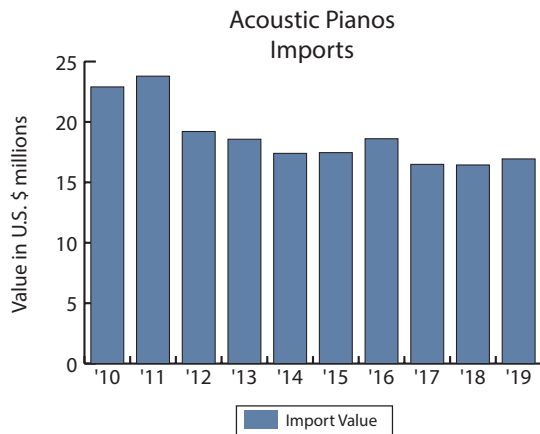


Music Industry

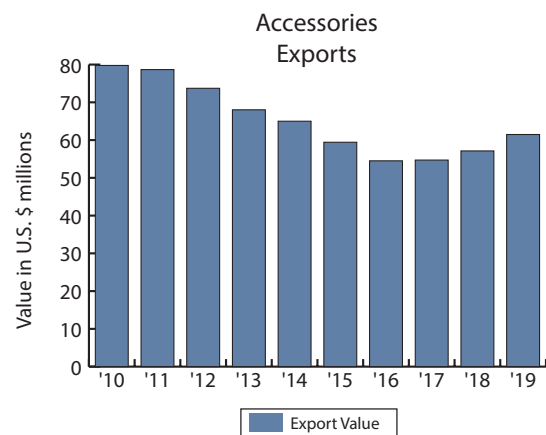
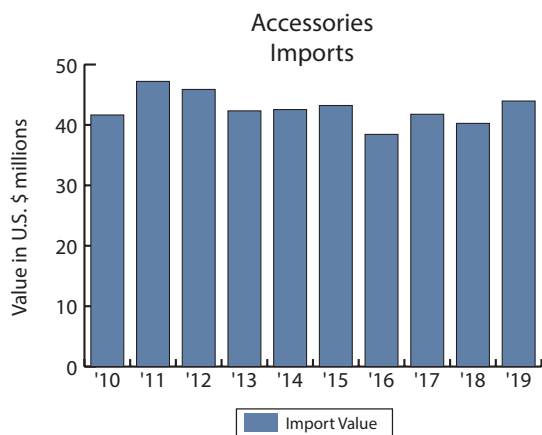
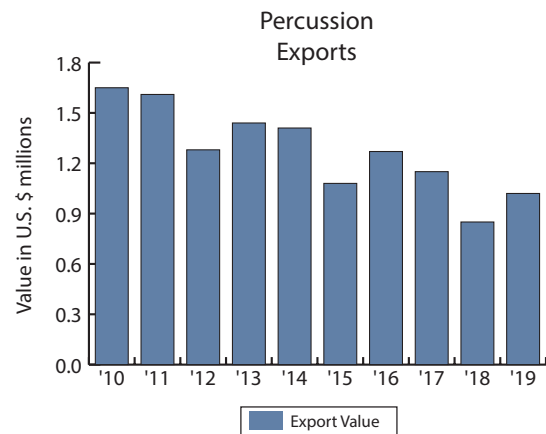
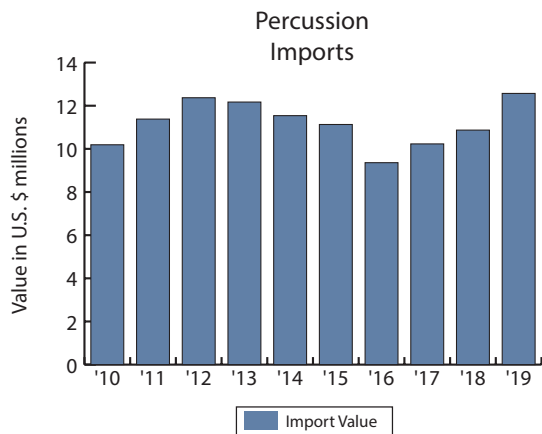
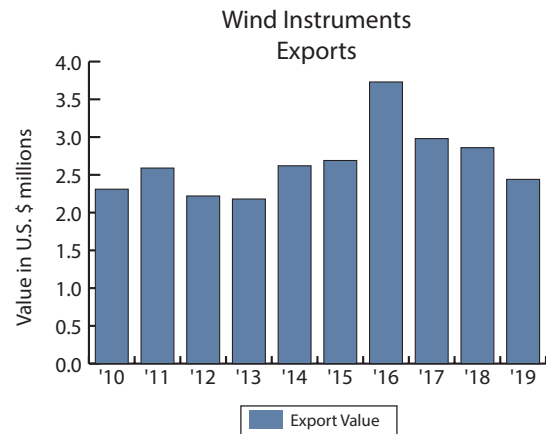
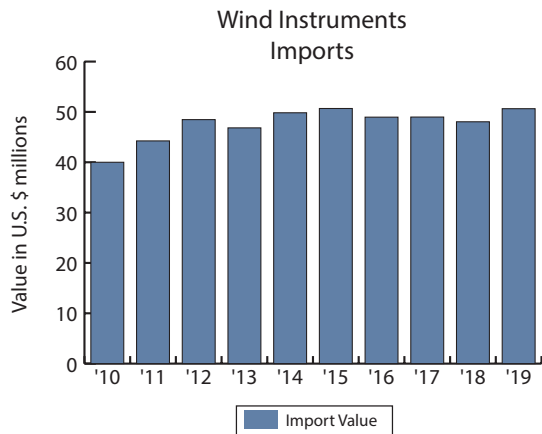
Music Market	\$310.0 million
Sales Per Capita	\$6.03
Global Share	1.90%



South Korea Imports and Exports



South Korea Imports and Exports



SPAIN

The musical instruments sector in Spain continued its transformation during 2019, adapting to new market conditions, globalization and changes in musicians' consumer preferences.

Regarding instrument imports, there has been a tendency toward reduction and consolidation of the number of multi-brand import companies. At the same time, the market presence of foreign companies' Spanish branches, either manufacturers or multi-brand importers from the European market, is also being consolidated.

The number of stores continues a clear downward trend with the closure of many music shops. Especially affected are smaller shops located in urban centers with smaller populations, and that have not been able to adapt to using new sales platforms and technologies.

The appearance of online shops, lacking infrastructure in many cases, with a very limited activity and that usually have a very short activity in time, is also appreciated.

Regarding the evolution of the commercial activity of stores, a clear difference can be pointed out based on two factors: the degree of development of e-commerce and sales volumes.

Retail companies with a sales volume of more than € million (US\$2.2 million), and with a well-established e-commerce presence, are making very positive progress with sales growth of over 8% and end-of-year profits. The higher the percentage of online sales, the more positive the results. Companies with a sales volume of less than € million (US\$2.2 million) have stagnating sales.

Websites located outside of Spain continue to have a very high market share of sales.

Store owners, aware of the need to maintain their commercial margins to guarantee survival, are increasingly cautious about high discounts. Likewise, there is a clear evolution towards the transformation of stores into venues that offer various services. Many stores are now supplementing their commercial operations with a series of specialized, value-added services to attract customers, such as opening academies, workshops, and offering consultation services.

COMUSICA estimates a 4.5% increase in MI sales in the Spanish market for 2019.

The instruments performing best during this market evolution are guitars, electronic percussion and stringed instruments. The market for acoustic pianos has been showing signs of stagnation or even falling for years, while digital pianos continue to show a clear growth trend. Wind instruments maintain a stable upward trend in sales of "white" brand instruments; meanwhile, there is an increase in the consumption of the most prestigious branded instruments on the market. The sale of accessories is one of the most positive aspects of shops' commercial activities.

The forecasts for 2020 were positive before the appearance of COVID-19. However, at the time of writing this report, stores are closed, and everyone is watching the future of business with concern.

Commentary by Manel Puntí, President of COMUSICA, the Spanish Music Products Association.

DOING BUSINESS IN SPAIN

Market Overview

Despite the ups and downs of Spain's political and economic landscape over the last few years, the country remains a vital partner for the United States, both bilaterally and within the European region. Spain leads the way in Europe on Latin America, which can provide strategic synergies for U.S. exporters engaged in both Spain and Latin America. Spain's vibrant economy and growing digital industry are also increasingly important aspects of furthering U.S.-Spain bilateral trade and investment. Spain concluded both presidential and regional elections in the spring of 2019. At the publication date of this report, Spanish authorities were still negotiating the formation of a coalition government that could lead Spain through the next four years, offering prospects for greater political stability than Spain has seen in the past three years. Spain's Socialist Party was the election winner, so they are in the lead to form a government. As such, the new government is likely to pursue policies to expand government programs that favor workers, potentially raise corporate taxes, and spur innovation and entrepreneurship. Furthermore, some proposals, such as transitioning to a green economy and enacting labor market reforms, could put downward pressure on growth if mishandled.

Political tensions between Spain's central government and the Catalonia region remain high, stoked by the October 2017 independence referendum. However, there has been little to no negative impact for U.S. companies exporting to Spain, and Catalonia remains one of the principal economic regions within Spain.

Spain, with a GDP of US\$1.3 trillion and a population of 46.6 million, is the fourth-largest economy in the eurozone. Spain's economy grew 2.6% in 2018, exceeding the eurozone average. Forecasts for the next several years suggest GDP growth of 2.1% in 2019 and 1.9% in 2020.

Spain's resurgence follows a recession that the country entered in the second quarter of 2008, and from which it emerged in the third quarter of 2013. Following government initiatives taken between 2011 and 2013 to reduce the deficit and reform labor laws, public services and the financial sector, costs in Spain are much more competitive in comparison to other European countries.

Record tourism and export levels, coupled with revived domestic consumption, helped drive Spain's economic recovery, yielding three straight years of at least 3% GDP growth from 2015 to 2017.

Spain has a structurally high unemployment rate, which economists estimate to be between 8% and 12%. Due to the 2008–2013 economic crisis, Spain's unemployment rate ballooned to almost 27% in 2013. However, the unemployment rate decreased to 14.5% in 2018 and is forecast to fall to 12.2% by 2020 due to strong job creation.

Youth unemployment—those under the age of 25—decreased to 33.5% in 2018, down from 37.5% in 2017, 42.9% in 2016, and 56.9% in 2013.

Spain has traditionally represented a significant export market for the U.S. According to the U.S. Department of Commerce, U.S. exports of goods to Spain in 2018 amounted to US\$13 billion, up from US\$11.06 billion in 2017. The actual U.S. export numbers to Spain are substantially higher than the reported numbers, since many of Spain's imports from the U.S. arrive via ports of entry in other European countries. Services exports from the U.S. to Spain continue to be strong at US\$6.96 billion in 2017. Spanish exports to the U.S. in 2018 were US\$17.2 billion.

As an EU member country, Spain adheres to EU legislation, as is the case of all member countries. The Spanish government generally aligns with the EU consensus, and the Spanish public has broadly favorable views of the EU.

Investment plays a key role in the bilateral economic relationship. Many of the largest U.S. companies are present in the Spanish market, many of which are in the industrial sector—automobiles, chemicals, pharmaceuticals, industrial machinery, etc. According to the Spanish Ministry of Industry, Trade and Tourism, U.S. investment in Spain was estimated at US\$70 billion in 2017. U.S. firms are estimated to employ over 163,000 people in Spain.

The presence of large, well-known foreign companies serves as a catalyst for innumerable local suppliers and service 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 enabled it to increase its foreign direct investment. Spanish FDI in the U.S. has increased substantially in recent years, making Spain the 11th-largest investor in the U.S. in 2017, according to data from SelectUSA and the U.S. Bureau of Economic Analysis. Much of that investment has been during the past seven years, growing from a stock of US\$14 billion in 2006 to approximately US\$75 billion in 2017 (data from the EU Ultimate Beneficial Owner register). Spanish-owned U.S. subsidiaries contributed more than US\$107 million in research and development and accounted for US\$845 million in exports from the U.S. in 2016. The U.S. was the third-largest destination of FDI from Spain in 2018, according to data from the Spanish Ministry of Industry, Trade and Tourism. The same source indicates U.S. subsidiaries of Spanish firms employed over 104,000 people in the U.S. in 2016.

Spanish energy companies have traditionally invested heavily in the U.S. The cutting-edge technology of major Spanish multinationals has allowed them to undertake multiple renewable energy projects throughout the country successfully. Spanish wind power companies are in over 20 U.S. states.

Spain's premier position in the construction and transportation sectors has also enabled Spanish companies to occupy 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.

Wind energy was the second-largest source of electrical generation in Spain in 2018. Installed wind capacity was 23,484 MW at the end of 2018. Spain is the fifth country in the world in terms of installed wind power after China, the U.S., Germany and India. Over 22,000 people work in the sector. The Spanish wind energy industry exports technology worth over €2.5 billion (US\$2.7 billion) per year. It invests around €85.5 million (US\$ 92.9 million) annually in R&D. Wind energy contributes about €2.4 billion (US\$2.6 billion) to GDP, accounting for 0.31% of Spain's GDP.

Spain is home to dozens of multinational companies, including five of the world's 10 largest construction companies, and Europe's second-largest phone company. Major Spanish firms in the banking, telecommunications, infrastructure and energy sectors have become global leaders. Procurement decisions for these companies predominantly continue to be made in Spain.

Auto equipment and parts is another leading sector, ranked the sixth-largest in the world by turnover and the third-largest in Europe. In terms of total vehicle production, it is the second-largest in Europe and the eighth-largest in the world.

Tourism has traditionally been one of Spain's most important sectors. The country is the world's second-largest tourist destination receiving 82.8 million foreign visitors in 2018 and ranks second in terms of receipts (expenditures) following the U.S.

Spain offers excellent potential as a source of visitors to the U.S. Figures for 2018 show Spanish arrivals at 876,248, an increase of 6% over 2017, making it the 15th-largest international visitor market for the U.S. and the fifth-largest in Europe.

With more than 1,970 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 27 cities.

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. Chinese President Xi visited both Spain and Portugal in 2018 as part of a concerted effort to cultivate more business and investment on the Iberian Peninsula. It was the first time in 13 years that a Chinese head of state visited Spain. 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.

Delays in reimbursement continue to represent a problem, particularly for companies doing business with the public sector. However, the situation improved substantially in 2015 when additional legislation was passed to enforce more timely payments by the regional and local governments.

As a member of the EU, Spain is a party to the new EU legislation covering broader data protection throughout the EU that came into effect May 25, 2018.

The economic downturn mentioned above resulted in some Spanish companies' reluctance to commit to purchases or to take on the expense of introducing and marketing 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.

Despite high-profile, high-impact raids in 2016, storefronts selling counterfeit goods have reopened and sales have rebounded. The USTR's 2018 Notorious Markets List for widespread sales of counterfeit goods includes several parts of Madrid and Barcelona, as well as Els Limits de La Jonquera market in Girona (Catalunya).

Market Opportunities

Chemicals were the principal U.S. export to Spain in 2018, accounting for 22% of total exports, followed by transportation equipment (15.2%), agricultural products including fruits and nuts (13.3%), and oil and gas (7.9%). 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 (74%).

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 access to Latin America and Africa.

Spanish firms are value-added partners for the Latin American and Caribbean markets—their language and cultural skills are a vital advantage for developing opportunities in the LAC region.

U.S. Commercial Service Spain has been actively supporting SelectUSA, the federal initiative announced in May 2011 to promote national-level FDI into the U.S.

With a reduced availability of credit in the Spanish market, the Export–Import 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 U.S. in 2018 include, in order of volume: tree nuts, soybeans, corn, soybean meal, distilled spirits, forest products and fish products.

Spain's food, beverage and agricultural processing sectors continue to consolidate their position and importance in the country. Spain has one of the most competitive food processing industries in Europe, which makes this sector an important target for U.S. food ingredient exporters.

Principal agricultural growth sectors:

- Seafood
- Tree nuts
- Consumer-oriented products
- Distilled spirits
- Planting seeds

Since June 2012, the U.S.-EU Organic Equivalence Agreement has been in effect. As a result, products certified as organic for one market can be sold as organic in the other market. This partnership, in combination with growing demand in the EU, is expected to open new opportunities for U.S. exporters.

Market-Entry Strategies

There are 17 autonomous communities in Spain with varying degrees of autonomy and cultural identity. A number of regional markets, joined by the two hubs of Madrid and Barcelona, make up the Spanish market. The majority of agents, distributors, foreign subsidiaries and government-controlled entities that make up 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 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. Except for in a few cases, Spanish law permits foreign investment of up to 100% of equity. Unit labor costs have fallen dramatically over 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.

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 and partners. It can be challenging to elicit a response to initial communication by phone or email. Direct mail campaigns generally yield meager results. Less 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.

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

SPAIN SNAPSHOT

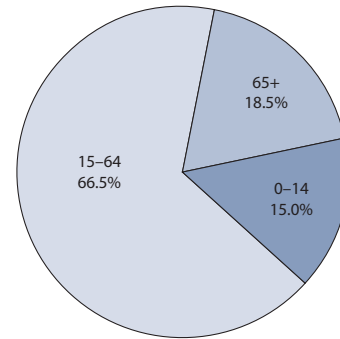
Demographics

Population in millions 50.0

Age	Male	Female
0–14	3.86	3.65
15–64	16.87	16.39
65 & Over	3.97	5.28

Median Age 43.9
Population Growth 0.67%

Demographics

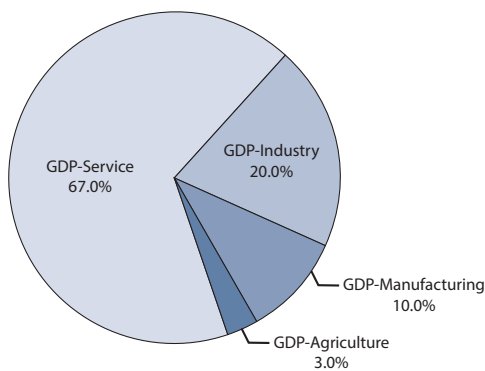


Economy

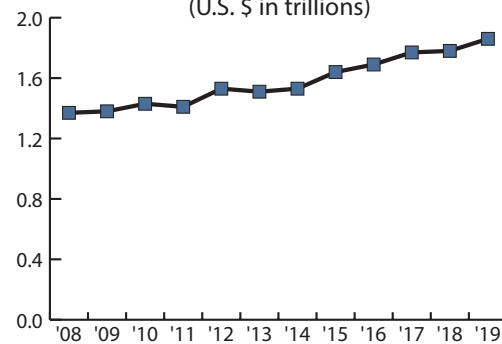
GDP (PPP)	\$1.86 trillion
GDP Per Capita	\$39,715
GDP-Real Growth Rate	2.60%
Unemployment Rate	14.70%
Inflation	0.70%

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.

