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Percussion Market

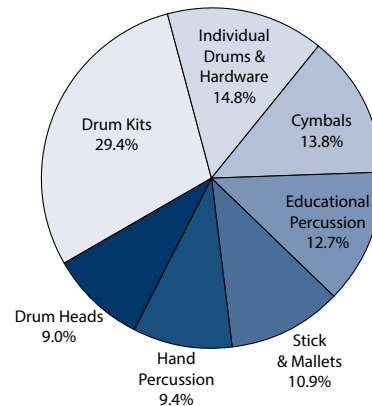
Includes drum kits, educational percussion, individual drums and hardware, sticks and mallets, cymbals, heads and hand percussion

Estimated retail value of shipments of percussion products advanced 13.0% to \$345.4 million, but remains below pre-pandemic levels. This diverse collection of products, which includes drum kits, educational and institutional instruments, hand percussion, cymbals, and sticks and mallets, has faced headwinds for well over a decade.

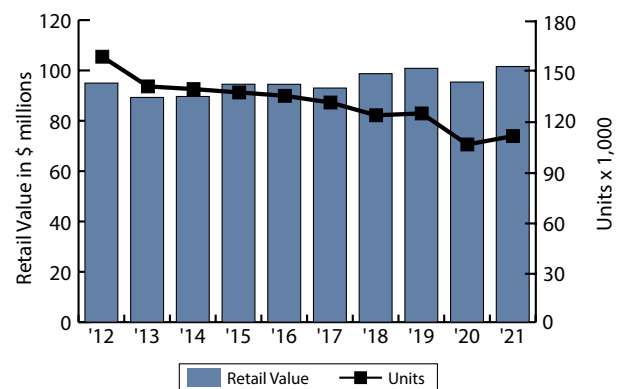
Competition from electronic drum kits continues to erode the sale of entry-level instruments. Silent performance capabilities appeal to parents and apartment dwellers. In addition, electronic kits offer compelling benefits, including accompaniment tracks and teaching aids. The increasing use of programmed rhythm tracks in performance venues has also taken a toll on the sale of higher-end drum kits. The sale of educational percussion, which includes marching drums, timpani and mallet instruments, has been impacted by the scaled-back school music programs due to pandemic restrictions. Drum kit shipments in 2021 were 111,000 units, up 4.7% from the low point of 2020, but still down 30% from levels a decade ago.

Secular market pressures impacting conventional percussion instruments have also been felt in the sale of sticks, mallets, drumheads, hand percussion and cymbals. While all these categories rebounded from pandemic lows, growth has been negative or limited at best.

Retail Value Market Share



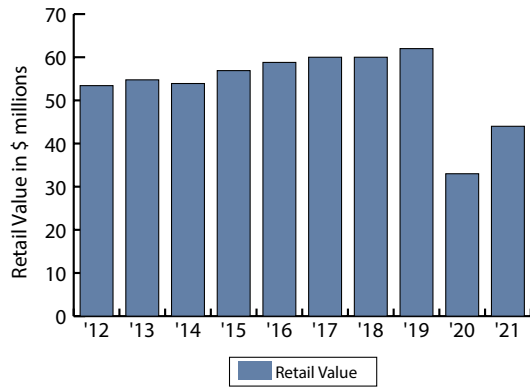
Drum Kits



	Retail	Unit	Average Price
2021 Summary	6.46%	4.72%	1.67%
10-Year Trend	6.93%	-29.88%	52.50%

