

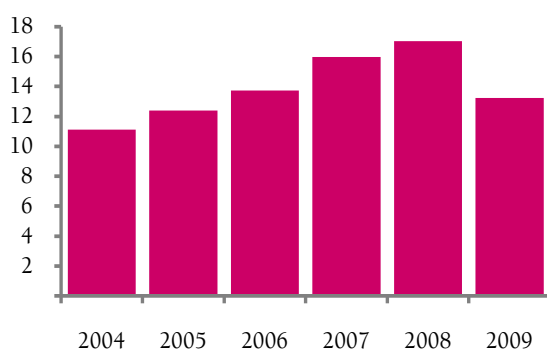


The Swiss and world watchmaking industry in 2009

Swiss watch exports

Swiss watch exports endured a difficult year in 2009. The world economic crisis caused a slump in demand that the sector was unable to shrug off. After five consecutive years of strong growth and a contraction which began in the fourth quarter of 2008, results were down sharply from the first months of 2009. The end of the year was more encouraging, albeit still showing a decline which affected all markets and segments.

Total value (in CHF billion)



Swiss watch manufacturers exported goods worth 13.2 billion francs in 2009. This level is below that recorded in 2006. The annual decline compared to 2008 was -22.3%, i.e. a deficit of 3.8 billion francs.

Exports of finished watches

Finished watches made up the bulk of Swiss watch industry exports. Their value was 12.3 billion francs in 2009, a fall identical to the average for the sector, i.e. -22.3%. This result related to the export of 21.7 million timepieces or 4.4 million fewer than the number exported by Switzerland in 2008, corresponding to a decline of 17.0%. After several years of stability in volume terms,

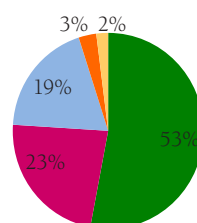
the sector is at a level last recorded a quarter of a century ago. The trend is however showing signs of recovery and the number of watches exported returned to growth at the very end of the year.

Trend of the different materials

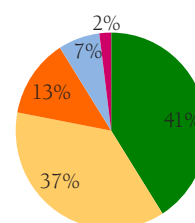
Watches generating the highest value were those manufactured from steel. Their export value in 2009 was 5.0 billion francs, down 21.6% compared to the previous year and close to the average for the sector. Gold timepieces, while not significant in volume terms, also generated a high value of 4.0 billion francs. This figure is nonetheless down sharply at -25.7%. Among the highest values, bimetallic watches, most commonly manufactured from gold and steel, saw their value fall by 24.9% compared to 2008, to an annual level of 1.7 billion francs.

Watches by materials

Units



Value



■ Steel
■ Other metals
■ Precious metals
■ Gold-Steel
■ Other materials

Exports of steel watches also recorded a steep decline in terms of the number of timepieces. At 11.4 million units, the level was down 19.8% compared to 2008, i.e. 2.8 million fewer timepieces. The category of other metals experienced a similar fate (-18.8%), falling by more than 800,000 units in volume terms and ending the year with a final figure

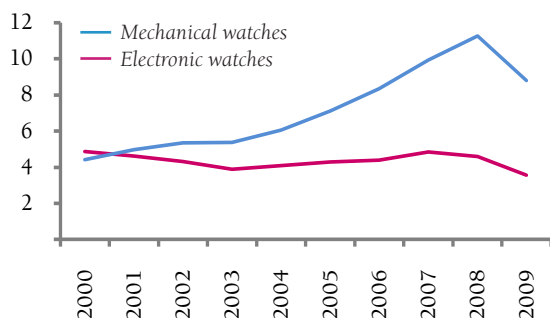


of 3.5 million watches exported. Timepieces in the category of other materials were more resistant and recorded a decline of 8.0%. The final level was 5.1 million units, 440,000 fewer than the previous year.

Mechanical and electronic watches

Both types of watch were affected equally in value terms, illustrating the general sluggishness faced by the sector in 2009. Mechanical watches were down 22.1%, while electronic timepieces recorded a decline of 22.8%.

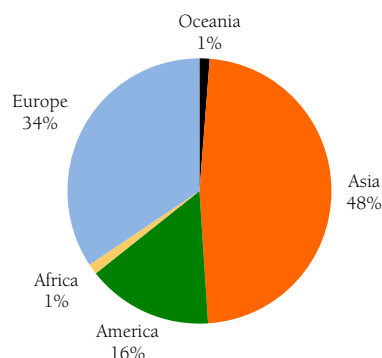
Watches (in CHF billion)



The decline was more varied in terms of the number of timepieces. Quartz watches saw their volume fall by 17.8%, while mechanical timepieces were down 13.4%. The size of the segments changed little compared to 2008: mechanical watches accounted for 71% of the total value and 17% of export volumes.

Main markets

Asia was the largest market for Swiss watch exports in 2009. Totalling 6.3 billion francs, it was the destination for 48% of Swiss exports in value terms. This result corresponds to a decline of 19.9% compared to 2008. The downturn was on a par with this in Europe (-19.6%), where Swiss watch exports recorded a value of 4.5 billion francs, slightly more than a third of the global result. Although the end result is the same, there are marked differences in trends. While Asia recovered well at the end of the year, the situa-



tion in Europe tended rather to deteriorate. The American continent was particularly hard hit by the fall in demand. Here, Swiss watch manufacturers recorded a decline of 35.6%, with a final value of 2.0 billion francs. America lost four points in terms of market share and absorbed 16% of Swiss watch exports. Less significant and more volatile, results for Africa and Oceania showed contrasting results: -8.6% for the former and +10.4% for the latter. These two markets accounted for 336 million francs, i.e. slightly more than 2% in terms of market share.

