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Percussion Market

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

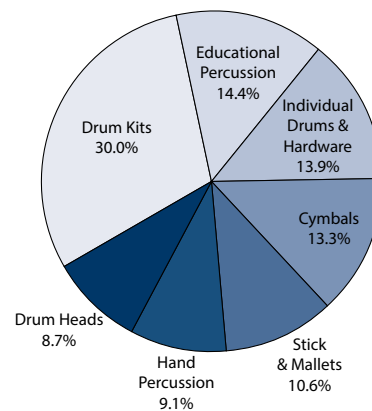
10-Year Retail Value Cumulative Average Growth Rate: 0.7%

In 2022, total percussion shipments were essentially flat, declining just 0.2% to a retail value of \$344.6 million. The market for traditional percussion instruments continues to be impacted by technology and shifts in musical tastes. On the tech front, electronic drum kits, now available for as little as \$300, have eroded the sale of conventional drum kits. Entry-level purchasers gravitate toward electronic kits due to features like accompaniment tracks and silent practice. Advanced players embrace them because, unlike acoustic kits, they don't require multiple microphones to record. In regard to musical styles, a vast number of hits on the Billboard Top 100 are produced using electronic drum tracks, rather than a live drummer. These trends have also taken a toll on the sale of heads, sticks, and cymbals.

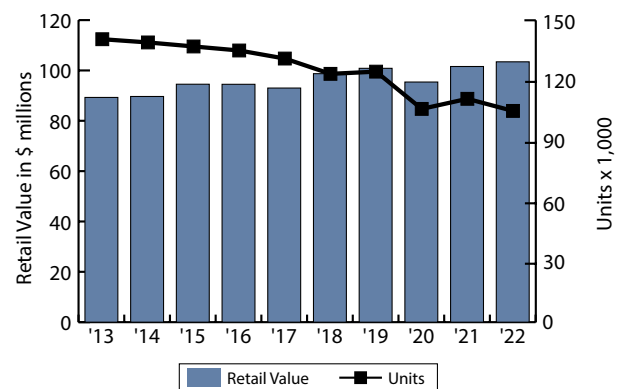
Conventional drum-kit units declined 5.4% to 105,000 units, but retail value edged up 1.8% to \$103.4 million due an inflationary increase in average unit selling price. The retail value of individual drums and hardware was similarly down 5.9% to \$48.0 million. In other percussion categories, retail value of cymbals declined 4% to \$45.9 million, sticks and mallets declined 3.4% to \$36.5 million, hand percussion dipped 3.1% to \$31.3 million, and drum heads declined 3.2% to \$30.0 million.

The bright spot in the market was educational percussion, which includes marching drums, timpani, orchestral percussion, and various mallet instruments. As school music programs resumed, the value of retail shipments for this category advanced 12.5% to \$49.5 million. Funds from the Elementary and Secondary School Emergency Relief Act (ESSER), the federal government's \$13.2 billion COVID-related school aid, also contributed to the gain.

Retail Value Market Share



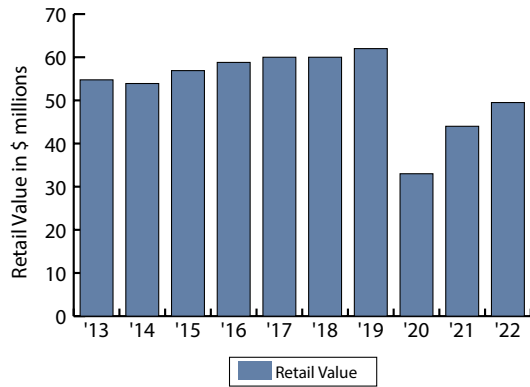
Drum Kits



	Retail	Unit	Average Price
2022 Summary	1.83%	-5.41%	7.65%
10-Year Trend	15.84%	-25.32%	55.12%