Percussion Market, continued

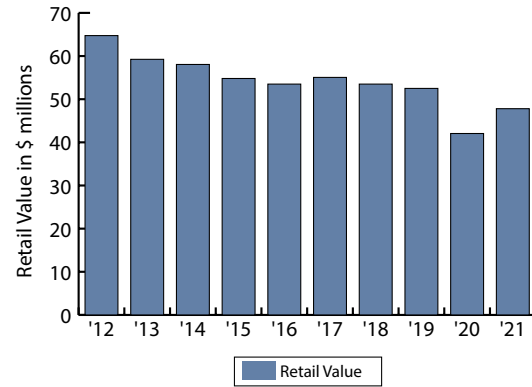
Educational Percussion



	Retail
2021 Summary	33.33%
10-Year Trend	-17.64%

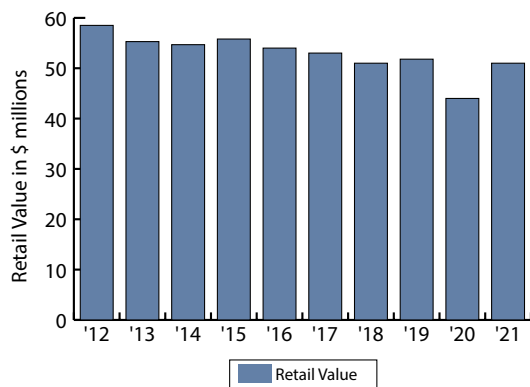
Educational Percussion category includes timpani, marching percussion, mallet instruments, snare drum kits and orchestral percussion instruments.

Cymbals



	Retail
2021 Summary	13.67%
10-Year Trend	-26.17%

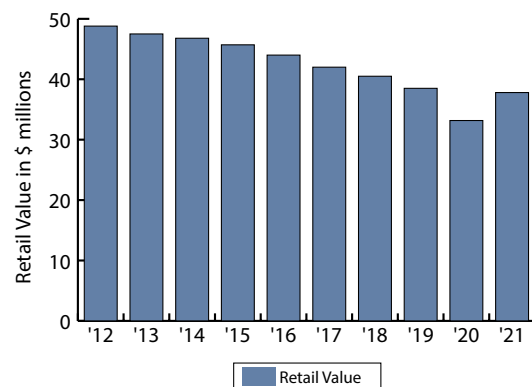
Individual Drums and Hardware



	Retail
2021 Summary	15.91%
10-Year Trend	-12.83%

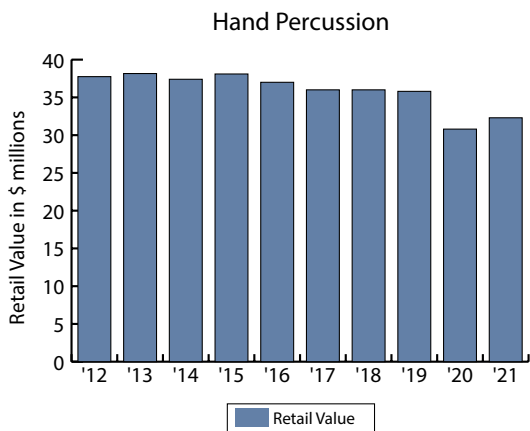
Individual Drums and Hardware category includes individual snare drums, toms and bass drums for drum kits, along with pedals, stands and related percussion hardware products.

