



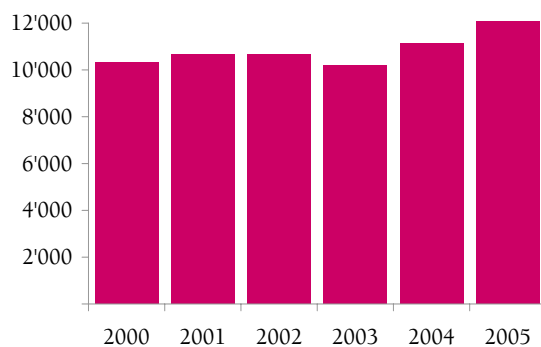
The Swiss and world watchmaking industry in 2005

Swiss watch exports

Introduction

After the success of 2004, Swiss watch exports registered another record year in 2005. With double-digit growth, they easily cleared the 12-billion franc mark. Growth in the sector has accelerated since 2003 and maintained a high level throughout 2005.

Total value (in CHF million)



Swiss watch exports achieved a total value of 12.323 billion francs in 2005, an increase of 10.9%, or 1.2 billion francs, over 2004. This positive trend should continue in 2006, but at a slightly less sustained rate.

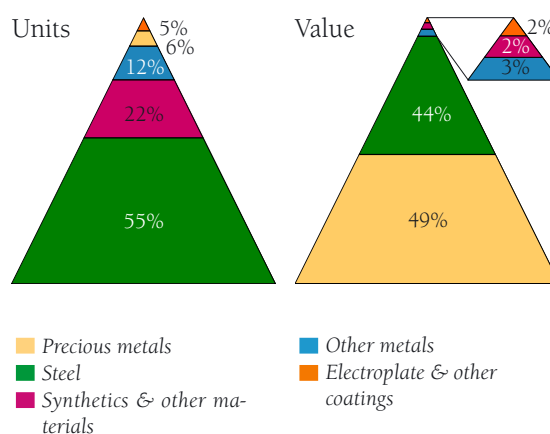
Exports of finished watches

Exports of finished watches represented a large part of the overall value. Accounting for 11.4 billion francs, they grew by 12.0%, which was more than other products in the sector. 24.3 million Swiss watches were exported in 2005; this corresponded to 840,000 units fewer than last year, a decline of 3.3%. The long-term downward trend in volume, therefore, persisted throughout 2005. This reflects a shift in the market structure, to which the sector is gradually adapting.

Trend of the different materials

18-carat gold watches enjoyed the strongest percentage increase in 2005. Particularly dynamic, they grew by 17.0% for a total value of 3.3 billion francs. Steel watches, however, represented the largest part in value terms, realising 4.9 billion francs. At +10.3%, the increase in this highly popular material was slightly below the average. Also occupying an important place in watch exports were bimetallic products - principally gold/steel - which, at 1.8 billion francs, enjoyed a year-on-year increase of 13.3%. These three materials generated close to 90% of the total value. At the same time, platinum watches recorded an increase of 17.2% in value, though the number of sales was comparatively modest.

Watches by materials



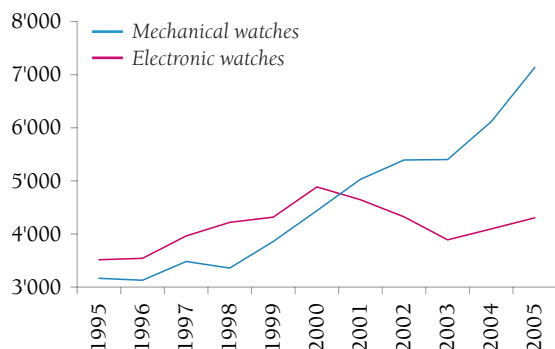
In volume terms, the results presented a different picture. Bucking the general trend, steel watches grew by 13 million units for an increase of 1.8%. More than one watch in two exported by Swiss watch companies in 2005 was made of steel. This positive development, however, was far from sufficient to compensate for the decline registered in other materials.



Mechanical and electronic watches

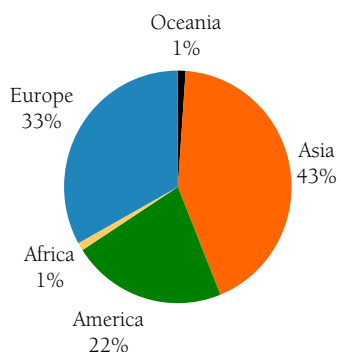
The rise in the value of mechanical timepieces (+16.7%) more than tripled that of electronic timepieces (+5.1%). In terms of units, however, the trends were the opposite: mechanical products gained 8.8%, while the others slipped back 5.0%, resulting in 1.1 million fewer units. Mechanical watches, therefore, continued to gain ground, accounting for over 62% of the total value, but for less than 14% of the total units.