Percussion Market, continued

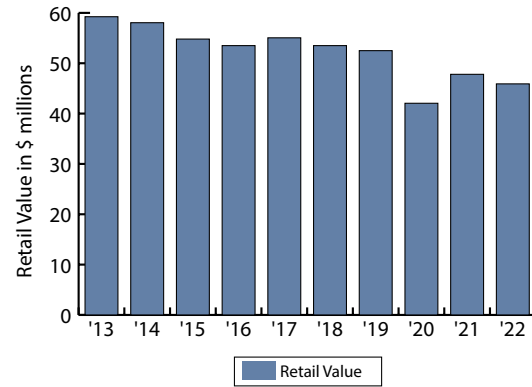
Educational Percussion



	Retail
2022 Summary	12.50%
10-Year Trend	-9.60%

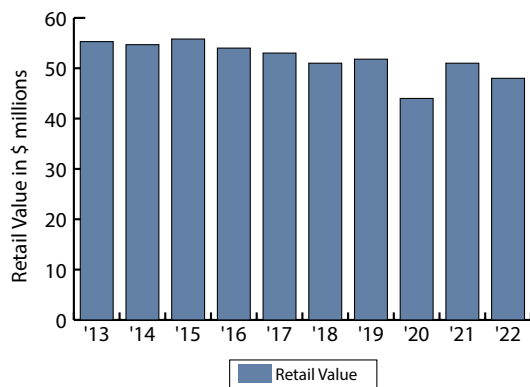
Educational Percussion category includes timpani, marching percussion, mallet instruments, snare drum kits and orchestral percussion instruments.

Cymbals



	Retail
2022 Summary	-3.97%
10-Year Trend	-22.51%

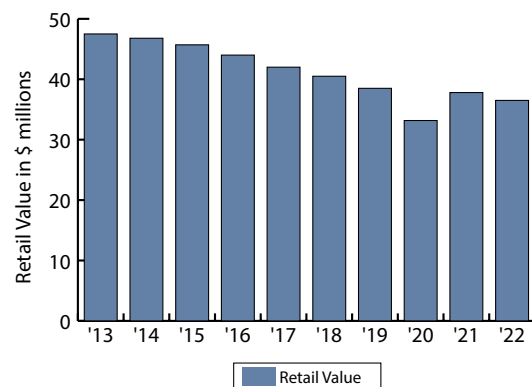
Individual Drums and Hardware



	Retail
2022 Summary	-5.88%
10-Year Trend	-13.18%

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.

