

Music business grows at record pace as digital dominates

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Recorded music grossed \$17.3 billion in 2017 with digital music amounting to 54 percent of the revenue

The global music industry soared a record 8.1 percent last year as digital sales for the first time made up the majority of revenue thanks to the



streaming boom, the industry said Tuesday.

Recorded music grossed \$17.3 billion in 2017 with digital music—until last year roughly equal to physical sales worldwide—amounting to 54 percent of the revenue, the IFPI global body said in its annual report.

The 8.1 percent growth marks the third consecutive year of expansion and the fastest pace since the IFPI, the International Federation of the Phonographic Industry, began compiling data, the group's CEO, Frances Moore, told reporters on a conference call.

But the industry still is only about two-thirds of the value it was in the 1990s before the rise of the internet and the scourge of pirated music sent the music business into a 15-year slump, Moore said.

The resurgence is almost entirely due to the rapid growth of streaming services including Spotify, Deezer and Apple Music, which have given the industry a badly needed new source of revenue.

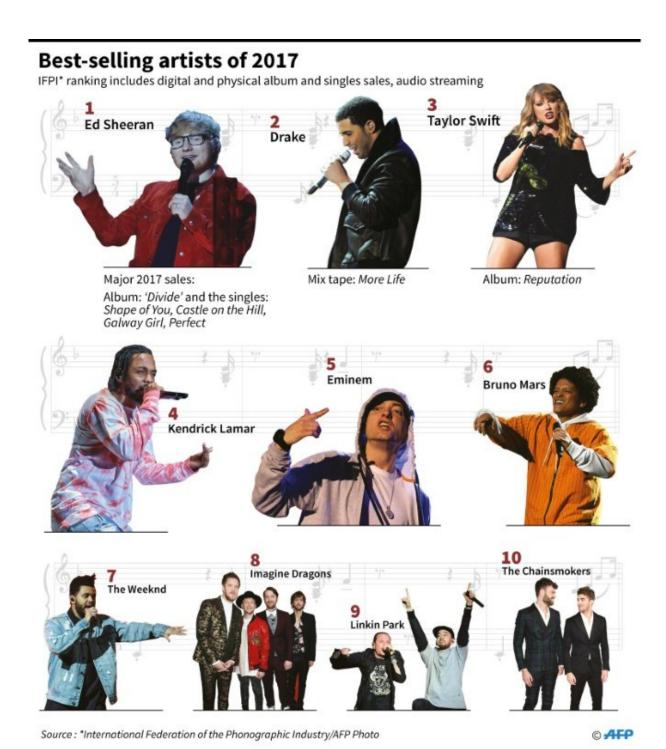
The report said that 176 million people around the world paid for streaming subscriptions by the end of 2017, with 64 million joining throughout the year—and there is plenty of room to grow on a global level.

Physical sales tumbled again but one bright side was vinyl, which remains a sliver of the <u>market</u> but grew 22.3 percent as records find a renewed market among audiophiles.

Stu Bergen, the CEO for international and global commercial services at the Warner Music Group, warned that the music <u>industry</u> should not become "complacent" and pledged that record labels would invest their revenue to develop new talent.



"We've fought too hard to get here and, after 15 years of decline, there's still plenty of room to grow," Bergen said on the conference call.





IFPI's 10 best-sellling artists in the world in 2017 as sales soar led by digital

Latin American growth

He voiced guarded optimism about China, where revenue jumped 35.3 percent as international labels increasingly penetrate the billion-plus market.

The growth, however, comes from a small base, with China only the 10th largest music market.

In one point of concern, Japan—the world's second largest music market—saw revenue decline by three percent.

The slump was paradoxically due to the continued strength of CD sales in Japan, where physical music makes up 72 percent of the market, with digital <u>revenue</u> not providing the same injection of growth as elsewhere.

"It's just a question of time. It's a traditional society and the move towards digital is slower than in some countries," Moore said.

Latin America saw the biggest growth among regions.

Revenue there jumped 17.7 percent on the back of streaming and particularly strong showings in Brazil, Chile and Peru.

The report, however, warned that more needed to be done to reach Latin American <u>music</u> consumers who do not have credit cards—generally a requirement to subscribe to streaming services.

The IFPI also repeated its longstanding complaints about a structural



"value gap" which allows YouTube to pay less back to artists, owing in part to laws in the United States that shield internet companies from responsibility for content uploaded by users.

The report estimated that record companies earned \$20 per year from each Spotify user, while YouTube, owned by search engine giant Google, paid less than \$1.

"We can't deliver the path to recovery alone. There is a structural fault in the market," Moore said.

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