

Flash Note

Europe chart of the week – Swiss watch exports

Chinese demand leads the industry's recovery

Pictet Wealth Management - Asset Allocation & Macro Research | 21 December 2017

The watch industry is Switzerland's third biggest export sector, behind the pharmaceutical-chemical and machinery & electronics sectors.

After years of impressive growth, the value of watch industry exports declined for two years in a row in 2015 (-3.2%) and 2016 (-9.9%). These results took the industry back to its 2011 level.

Nonetheless, the latest export data suggest a rebound. Over eleven months, the industry's exports rose by 2.7%. By price segment, the recovery remains uneven. In particular, watches priced at less than 200 francs are still in a difficult situation.

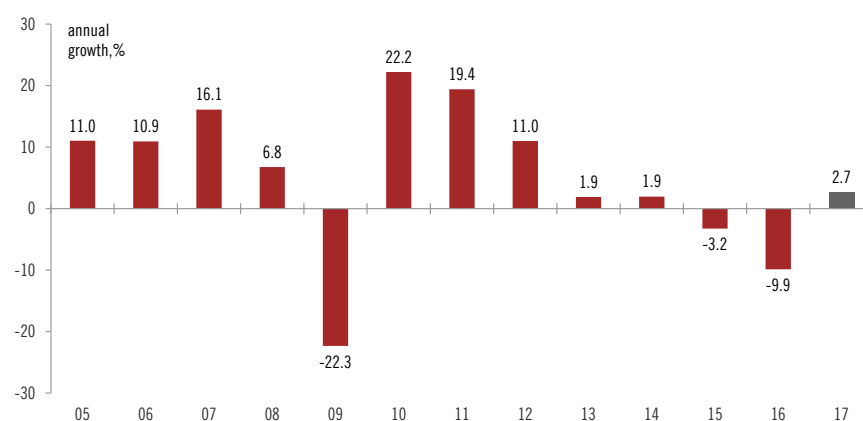
Overall, the latest Swiss export data confirmed that more sectors are seeing an export revival. We expect Swiss economy to grow by 2.0% in 2018, with risks tilted to the upside.

After years of impressive growth, the Swiss watch industry faced difficult conditions in 2015 and 2016, when exports declined by 3.2% and 9.9% respectively in value terms. The last time that there were two consecutive years of decline was in 1995-96. The appreciation of the Swiss franc, the collapse of the top market Hong Kong due to the sudden disappearance of Chinese tourists and the anti-corruption campaign by the Chinese government were all factors behind the drop.

Each month the Federation of the Swiss Watch Industry issues global watch exports sales data. Its [latest report](#) was published today and gives cause for hope for the sector. Export sales in November were up 6.3% over November 2016; the seventh consecutive month of increase. Over the 11 months, the sector confirmed its improvement with growth of 2.7%. **The most important development for the Swiss watch industry has been the revival of the mainland China market.** This is consistent with our observation of strong consumption in China this year. In addition, this may reflect the fact that Chinese buyers are now more inclined to buy luxury items within China, following a rise in import taxes for luxury watches purchased abroad (from 30% to 60%) and increased controls at Chinese customs.

Overall, challenges remain for the Swiss watch industry, but the latest trade data confirm that recovery is on track and that export growth is spreading across sectors. Swiss exporters will continue to benefit from robust global economic momentum. We expect Swiss economy to growth by [2.0% in 2018](#),

Swiss: exports (in value terms) – watch-making industry



Source: Pictet WM – AA&MR, Federal Customs Administration

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