

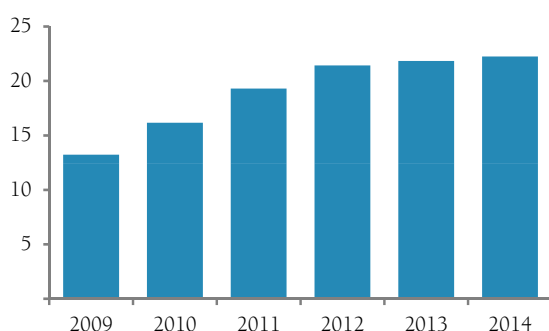


The Swiss and world watchmaking industry in 2014

Swiss watch exports

Growth slowed in 2014 even moving into the red at the end of the period under review, but the overall picture remained positive. The first half saw an increase in value of 3.1%, but this fell back to 0.8% in the second half of the year. The fourth quarter was even slightly negative. Although this decline is not particularly significant as such, the trend of recent months does point to a more challenging situation for Swiss watch industry exports.

Total value (in CHF billion)



Overall, Swiss exports were worth 22.2 billion francs, with the same growth as in 2013, i.e. +1.9%. The watch industry has experienced a second year of consolidation of its results at a high level. However, it is confronted with an increasing number of risks while the general environment has deteriorated. As in 2013, the main markets of Hong Kong and China penalized growth to which they had on the contrary made a strong contribution in previous years.

Exports of finished watches

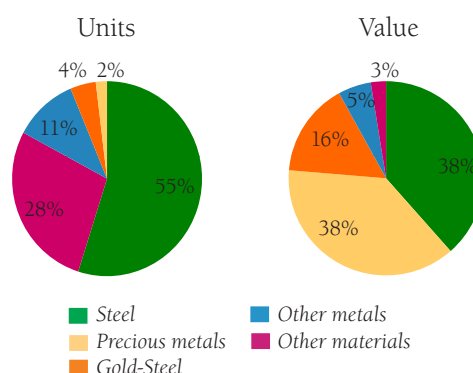
For the most part, the Swiss watch industry exported wrist watches. With a value of 21.0 billion francs they accounted for just under 95% of total exports. This result was 1.7% higher than in 2013. At the same time the number of timepieces exported also advanced by 1.7%. Overall, 28.6 million

watches left Switzerland in 2014, i.e. almost half a million more than in 2013. As the value and volumes followed the same trend, the average price of exported watches logically remained practically unchanged. It stood at 734 francs (export price) against 733 in 2013.

Trend of the different materials

Over the year as a whole, the main materials reported increases across the board and on a moderate scale. Steel was the main contributor to total value growth with +1.6%. Gold followed very closely behind (+1.2%), while bimetal timepieces performed slightly better (+2.5%). In terms of the number of pieces, steel watches (+0.4%) did not significantly exceed their 2013 level. The rise was boosted by the category of other materials whose volumes gained more than one million units in the space of one year (+14.7%). At the other extreme, the category of other metals lost still more ground (-41.9%).

Watches by materials



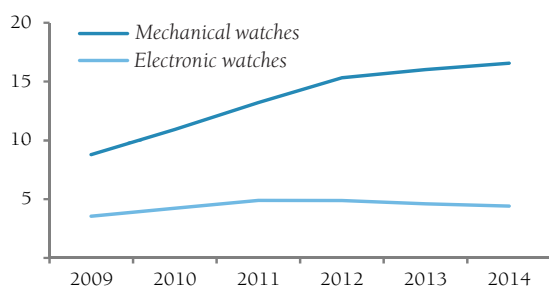
Mechanical and electronic watches

Growth was sustained by mechanical watches which gained both in value (+3.4%) and in the number of pieces (+8.8%). They represented just over one-quarter of all the exported timepieces and generated just under 80% of turno-



ver. The number of quartz watches remained flat (-0.9%) while their value lost a few points (-4.1%).

Watches (in CHF billion)



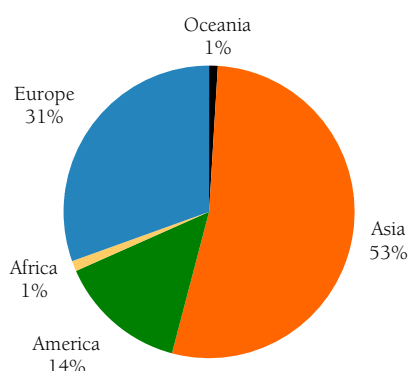
Main markets

With 11.8 billion francs, Asia took more than half (53.2%) of all Swiss watch exports. This value advanced by 2.8% against 2013, although it slowed at the end of the year. Growth of the European market was subdued throughout the year, ending with a decline of 1.2%. Finally, America (+4.5%) trended in the opposite direction, especially at the end of the period when the rate was particularly sustained.

This latter trend was dominated by the evolution in the United States. As in 2013, watch exports continued to post regular growth in that country. The months of October and November saw significantly faster growth to reach +6.2% over the year as a whole.

The situation on the main Asian markets sometimes differed widely. After a downturn in 2013, sales in Hong Kong improved in the first half of 2014. This recovery was adversely affected by the events which took place on the streets in the autumn and watch industry exports marked time in November and December, with declines in excess of 10%. In the end, the value of sales in Hong Kong was exactly the same as in 2013.

The profile of China was identical to that of Hong Kong, but with an even wider fluctuation range. Starting out from a lower figure at the beginning of the year, it also returned to balance in the late summer but the two last months of sales were down by around 27%, putting paid to growth. The Chinese market reported -3.1% overall in 2014 (against -12.5%



in 2013). The impact of political decisions combined with slower economic growth thus continued to have an adverse impact on watch industry exports.