Sticks and Mallets

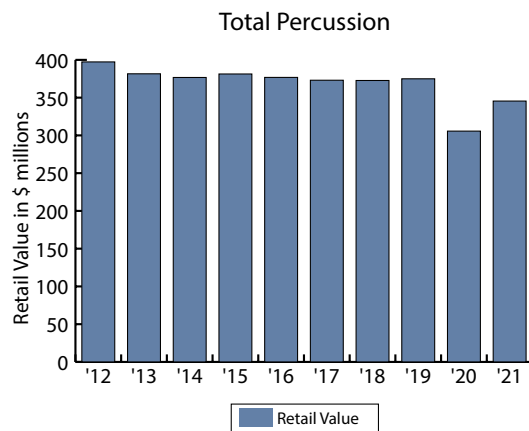


	Retail
2021 Summary	13.95%
10-Year Trend	-22.54%

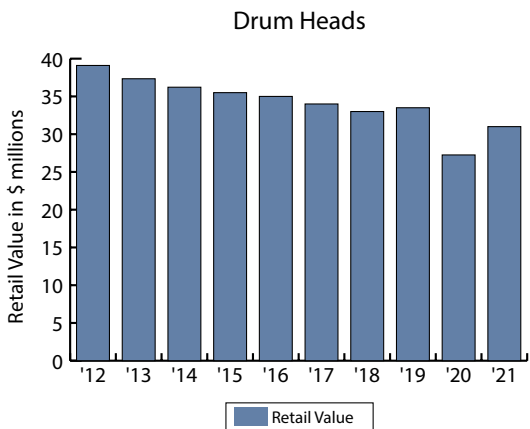
Percussion Market, continued



	Retail
2021 Summary	4.87%
10-Year Trend	-14.43%



	Retail
2021 Summary	13.02%
10-Year Trend	-13.05%



	Retail
2021 Summary	13.76%
10-Year Trend	-20.72%

ARGENTINA

The goal of this report is to show the Argentine music market after collecting information from manufacturers, music store owners and importers; however, it is impossible to do this without mentioning our economic situation and the consequences of COVID-19. The last two years were extremely difficult due to the outbreak of COVID-19 in March 2020, but Argentina had already been facing many economic problems for many years. We have a recessive market, inflation of 50.9% in 2021, an unstable dollar exchange rate, plus sharp increases in utilities and taxes, unemployment and foreign debt. Although measures have been taken on behalf of economic recovery, and to help people and companies affected by the pandemic, they are not enough. By the end of 2021, some restrictions were eased and we started to see a moderate recovery. Thanks to the vaccination plan, which started in December 2020 and was completed in 2021, most of our citizens have already received the two doses and a booster. We are all really happy because Coronavirus cases have declined dramatically, and we can start living a better life.

Nevertheless, the economy continues to show macroeconomic imbalances—and the music industry is no exception to this situation.

The industry continues with similar problems due to the above-mentioned circumstances and the reduction in spending. Prices of raw materials continue to rise due to inflation. Manufacturing companies have been working hard to improve sales and production. Music store owners are still looking for new solutions and marketing strategies to encourage consumption. Customers can find some financial assistance since the national government has launched some programs to activate consumption and increase sales but, unfortunately, inflation continues. With regard to imports, Banco Central de la República Argentina has limited them to companies and established new requirements. The Non-Automatic Import Licenses (in Spanish, “Licencias no automáticas”) are generally not approved and the automatic import licenses have a limit. This scenario currently makes importation into Argentina difficult.

In CAFIM (Argentine Association of Musical Instruments Manufacturers), we have been working hard to help manufacturers and owners of music stores; we promote the development of the music market in different ways. We work together with the government to obtain some benefits, to increase sales and to improve general conditions.

In conclusion, it can be said that we have learnt something as a society: to adapt and to work together to help the country overcome this situation. We are all sure that new challenges are coming but also new opportunities.

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 45 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% distributed in the cities of Córdoba, Rosario and Mendoza. The country has a talented and educated workforce, but its population has experienced economic turbulence over the last 75 years.

The COVID-19 pandemic, on top of Argentina's two-year economic recession (2018–2019), has compounded the country's critical economic environment. Argentina's GDP declined from US\$445.5 billion (2019) to US\$383.1 billion in 2020. At the end of 2020, the poverty rate was 42% and inflation was 36%. Since 2017, the official exchange rate has fallen from about US\$1:AR\$20 to about US\$1:AR\$100, and the unofficial "blue" rate is roughly double that. The Argentine government's 2020 agreement with private bondholders to renegotiate billions of dollars of debt offers some hope, as negotiations get underway to renegotiate another US\$45 billion owed to the IMF.

