



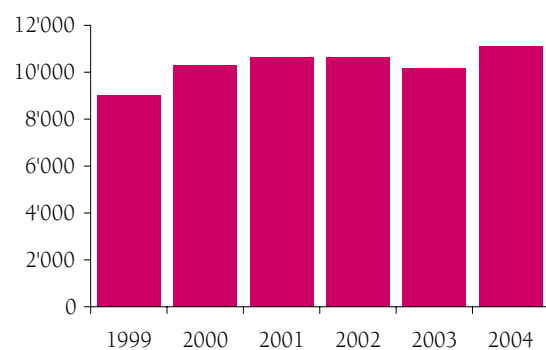
# The Swiss and world watchmaking industry in 2004

## Swiss watch exports

### Introduction

2004 was another record year for Swiss watch manufacturers. For the first time, the value of their exports passed the 11 billion francs mark. The difficulties of 2003 were soon forgotten. The branch reversed the previous trend and its products are now making strong headway.

Total value (in CHF million)



The value of Swiss watch exports stood at 11.109 billion francs, representing growth of 932.3 million francs, or 9.2%, on 2003. This excellent result confirms the distinct recovery of the branch since the beginning of the year.

### Exports of finished watches

Among all the products exported by the Swiss watchmakers, finished watches take pride of place: their value represents 92% of the total. In 2004, it amounted to 10.2 billion francs, equivalent to 9.9% growth. This value was achieved by exporting 25.1 million watches in a single year, i.e. 510,000 pieces more than in 2003, an increase of 2.1%.

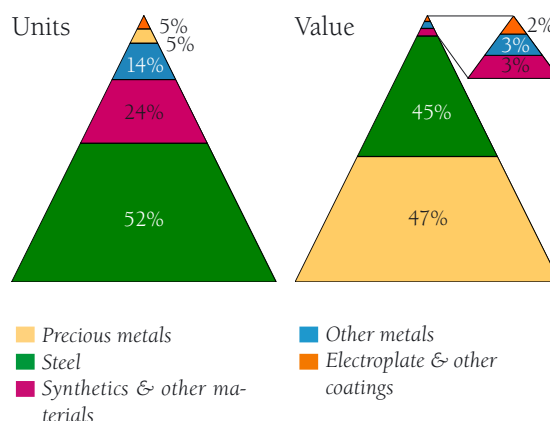
The volume growth recorded in 2004 is welcome because it contrasts with the down-

ward trend of the past ten years. In particular, it follows a loss of 2.2 million units in 2003.

### Trend of the different materials

Not all the materials experienced the same trend in 2004. The trend for all three main case materials was very even and set the tone with growth rates just above 10%. Exports of steel watches were worth 4.5 billion francs. This is by far the most important material for Swiss watchmakers. It is present in all the price segments and sometimes enjoys a very substantial share. 18 carat gold timepieces followed the same trend and achieved a value of 2.8 billion francs. Bi-metal watches round off the trio. With a value of 1.6 billion francs, they benefit from a substantial market.

### Watches by materials



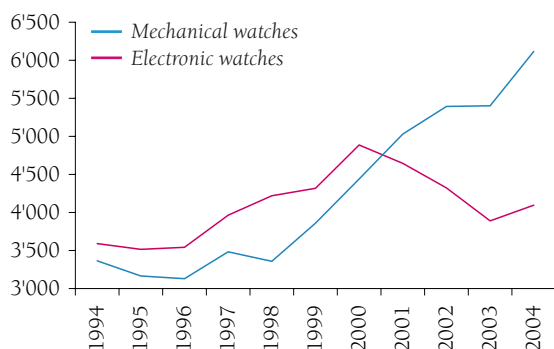
On the volume side, the situation is different. Exports of steel watches represent more than one timepiece out of two. In 2004, the number of units reached 12.8 million, over one million more than in 2003. Some other materials also gained ground, but the figures concerned were much weaker.



### Mechanical and electronic watches

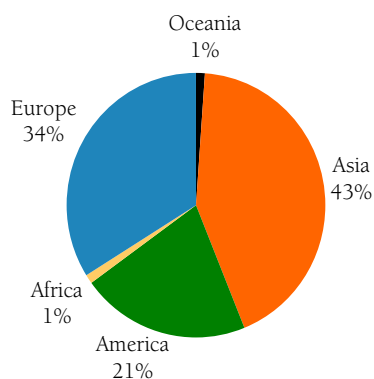
Exports of mechanical watches were up by 12.4% in volume terms, while electronic timepieces rose by just 0.7%. In value terms, the increase was 13.1% for mechanical timepieces and 5.2% for their electronic counterparts. Although mechanical timepieces represent just 12% of the number of watches, they account for 60% of the total value.

Watches (in CHF million)



### Trend of the main markets

Overall, Swiss watch exports are mainly distributed between three continents. This excellent distribution of exports all over the world enables the Swiss watchmaking industry to cut its risks and offset passing difficulties experienced on some markets by progress on others.