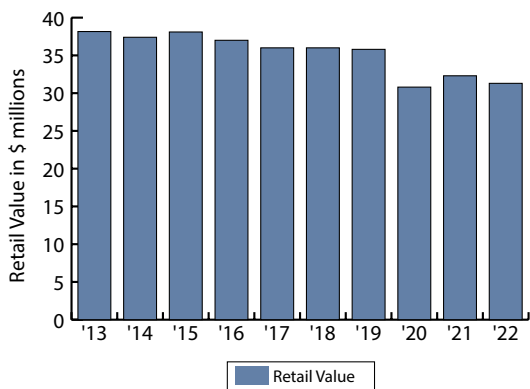
Sticks and Mallets



	Retail
2022 Summary	-3.44%
10-Year Trend	-23.16%

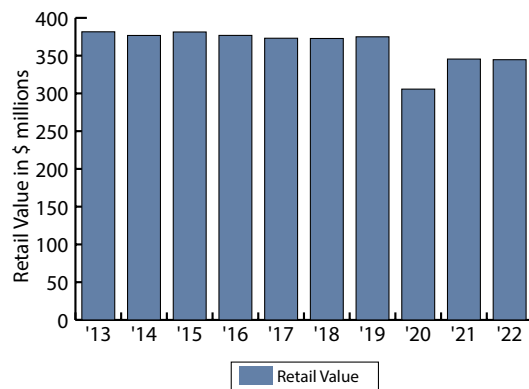
Percussion Market, continued

Hand Percussion



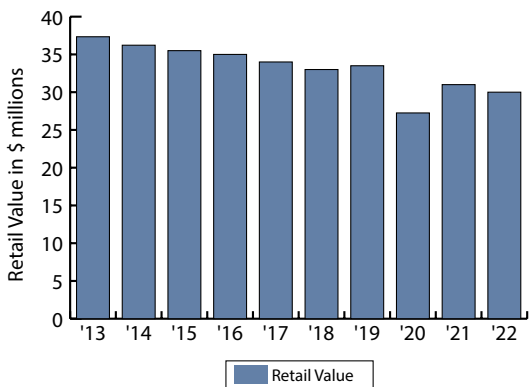
	Retail
2022 Summary	-3.10%
10-Year Trend	-17.98%

Total Percussion



	Retail
2022 Summary	-0.24%
10-Year Trend	-9.68%

Drum Heads



	Retail
2022 Summary	-3.23%
10-Year Trend	-19.66%

ARGENTINA

In recent years, Argentina has experienced high levels of inflation, which have had significant effects on its economy. These persistently high inflation rates make it one of the highest inflationary economies globally. Factors contributing to inflation in Argentina include fiscal imbalances, monetary policy challenges, currency depreciation, and structural issues within the economy.

In 2022, the annual inflation rate reached approximately 94.8%, eroding purchasing power, increasing the cost of living, and posing challenges for people and businesses, as well as investment.

Moreover, presidential elections can have significant impacts on the economic situation of Argentina. Elections often bring policy uncertainty as different political parties and candidates present their economic plans and proposals. This uncertainty can lead to market volatility, as investors and businesses may delay or reduce their investments until the outcome of the election is clear. Uncertainty can also affect consumer confidence and spending patterns.

The Argentine music market continues with similar problems due to economic fluctuations, changes in consumer behavior, and regulatory factors. Manufacturing companies have been working hard to improve their sales and production while the price of raw materials continues to rise due to inflation. Music store owners are still looking for new solutions and marketing strategies to face the crisis and encourage consumption. Customers can find some financial assistance since the national government has launched programs to activate consumption and increase sales. There is an increasing adoption of digital platforms and streaming services, which provide new avenues for music consumption and distribution. Importers also play a significant role in the market, bringing in international brands and products that add diversity and variety to the available options; however, the Central Bank of Argentina has established new requirements. Import permits are generally not approved, and the automatic import licenses have a limit. This situation makes importation challenging in Argentina.

The Argentine Association of Musical Instruments Manufacturers (CAFIM) is dedicated to supporting manufacturers and owners of music stores through our joint efforts. Our primary objective is to foster the growth and development of the music market in various ways. One of our key activities involves collaborating closely with the government to secure benefits and create a favorable environment for our industry. By engaging in constructive dialogue and advocating for the interests of our members, we strive to influence policies that can enhance business for musical instrument manufacturers and retailers.

In addition to our government engagement, we also work to increase sales and improve overall market conditions. Through strategic partnerships and collaborations with relevant stakeholders including distributors, retailers, and musicians we actively promote the value and benefits of music and musical instruments.

In summary, CAFIM is committed to working collaboratively and diligently to empower manufacturers and music store owners, driving the growth and prosperity of the music market. Our aim is to create an environment where our members can thrive and contribute

to the vibrant musical landscape of Argentina and to build connections. We are confident that the challenges mentioned above will present opportunities for growth, innovation, and progress. They push us to think creatively, find innovative solutions, and adapt our strategies to meet evolving demands. We are poised to seize these opportunities and shape a vibrant and prosperous future for the music industry.

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

DOING BUSINESS IN ARGENTINA

Market Overview

Argentina is the third-largest economy in Latin America, with a population of 47.3 million people spread among 23 provinces and the city of Buenos Aires. Approximately 92% of the country's population is concentrated in urban areas, with 45% living in Buenos Aires (capital and province) and another 20% distributed in the provinces of Córdoba, Santa Fe, and Mendoza. The country has a talented and educated workforce, but its population has experienced significant economic turbulence over the last 75 years.