Watches (in CHF million)



Trend of the main markets

Swiss watch exports grew on all five continents in 2005. Asia accounted for the lion's share with 42.9% of the total value. With an increase of 11.2%, approximately 5.3 billion francs, it reflected the world average. Europe, despite being slightly behind, enjoyed very satisfactory results, with 4.1 billion francs (+8.1%). Sales on the Old Continent accelerated throughout the year, testifying the region's strong dynamics. Exports to the sector's third im-



portant market, the American continent, increased by 13.7%, to 2.7 billion francs, and sustained this rate throughout 2005. Despite their small share of the market, both Oceania and Africa proved to be very dynamic. The former exceeded its 2004 results by 26.8%, with 142.7 million francs, the latter by 21.1 %, with 115.1 million. Both enjoyed accelerated growth throughout the twelve-month period.

Geographical distribution (in CHF million)

Countries	Value 2005	Change in %	Share in %
USA	2,147.7	+14.5%	17.4%
Hong Kong	1,768.3	+7.7%	14.3%
Japan	1,145.1	+15.7%	9.3%
Italy	842.1	+8.4%	6.8%
France	660.3	+8.1%	5.4%
Oth. Countr.	5,760.4	+10.5%	46.7%
Total	12,323.8	+10.9%	100.0%

The United States, the Swiss watch industry's leading market, continued to enjoy the strong growth it had already experienced in 2004. Although exports to Hong Kong were slower, they continued to grow. In Japan, the upward trend accelerated throughout the year and ended on a high note, confirming the recovery in this important market. In Europe, the leading markets recorded very satisfactory results: Italy continued to roll along smoothly, while France accelerated noticeably at the end of the year. And the turnaround in Germany meant that it finished the year above the European average. Last but not least was the excellent performance enjoyed by Swiss watch manufacturers in China, Taiwan and South Korea.

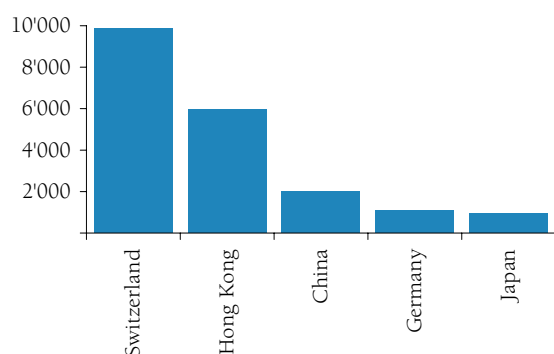


World watch exports

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.

In 2005, Switzerland consolidated its position as the world's leading exporter of horological products. The value of its exports reached 10 billion dollars, the best result in its history. In local currency terms (excluding currency exchange effects), growth stood at 11% against 2004. This was by far the strongest increase among the world's main watch exporting countries. In the same period, Hong Kong exported or re-exported goods worth 6 billion dollars, mainly to the United States, China, Japan and Switzerland. This figure was up just slightly by 1% year on year. Among the leading trio, China posted exports worth 2 billion dollars, 4% down on 2004.

Main exporting countries (in USD million)



Horological exports from Germany, taking all products together, were worth 1 billion dollars, nearly 4% higher than in the previous year. The biggest decline was reported by Japan with a near 9% contraction of exports to 951 million dollars.

Exports of finished watches

In volume terms, China was the biggest exporter of finished watches in 2005. But at 880 million units the quantities concerned were 15% down on 2004. In second place, Hong Kong experienced a similar reduction with timepiece exports worth over 600 million. Ranking first in value terms, Switzerland came third on volume. It was far behind the Asian manufacturers with 24 million timepieces exported, 3% down year on year.

Main watch exporting countries

Countries	Units in millions	Change in %
China	884.6	-15%
Hong Kong	627.3	-15%
Switzerland	24.3	-3%
Germany	10.8	+2%
USA	10.7	-7%
UK	7.7	+86%
France	6.3	+5%

The main watchmaking countries were not all active in the same product categories. Watches exported by China, for the most part electronic, were sold at an average price of 1 dollar (ex-works price). This value was slightly higher in the case of timepieces leaving Hong Kong at 6 dollars. But these figures bear no comparison with Swiss watches for which the average export price peaked at 377 dollars in 2005. Somewhere between these two extremes, products exported by European countries and the United States were worth between 30 and 60 dollars.

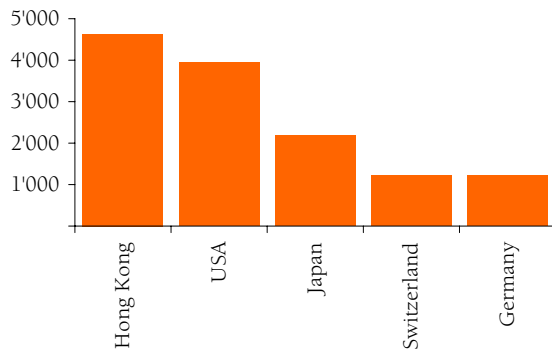
World watch imports

The five leading watch importing markets all increased their demand by several per cent in 2005. Hong Kong took the equivalent of 4.6 billion dollars in horological products, many of which were re-exported. The value of goods imported into the United States was 3.9 billion dollars. At 2.2 bil-



lion dollars, Japanese watch imports showed the steepest increase. Switzerland and Germany reported similar figures, with 1.2 billion dollars each.

Main importing countries (in USD million)



For further information, please consult: www.fhs.ch