In this recessionary context, U.S. merchandise exports to Argentina declined from US\$8.15 billion (2019) to US\$5.9 billion (2020). Argentina's merchandise exports to the United States decreased slightly from US\$4.92 billion (2019) to US\$4.2 billion (2020). Nevertheless, the U.S. retained a bilateral goods trade surplus of approximately US\$2 billion. Around 90% of U.S. merchandise exports to Argentina are used in local industry and agriculture, including refined oil, aircraft, computers, industrial and agricultural chemicals, agricultural and transportation equipment, machine tools, and parts for oil field rigs. Primary Argentine exports to the United States are crude oil, aluminum, wine, fruit juices and intermediate goods such as seamless pipes, tubes and other iron-based products.

There are over 250 U.S. companies operating in Argentina, some whose presence dates back more than a century. Despite current macroeconomic challenges, there are significant opportunities for U.S. companies in sectors such as infrastructure, energy, health, agriculture, information technology and mining. The United States is a top source of foreign investment in Argentina, with a stock of investment worth US\$8.73 billion (BEA, 2020). U.S. companies are widely respected in Argentina for their good business practices, transparency, corporate social responsibility activities, high quality and good customer service.

Reasons why U.S. companies should consider exporting to Argentina:

- Argentina is a resource-rich country with enormous potential for further development. The country has the second-largest shale gas and fourth-largest shale oil reserves in the world—as well as abundant solar and wind energy resources.

- Argentina is the third-largest lithium producer globally, with plans to increase mining exports over the next decade. More than 70% of Argentina's proven lithium resources have not been exploited.
- U.S. expertise, technology and equipment are needed to develop sectors such as agriculture, energy and mining.
- The country is digitally capable, with high internet penetration and smartphone dissemination.

Market Challenges

Years of economic troubles, which have resulted in macroeconomic instability, high inflation and a currency crisis, have forced the Argentine government, businesses and consumers to reduce spending.

In an effort to shore up foreign exchange reserves and protect domestic production vis-à-vis imports, the Argentine government has imposed some measures that adversely affect foreign products and services. Importers must request Non-Automatic Import Licenses (NALs) in order to bring in some products. Companies report delays in import license approvals exceeding 60 days, in some cases. In addition, some businesses report problems accessing the official foreign exchange market, making it more difficult to pay for imported goods or service foreign-currency debt. Government price controls on a range of consumer products and telecommunications services, among other sectors, in the wake of the COVID-19 pandemic and in response to high inflation, is another complication. Other business challenges include persistent and systemic corruption, a lack of regulatory coherence, weak intellectual property rights protection, inefficient customs and legal processes, poor infrastructure, costly labor and the limited availability of financing.

Market Opportunities

Agricultural Technology and Machinery: High international commodity prices, government plans to boost exports, and strong international demand point to an increase in production, exports and investment in the sector.

Construction: Current high country risk and limited access to financing have put some projects on hold, but the government has plans to invest in urgently needed infrastructure. The Inter-American Development Bank and World Bank have committed funding for new roads, rail, ports and utilities.

Energy and Minerals: Long-term prospects for Argentina's shale gas and oil development will continue to drive investment in the Vaca Muerta basin. There are also offshore exploration investment opportunities. Argentina's 2020 national mining plan seeks to increase mining exports over the next decade, particularly in copper, lithium, gold and silver. The mining sector has a reliable legal and tax framework.

Healthcare Technology: The Government of Argentina's health agenda is focused on cost containment, accessibility and modernization, including e-health. This year, in response

to COVID-19, the Argentine government has been building modular hospitals, upgrading equipment, acquiring ventilators, diagnostic tests and personal protective equipment.

ICT and Cybersecurity: The Government of Argentina's digital agenda for 2020–2023 is laid out in the ConectAR plan. The approximately US\$475 million plan is focused on four areas: expanding fiber optic networks, developing a national data center, improving the satellite system and enhancing digital television service.

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. Please contact the U.S. Commercial Service in Argentina for advice regarding the import process. Some key points:

Close personal relationships are important. The U.S. Commercial Service can help U.S. firms identify good business partners.