The economic outlook in Argentina remains challenging as the COVID-19 pandemic contributed additional pressure on an economy that was already in recession from 2018 through 2020. The country saw positive GDP growth (10.3%) in 2021 for the first time in three years; however, other indicators provide a wider lens to the struggling economic environment. The poverty rate remains high at 37.3% and inflation hit 50.9% at the end of 2021 and exceeded 70% in 2022. The official exchange rate of the Argentine peso to the U.S. dollar depreciated 14.7% in 2021 compared to 2020.

Due to slowing economic activity and erosion of local purchasing power, U.S. exports of goods and services to Argentina declined from US\$18.3 billion (2018) to US\$12.5 billion (2021). Nevertheless, the U.S. recorded its tenth consecutive trade surplus, which was of approximately US\$5.7 billion in 2021, positioning the country as the third most important trading partner of Argentina. Approximately 90% of U.S. merchandise exports are used in local industry and agriculture, including chemicals, computer and electronic products, machinery (excluding electrical equipment), petroleum and coal products, and oil and gas. Information and communication and travel services are the top service export categories by the United States to Argentina. Leading Argentine exports to the United States include primary metal manufactured goods, oil and gas, processed foods, chemicals, and agricultural products. Travel and transport are the leading service exports for Argentina to the United States.

The United States is a top source of foreign direct investment in Argentina, totaling US\$8.73 billion (2020). More than 300 U.S. companies do business 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 energy, mining, health, agriculture, information technology, and infrastructure. 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 abundant solar and wind energy resources.
- Argentina features the third-largest proven lithium reserves, after Chile and Australia, and is expected to become a leading exporter over the next decade.
- U.S. expertise, technology, and equipment are needed to further develop critical sectors of the economy, such as energy, mining, information and communications technology, infrastructure, and agriculture.
- The country is digitally capable, with high internet penetration and smartphone dissemination.

Market Challenges

Argentina's embrace of heterodox economic policies has resulted in a highly distorted economy with persistently high inflation. Businesses and consumers are constrained by a widespread set of trade, financial, capital, price, and foreign exchange controls. The country's current program with the International Monetary Fund requires fiscal discipline in order to receive disbursements. Initial projections had GDP increasing by 3.6% in 2022, but that estimate preceded Russia's invasion of Ukraine and the global impacts the war has caused. Political discord among the government has also influenced market confidence, likely affecting growth estimates.

Additionally, in an effort to protect domestic production vis-à-vis imports and preserve its foreign exchange reserves, the Argentine government imposes import barriers and regulatory burdens that adversely affect foreign products and services. Importers experience delays or denials of licenses to import intermediate goods and inputs, and face strict limitations on their ability to access foreign currency to pay for imported goods or services.

Current global events also affect the Argentine market. Rising inflation across the globe has prompted Argentine producers to request more dollars from the Central Bank in order to import the same quantity of intermediate goods. Additionally, the Russia-Ukraine war has affected the prices related to international logistics services, as well as agriculture and energy commodities.

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

Energy

Long-term prospects for Argentina's shale gas and oil development will continue to drive investment in the Neuquen Basin, home to Vaca Muerta. Offshore exploration opportunities are likely to arise in the medium/long term.

Mining

Argentina features an ambitious mining plan aiming at increasing exports over the next decade, particularly in copper, lithium, gold, and silver. Argentina's mining sector presents a reliable legal and tax framework, which feature incentives for industry development.

Infrastructure/Construction

While the current elevated country risk and scarce access to financing have put several projects on hold, the government continues to explore ways to fund much-needed critical infrastructure projects. The government of Argentina has identified priority projects that include the construction of pipelines for hydrocarbon transport, railway modernization, and expansion of existing power transmission lines, as well as mining sector-related logistics infrastructure.

