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# **Indian Contemporary Art**

**Market Confidence Survey - May 2007**

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# Optimists outweigh Pessimists

The first ArtTactic India Confidence Survey shows significant level of optimism in the current Indian contemporary art market, and also in the short term outlook. There are a number of risk factors that have to be monitored carefully, particularly the level of speculation. ArtTactic India will conduct this survey every 6 months, enabling the participants in the market to track and monitor changes in the market sentiment and psychology.

## Survey Highlights:

- Market optimists outweighs pessimists in a ratio of 3 to 1.
- Short-term art market outlook shows sign of strong optimism, coupled with a positive economic outlook.
- Respondents have more confidence in the current primary market than the auction market.
- High level of speculation is not yet a factor that respondents feel would destabilise the current market.
- There is considerable concern about the market's focus on short-term returns. A trend which is being aggravated by the presence of an increasing number of art funds.

The ArtTactic India Market Confidence Indicator was launched in May 2007, and this month will act as the base month for the indicator. Data will be collected and made available every 6 months. The questions asked to compute the indicator will remain constant throughout the future of this survey. The initial survey was based on a sample of 65 key collectors, galleries, dealers, auction houses and art advisors operating in the contemporary Indian art market (domestic and international).

### Bulls outweighs Bears 3 to 1 in the current Indian contemporary art market:

The ArtTactic India Art Market Confidence Indicator shows that 47% of the respondents have a Positive view on the current and future state of the Indian art market, against 17% Negative and 36% remaining Neutral.

### Short-term outlook shows sign of strong optimism:

The assessment of current conditions (Present Indicator) shows that 2 to 1 of the respondents felt positive about the current market, compared to 6 months ago. However, looking at the Expectation Indicator (measuring the outlook for the next 6 months) it shows the ratio of positive to negative sentiment increasing to 5 to 1.

### Top 5: Highest Market Confidence May 2007

Artist	Positive	Neutral	Negative	Confidence Indicator
Vasudeo S. Gaitonde	70%	25%	5%	93
Arpita Singh	65%	30%	5%	93
F.N.Souza	60%	40%	5%	92
Bharti Kher	58%	37%	5%	92
Rashid Rana	45%	45%	5%	90

### Top 5: Most important artists for the future - May 2007

Artist	Number of Nominations	Confidence Indicator
Anju Dodiya	65%	88
Subodh Gupta	33%	86
Thukral & Tagra	25%	89
Atul Dodiya	20%	89
Bari Kumar	20%	-

### Top 3: Most Undervalued artists\* at the moment - May 2007

Artist	Number of Nominations	Confidence Indicator
Zareena Hashmi	38%	89
Himmat Shah	25%	68
Manisha Parekh	25%	-

\*A further 17 artists were mentioned, but none of these had above 20% of nominations, which we set as a requirement for entering the ranking.

### Risk & Speculation Barometer



Respondents have more confidence in the current primary market than the secondary market:

Positive sentiment about the Indian contemporary primary art market outweighs negative sentiment by 3 to 1, whilst in the Indian contemporary auction market pessimist outweighs the number of optimists with a small margin. However, respondents are more positive about the 6-month outlook for the auction market than they are right now.

Economic outlook remains positive:

A large majority of respondents feel Positive (48%) or Neutral (47%) about the 6-month economic outlook, only 5% felt negative about the economy in 6 months time.

High level of speculation is not yet a significant factor that respondents feel could destabilise the current market:

Despite the relative high level of perceived speculation in the market; Barometer = 7.1 (on a scale from 1 to 10, where 1= very low level of speculation and 10 = a very high level of speculation) – this has not yet translated into a high level of risk to the overall market (Risk Barometer stands at 5.0 – which indicates a medium risk level). ArtTactic will carefully monitor this relationship in the future. The above findings are similar to the recent survey in the Western contemporary art market (Nov 2006) where Speculation Barometer = 6.8 and Risk Barometer = 5.3.

There are number of survey respondents within the domestic Indian art market that see speculation as a major risk factor, as they feel there is too much emphasis on short term returns. They also see this being further aggravated by the proliferation of art funds, which seem to artificially inflate prices. This concern is less evident among the international Indian art market participants.

Comparing the Global vs. Domestic Indian art market

Respondents felt it was a greater ability to market new media works outside India, as international buyers are more likely to support video and other installation media. Buyer sophistication was another element distinguishing Domestic from International buyers, where the proportion of collectors outweigh the pure investors. Most importantly, there is institutional support for the arts, with museums and private corporations taking an active role in the acquisition and display of art in the international market. Another major difference is the lack of a proper art market ecosystem in the domestic market. Services including insurance, authentication, valuation, state-of-the-art storage and restoration services is missing or still in its infancy.