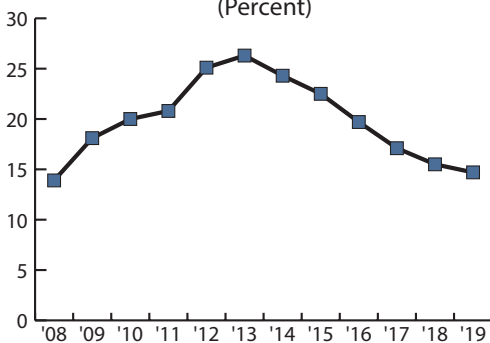
Economy



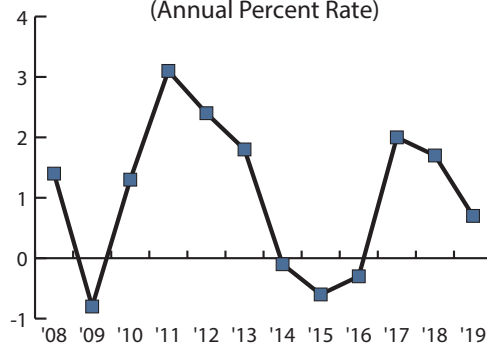
Spain GDP (PPP)
(U.S. \$ in trillions)



Unemployment Rate
(Percent)

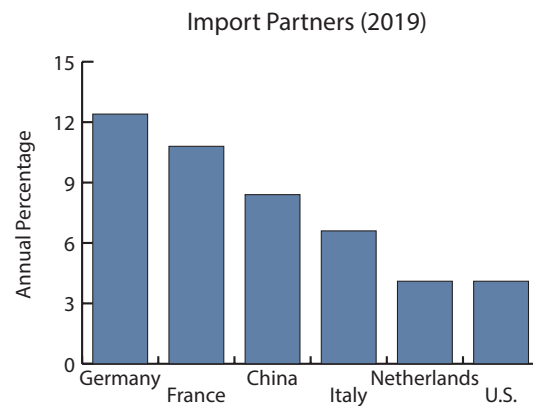
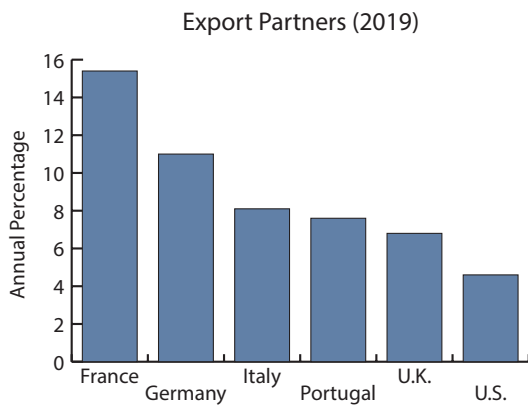


Inflation
(Annual Percent Rate)



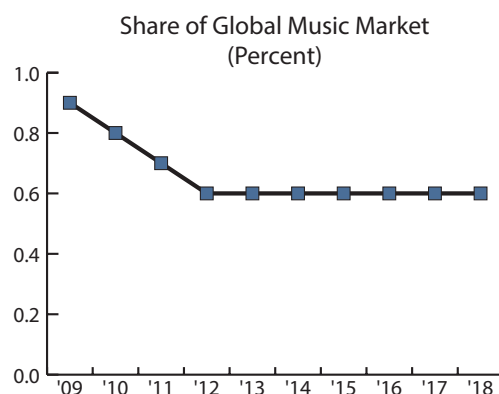
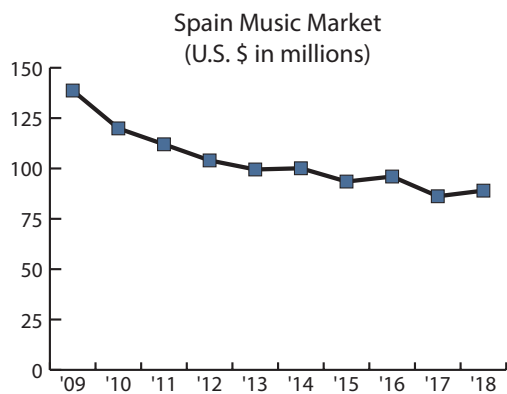
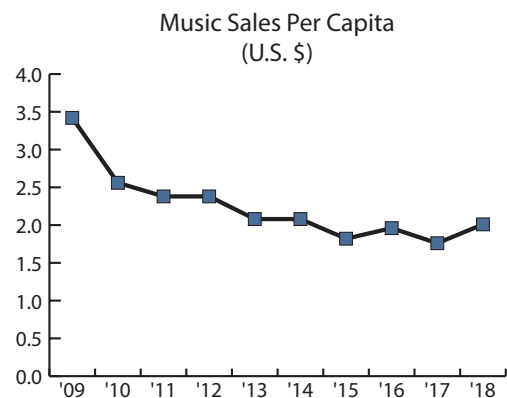
Trade

Total Export	\$328.5 billion	Export as % of GDP	17.66%
Total Import	\$376.2 billion	Import as % of GDP	20.23%

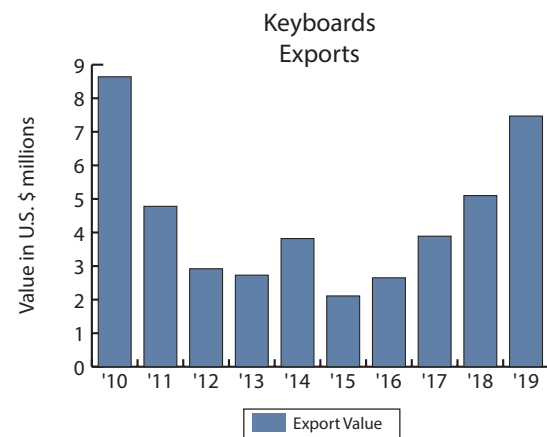
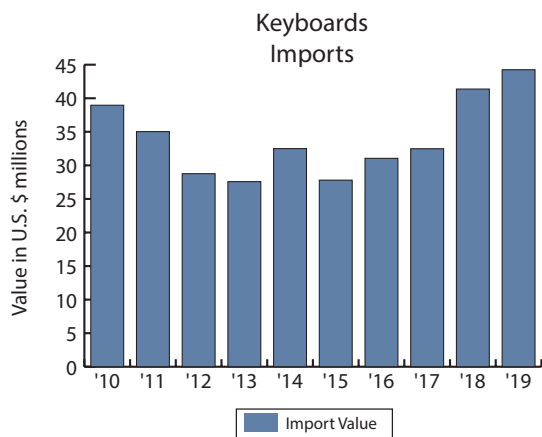
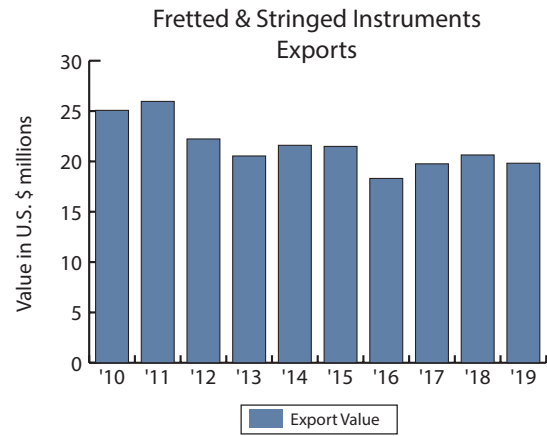
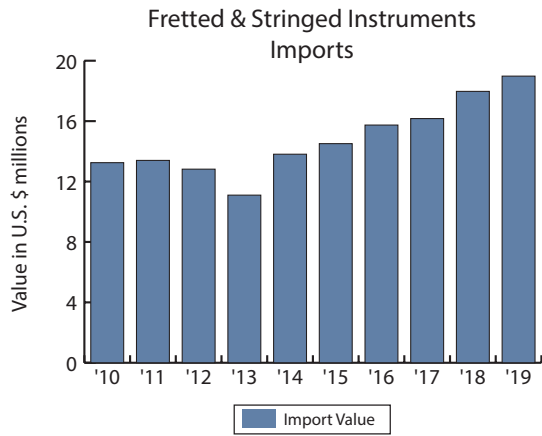
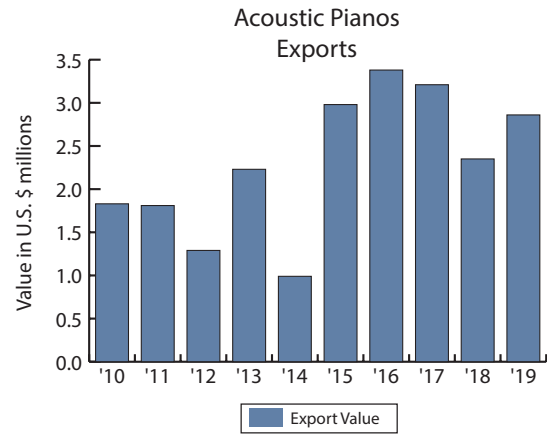
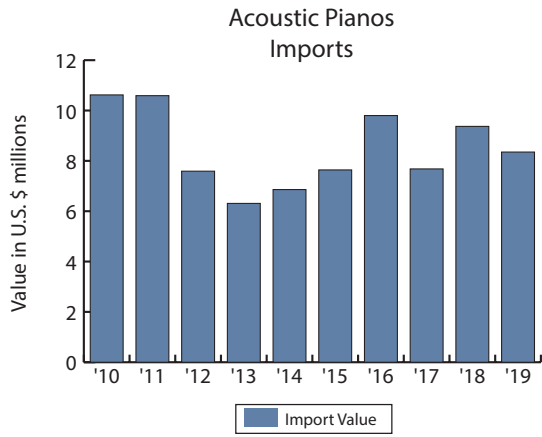


Music Industry

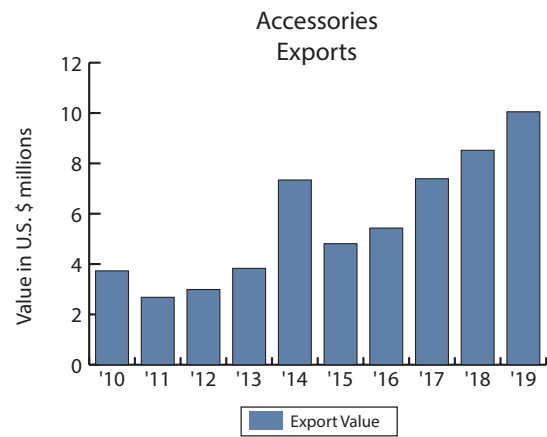
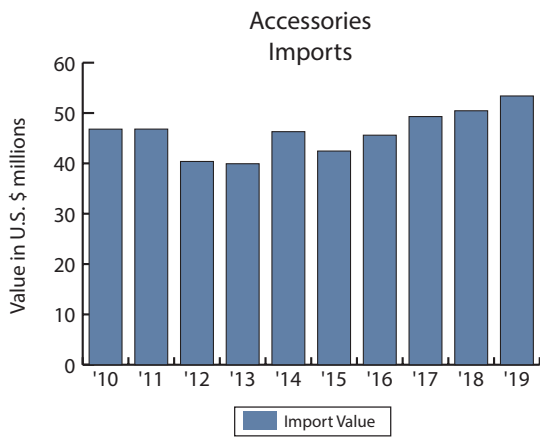
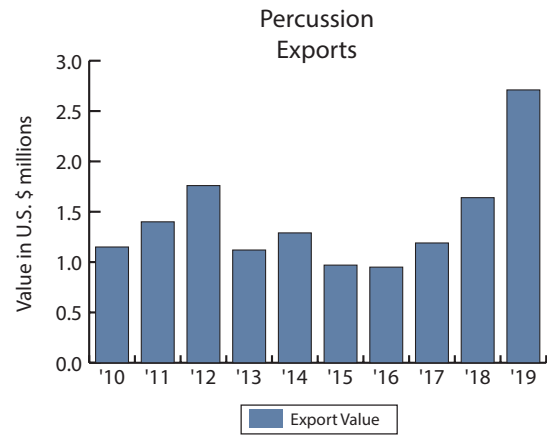
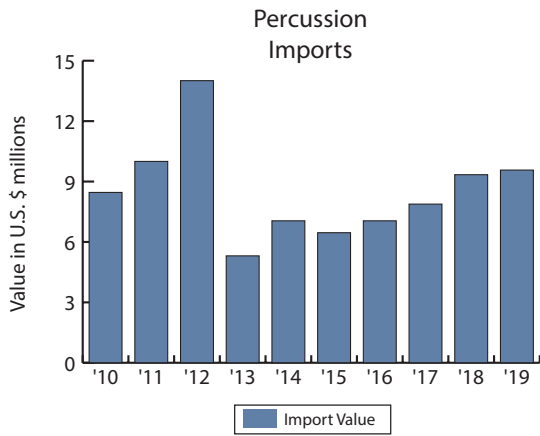
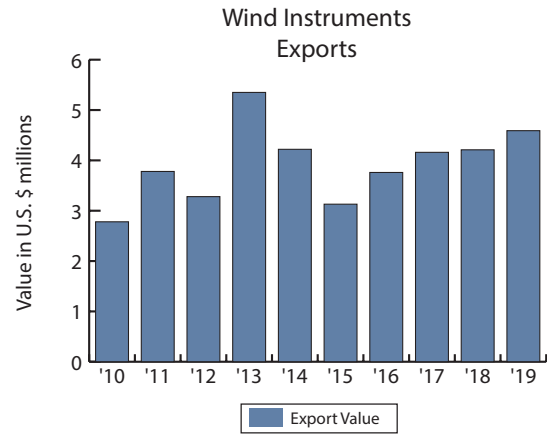
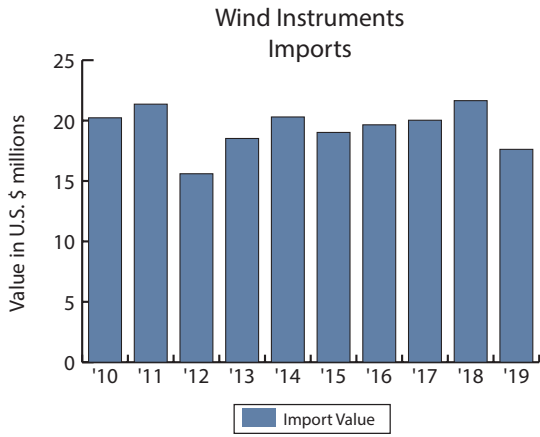
Music Market	\$89.0 million
Sales Per Capita	\$2.01
Global Share	0.60%



Spain Imports and Exports



Spain Imports and Exports



SWEDEN

DOING BUSINESS IN SWEDEN

Market Overview

Sweden, with a GDP of US\$551 billion and a population of 10 million, is the largest Nordic economy and boasts a transparent, highly developed, sophisticated and diversified market with few barriers to entry. According to the World Economic Forum's 2018 Global Competitiveness Report, Sweden ranks ninth in the world on the Global Competitiveness Index. This is due in part to Sweden's export-oriented manufacturing sector, competitive small- and medium-sized enterprises, and budgetary discipline. Sweden also consistently ranks among the top 10 worldwide for its connectivity, governance, investment in research and development, and business climate. As such, many foreign firms establish operations in Sweden when looking to enter or expand into the Nordics and the Baltics.

Over 1,300 American companies operate in Sweden—the top location in the Nordics for regional coverage. The United States is Sweden's largest trading partner outside of the EU. In 2018, U.S. merchandise exports to Sweden were valued at US\$4.5 billion and imports were US\$11.4 billion, generating a trade deficit of US\$6.9 billion (roughly the same deficit level as 2017). The U.S. exported US\$5.6 billion in services to Sweden in 2017 and imported US\$3.2 billion, a trade surplus of US\$2.4 billion.

Major categories of U.S. exports to Sweden include aerospace and defense, automotive aftermarket, telecommunications equipment, health care and life sciences, information technology, safety and security, cleantech, industrial machines and renewable energy. More American companies operate in Sweden than companies from any other foreign country, supporting over 72,000 Swedish jobs.

Market Challenges

Sweden's open and therefore highly competitive market means U.S. companies face strong competition from Swedish and third-country suppliers. U.S. exporters must offer advanced technologies as well as competitive prices and terms to succeed.

Sweden's cost of living, with expensive labor and individual tax rates, is among the highest worldwide. A value-added tax 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 public tender process remains a major systemic challenge.

Market Opportunities

There are many market opportunities in Sweden for U.S. companies, especially for innovative technologies and services. Among the top opportunities:

- Sweden has a long-established tradition of expertise in engineering, mining, shipbuilding and the life sciences, making it a highly receptive market to new, advanced technologies.