Marketing and promotion are important. Companies traditionally 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. The U.S. Commercial Service brings Argentine buyers to key trade shows in the United States and facilitates B2B matchmaking, in person and virtually. The U.S. Commercial Service also helps organize events for U.S. firms wishing to launch a new product or showcase their know-how in Argentina.

American businesspeople should protect their 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.

"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

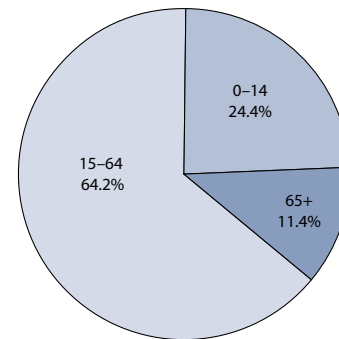
Population in millions 45.8

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 1.00 %

Demographics

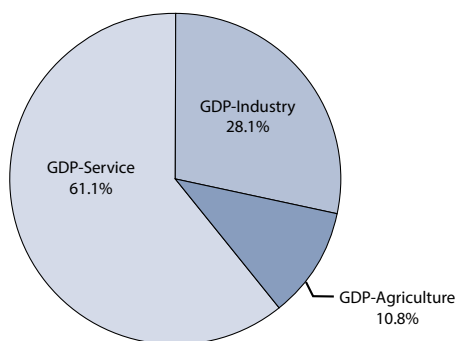


Economy

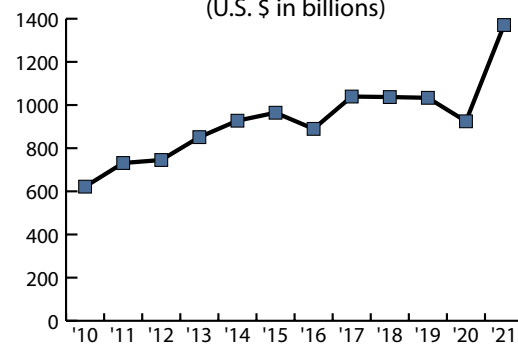
GDP (PPP)	\$1.37 trillion
GDP Per Capita	\$30,058
GDP-Real Growth Rate	10.20%
Unemployment Rate	10.90%
Inflation	50.90%

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.

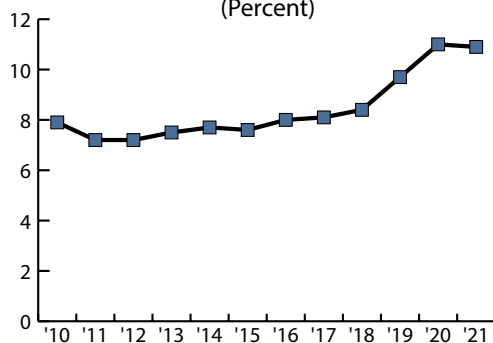
Economy



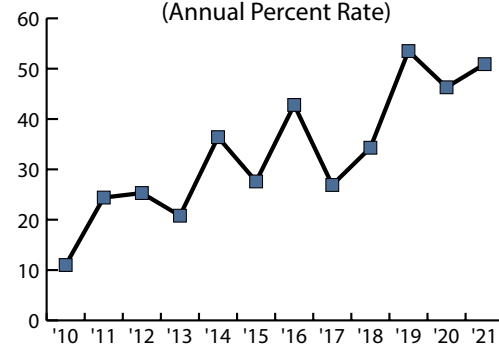
Argentina GDP (PPP)
(U.S. \$ in billions)



Unemployment Rate
(Percent)