Agricultural Technology and Machinery

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

ICT and Cybersecurity

The government of Argentina's digital agenda for 2020-2023 is presented in the ConectAR plan. The approximately \$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.

Health-Care Technology

The government of Argentina's health agenda is focused on cost containment, accessibility, and modernization (including e-health). The market is gradually re-focusing on non-COVID-related purchases.

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 include:

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 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.

Protect your intellectual property and engage with qualified lawyers and local professionals before signing contracts related to distribution, representation, and partnership or in connection with any significant 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

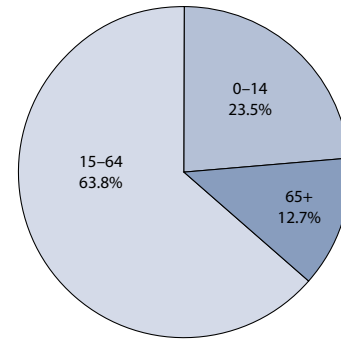
Population in millions 46.1

Age	Male	Female
0-14	5.65	5.32
15-64	14.93	14.83
65 & Over	2.51	3.39

Median Age 32.4

Population Growth 0.80 %

Demographics

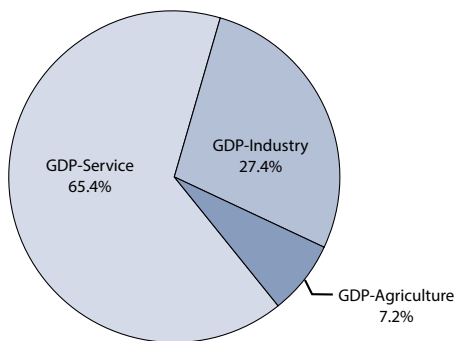


Economy

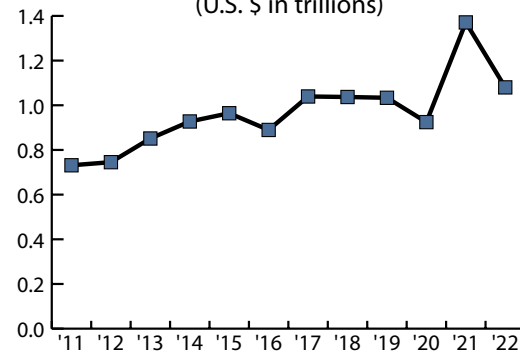
GDP (PPP)	\$1.08 trillion
GDP Per Capita	\$23,632
GDP-Real Growth Rate	5.20%
Unemployment Rate	8.70%
Inflation	72.40%

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.

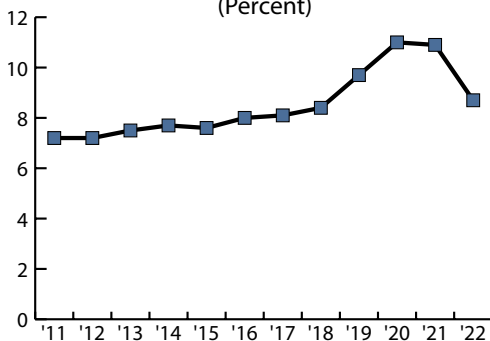
Economy



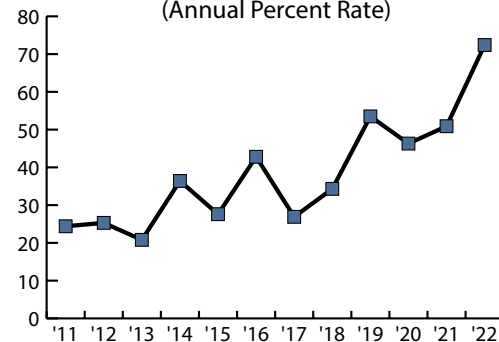
Argentina GDP (PPP)
(U.S. \$ in trillions)



Unemployment Rate
(Percent)