Asia accounts for just under 43% of the value of exports with two-figure growth reported in 2004. Europe represents just over one-third of the total value. It experienced the lowest growth rate of all five continents. The American market is only half that of Asia. The value of its watch imports from Switzerland rose in a proportion similar to that recorded by the Asian continent. The situation remained hesitant in Europe, but this was easily offset by Asia and America. Africa and the Pacific each account for around 1% of the value of Swiss watch exports. They gained nearly 14% by comparison with 2003.

Geographical distribution (in CHF million)

Countries	Value 2004	Change in %	Share in %
USA	1,875.9	+12.9%	16.9%
Hong Kong	1,641.8	+15.6%	14.8%
Japan	990.0	+0.5%	8.9%
Italy	777.2	+5.7%	7.0%
France	611.0	0%	5.5%
Oth. Countr.	5,213.3	+9.4%	46.9%
<b>Total</b>	<b>11,109.2</b>	<b>+9.2%</b>	<b>100.0%</b>

The United States are the biggest market for Swiss watch exports in 2004. This dynamic market achieved 12.9% growth. After a difficult year 2003 in Hong Kong, the situation for Swiss watchmakers picked up considerably with 15.6% higher exports. The trend in Japan is falling and the recovery is proving slow to materialize despite an improvement of the overall economic situation. However, Swiss watch exports did progress slightly (+0.5%). After a long phase of decline, Italy returned to growth in 2004 to end the year with a 5.7% rise. Among the principal markets, sales to France remained hesitant but they were recovering.

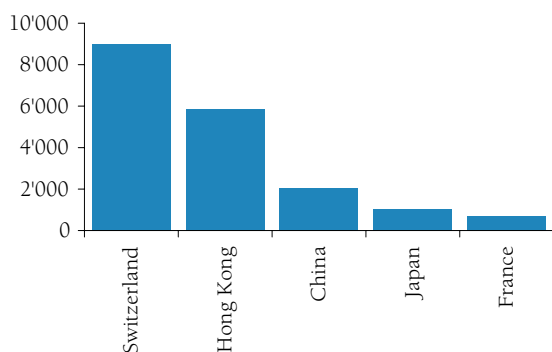


## World watch exports

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.

Taking all products together, Switzerland is the biggest exporting country with exports worth 9 billion dollars in 2004. This was 9% higher than the result for 2003, excluding currency exchange effects. Watch exports from Hong Kong reached 5.9 billion dollars, an increase of 9%. This market is well-known as a hub and its results include a substantial share of re-exports. China comes in third place with 2.1 billion dollars. Its growth was slightly lower than that of Switzerland and Hong Kong at +7%. Together these three countries account for around 80% of global watch exports.

Main exporting countries (in USD million)



At 1 billion dollar, Japanese results were 4% down on 2003. France reported a comparable trend with -6% to 723 million dollars. Germany is also a major player but no data were available at the time of writing.

### Exports of finished watches

The biggest exporter of finished watches is China

with 1 billion timepieces in 2004. This number was 5% higher than in 2003. In the same period, Hong Kong exported more than 700 million timepieces, an increase of 3%. Contrary to the situation on the value side, Switzerland ranks lower in terms of the number of watches exported. 25 million units left Switzerland in 2004, representing an increase of 2%.

Main watch exporting countries

Countries	Units in millions	Change in %
China	1,001.5	+5%
Hong Kong	713.6	+3%
Switzerland	25.0	+2%
USA	11.0	+14%
Thailand	6.2	-9%
France	5.8	-8%
Japan	5.6	+20%

There is a very sharp contrast at the level of average prices between the main watch exporting countries. The average export value (ex-factory price) of Chinese watches is 1 dollar. For Hong Kong, the average price is 5 dollars, while it reaches 8 dollars in the case of Malaysia and 17 for Singapore. At the other extreme, the average value of the watches exported by Switzerland is 329 francs. The products concerned are very different. A large majority of Asian watches are electronic. Swiss timepieces comprise a higher share of mechanical movements, precious metal exterior parts and complications.

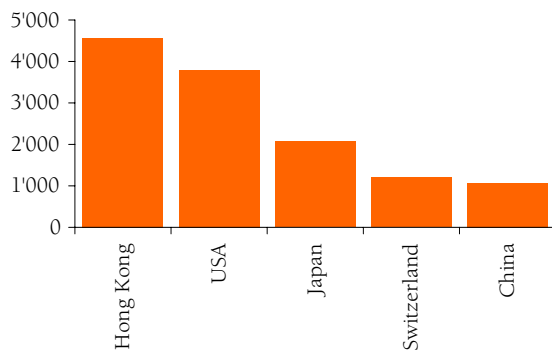
## World watch imports

The biggest consumers of horological products in the world are Hong Kong, the United States, Japan, Switzerland and China. Together, these countries take more than 70% of the global trade in these products. Watch imports by Hong Kong reached a value of 4.6 billion dollars in 2004. The United States imported the equivalent of 3.8 billion dollars mostly in the



form of watches. Japan came next with 2.1 billion and Switzerland with 1.2 billion. China also passed the billion mark at 1.1 billion. On all these markets, imports were higher than in 2003, a sign that the horological trade experienced growth on a broad front.

*Main importing countries (in USD million)*



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