## Survey Methodology

The ArtTactic India Market Confidence Indicator was launched in May 2007, and this month will act as the base month for the indicator. The indicator was published for the first time in May 2007. Data will be collected and made available every 6 months. The questions asked to compute the indicator will remain constant throughout the future of this survey. The indicator is based on responses to 6 questions included in the survey:

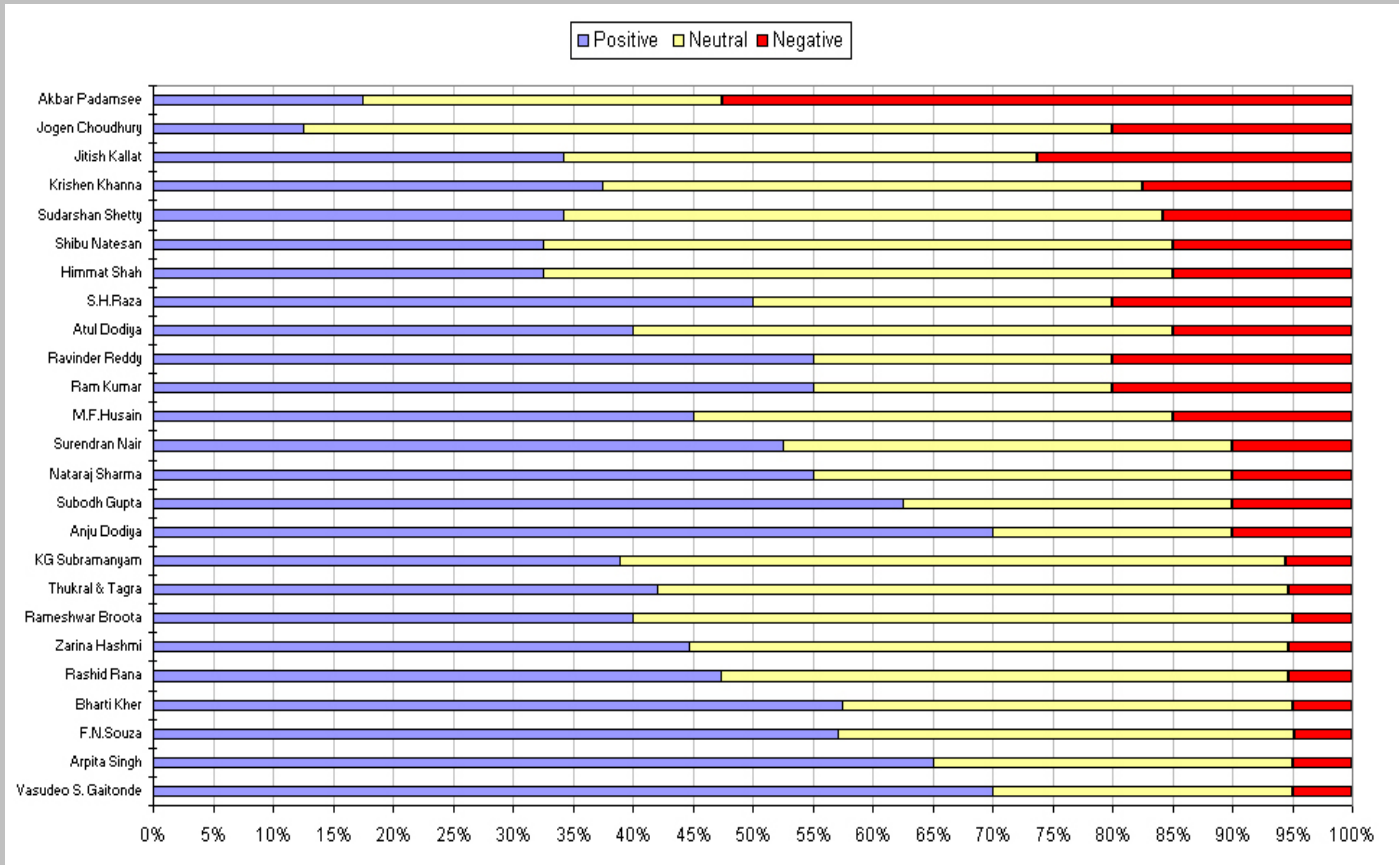
1. Respondents appraisal of current economic conditions.
2. Respondents expectations regarding economic conditions six months hence.
3. Respondents appraisal of the current contemporary primary art market.
4. Respondents expectations regarding the contemporary primary art market six months hence.
5. Respondents appraisal of the current contemporary secondary art market.
6. Respondents expectations regarding the contemporary secondary art market six months hence.