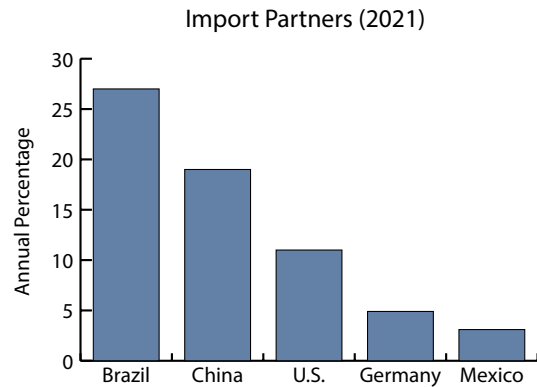


Inflation
(Annual Percent Rate)



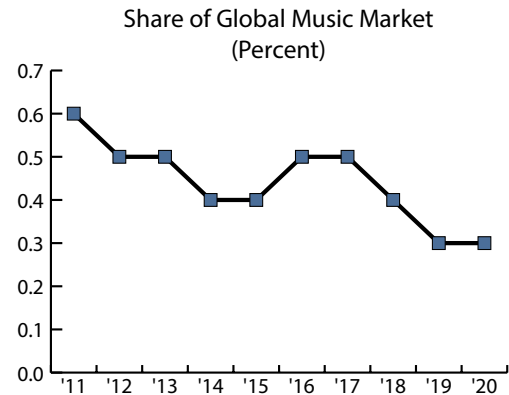
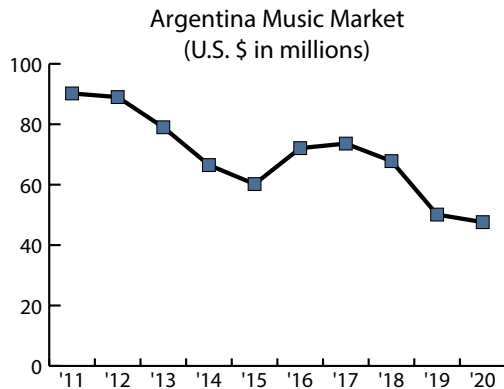
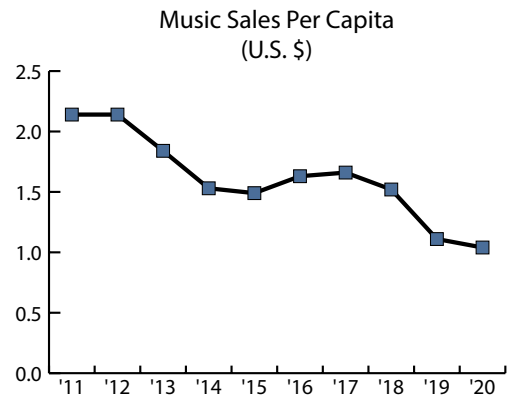
Trade

Total Export	\$77.9 billion	Export as % of GDP	5.68%
Total Import	\$63.1 billion	Import as % of GDP	4.61%

