

WATCH & JEWELLERY SELL-OUT INDEX

MONITOR THE REAL TRENDS IN YOUR MARKETS

AUGUST 2019 REPORT

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THE WATCH & JEWELLERY SELL-OUT INDEX

MONITOR THE REAL TRENDS OF YOUR MARKETS

Retail sales statistics provide a prompt economic indicator which reflects the real business performance of industries.

For the first time ever in the watch & jewellery industry, the Sell-Out Index (SOI) measures the aggregated sales performances of the watch & jewellery specialized stores in selected markets. It is based on the monthly sales records of the retail trade surveyed by national statistical offices.

The Sell-Out index is the only monitoring tool able to provide trusted, harmonized and comparable information on the monthly sell-out trends of the watch & jewellery industry in its following top markets:

- USA
- Kong-Kong
- China
- United Kingdom
- Singapore
- Germany
- France
- Macau (quarterly base)

SOURCES:

Sell-Out Index data are based on official sources, not third party data providers. They are sourced from the national official statistics departments' monthly surveys and cover the watch & jewellery specialized distribution circuits (independent retailers, mono-brand boutiques, specialized W&J chains). Their E-commerce sales activity is included.

In Hong Kong, watches & Jewellery sales in Departments stores are also included, additionally to the specialized circuit.

INFORMATIONS:

Year-on-Year and Year-to-Date monthly evolutions of the total Watch & Jewellery specialized stores turnover are provided. They are calculated at current prices, and are not seasonally adjusted (except in the UK). It facilitates a harmonized comparative analysis with subscribers' proprietary sell-out data.

Additionally, comparison with the evolution of the aggregated sales of retail goods of the markets allows gaining a far better understanding of the dynamics of the watch & jewellery industry in the market and its real, rather than reported, consumption patterns. A sample presentation is shown in the two following pages.

Latest released data are preliminary figures which can be subject to revision later on.