Market Opportunities	Market Risks
<p><b>Masters are still Undervalued</b></p> <ul style="list-style-type: none"> <li>■ Good works by the Masters are still available and are undervalued (see chart of most Undervalued artists). Valuation at the top Aesthetic level is low compared to prices achieved in the Western contemporary market.</li> </ul>	<p><b>Quality vs. Price:</b></p> <ul style="list-style-type: none"> <li>■ Artists are too aware of the market and are making work that are overpriced and lacks content.</li> <li>■ Prices of younger artists have gone up too much too fast.</li> <li>■ Market saturation of certain artists' work.</li> </ul>
<p><b>HNWIs – an untapped segment</b></p> <ul style="list-style-type: none"> <li>■ Huge untapped segment of High Net Worth Individuals looking to start buying art.</li> </ul>	<p><b>Growing the market for collectors:</b></p> <ul style="list-style-type: none"> <li>■ Collector base is beginning to plateau off and little effort being made to grow it.</li> </ul>
<p><b>International exposure</b></p> <ul style="list-style-type: none"> <li>■ Increasing interest and knowledge for contemporary Indian art in the international art market.</li> </ul>	<p><b>Lack of Buyer Knowledge</b></p> <ul style="list-style-type: none"> <li>■ Buyers not adequately differentiating between good and poor quality works</li> <li>■ Lack of knowledge among new buyers.</li> </ul>
<p><b>From painting to new media</b></p> <ul style="list-style-type: none"> <li>■ Collectors are becoming more experimental and are moving beyond painting towards other media.</li> </ul>	<p><b>Speculation</b></p> <ul style="list-style-type: none"> <li>■ Speculation, too much emphasis on short term returns, further exasperated by the proliferation of art funds.</li> </ul>
<p><b>Increased awareness, but knowledge is still lacking</b></p> <ul style="list-style-type: none"> <li>■ There is a clear increase in international awareness of Indian contemporary art, but knowledge is still limited.</li> </ul>	<p><b>Lack of transparency</b></p> <ul style="list-style-type: none"> <li>■ Manipulation and distrust in the auction market.</li> <li>■ Transparency needs to be introduced at the very earliest if the Indian art market is to grow and mature.</li> </ul>
<p><b>NRIs stimulating the Indian art scene</b></p> <ul style="list-style-type: none"> <li>■ Non-resident indian artists, curators and gallerists are re-invigorating the Indian contemporary scene.</li> </ul>	<p><b>Art funds and art as an asset class</b></p> <ul style="list-style-type: none"> <li>■ Art funds are pumping money into art as an 'asset class' that has a real danger of quickly and artificially inflating prices.</li> </ul>
	<p><b>Lack of governmental support for the visual art market</b></p> <ul style="list-style-type: none"> <li>■ Museums will have to be and are being built by private collectors</li> </ul>

For each of the 6 questions, there are three response options: POSITIVE, NEGATIVE and NEUTRAL.

For each of the six question (above), the POSITIVE figure is divided by the sum of the POSITIVE and NEGATIVE to yield a proportion, which we call the "RELATIVE" value. For each question, the average RELATIVE for the calendar year. May 2005 will then be used as a benchmark to yield the INDICATOR value for that question. The indicators are then averaged together as follows: Art Market Confidence INDICATOR: Average of all 6 indicators; Present Situation INDICATOR: Average of indicators for questions 1, 3, and 5; Expectations INDICATOR: Average of indicators for questions 2, 4 and 6.

### ArtTactic India: Artist Confidence Map



The above heatmap is useful for giving a snap-shot of the current psychology in the market. It allows you to see trends that are developing. Blue colour signifies a positive market sentiment, red a negative sentiment and yellow a neutral market sentiment.

### About ArtTactic

**ArtTactic** is an independent art market research company established in London in 2001 ([www.arttactic.com](http://www.arttactic.com)), by former JP Morgan employee Anders Petterson. ArtTactic provides unbiased art market research, analysis and advice, backed by proprietary data, to help individuals and institutions identify opportunities, trends and developments in the contemporary art market.

Since May 2005, ArtTactic has published a 6-monthly art market confidence survey on the Western contemporary art market. ArtTactic India is a new initiative to carry out similar surveys and research on the Indian contemporary art market. This is to our knowledge the first time anyone had gathered consensus opinion on the level of art market confidence from key players in the Indian art market.

**Anders Petterson** is a leading authority on art market research, with particular focus on the contemporary art market. He is the Founder and Managing Director of ArtTactic, a web-based London-based art market research and advisory company. He previously worked in JP Morgan in the Investment Banking division, responsible for debt capital market products for banks and corporates. He has been working as an independent Research & Evaluation consultant for Arts & Business in London since 2002. Anders Petterson is also lecturing on art markets at Sotheby's Institute in London as part of the MA in Art Business.

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