Geographical distribution (in CHF million)

Countries	Value 2009	Change in %	Share in %
Hong Kong	2,167.9	-19.7%	16.4%
USA	1,470.4	-37.9%	11.1%
France	968.7	-14.4%	7.3%
Italy	900.0	-13.9%	6.8%
Germany	794.0	-13.0%	6.0%
O. Countries	6,925.8	-22.0%	52.4%
Total	13,226.8	-22.3%	100.0%

The top twelve markets of the Swiss watch industry all lost ground in 2009. The leading market, Hong Kong, recorded a decline of 19.7%. The United States showed one of the steepest downturns with -37.9%. The main European markets outperformed the average result. France saw its result fall by 14.4%. It was followed by Italy

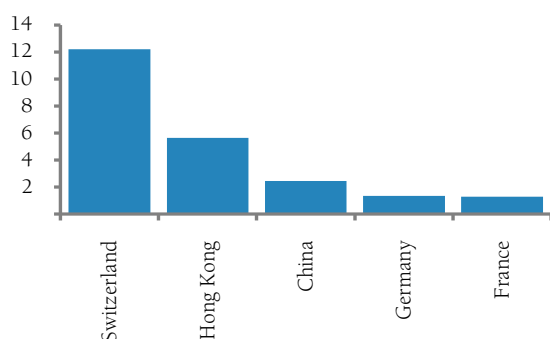


(-13.9%) and Germany (-13.0%). Japan continued its downward trend and recorded a sharp decline (-33.5%). China was also down (-15.2%), but was one of the first markets to recover at the end of the year. A number of outlets did however record a positive result in 2009, such as South Korea (+35.7%) and Australia (+10.8%).

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.

Main exporting countries (in USD billion)
(Direct exports)



At an international level, Switzerland was the leading exporter of watch industry products in 2009. It dispatched goods to market valued at 12.3 billion dollars, a decline in relation to 2008 of 22.3% in local currency (excluding exchange rate effects). Hong Kong also recorded a steep decline in its watch exports in 2009, with -20.9%, the final value amounting to 5.6 billion dollars. Much of these exports are re-exports of products in transit. The main destinations were the United States, China, Switzerland and Japan. Over the same period, China exported the equivalent of 2.5 billion dollars of

watch industry products, mainly to Hong Kong, the United States and Japan. This level is down 12.0%. Germany came in fourth place with a downturn less severe than that of other main producers. The value of its exports fell by 8.7% in 2009 to a level of 1.3 billion dollars. France recorded the same result, down 10.0% compared to the previous year.

Exports of finished watches

China suffered no decline in terms of the number of wristwatches exported. It shipped 559.4 million timepieces abroad in 2009, corresponding to growth of 1.7%. General transit through Hong Kong, particularly from China, fell sharply however. In one year, 344.3 million wristwatches left Hong Kong, 19.1% fewer than in 2008. In third position, but with much lower volumes, Switzerland exported 21.7 million timepieces (-17.0%). Most other producers, with the exception of France, saw their volumes fall significantly.

Main watch exporting countries
(Direct exports)

Countries	Units in millions	Change in %
China	559.4	+2%
Hong Kong	344.3	-19%
Switzerland	21.7	-17%
Germany	11.1	-16%
France	6.2	+7%
USA	5.2	-18%

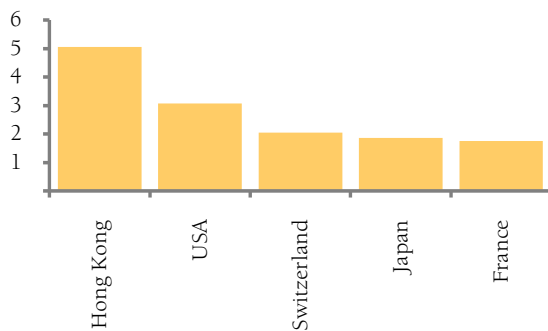
Not all products exported by the main producing countries are the same. Wristwatches exported by China had an average price of 2 dollars (export price), stable compared to 2008. Hong Kong also saw the average value of its exports remain identical to that of last year, at 11 dollars. Switzerland stood out with a much higher average price than its competitors, at 528 dollars, compared to 583 dollars in 2008.



World watch imports

The destination of most watch industry products was Hong Kong, where total imports were 5.1 billion dollars in 2009, a significant proportion of which was re-exported. The United States imported products worth 3.1 billion dollars. Switzerland also proved to be a major consumer with imports totalling 2.0 billion dollars. At 1.9 billion dollars, Japan was followed closely by France, which absorbed watch industry products valued at 1.8 billion dollars. Illustrating the general downturn in demand, all of these main markets registered two-digit declines in watch imports in 2009, while in the United States the figure was almost 30%.

Main importing countries (in USD billion)



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