**Top Markets
Retail Sales YoY**

**Watch & Jewellery Specialized Stores
Sell-out Evolution**

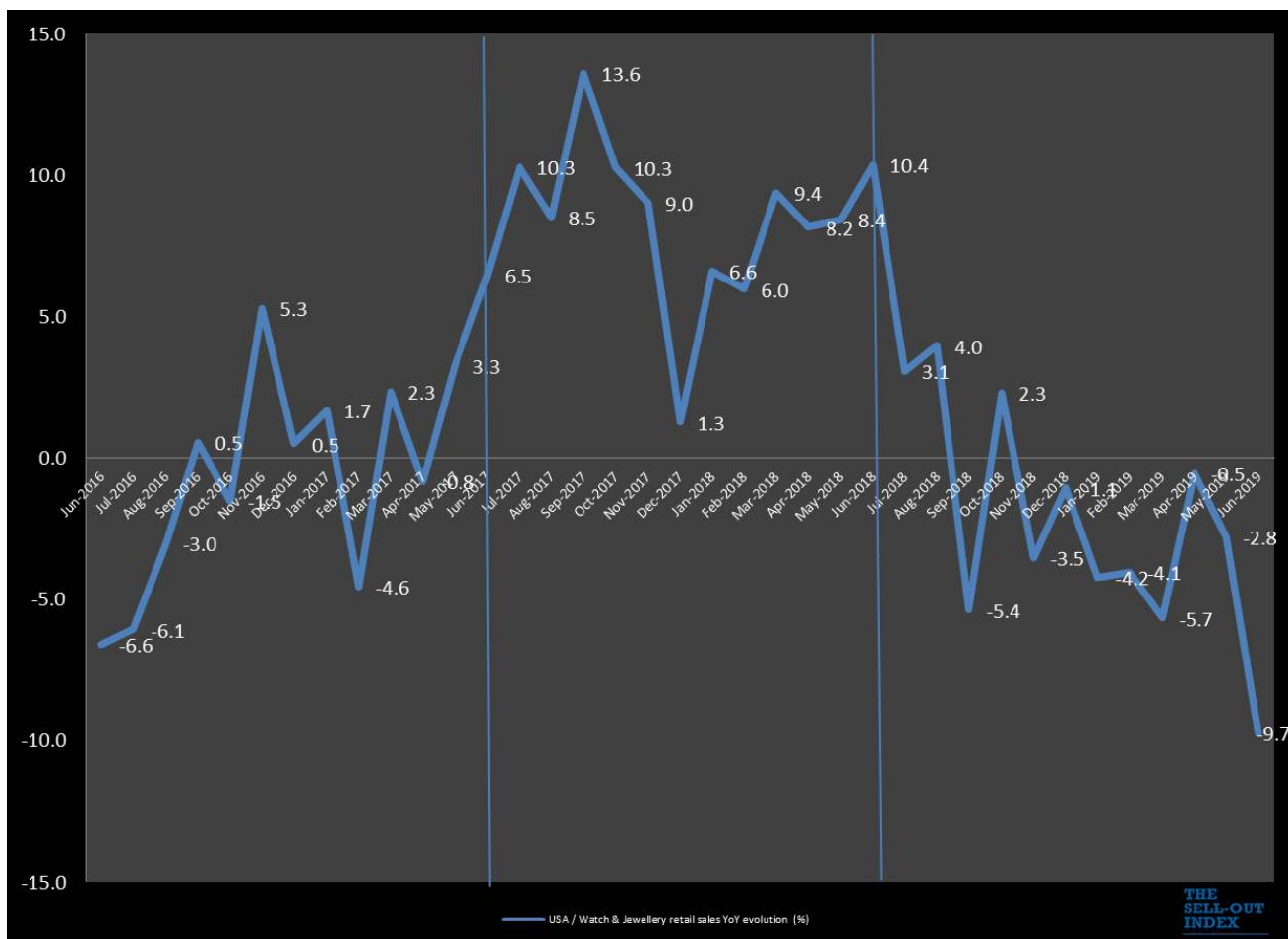
| Year-on-Year Evolution (%) | | Watch & Jewellery Retail Sales | | Total Retail Sales of the Market | |
|----------------------------|----------|--------------------------------|-------|----------------------------------|-------|
| | | MTD | YTD | MTD | YTD |
| USA | Jun-2019 | -9.7% | -4.5% | 1.6% | 2.8% |
| Hong Kong | Jun-2019 | -16.9% | -6.4% | -6.7% | -2.6% |
| China | Jun-2019 | 7.8% | 3.5% | 9.8% | 8.4% |
| United Kingdom | Jun-2019 | 25.7% | 14.4% | 4.1% | 4.3% |
| Singapore | Jun-2019 | -4.7% | -1.8% | -2.7% | -1.9% |
| Germany | Jun-2019 | -6.5% | 0.6% | -0.7% | 3.0% |
| France | May-2019 | 1.6% | 2.2% | 3.0% | 3.1% |
| Macau | Q1-2019 | -3.0% | -3.0% | -1.9% | -1.9% |

| | Watch & Jewellery definition | Total Retail definition | Data type | Source |
|----------------|--|--|--|---------------------|
| USA | Specialized Jewelry stores (incl. Watches and E-commerce activity) | Retail sales, total (excl. motor vehicle and parts dealers) | At current prices Non-seasonally adjusted | www.census.gov |
| Hong Kong | Jewellery, watches and clocks, and valuable gifts specialized stores & Department Stores (incl. E-commerce activity) | All retail outlets | At current prices Non-seasonally adjusted | www.censtatd.gov.hk |
| China | Gold, Silver and Jewelry (incl. Watches and E-commerce activity) | Total Retail Sales of Consumer Goods | At current prices Non-seasonally adjusted | www.stats.gov.cn |
| United Kingdom | Watches & Jewellery specialized stores (incl. E-commerce activity) | All Retailing, Excluding Automotive Fuel | At current prices Seasonally adjusted | www.ons.gov.uk |
| Singapore | Watches & Jewellery specialized stores (incl. E-commerce activity) | Total (excl Motor Vehicles) | At current prices Non-seasonally adjusted | www.singstat.gov.sg |
| Germany | Retail sale of watches and jewellery (incl. E-commerce activity) | Retail trade, except motor vehicles and motorcycles | At current prices Non-seasonally adjusted | www.destatis.de |
| France | Commerce de détail d'articles d'horlogerie et de bijouterie en magasin spécialisé (incl. Ventes E-Commerce) | Commerce de détail à l'exception des automobiles et des motocycles | At current prices Non-seasonally adjusted | www.insee.fr |
| Macau | Watches, Clocks & Jewellery (incl. E-Commerce activity) | Total Retail Sales of Consumer Goods | At current prices Non-seasonally adjusted | www.dsec.gov.mo |