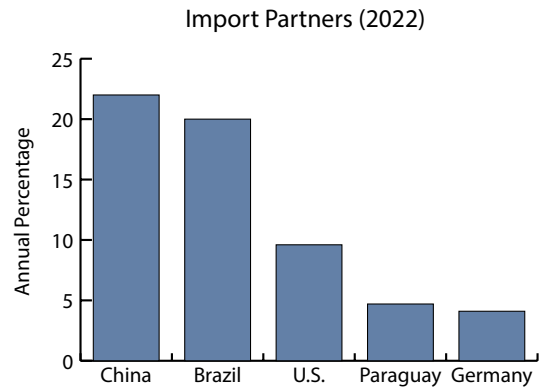


Inflation
(Annual Percent Rate)



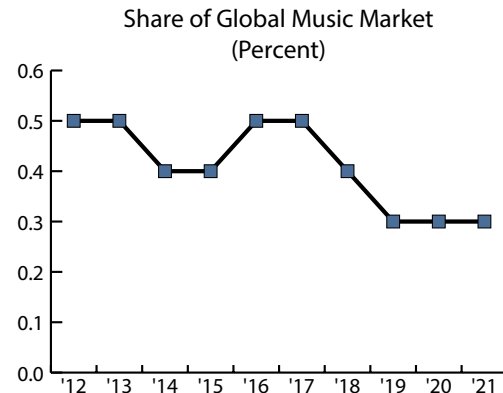
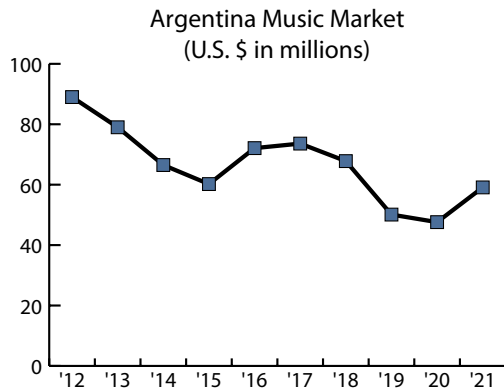
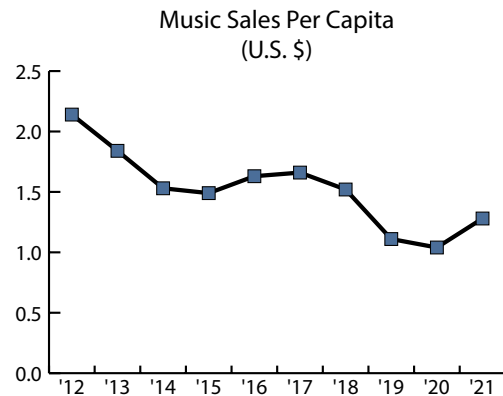
Trade

Total Export	\$88.5 billion	Export as % of GDP	8.17%
Total Import	\$81.5 billion	Import as % of GDP	7.52%