- There is ongoing, strong demand for advanced technologies and products and services that improve productivity, including information technology software and services that lower costs and improve business efficiencies, as well as equipment and services for safety and security, including cybersecurity.
- Driven by rapid, widespread adoption of smart devices, high levels of basic technological literacy, and expansive national IT connectivity (4G coverage is 100% and fixed broadband is available to 99% of households), Sweden is among the EU's most advanced digital economies listed in the European Commission's 2018 Digital Economy and Society Index.
- Since Swedes are early adopters of new technologies, the country is considered an ideal test market, albeit an expensive one. The government has launched a program called "Testbed Sweden" to attract innovative technologies into the country for development and piloting.
- Sweden's aims to reduce greenhouse gas emissions by 40% compared to 1990 levels by the year 2020, and to have a vehicle fleet completely rid of fossil fuels by 2030, are stepping stones to the overarching goal of a society with no net greenhouse gas emissions by 2050. This commitment to sustainability drives market demand for U.S. products and services in renewable energy, low carbon and green technologies, and energy efficiency across industry sectors.
- 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 communications.

Market-Entry Strategies

While Sweden's markets are generally quite open to foreign competition, they are also highly competitive. In addition to being globally competitive and customizing products and services for the unique Swedish market, U.S. companies wishing to break into the market must:

- Demonstrate a clear competitive advantage (i.e., price, quality, branding).
- Pay close attention to both the obvious and subtle cultural differences between the U.S. and Sweden and adjust marketing strategies accordingly. The Swedish cultural philosophy of "jantelagen" still eschews overt self-promotion and achievement as inappropriate, but this is changing, especially among the startup community.

- 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 10 million (the Nordics total population is 25 million).
- 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, Malmö or other Nordic cities.
- Express commitment to the market with a long-term perspective. Visits are important since Nordic partners want firsthand assurance of a partner's reliability and commitment.

“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.

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

SWEDEN SNAPSHOT

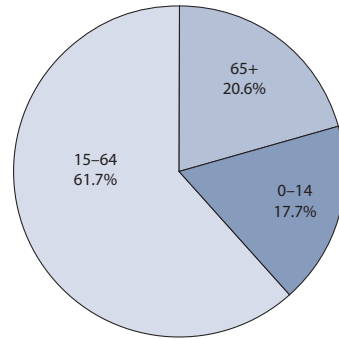
Demographics

Population in millions 10.2

Age	Male	Female
0-14	0.93	0.88
15-64	3.20	3.10
65 & Over	0.97	1.13

Median Age 41.4
Population Growth 0.79%

Demographics

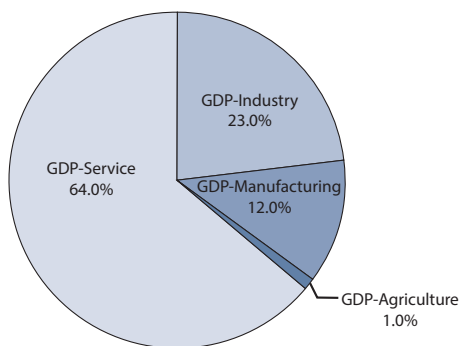


Economy

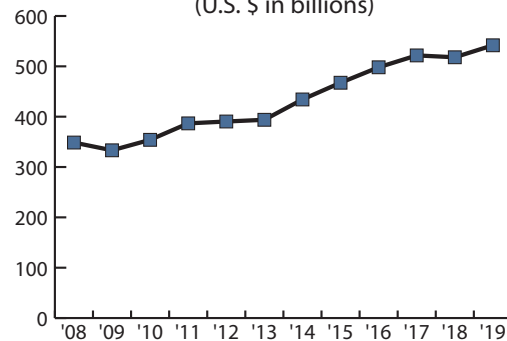
GDP (PPP)	\$541.8 billion
GDP Per Capita	\$53,209
GDP-Real Growth Rate	2.30%
Unemployment Rate	6.80%
Inflation	1.70%

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.

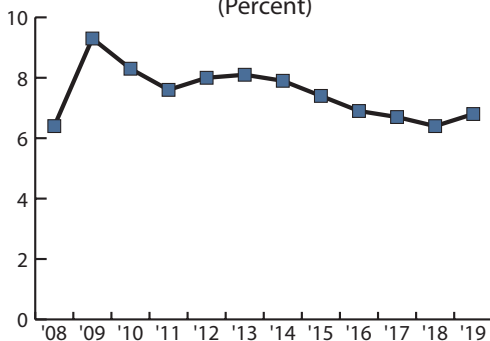
Economy



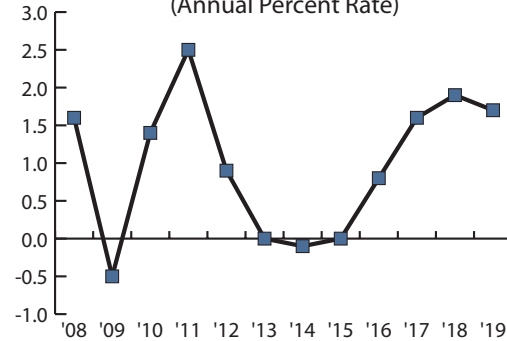
Sweden GDP (PPP)
(U.S. \$ in billions)



Unemployment Rate
(Percent)

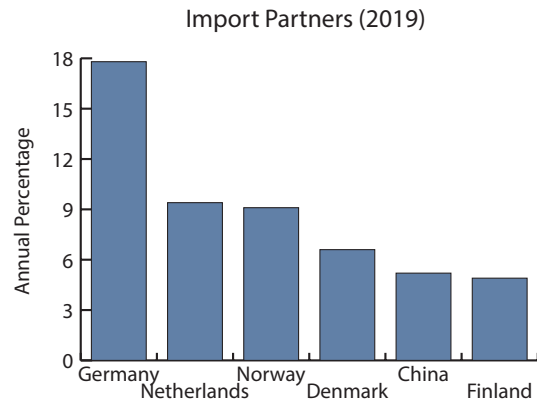


Inflation
(Annual Percent Rate)



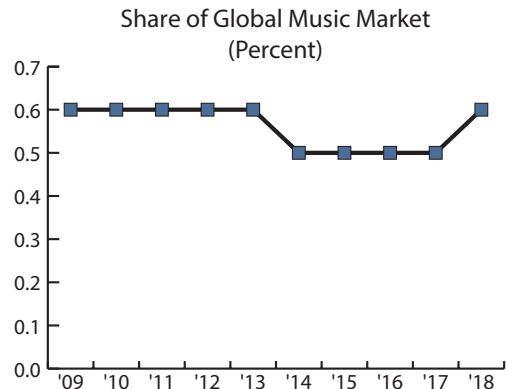
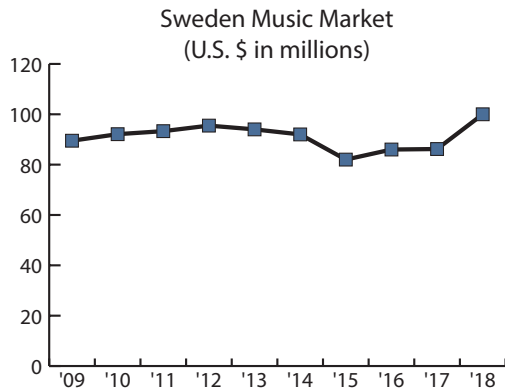
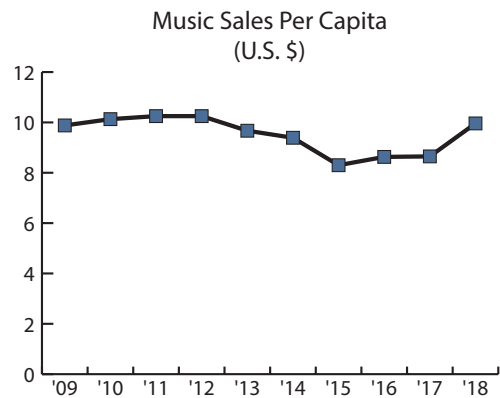
Trade

Total Export	\$160.5 billion	Export as % of GDP	29.63%
Total Import	\$158.7 billion	Import as % of GDP	29.29%

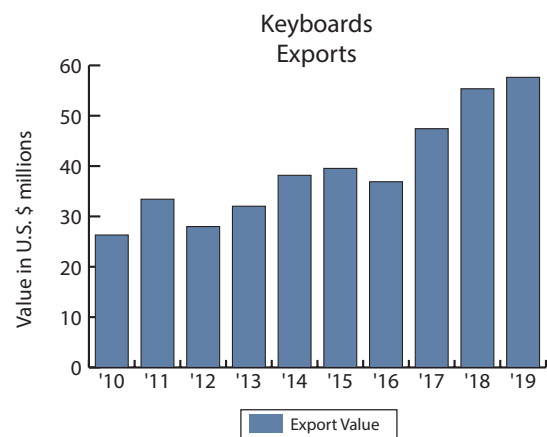
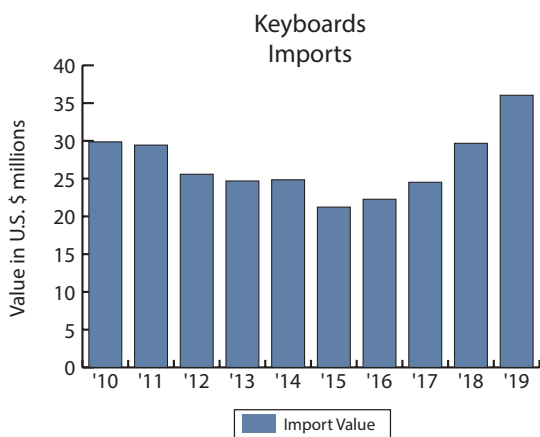
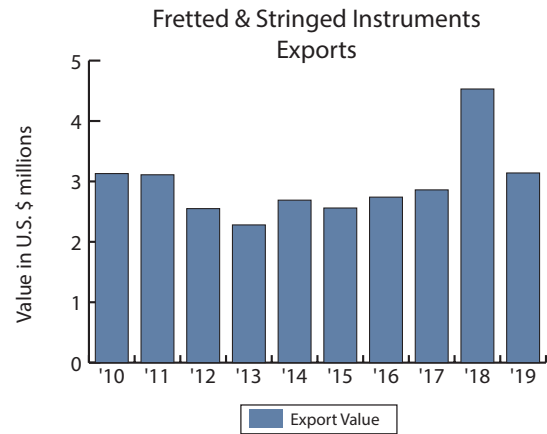
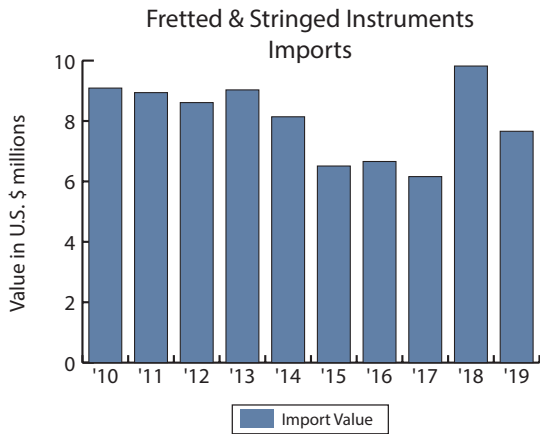
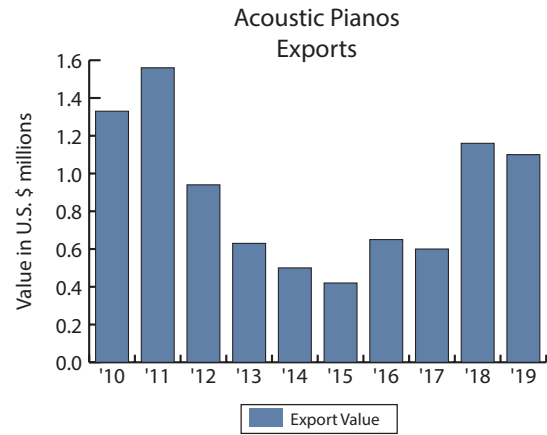
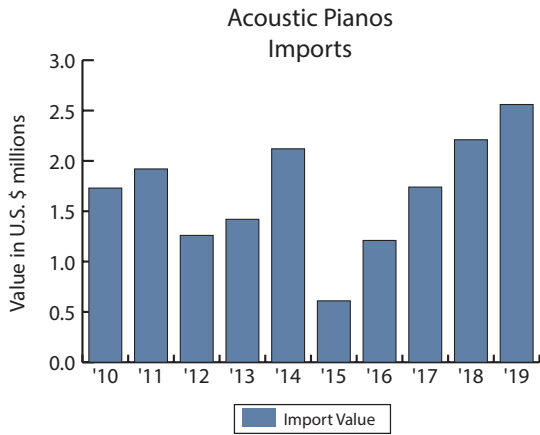


Music Industry

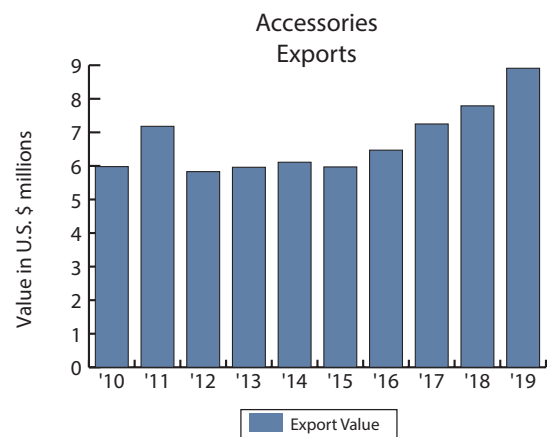
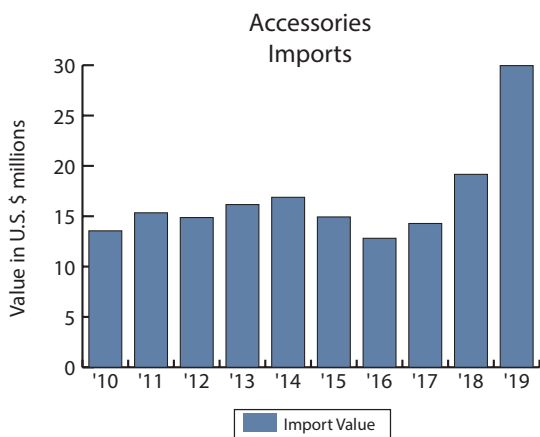
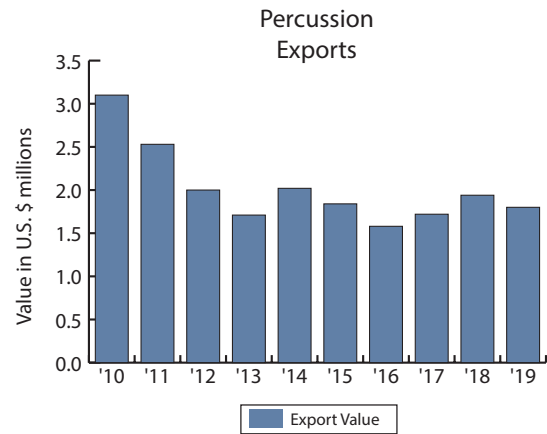
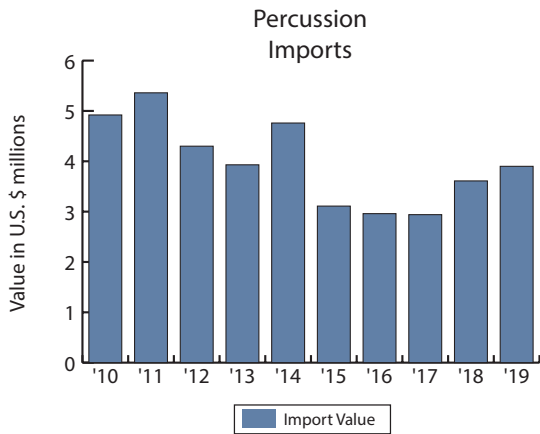
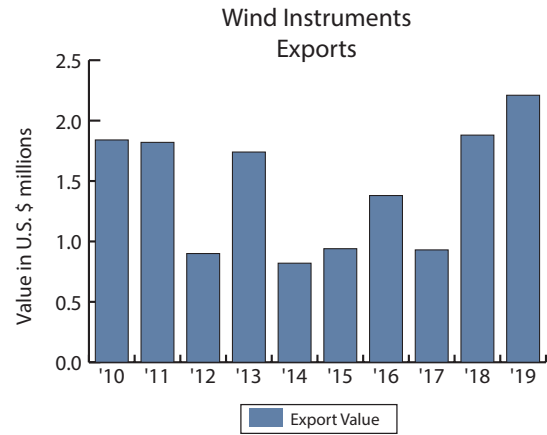
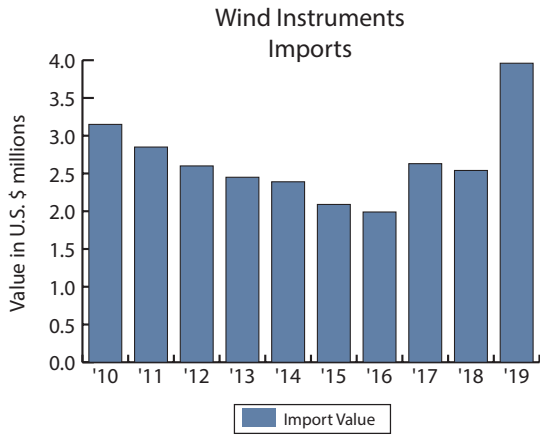
Music Market	\$100.0 million
Sales Per Capita	\$9.96
Global Share	0.60%



Sweden Imports and Exports



Sweden Imports and Exports



SWITZERLAND

DOING BUSINESS IN SWITZERLAND

Market Overview

Switzerland has an affluent and cosmopolitan population of 8.6 million people. Its GDP was US\$679 billion in 2018 with 1.8% GDP growth forecast for 2019. Ranked No. 1 in innovation and high in research and development investment as a percentage of GDP, Switzerland is ideally positioned to continue to punch well above its weight in global trade and investment.