USA
Retail Sales Year-on-Year
(%)

June
2019

Jewelry Stores
(incl. E-Commerce activity)



In June 2019, Watch & Jewellery retail trade dropped 9.7% from a year earlier, following a 2.8% decrease in May 2019. This was the height straight month of fall of the category.

In contrast, **Total Retail sales of the country (excluding motor vehicles and part dealers) were up 1.6 % from a year earlier.** As stated in RetailDive by NRF Chief Economic Jack Kleinhenz: "The numbers are consistent with elevated consumer sentiment, healthy household balance sheets, low inflation and wage and job gains,"

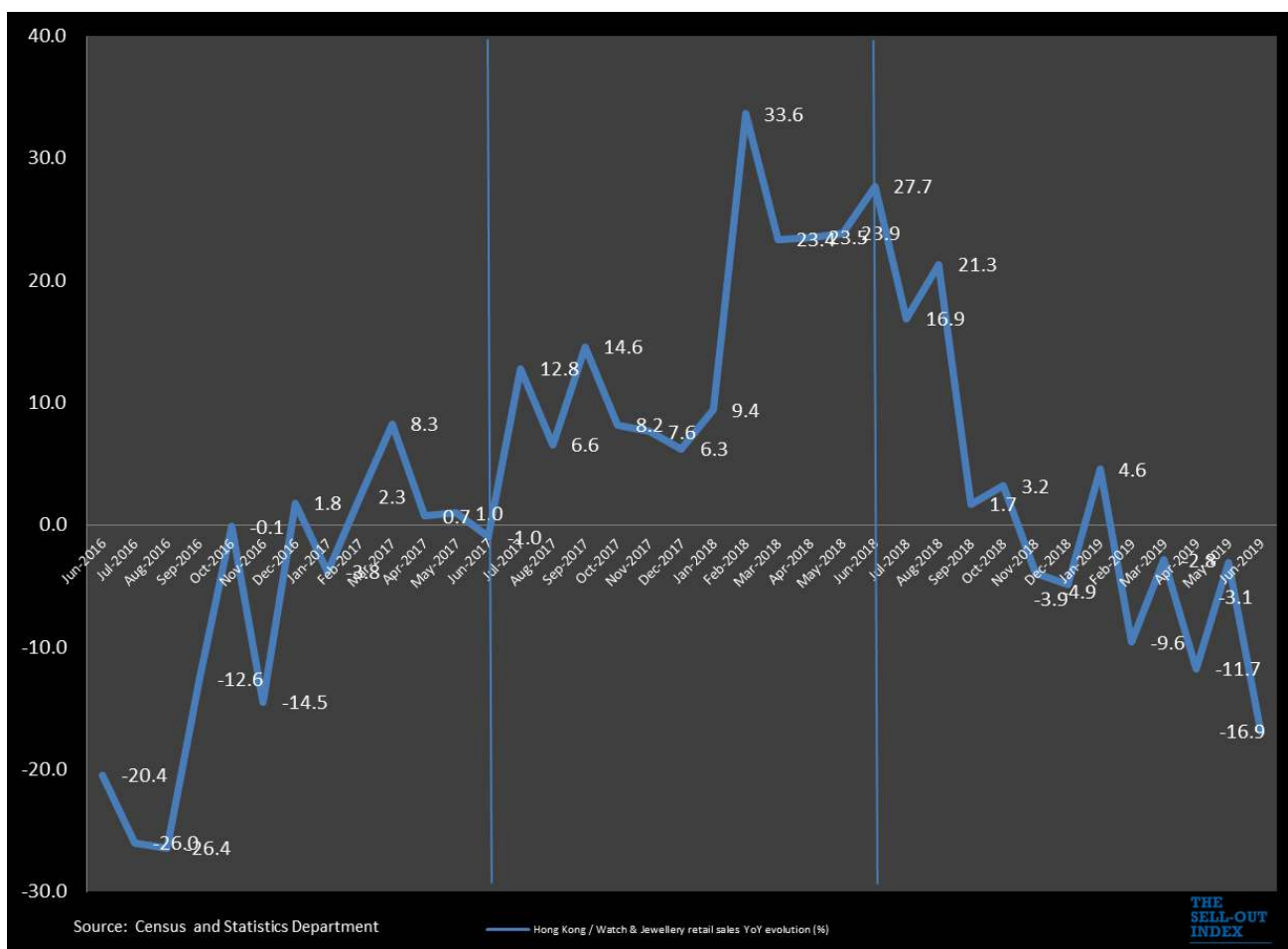
From January to June 2019, Jewelry stores registered a negative performance with a 4.5% decrease over 2018, while Clothing stores were down 1.0% and Health and personal care stores were up 4.1%. Meanwhile, **Total Retail sales (excluding motor vehicles and part dealers) grew 2.8 %**, lifted by on-line sales which rose 12%, and accounted for 15.5% of the Total US retail sales (excluding motor vehicles and part dealers).