Japan experienced a very good year in 2014, with growth picking up strongly before stabilizing at the end of the period. The value of Swiss watch exports to Japan rose by 15.2%, despite an increase in the VAT rate in the spring.

Geographical distribution (in CHF million)

Countries	Value 2014	Change in %	Share in %
Hong Kong	4,122.9	-0.0%	18.5%
USA	2,377.7	+6.2%	10.7%
China	1,401.5	-3.1%	6.3%
Japan	1,330.6	+15.2%	6.0%
Italy	1,235.0	+0.5%	5.6%
O. Countries	11,779.6	+1.2%	52.9%
Total	22,247.3	+1.9%	100.0%

Among the other Asian markets, Singapore was slightly lower (-1.4%). South Korea recorded one of the highest growth rates (+18.5%), sustained among other factors by Chinese tourists. In the Middle East, the United Arab Emirates (+8.9%) remained buoyant while the growth rate in Saudi Arabia (+11.1%) increased sharply.

In Europe, not all the markets reported the same trend. Germany contracted by 6.4%. This probably



represented a rebalancing after three years of strong gains, particularly for logistic reasons. The European economic situation certainly also played a role. Italy reported a level comparable to that of 2013 (+0.5%) and this trend remained stable throughout the year.

The final figure for France (-6.0%) was identical to that for Germany. However, the profile was not comparable because figures for France remained in the red throughout the year. A recovery in the autumn was offset by poor results at the end of the year. The United Kingdom (+2.3%) and Spain (+9.8%) advanced in 2014, boosted in particular by a faster growth rate towards the end of the year.

World watch exports

The figures quoted here illustrate watch exports and imports by the main countries concerned. They do not represent data for world watch production. While this may be estimated at around 1.2 billion timepieces, the export and import figures are in fact higher because a product may be re-exported and therefore stated twice. However, this data does clearly reflect the forces involved and highlights the global trends of the branch.

Switzerland led the field in global watch exports in 2014. They were worth the equivalent of 24.3 billion dollars with sales to just under 200 markets. In other words, growth continued with an increase of 1.9% in local currency terms (excluding exchange rate effects) against 2013. Hong Kong remained in second place with exports or re-exports worth the equivalent of 10.4 billion dollars. This result is equivalent to an increase of 4.4% in local currency

terms. Watch industry products which left Hong Kong went mainly to the United States, Switzerland and China. Macao and Japan were other leading destinations. China lost a little ground in 2014 (-5.2% in local currency terms) with watch exports reaching 5.3 billion dollars. These sales went mainly to Hong Kong, the United States and Japan.

Among the leading exporting countries, France grew strongly in 2014 (+17.5% in local currency terms), reaching a value of 2.8 billion dollars; this was made up in large measure of re-exports to the European Union countries. Germany was another particularly dynamic player. Its figures reached 2.5 billion dollars, 8.1% higher than in 2013.

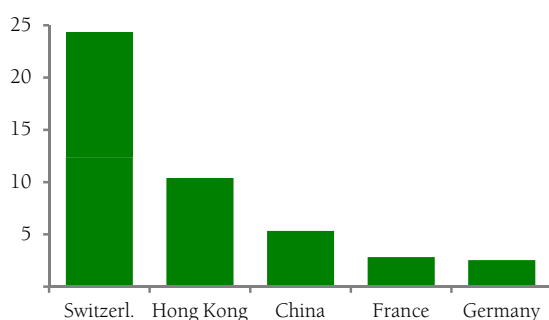
Exports of finished watches

As the foremost producer of watches in volume terms, China exported timepieces worth 669.0 million in 2014. This was equivalent to 5.5% growth. At the other extreme, volumes from Hong Kong were 4.9% lower with a total of 315.1 million pieces. Switzerland held its third place with 28.6 million watches exported in 2014, representing 1.7% growth on the previous year.

The average price of watches exported by China rose to 4 dollars (export price) in 2014. Timepieces transiting through Hong Kong also saw a slight increase in their average price rising to 23 dollars against 21 dollars in 2013. Well above these values, Swiss products posted an average price of 803 dollars, 12 dollars higher than one year previously.

Main watch exporting countries (Direct exports)

Main exporting countries (in USD billion)



Countries	Units in millions	Change in %
China	669.0	+5.5%
Hong Kong	315.1	-4.9%
Switzerland	28.6	+1.7%
Germany	21.2	+8.6%
USA	9.7	+4.9%
France	6.8	-2.4%

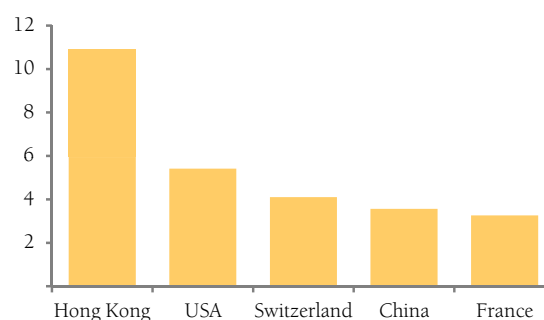


World watch imports

The principal importer of watch industry products in 2014 was Hong Kong which went on to re-export a high proportion of this total. Its imports stood at 10.9 billion francs, 4.5% higher (in local currency terms) than in 2013. The United States remained a dynamic market. The growth of watch industry imports stood at 5.9% with a value of 5.4 billion dollars. In third place, Switzerland stepped up its procurement abroad by 7.7% to 4.1 billion dollars. Illustrating the slowdown of the Chinese market, watch industry products imported by China were 9.4% lower in value. At 3.6 billion dollars China thus fell behind Switzerland. France

also played an important role in world trade. Its imports were worth 3.3 billion francs (6.1%)

Main importing countries (in USD billion)



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