The United States and Switzerland enjoy stable and robust trade relations, with total exports of U.S. goods amounting to US\$22.2 billion in 2018, up 2.5% from 2017. Services constitute another significant portion of the bilateral trade relationship. In 2017, the U.S. exported to Switzerland over US\$37.3 billion in services (latest data available), predominantly business services and intellectual property licenses. In terms of total trade, the U.S. is Switzerland's second-largest trading partner, preceded by the EU and followed by China. The U.S. is one of Switzerland's largest foreign direct investors, with more than US\$250 billion invested as of 2017, a 33.6% increase from 2016. U.S. companies employ over 90,000 workers in Switzerland.

Boasting a highly automated and efficient manufacturing sector, Switzerland consumes and produces high-quality, value-added industrial and consumer goods and demonstrates a strong market demand for high-quality products with competitive prices. Beyond manufacturing, Switzerland is known for its top-tier pharmaceutical and financial industries.

Many U.S. firms base their European or regional headquarters in Switzerland, drawn to its world-class infrastructure, business-friendly legal and regulatory environment, low corporate tax rates and excellent human capital. Its well-regarded vocational education system has been instrumental in cultivating a highly-educated, reliable and flexible workforce that has helped make Switzerland an attractive location for businesses. Switzerland's multilingual and multicultural population can present business strategy and marketing challenges, yet these elements make it a good potential test market to determine the viability of products for export—making the country a hub for international business activities.

Market Challenges

The Swiss market is sophisticated, quality-conscious and competitive. Many consumers prefer to buy Swiss products and Swiss brands that they associate with high quality, even if these items are more expensive than comparable foreign goods. This is especially true for agricultural goods, which can make it challenging for foreign agricultural products to compete in the Swiss market. Currently, the government imposes high tariffs on agricultural goods such as dairy and meat to protect domestic farmers; tariff rates on non-agricultural goods are much lower. While Switzerland has generally harmonized its regulations and standards with those of the EU, some exceptions exist for pharmaceuticals, cosmetics, detergents and chemicals.



Market-Entry Strategies

Swiss market entrants should carefully evaluate their prospective partner's technical qualifications and ability to cover the country's German-, French- and Italian-speaking regions. Working directly with Swiss importers and distributors may ease market penetration. Early-to-market-entry allows businesses to gain and maintain a competitive edge by establishing long-term relationships. Businesses offering high-quality and environmentally friendly products and ready to meet customer needs, which may include selling in small volumes, are best poised for success in Switzerland.

"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.

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

SWITZERLAND SNAPSHOT

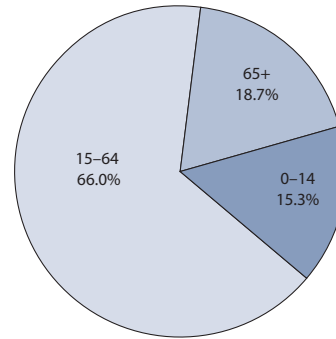
Demographics

Population in millions 8.4

Age	Male	Female
0-14	0.66	0.63
15-64	2.78	2.76
65 & Over	0.70	0.87

Median Age 42.7
Population Growth 0.66%

Demographics

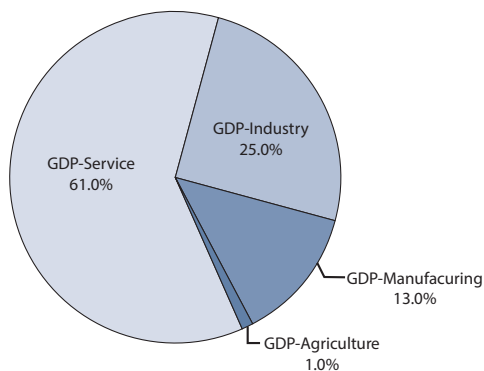


Economy

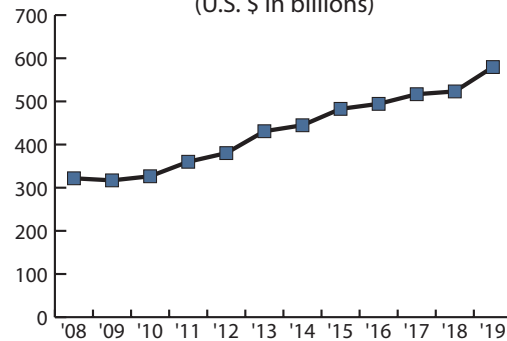
GDP (PPP)	\$579.6 billion
GDP Per Capita	\$68,061
GDP-Real Growth Rate	2.80%
Unemployment Rate	4.80%
Inflation	0.60%

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.

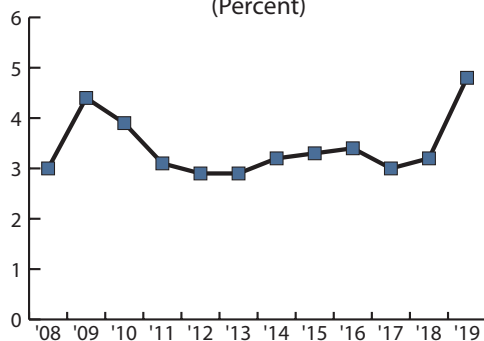
Economy



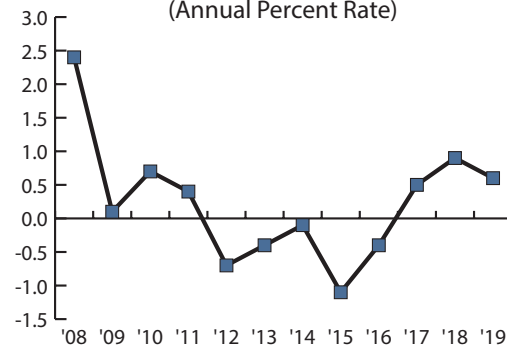
Switzerland GDP (PPP)
(U.S. \$ in billions)



Unemployment Rate
(Percent)

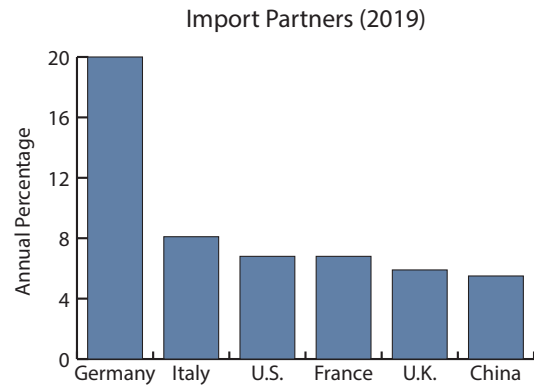


Inflation
(Annual Percent Rate)



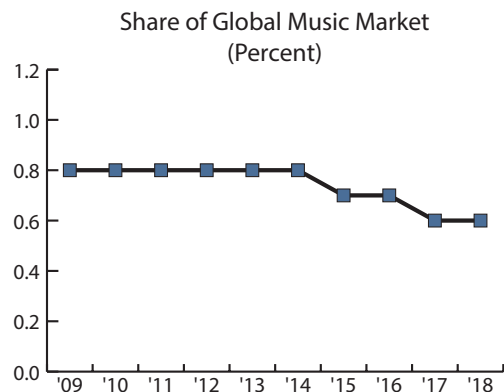
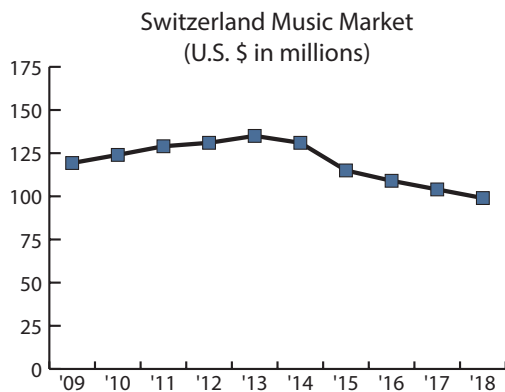
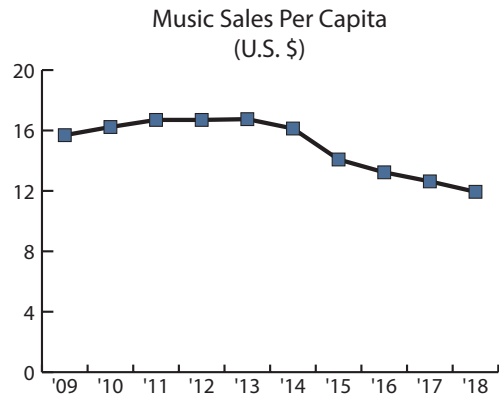
Trade

Total Export	\$313.6 billion	Export as % of GDP	54.11%
Total Import	\$276.3 billion	Import as % of GDP	44.67%

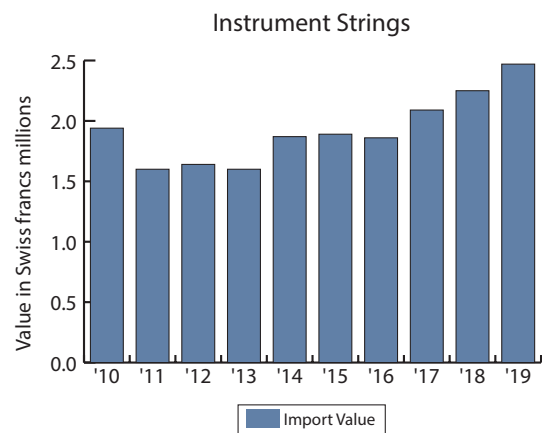
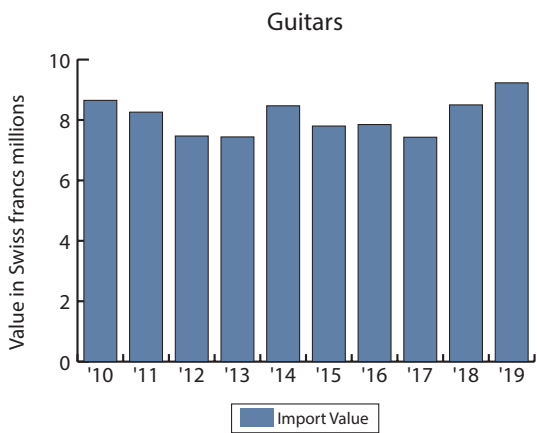
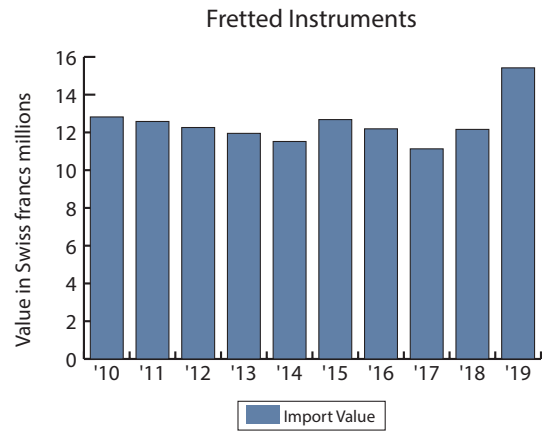
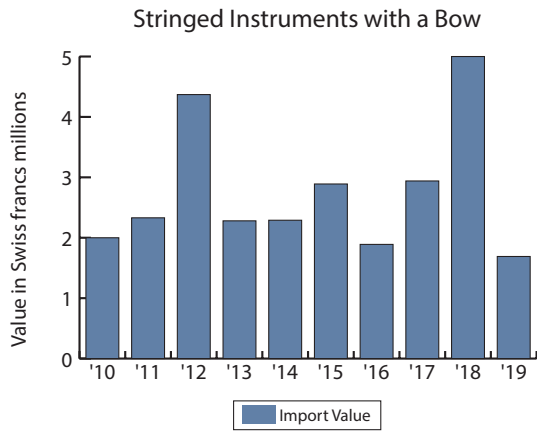
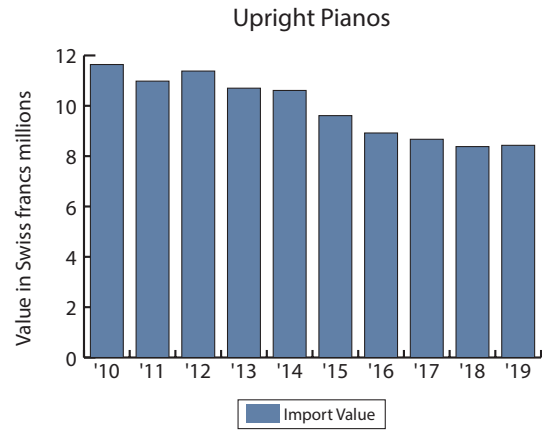
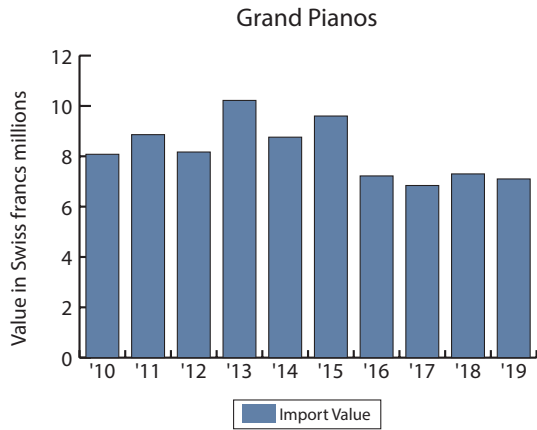


Music Industry

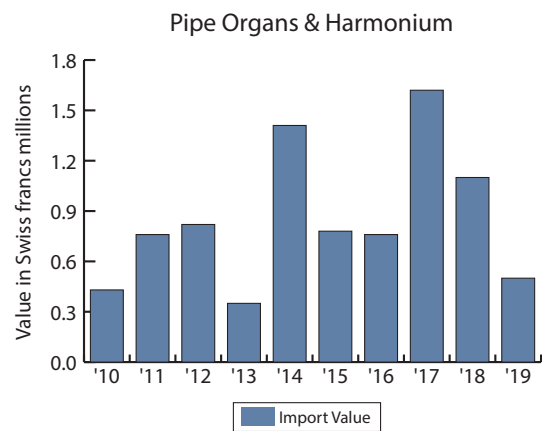
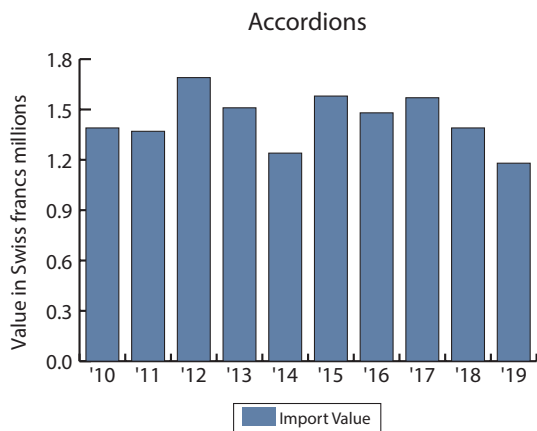
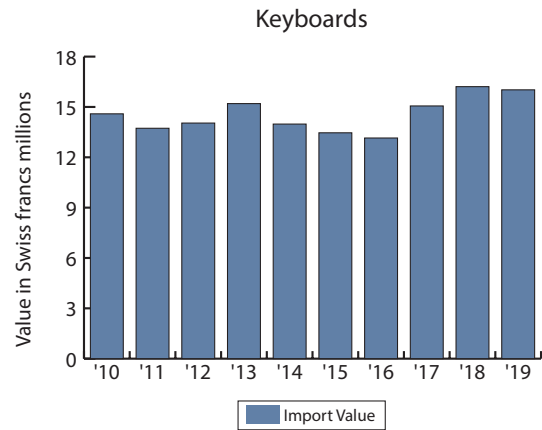
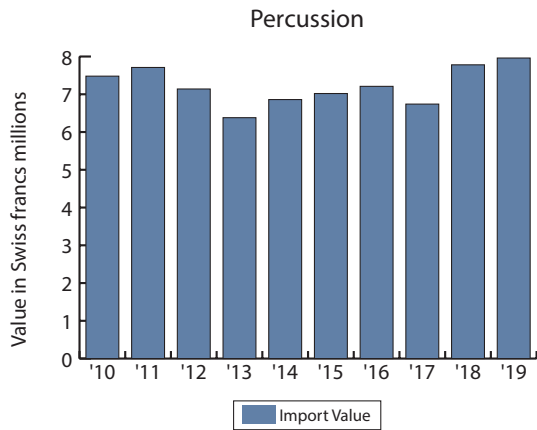
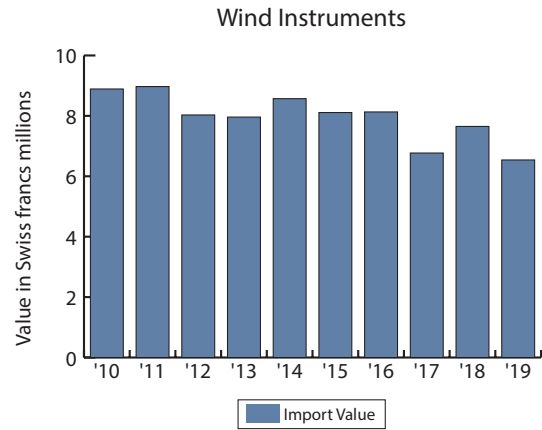
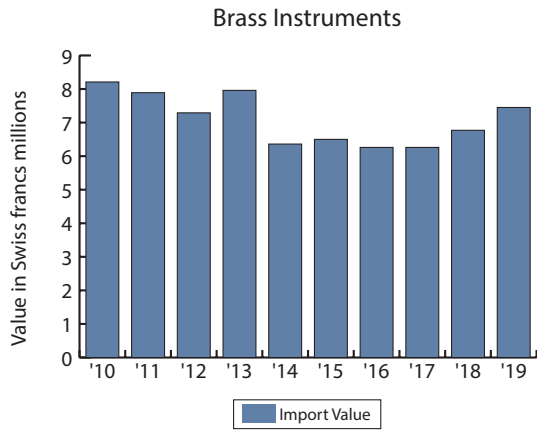
Music Market	\$99.0 million
Sales Per Capita	\$11.94
Global Share	0.60%



Switzerland Imports



Switzerland Imports



TAIWAN MARKET

Taiwan reported a GDP growth rate of 2.7% for 2019. After declining for the past three consecutive years, retail sales of cultural and educational products grew 5.5%.