According to the US Census Bureau, total sales at Jewelry (including watch & jewellery) stores were \$34.9 billion / CHF 34.3 billion in 2018, up from \$32.4 billion the prior year (+7.8 %). They accounted for 0.9% of the Total US retail sales (excluding motor vehicles and part dealers).

Hong Kong
Retail Sales Year-on-Year
(%)

June
2019

Jewellery, watches and clocks, and valuable gifts Specialized
stores & Department Stores
(incl. E-commerce activity)



In June 2019, retail sales of watch and jewellery in specialized stores and department stores in Hong Kong **decreased 16.9% compared with the same month in 2018, following a downwardly revised -3.1% in the previous month.** Due to their high value, that category traditionally has the greatest impact on the overall figures: **they accounted for 46% of the decline of the total Hong Kong's retail sales.**

During the first half of the year, retail sales of watch and jewellery in specialized stores and department stores decreased 6.4%.

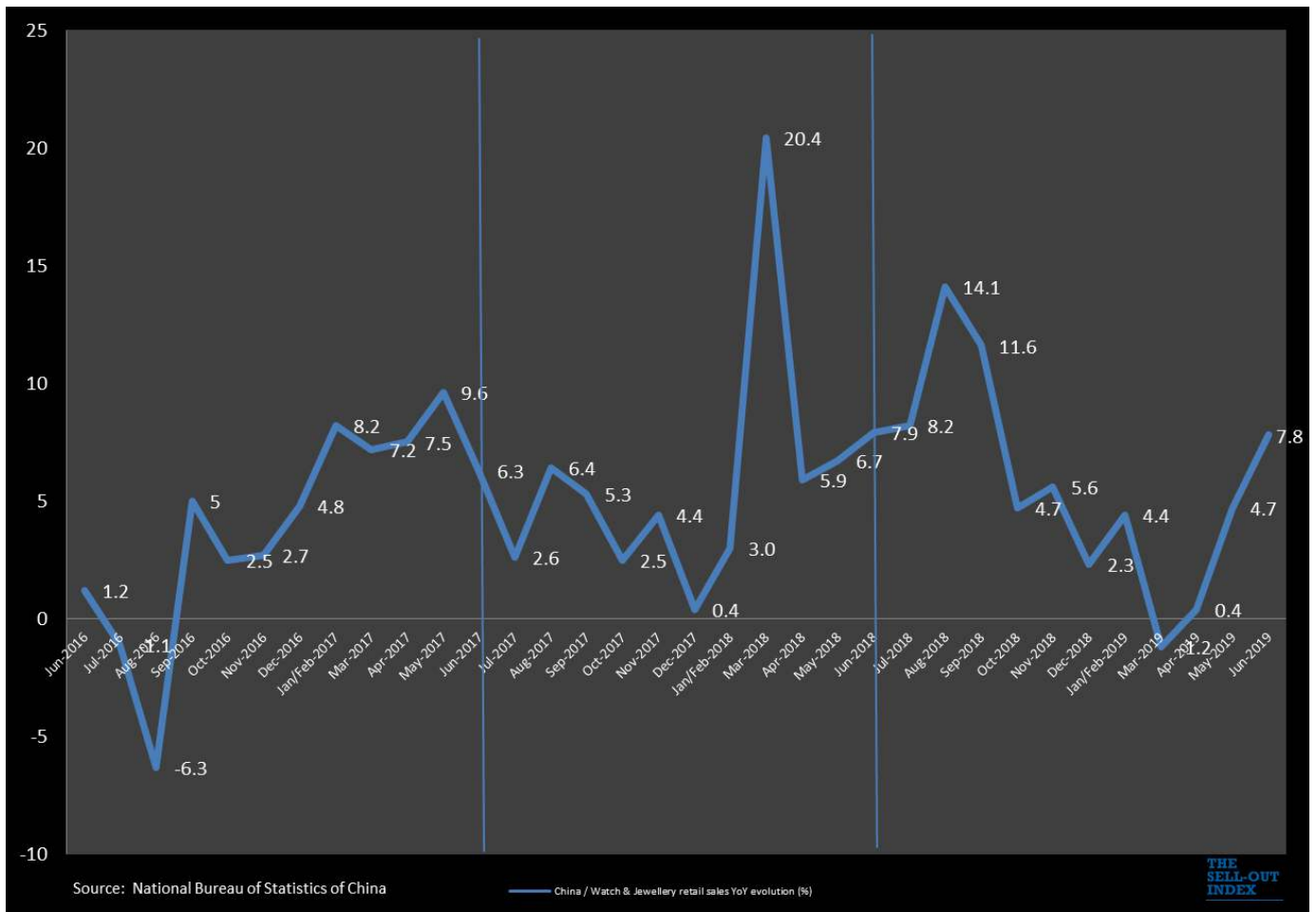
Overall, in June 2019, **Total retail sales fell 6.7%** compared with the same month in 2018. A government spokesman said that retail sales registered an enlarged decline in June, as local consumer sentiment turned more cautious and growth in visitor arrivals moderated. He pointed out the recent mass demonstrations, if continued, would also dent the retail business further. In **year-to-date, Total Retail sales in the country declined 2.6%.**

According to the Hong Kong's Census and Statistics Department, estimated watches and jewellery sales at specialized stores and departments stores were HK\$ 87.8 billion / CHF 11.0 billion in 2018, up from HK\$ 77.4 billion the prior year (+13.5 %). They accounted for 18.7% of the Total value of retail sales in the country.

China
Retail Sales Year-on-Year
(%)

June
2019

Jewellery stores
(incl. watches and E-commerce activity)



Retail sales of watch & jewellery stores in China rose by 7.8 % year-on-year in June 2019, following a 4.7% advance in May. In the meantime, China's retail trade rose by 9.8% year-on-year in June 2019, accelerating from a 8.6% advance in May. That was the steepest growth in retail trade since March 2018, as sales grew faster for upscale consumer goods (cosmetics increased 22.5%).

Considering the January to June period, retail sales advanced 8.4% from the corresponding period a year earlier, and Chinese residents' disposable income went up by 8.8% compared to last year. Meanwhile, retail sales of jewellery stores increased 3.5%.