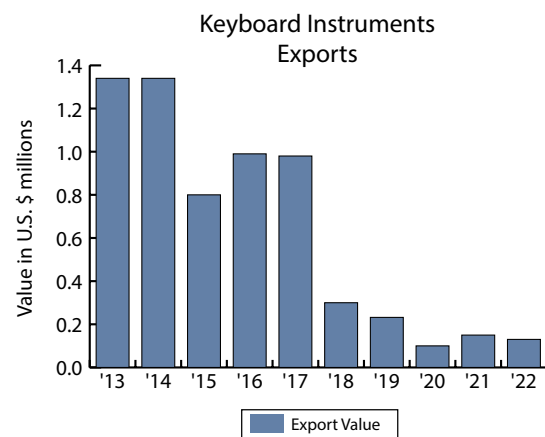
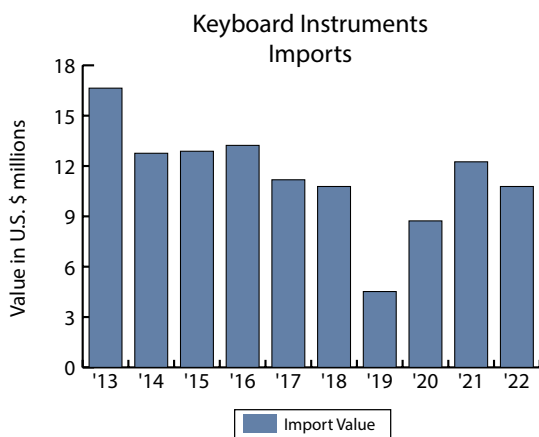
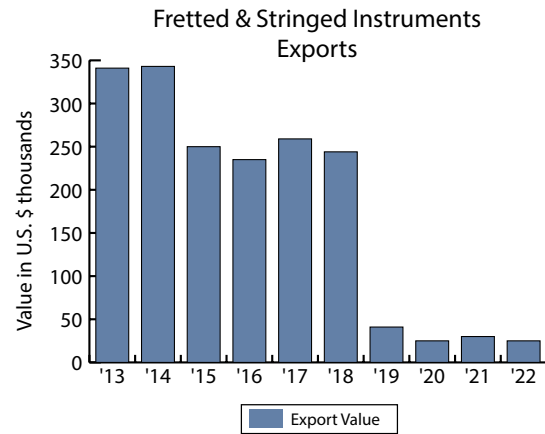
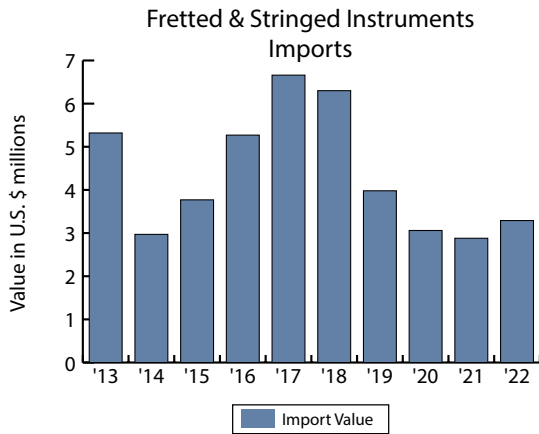
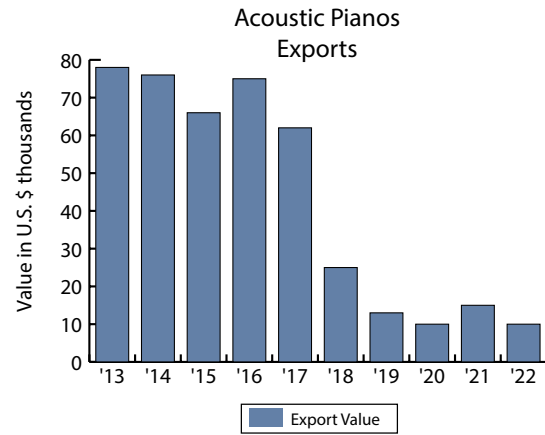
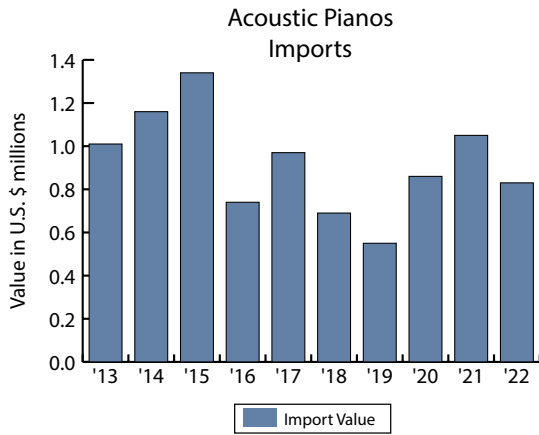


Music Industry

Music Market	\$59.1 million
Sales Per Capita	\$1.28
Global Share	0.30%



Argentina Imports and Exports



Argentina Imports and Exports