Keyboard category continued to favor digital models

In 2019, the import value of acoustic pianos was 211 million TWD (US\$7.1 million), a 5% decrease from 222 million TWD (US\$7.4 million) in 2018.

Digital piano import value continued to grow, with an increase from 289 million TWD (US\$9.7 million) in 2018 to 323 million TWD (US\$10.8 million) in 2019—a stable 12% growth that improved upon rates of 9% in 2018 and 4% in 2017.

Brass continued to stay flat while woodwind slowed down from earlier double-digit growth

The import value of brasswind instruments stayed relatively flat at 82.5 million TWD (US\$2.8 million), a slight 1% decline. After 27% growth in 2018, the import value of woodwind instruments managed only a slight 4% increase of 180 million TWD (US\$6 million) in 2019.

Combo market had a stable year

The import value of guitars grew 3% to 69 million TWD (US\$2.3 million) in 2019 from the previous year's 67 million TWD (US\$2.2 million). Electric guitars also reported 14% growth, climbing from 48 million TWD (US\$1.6 million) in 2018 to 55 million TWD (US\$1.8 million) in 2019. Both categories see a slight bouncing back after a big decline during the last few years.

Percussion products grew 6% in 2019 after 3% growth in 2018, with a 2019 import value of 105 million TWD (US\$3.5 million). The combo market had a relatively stable year overall, without continuing its downward trend from past years.

Others

Following 11% growth in 2018, the import value of classical string products continued to grow by 25% in 2019 with a 45 million TWD (US\$1.5 million) import value. Violins rode the strong upward trend and gained a further 37% in 2019 after an already high 19% growth during the previous year.

Parts and accessories remain steady with 433 million TWD (US\$14.5 million) import value and 10% growth in 2019.

Commentary by Andy Wang, CEO of K.H.S. Musical Instruments.

DOING BUSINESS IN TAIWAN

Market Overview

With a population of 23.6 million, Taiwan is a thriving democracy, a vibrant market economy and a highly attractive export market, especially for U.S. firms. In 2018, Taiwan's GDP grew by 2.63%, unemployment was 3.71% and the labor participation rate was 58.99%. As of January 2018, Taiwan was the world's sixth-largest holder of foreign exchange reserves and gold, reporting holdings of US\$468.1 billion.

The United States and Taiwan have a long-standing and vibrant trade relationship. In 2018, the U.S. and Taiwan traded an estimated US\$94.5 billion in goods and services, composed of US\$40.3 billion in exports and US\$54.2 billion in imports, resulting in a goods and services trade deficit with Taiwan of US\$13.9 billion.

Mainland China is Taiwan's largest trading partner, accounting for 23.9% of total trade and 18.6% of Taiwan's imports in 2018. The U.S. is Taiwan's second-largest trading partner, accounting for 11.8% of total trade and 12% of Taiwan imports. In terms of total trade, other Taiwan trading partners include Japan (10.9%), the European Union (9.3%) and Hong Kong (7.1%).

In 2018, Taiwan was the 11th largest goods trading partner to the U.S., outranking markets such as the Netherlands and Brazil, with US\$76 billion in bilateral trade.

Taiwan was the 15th largest goods export market for the U.S. at US\$30.2 billion in 2018, an increase of 17.5% over 2017 and accounting for 1.8% of U.S. goods exports. Top U.S. goods exports to Taiwan included electrical machinery (US\$4.8 billion), machinery (US\$4.7 billion), mineral fuels (US\$3.8 billion), aircraft (US\$2.6 billion) and optical and medical instruments (US\$2.1 billion).

Taiwan's total stock of foreign direct investment in the U.S. was US\$14.1 billion in 2018, up 24.7% from 2016. This investment supported 14,100 U.S. jobs. Taiwan's FDI in the U.S. is led by electronic components, business machines, communications, software and information technology services, semiconductors and transportation.

In 2018, the total stock of U.S. FDI in Taiwan was US\$17.53 billion, a 2.9% increase over 2017. U.S. direct investment in Taiwan is led by manufacturing, wholesale trade, finance and insurance.

Market Challenges

Taiwan is a sophisticated market in which consumers are plugged into global trends. U.S. products are well represented in the market, as are products from across the region, especially from mainland China and other lower-cost producers. Taiwan is a good target market for high-quality, differentiated products and commodity items.

Taiwan is a price-sensitive market, and foreign goods must conform to specific local standards and labeling regulations required for importing products into this market. A local agent or distributor should be able to assist with obtaining the necessary certifications and permits required for importation.

Intellectual property rights holders report both positive developments and ongoing challenges in Taiwan's protection and enforcement of IP rights. Taiwan has bolstered protection and enforcement for trade secrets in recent years, but considerable challenges remain in combating copyright and related infringement on both online and printed educational materials.

Market Opportunities

Taiwan authorities have strategically identified five industrial technology areas as development priorities: the Internet of Things (Taiwan's "Asian Silicon Valley" initiative), biomedical, green energy, smart machinery and defense. Also targeted for industrial development under this plan are new agriculture, the circular economy, the digital economy (including semiconductors and integrated circuit design) and cultural innovation. Taiwan is implementing the "Forward-Looking Infrastructure Development Program," which has allocated around US\$13.9 billion to promote Taiwan's sustainable development through investment in eight categories: railways, aquatic environments, green energy infrastructure, digital infrastructure, urban and rural development, child care facilities, food safety infrastructure and human resources infrastructure. The first phase of this eight-year initiative spans 2017 through 2020.

Taiwan is a member of the World Trade Organization and observes the WTO Government Procurement Agreement. This shared status provides market opportunities for U.S. firms, including exporters of high value-added components and inputs for high-tech manufacturing (e.g., petrochemical products, and electronic production and test equipment), food and other agricultural products, and "American lifestyle" goods and services popular among high-income individuals in Taiwan. These range from luxury consumer goods to health care products. Taiwan does not require foreign firms to transfer technology, locate in specified areas, or hire a minimum number of local employees as a prerequisite to investment.

Travel and tourism is another area with excellent potential for U.S. firms. The U.S. is the top long-haul destination for Taiwan's outbound travelers. This market is expected to continue to grow in 2019. Taiwan is a member of the U.S. Visa Waiver Program, which enables Taiwan leisure and business travelers to enter the U.S. for up to 90 days without a visa once they have received authorization through the Electronic System for Travel Authorization. Taiwan also participates in the U.S. Customs and Border Protection's Global Entry Program.

Taiwan's status as a mature economy, combined with its robust trade relations with the U.S., means that companies seeking to enter the market must consider their product positioning vis-à-vis existing domestic and foreign competition. Taiwan has an aging population, and so demand for products and services targeting an older demographic will increase for the foreseeable future.

Market-Entry Strategy

Most new-to-market exporters entering Taiwan begin by finding a local partner to serve as an agent, distributor or representative. Agents and distributors are the most common partnerships used by foreign firms to gain their initial foothold in Taiwan. The vast majority of

Taiwan firms are small- and medium-sized enterprises. Active in trading and manufacturing, these SMEs offer a large pool of prospective trade partners to capably represent U.S. companies in Taiwan.

Taiwan's banking and international remittance systems are well developed, and there are no foreign exchange regulations that would significantly hamper a U.S. exporter from receiving payment for goods shipped and services provided. Irrevocable letters of credit are widely used, and U.S. banks usually confirm ILOCs from leading Taiwan financial institutions.

"Doing Business in Taiwan" article is provided by the U.S. Commercial Service, the trade promotion arm of the U.S. Department of Commerce's International Trade Administration.

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

TAIWAN MARKET SNAPSHOT

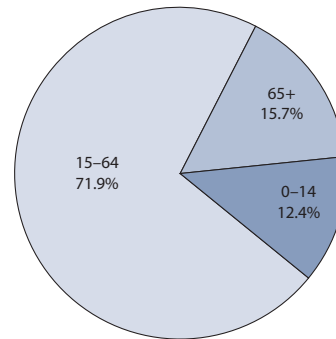
Demographics

Population in millions 23.6

Age	Male	Female
0-14	1.50	1.43
15-64	8.45	8.51
65 & Over	1.68	2.03

Median Age 42.3
Population Growth 0.11%

Demographics

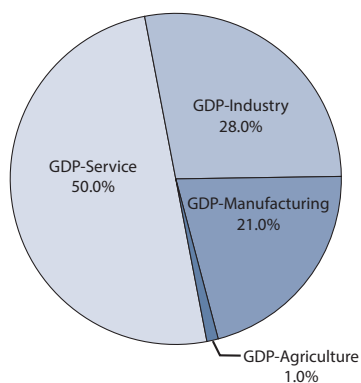


Economy

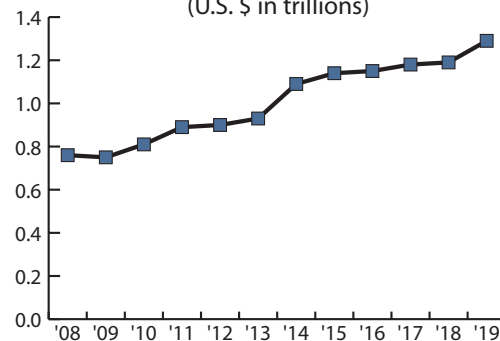
GDP (PPP)	\$1.29 trillion
GDP Per Capita	\$55,200
GDP-Real Growth Rate	2.60%
Unemployment Rate	3.80%
Inflation	0.80%

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.

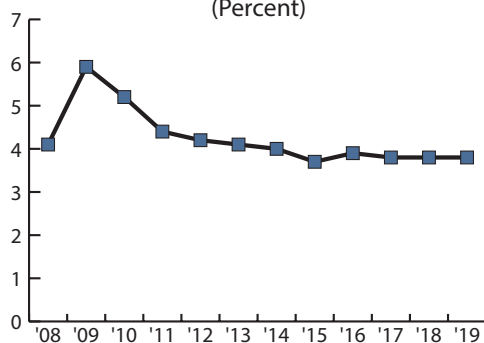
Economy



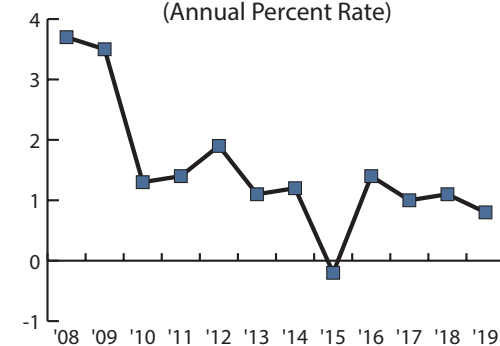
Taiwan Market GDP (PPP)
(U.S. \$ in trillions)



Unemployment Rate
(Percent)

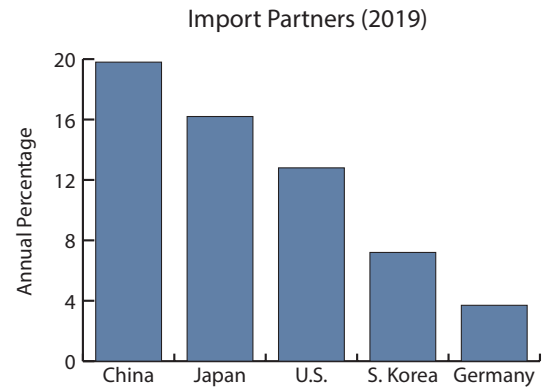
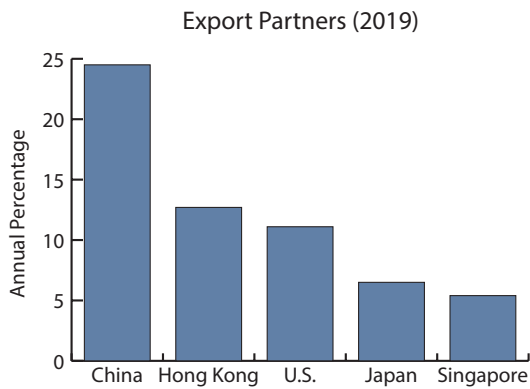


Inflation
(Annual Percent Rate)



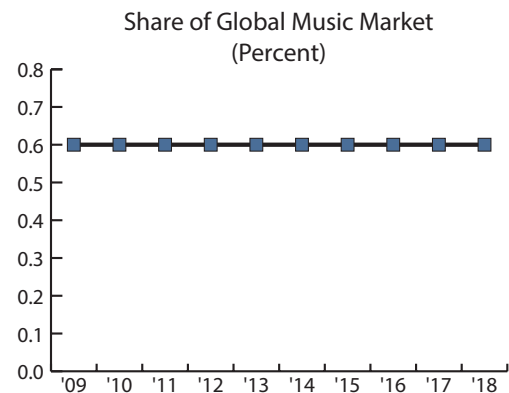
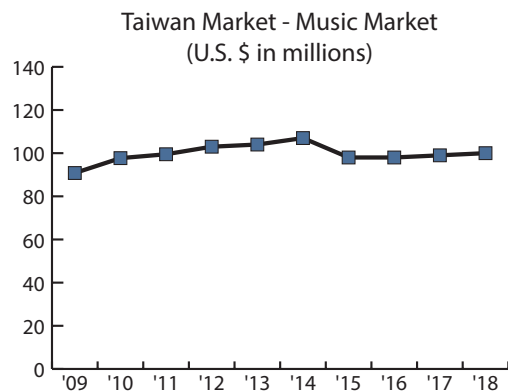
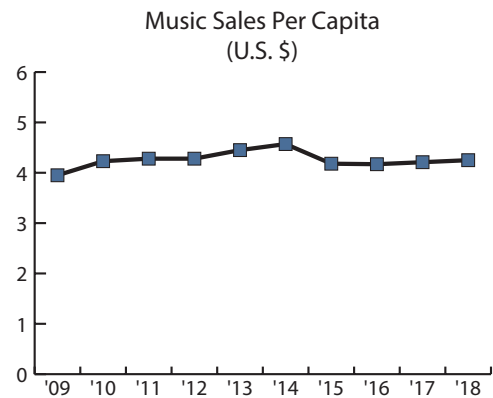
Trade

Total Export	\$302.0 billion	Export as % of GDP	23.41%
Total Import	\$272.0 billion	Import as % of GDP	21.09%

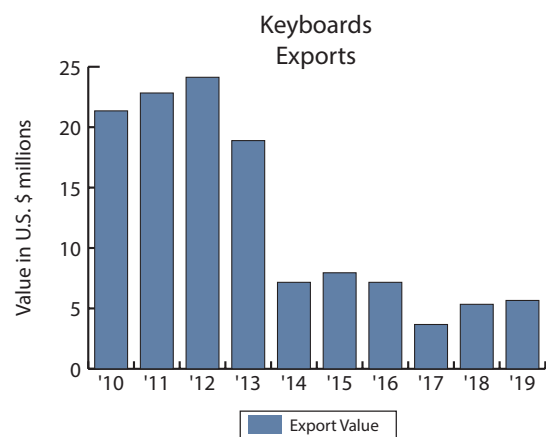
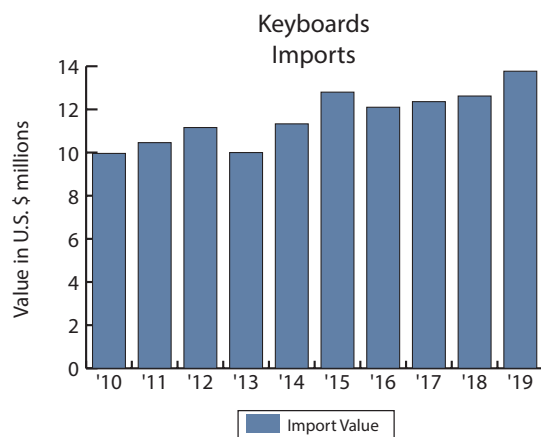
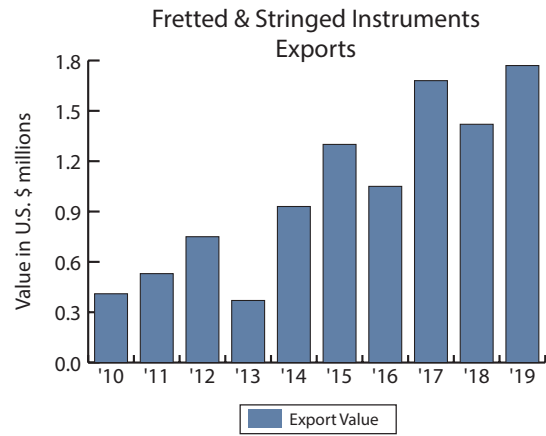
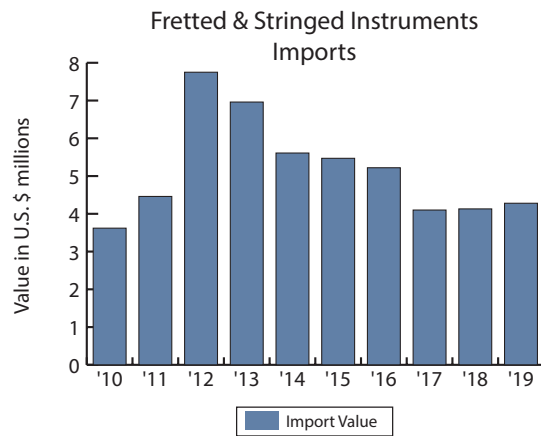
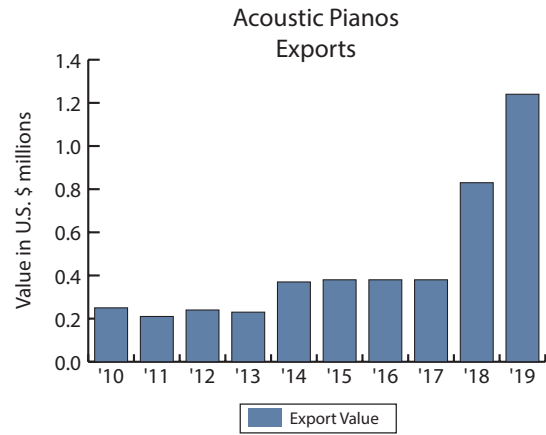
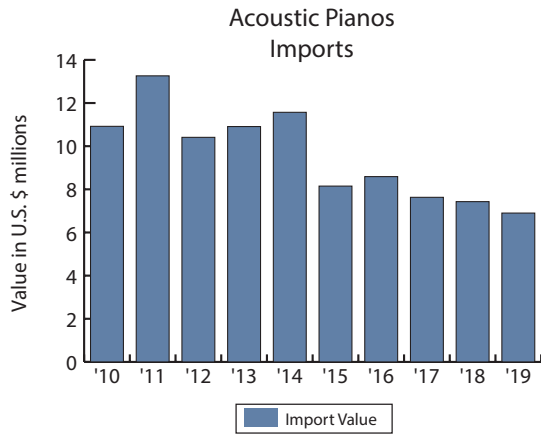