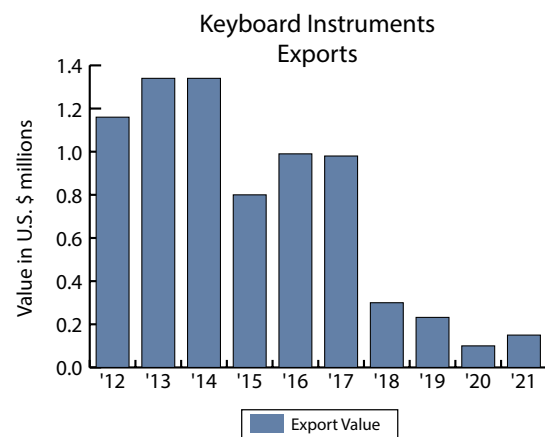
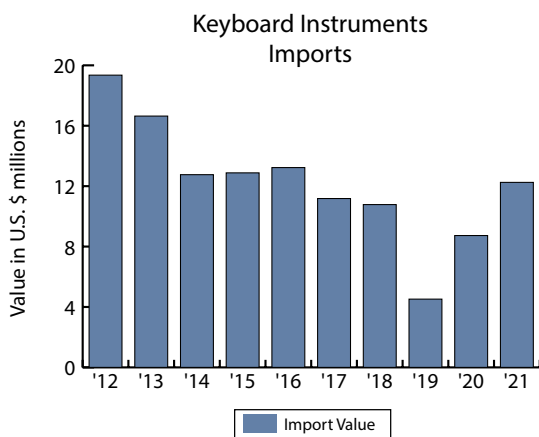
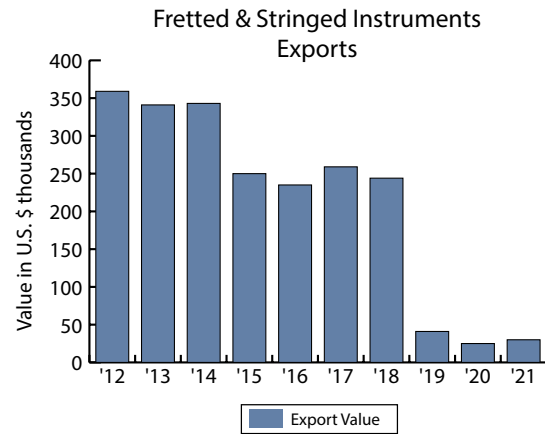
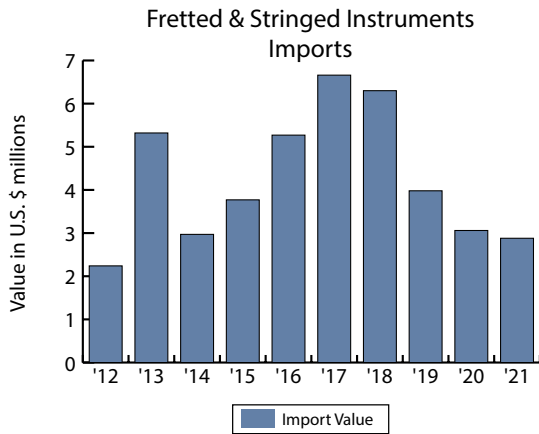
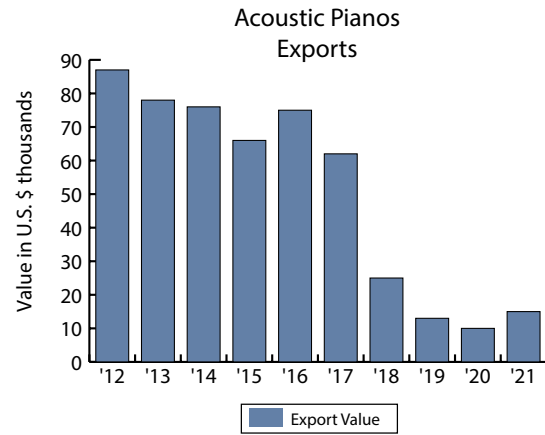
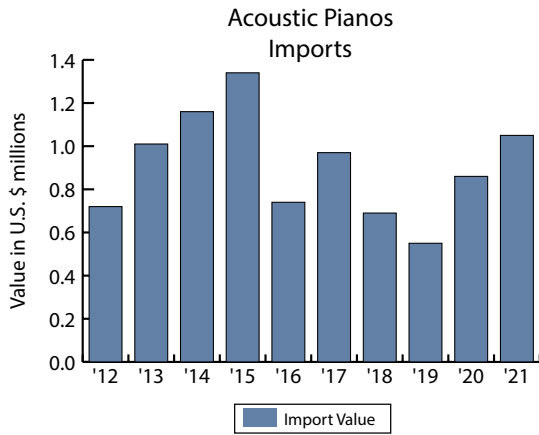


Music Industry

Music Market	\$47.6 million
Sales Per Capita	\$1.04
Global Share	0.30%



Argentina Imports and Exports



Argentina Imports and Exports