Music Industry

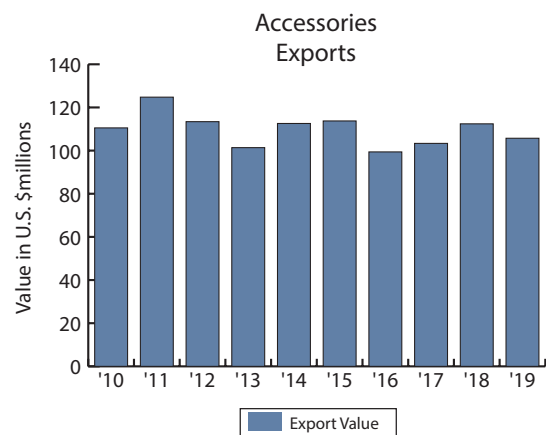
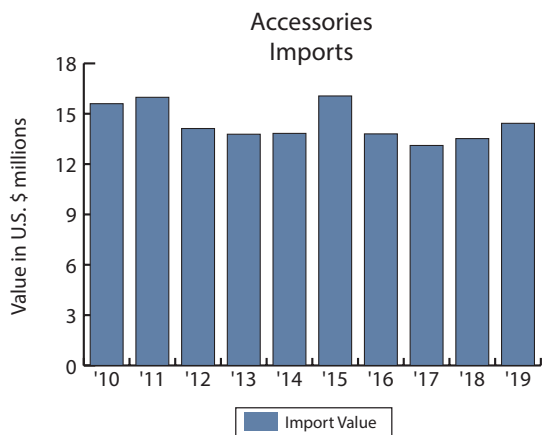
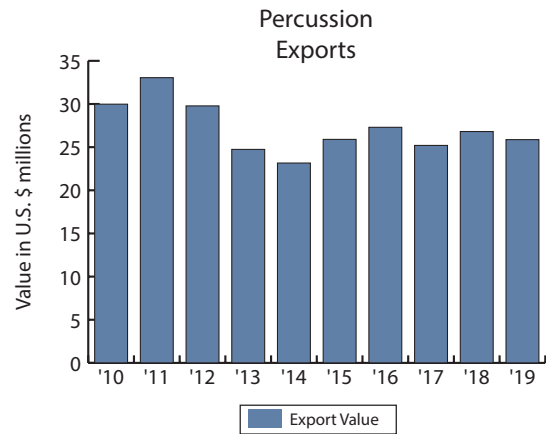
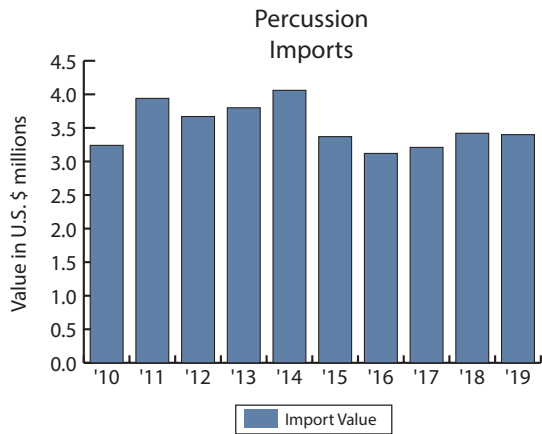
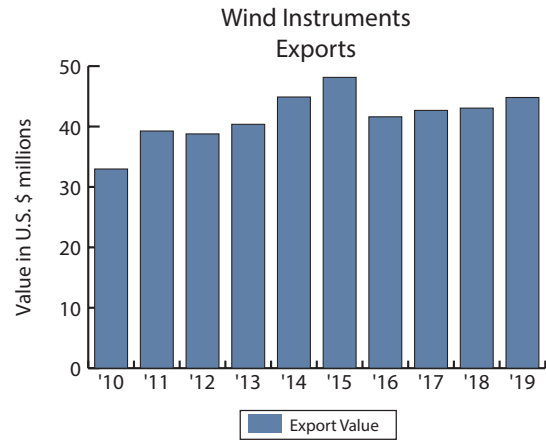
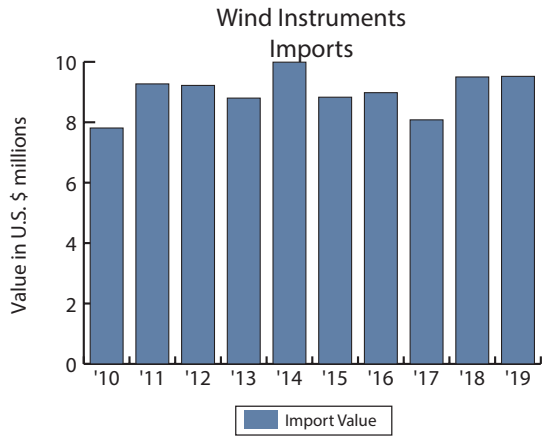
Music Market	\$100.0 million
Sales Per Capita	\$4.25
Global Share	0.60%



Taiwan Market Imports and Exports



Taiwan Market Imports and Exports



THAILAND

The year 2019 was a challenging one for most musical instrument retailers in Thailand, with the trade war between China and the U.S., and fierce competition within the domestic market. Total imports of musical instruments dropped by 4% from 2018, but that fall was in the categories of acoustic piano and acoustic guitar specifically. However, there were big increases in the import of wind instruments as well as electric piano and electric guitars. Electric instruments seem to be the new focus, which could be largely due to the changing habits of people moving into apartments, and the digitization of the music-making world. Imports of accessories in 2019 remained stable from the previous year. Exports of musical instruments dropped by about 7.5%, mainly in accessories and musical instrument parts. There was also a slight drop in percussion musical instruments.

For currency values in 2019, the Thai baht was more favorable to importers compared to the U.S. dollar. The Thai baht appreciated by about 6.5% to its lowest baht per dollar level from the peak at the beginning of the year. Around the end of the year, it depreciated back to the value where it started the year. Although the baht was in favor of importers, fierce competition and changes in how people live led to a decrease in the import of acoustic instruments.

Digital musical instrument sales have been growing at a fast pace since new generations are using DAW's to create their own identity music. Products required for making digital music such as audio interfaces, controllers, studio monitors and midi keyboards are in demand. Furthermore, regarding the changing trends in favor of digital music, the COVID-19 pandemic in 2020 has also sped up the demand of Thai consumers for those products.

The music products industry in 2019 was stable overall. However, since the COVID-19 pandemic hit in 2020, most musicians are losing jobs due to social distancing measures imposed by the government, restaurants have been forced to close, and most events are postponed or canceled. The remainder of 2020 will be a difficult one in which we might see a lot of closures of businesses.

Commentary by Passapong Asavasopon, Director of Yong Seng Watana Trading Co., Ltd.

DOING BUSINESS IN THAILAND

Market Overview

Thailand, the second-largest economy in ASEAN after Indonesia, is an upper-middle-income country with an open economy, a GDP of US\$529 billion and 4.1% annual growth in 2018.

Thailand is the 20th-largest export destination for the United States. Two-way trade of goods in 2018 was US\$44.5 billion, with US\$31.9 billion in Thai exports to the U.S., and US\$12.6 billion in U.S. exports to Thailand. Among countries in Asia, Thailand ranks as the U.S.' ninth-largest export destination after China, Japan, Hong Kong, South Korea, Singapore, Taiwan, India and Malaysia. U.S. exports to Thailand increased by 3.8%, while U.S. imports from Thailand increased by 5.8% for the same period in 2017.

An export-dependent economy, Thailand exported a total of US\$249.8 billion worth of goods in 2018. The U.S. was Thailand's number two export market (11.2%) after China (11.9%). The top 10 export items were machinery including computers (17.2%), electrical equipment (14%), vehicles (12.2%), rubber (6.2%), plastics (5.8%), gems (4.8%), mineral fuels, (4.2%), meat and seafood preparations (2.6%), organic chemicals (2.5%) and cereals (2.3%).

Thailand is one of the world's most visited countries, and tourism is vital to the Thai economy. In 2018, direct receipts from tourists contributed about 12% of Thailand's GDP, and indirect revenues could make the figure closer to 20%. Thailand recorded 38.2 million tourist arrivals in 2018 and expects to surpass 41 million tourist arrivals in 2019.

In 2018, the Thai economy grew by 4.1%, improving from 4.0% in 2017. Private consumption and total investment increased by 4.6% and 3.8%, respectively. Export value grew by 7.7% while inflation averaged 1.1%, and the current account remained in a surplus of 37.7% of GDP.

The Thai economy is projected to grow by 3.3% to 3.8% in 2019. Contributors to growth include a newly elected government, continuation of world economic growth, expansion of government expenditures and the acceleration of public investment in key infrastructure projects.

To promote infrastructure development, Thailand created the Eastern Economic Corridor Act to support EEC-development of integrated infrastructure and utilities to connect land, sea and air through high-speed rail links, ports and airports. The EEC scheme covers 30 existing and new industrial zones, with an expected investment of US\$55 billion in three eastern provinces—Chachoengsao, Chon Buri and Rayong. The EEC's targeted industries include next-generation cars, smart electronics, medical services, wellness tourism, agriculture and biotechnology, food, robotics, aviation, biofuels and digital technologies. Risk factors include the economic situations of trading partners, fluctuations of money markets, and uncertainty in international economic policies and international politics.

Market Challenges

In May 2014, the Thai military suspended the constitution and took control of the government in a coup d'état. Since the coup, Thailand has embarked upon a gradual return to democracy. A new constitution was drafted, and a constitutional referendum secured

approval in August 2016. The current administration held general elections in March 2019. With a government in transition, Thailand's economy remains stable despite its challenges over the past three years.

Thai industries face intense competition from both global and domestic suppliers of goods and services. Many domestic companies are family businesses that span generations and are now led by third-generation businesspeople who are highly educated and possess deep knowledge of their industries.

Thai consumers are price conscious and generally served by local suppliers and low-priced imports. U.S. exporters with products that are competitive for reasons other than price should work with a local partner to undertake an appropriate market entry strategy.

About half of Thailand's MFN tariff schedule includes duties of less than 5%, and approximately 30% of tariff lines are duty-free, including for certain chemicals, electronics, industrial machinery and paper. High tariffs in many sectors, however, continue to hinder access to the Thai market for many U.S. products. While Thailand's MFN-applied tariff rate averaged 12.5% ad valorem in 2017 (latest data available), ad valorem tariffs can be as high as 226%. The ad valorem equivalent of some specific tariffs (levied mostly on agricultural products) is even higher. Thailand has bound all its tariffs on agricultural products in its World Trade Organization commitments, but only approximately 73.5% of its tariff lines on industrial products. The highest ad valorem tariff rates apply to imports competing with locally produced goods, including automobiles and automotive parts, motorcycles, beef, pork, poultry, tea, tobacco, flowers, wine, beer and spirits, and textiles and apparel.

Despite the new Thai Public Procurement Act, which has been in effect since August 2017, corruption and lack of transparency in government procurements remain major concerns for U.S. companies. Where corruption is suspected during the bidding process, government agencies and state enterprises reserve the right to accept or reject any or all bids at any time and may also modify the technical requirements. This allows considerable leeway for government agencies and state-owned enterprises to manage procurements, while denying bidders recourse to challenge procedures. There are frequent reports that the Thai government makes changes to technical requirements for this purpose during the course of procurements. Despite the Thai government's commitment to transparency in government procurement, U.S. companies and the Thai media continue to report allegations of irregularities. Thailand is not party to the WTO Agreement on Government Procurement; it obtained observer status in June 2015.

Customs law in Thailand does not fulfill the standards established by the International Convention on the Simplification and Harmonization of Customs Procedures, otherwise known as "the Kyoto Convention." Major problem areas include Thailand's Customs Penalty Regime and Customs Valuation Procedures. The penalty for undervaluing imports into Thailand, even if done through negligence or by mistake, can result in a prison sentence of up to 10 years.

Additionally, the procedure for determining “customs value” remains opaque as the valuation methodologies, determined by Ministerial Regulations, are subject to frequent change. Confusion over the guidelines can lead to an increased risk of misinterpretation and misapplication of goods valuation methods.

U.S. businesses operating in Thailand should be aware that the government recently amended its Civil Procedure Code to include class-action lawsuit provisions. This amendment increases the rule of law and consumer protection in Thailand, but it may leave some businesses at higher risk. This may result in higher insurance premiums, especially for small businesses.

Market Opportunities

Thailand maintains an open, market-oriented economy, and encourages foreign direct investment as a means of promoting economic development, employment and technology transfer. Thailand continues to be a prominent destination for FDI, and many U.S. multinational and small- and medium-sized companies alike have invested successfully in the country. Thailand continues to welcome investment from all countries and seeks to avoid dependence on any one country as a source of investment.

Thailand’s economic growth has created opportunities for U.S. companies in a number of infrastructure sectors, including electrical power, telecommunications, and renewable energy. With the Thai government’s recent EEC initiative, industry clusters that would benefit more are those involved in the following areas: next-generation automotive, smart electronics, biofuel and biochemical, food for the future, the digital economy, medical hub, automation and robotics, aerospace, agricultural and biotechnology, and affluent medical and wellness tourism.

Thailand’s market offers opportunities for U.S. aerospace and defense equipment, construction and transportation equipment, medical devices and health care products, information and communications technology equipment, oil and gas equipment, liquefied natural gas and related services, engineering services, power generation, outdoor recreation equipment, franchising, environmental technologies (especially air pollution control equipment), beauty products and dietary supplements, food processing and packaging equipment, among others.

Market-Entry Strategy

Partnering with a local agent or distributor is the most effective way to enter the Thai market and reach potential Thai buyers. The agent or distributor can facilitate and expedite market entry with their extensive market knowledge and established distribution networks and relationships with key business and government officials. The Commercial Section at the U.S. Embassy in Bangkok provides a series of customized business development services to assist U.S. firms planning to enter or expand their presence in the market.

“Doing Business in Thailand” article is provided by the U.S. Commercial Service, the trade promotion arm of the U.S. Department of Commerce’s International Trade Administration.

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

THAILAND SNAPSHOT

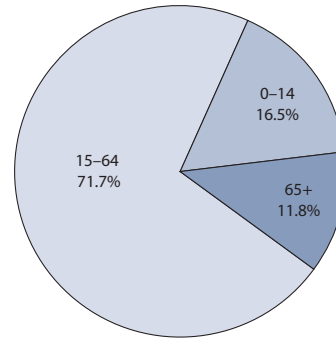
Demographics

Population in millions 68.9

Age	Male	Female
0-14	5.81	5.53
15-64	24.43	25.01
65 & Over	3.55	4.60

Median Age 39.0
Population Growth 0.25%

Demographics

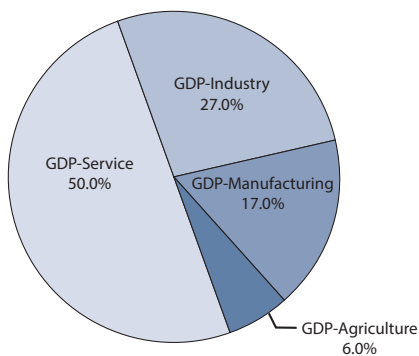


Economy

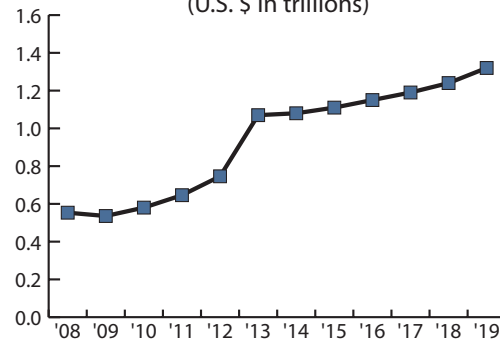
GDP (PPP)	\$1.32 trillion
GDP Per Capita	\$19,051
GDP-Real Growth Rate	4.10%
Unemployment Rate	0.70%
Inflation	0.90%

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.

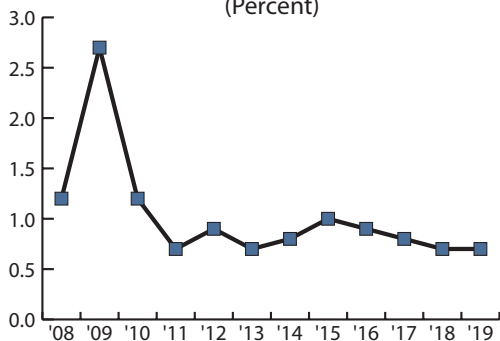
Economy



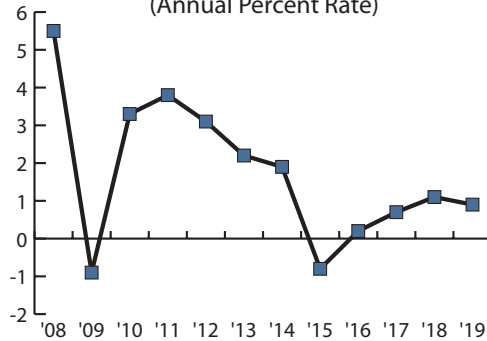
Thailand GDP (PPP)
(U.S. \$ in trillions)



Unemployment Rate
(Percent)

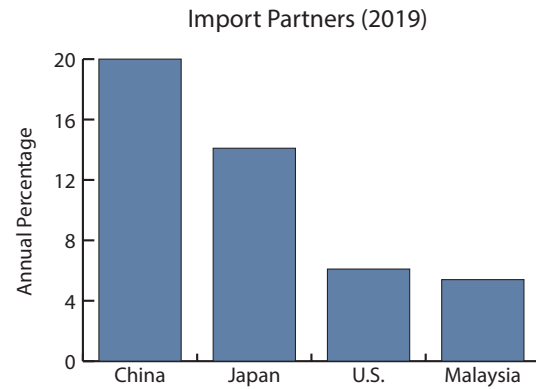


Inflation
(Annual Percent Rate)



Trade

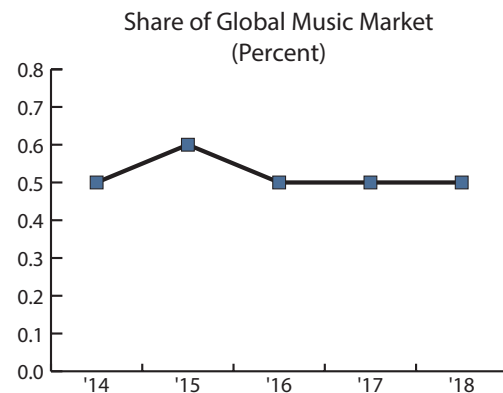
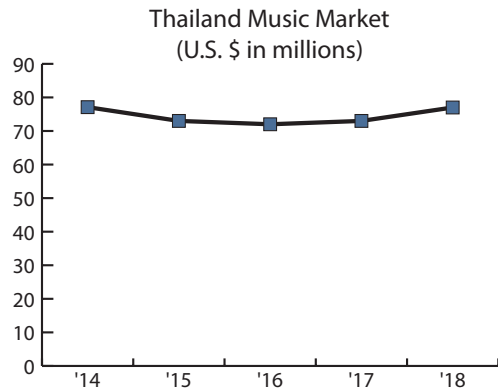
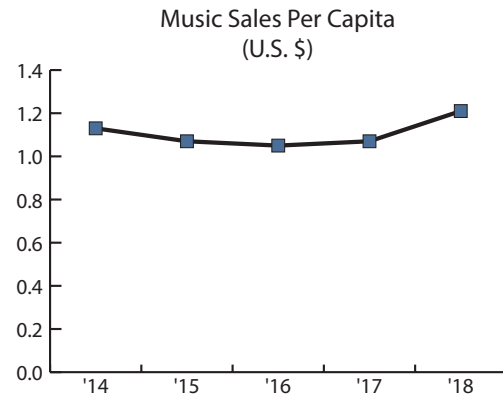
Total Export	\$302.0 billion	Export as % of GDP	23.41%
Total Import	\$272.0 billion	Import as % of GDP	21.09%



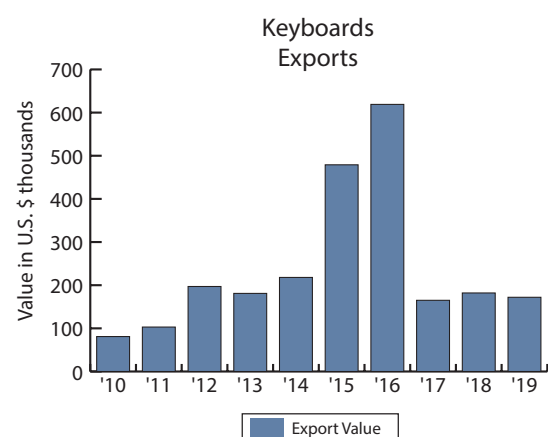
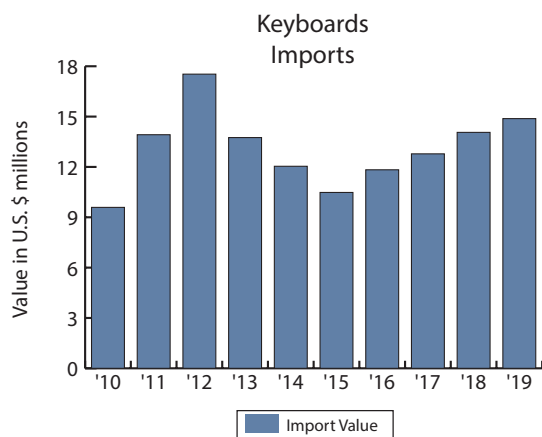
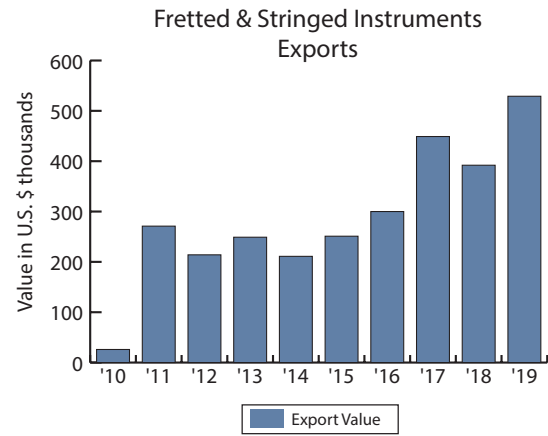
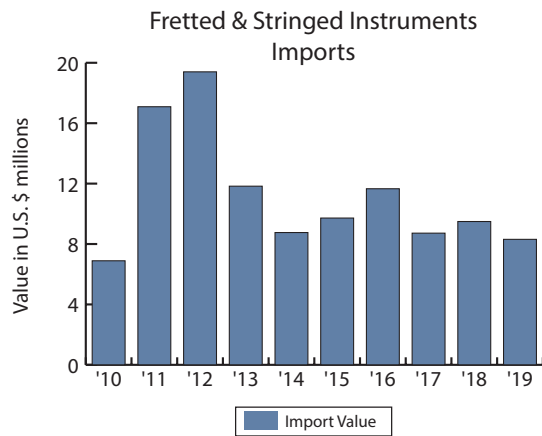
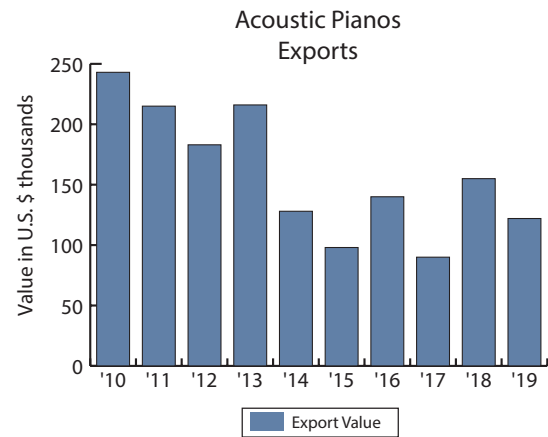
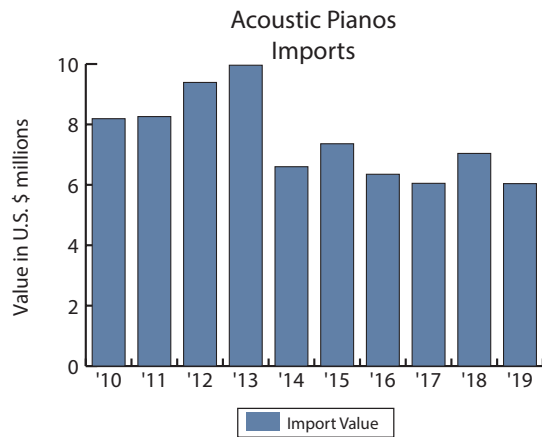
Music Industry

Music Market	\$77.0 million
Sales Per Capita	\$1.21
Global Share	0.50%

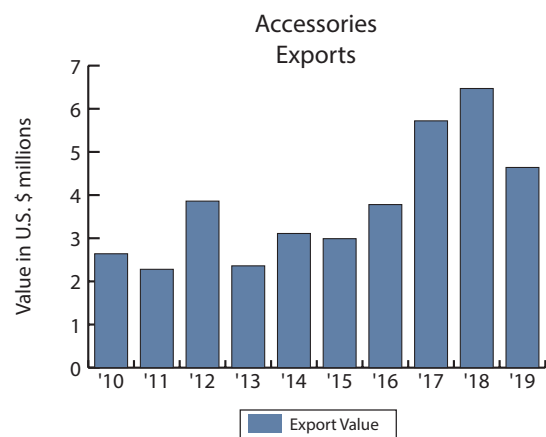
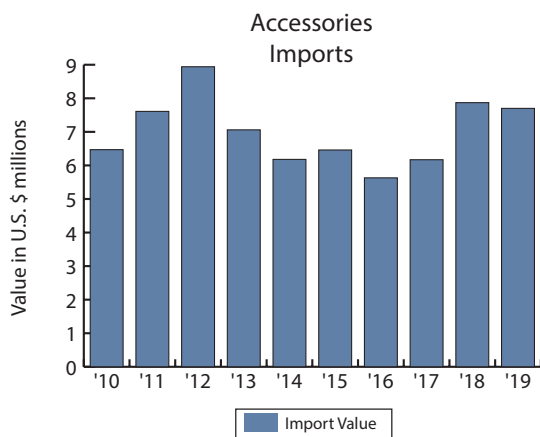
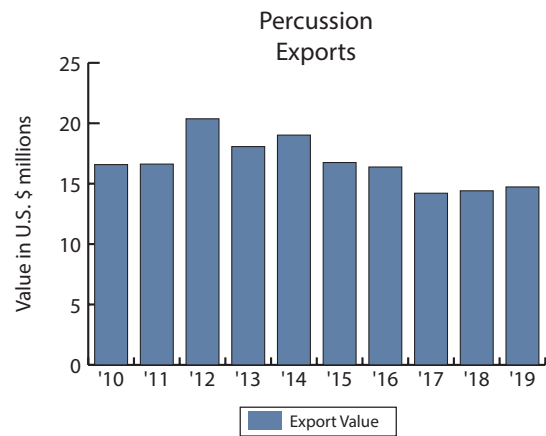
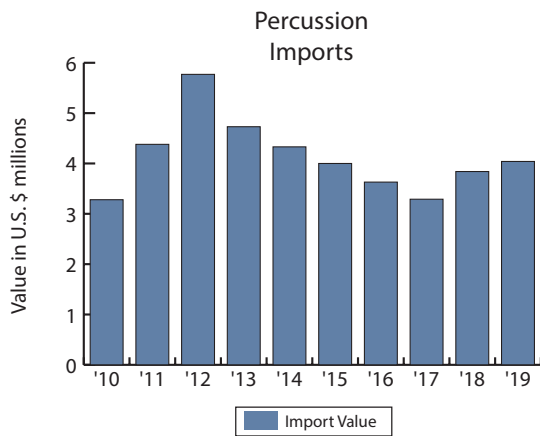
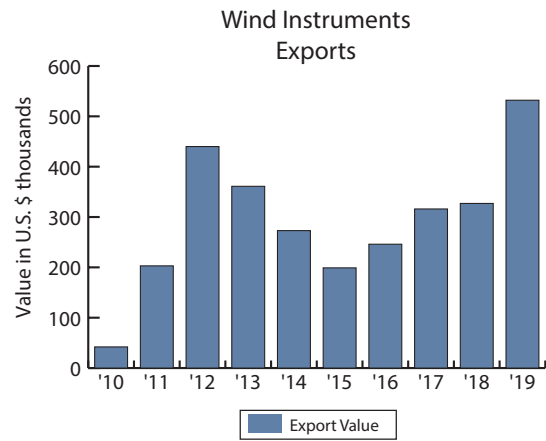
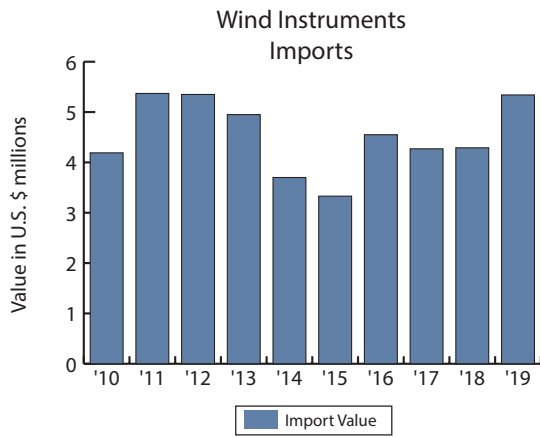
The Music Trades began reporting data on Thailand in 2014



Thailand Imports and Exports



Thailand Imports and Exports



UNITED KINGDOM

As the famous saying goes, "May you live in interesting times."

The year 2019 saw the United Kingdom still mired in the planning for Brexit with all the business and consumer uncertainty that surrounded it. The U.K.'s High Streets continued to suffer in this climate, and the debate about the future of physical shops gathered pace in the wake of poor sales from a number of well-known brands. Music shops adapted and the best ones pushed ahead in honing their e-commerce offering whilst creating vibrant social media content to draw people to both the shop and website.

The market was steady and showing signs of very modest growth, albeit the pro-audio end of the portfolio was still growing the fastest.

And then everything changed ...

The COVID-19 pandemic has devastated the country, along with the rest of the world, and we are all trying to plan for what the "new normal" will look like.

The lockdown closure of our music shops has naturally had a critical effect on many businesses, and we obviously fear that not all will be able to resume and remain trading when the lockdown is lifted.

The simple fact is that the U.K. consumer is now seriously predicated toward online shopping, and the "old ratio" of sales in physical outlets versus websites will likely never return to what it was.

The thing that always amazes about our industry is the creativity that prevails when things get tough. We have seen many of our modern-thinking shops and suppliers actually thrive in these testing times. Shops that could not open to the general public have found (safe) ways to keep selling products, and both service and deliver instruments to customers. In addition, a whole new generation of new and lapsed musicians have been inspired to take up music, and our best shops have responded with excellent sales of starter instruments. Online teaching has naturally come into its own during the pandemic, and our best shops and suppliers have risen to the challenge with some very creative tuition services.

As we come out of lockdown, our industry will have learned some valuable and unexpected lessons including (here are just a few):

- The essential nature and scale of future online trading
- New ways to reach out to new and lapsed musicians
- The growing appetite for video content (as opposed to worded and picture)
- The opportunities to get involved with and maintain online tuition services
- The unexpected ability of so many of us being able to run businesses remotely
- A "new norm" in flexible working
- A more questioning approach to the need for an office and historical travel practices
- The growing need for companies to have, and market, their sustainability credentials



So, what will the “new norm” look like?

It is fair to say that the U.K., in general, looks to have made a new relationship with online retailing during the pandemic (and we had a pretty strong one already!). It would follow that the U.K.’s High Streets will not be able to sustain as many physical shops as they currently do (and this will unsurprisingly have implications for music shops). In many ways, this day was always coming, and the pandemic has probably accelerated the trend by about five years.

However, our best retailers continue to rise to the challenge of making a living selling musical instruments, be it through a shop, website or, in nearly all cases, both. Indeed, our industry has almost “bucked the trend” of retail closures when compared to the overall High Street over the last decade. Long may this continue!

As I have written before, we are truly blessed with a nation of music retailers who run their shops out of love for music making as much as for making a living! This enthusiasm continues to give our industry a unique proposition compared to many other retail genres.

I suspect we will emerge from the pandemic a leaner, fitter and more future-facing industry ready to serve our customers in whatever way they wish to access our services!

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

Despite the challenges and uncertainty posed by the continuing Brexit process, the U.K. remains a critical market for American exports of goods and services and a key destination of U.S. foreign direct investment.

The U.K. (estimated 2018 GDP of US\$2.6 trillion) is a major international trading power, with the fifth-largest economy in the world according to the World Bank Group, and the second-largest economy in the EU.

While the U.K. is geographically relatively small (about the size of Oregon), it has a population of more than 65 million people.

Highly developed, sophisticated and diversified, the U.K. market is the largest in Europe and the fifth-largest in the world for U.S. goods exports. The U.K. is the largest market in the world for U.S. service exports.

With relatively few trade barriers, the U.K. serves as the entry market into the EU for more than 43,000 U.S. exporters. U.S. exports to the U.K. of goods and services combined were estimated to be worth about US\$140.8 billion in 2018.

Major categories of U.S. exports include aerospace products, agricultural products, cybersecurity, medical equipment, new build civil nuclear, certain consumer goods (such as pet products), smart grids, sustainable construction and travel and tourism.

The U.K. ranks third in the overall number of visitors to the United States (behind Canada and Mexico, respectively). Thus the U.K. is the No. 1 overseas market for travel to the U.S., with 4–5 million U.K. travelers visiting the U.S. each year. British travelers are estimated to contribute over US\$12 billion to the American economy annually.

The U.S.-U.K. investment relationship is the largest in the world, with cumulative, bilateral direct investment stock valued at more than US\$1.2 trillion in 2016. More than 2 million jobs, approximately 1 million in each country, have been created over the years as a result of this investment.

More than 7,500 U.S. firms have a presence in the U.K., which is also the top location in Europe for U.S. regional headquarters covering Europe, the Middle East and Africa. A major international financial, media and transportation hub, London is also headquarters to the European Bank for Reconstruction and Development (EBRD).

The U.K. economy grew by 1.4% in 2018, a modest deceleration from previous years, reflecting uncertainty caused by the Brexit vote and what it will mean for the U.K. economy. Some observers expect the economy to weaken slightly in 2019 if a no-deal Brexit takes place, as consumer confidence could be suppressed by factors such as rising inflation and potential currency fluctuations.

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 many other European cities.

As U.K. 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.

Market Opportunities

The U.K. 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 aerospace, defense, safety/security and, in particular, cybersecurity.

The U.K.'s commitment to low-carbon targets is driving market demand for U.S. products and services in the areas of renewable energy, energy efficiency, low carbon/green technologies, smart grid technologies and e-vehicles.

The U.K. has a program of major, multi-billion-dollar infrastructure projects in the energy, transportation and water sectors.

Market-Entry Strategies

- Demonstrate a clear value proposition and competitive advantage (i.e., price, quality and branding).
- Pay close attention to both the obvious and subtle cultural differences between the U.S. and the U.K., and adjust marketing strategies accordingly.
- Evaluate prospective partners carefully and choose an experienced, well-established local distributor. Be flexible working with a U.K. partner during this prolonged period of economic uncertainty.
- Visit the U.K., probably more than once, to meet prospective partners and customers. British businesspeople tend to want to get to know the people with whom they are doing business.
- 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.

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

UNITED KINGDOM SNAPSHOT

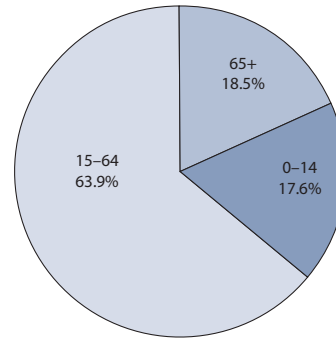
Demographics

Population in millions 65.8

Age	Male	Female
0-14	5.94	5.65
15-64	21.34	20.67
65 & Over	5.47	6.68

Median Age 40.6
Population Growth 0.49%

Demographics

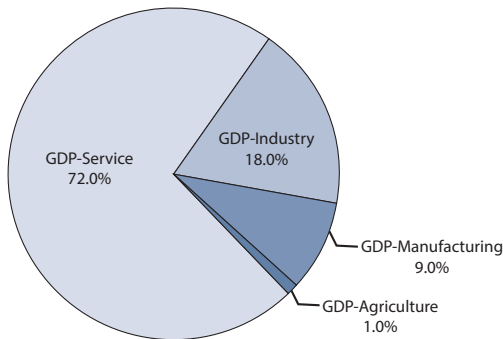


Economy

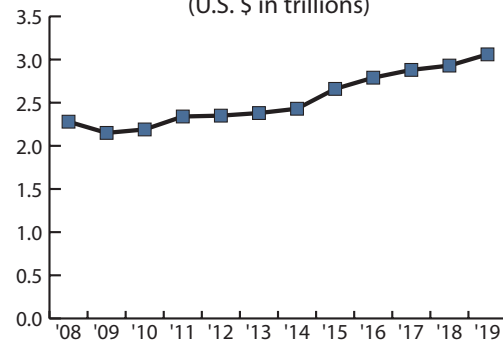
GDP (PPP)	\$3.06 trillion
GDP Per Capita	\$45,973
GDP-Real Growth Rate	1.40%
Unemployment Rate	3.80%
Inflation	1.80%

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.

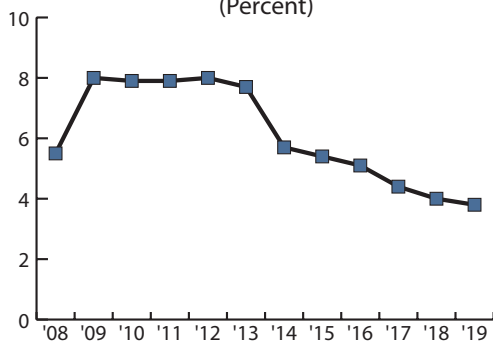
Economy



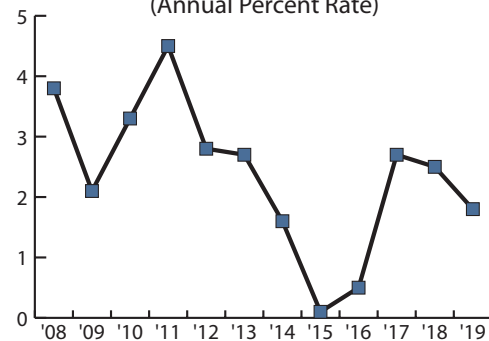
United Kingdom GDP (PPP)
(U.S. \$ in trillions)



Unemployment Rate
(Percent)

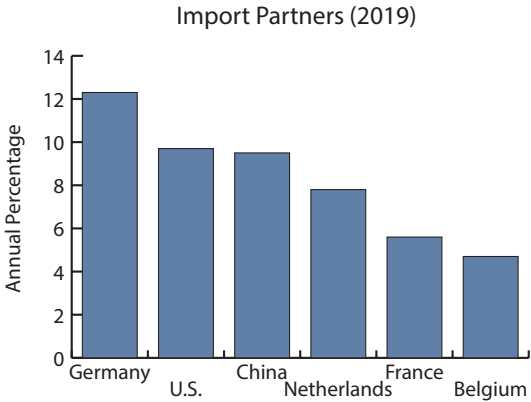


Inflation
(Annual Percent Rate)



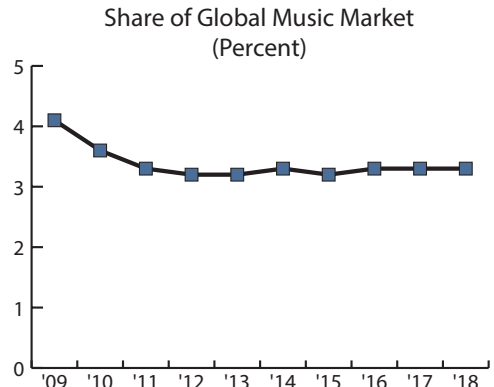
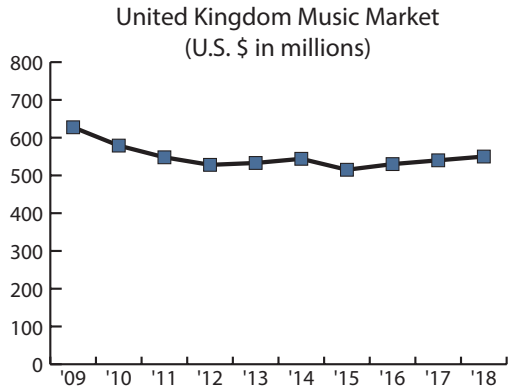
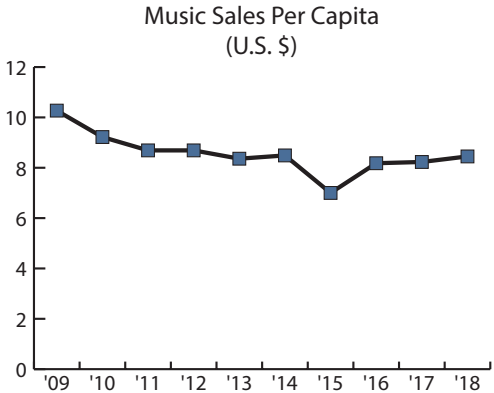
Trade

Total Export	\$467.5 billion	Export as % of GDP	15.28%
Total Import	\$692.0 billion	Import as % of GDP	22.61%



Music Industry

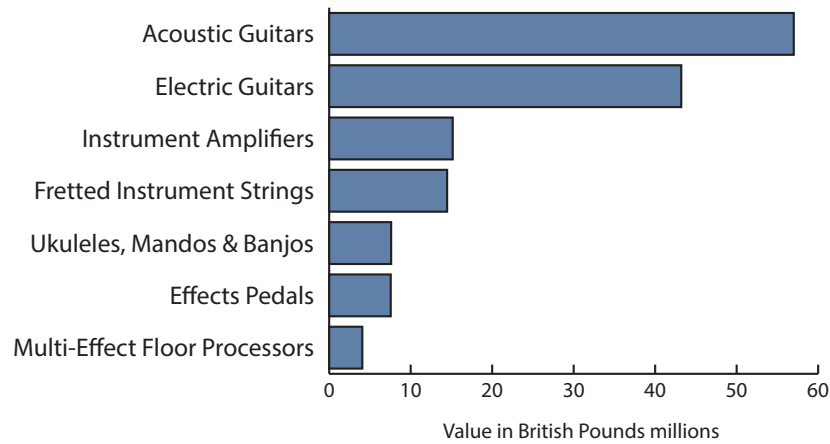
Music Market	\$550.0 million
Sales Per Capita	\$8.45
Global Share	3.30%



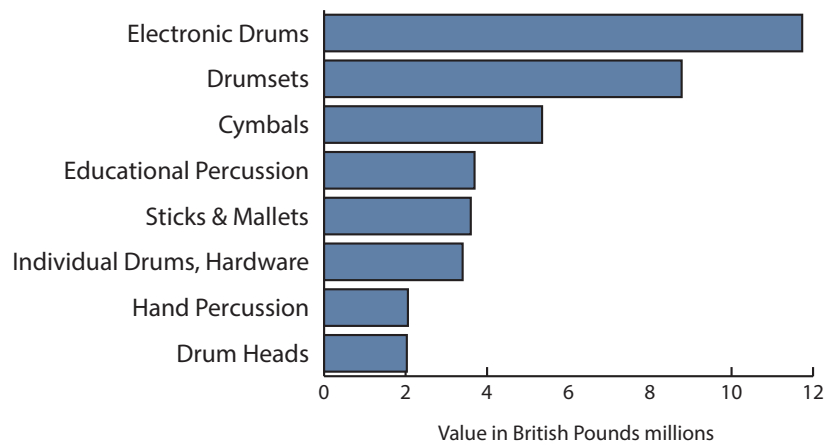
United Kingdom Retail Sales

The following charts represent UK retail sales for the period April 2018 through April 2019

Guitars & Effects



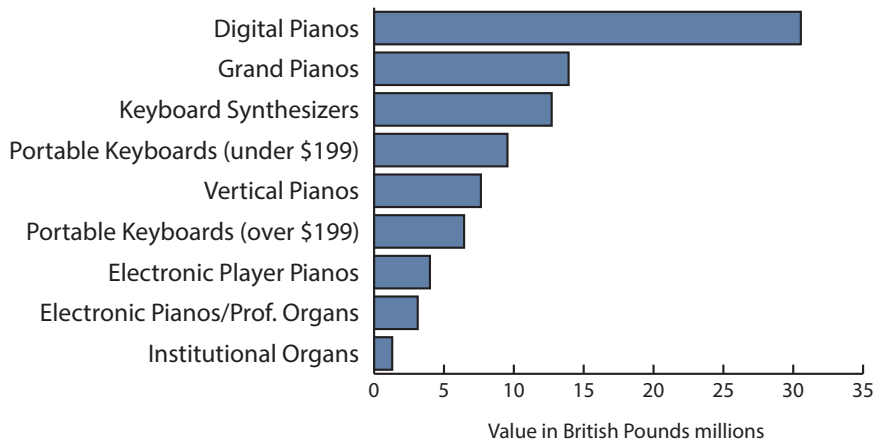
Percussion



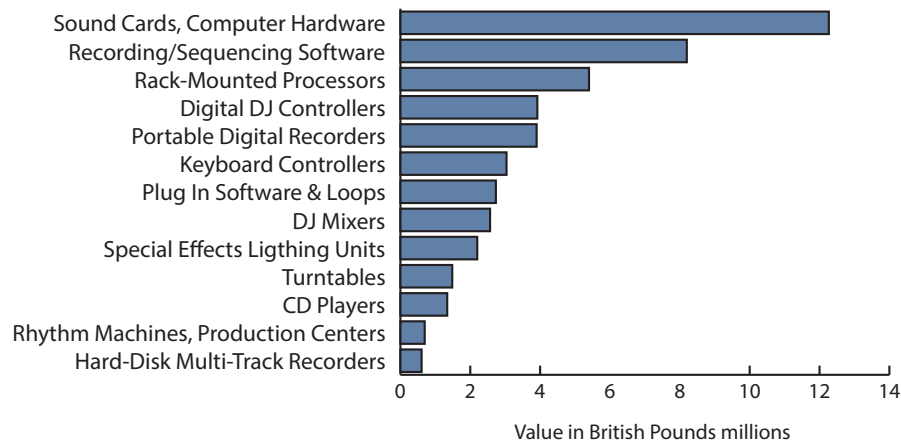
United Kingdom Retail Sales

The following charts represent UK retail sales for the period April 2018 through April 2019

Keyboards

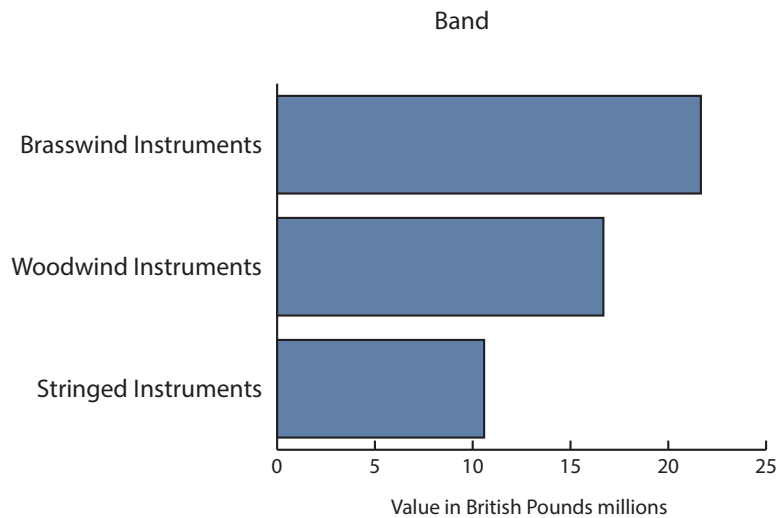
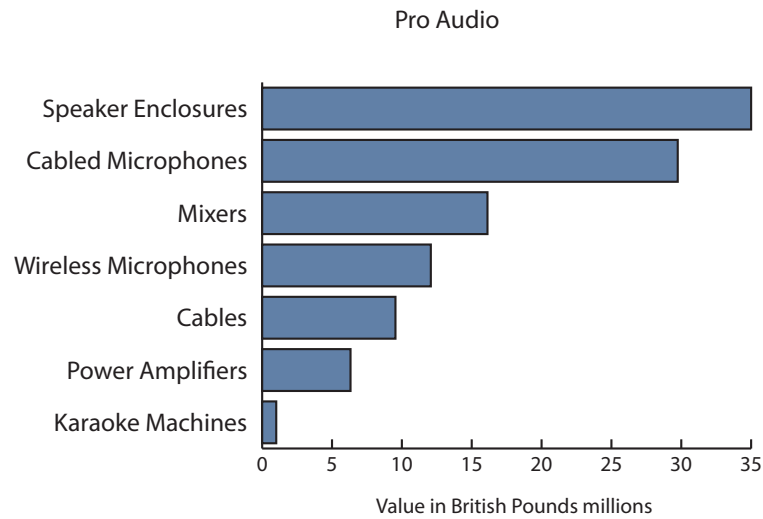


HiTec & Recording



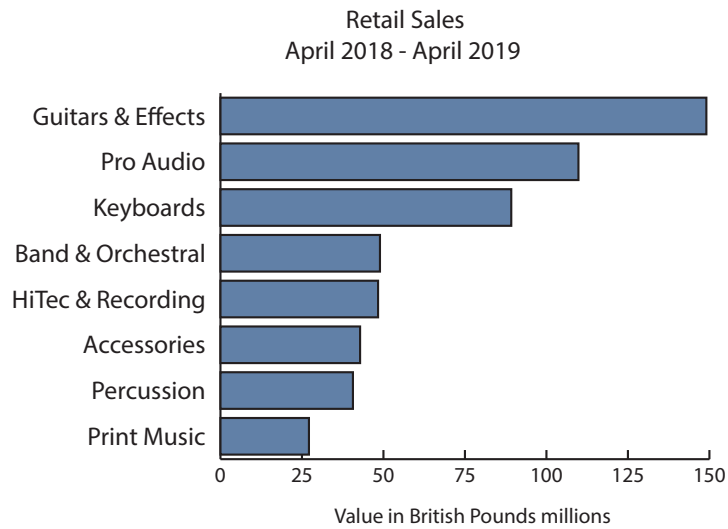
United Kingdom Retail Sales

The following charts represent UK retail sales for the period April 2018 through April 2019



United Kingdom Retail Sales

The following charts represent UK retail sales for the period April 2018 through April 2019



NAMM EXECUTIVE COMMITTEE & BOARD OF DIRECTORS

NAMM EXECUTIVE COMMITTEE

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C.F. Martin & Co., Inc.
Nazareth, PA

Vice Chair

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America
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NAMM YP PRESIDENT

Jeremy McQueary
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Ernie Ball, Inc.
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Kingdom

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Saul Friedgood
Eastman Music Company
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Mark Hebert
Cosmo Music Co, Ltd.
Richmond Hill, Canada

John Hopkins
Sweetwater
Fort Wayne, IN

David Kalt
Chicago Music
Exchange LLC
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Abby Kaplan
Shure Incorporated
Chicago, IL

Doug Lady
Hal Leonard LLC
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Cordoba Music Group, Inc.
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Shawna Rood
Antonio Violins and Ukes
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Tim Spicer
Spicer's Music, LLC
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