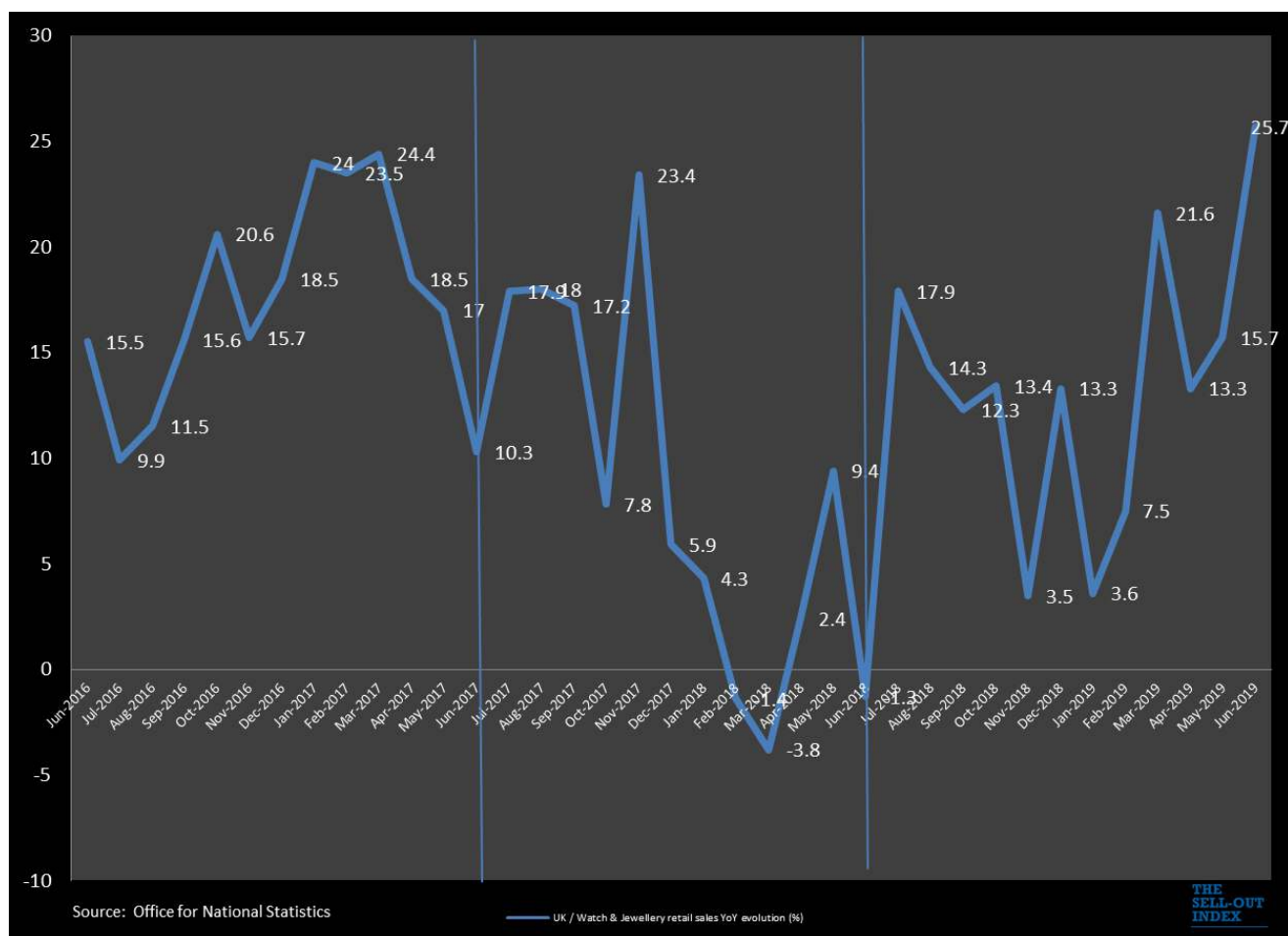
In the first semester, the online retail sales of physical goods were up by 21.6 %, accounting for 19.6 percent of the total retail sales of consumer goods, or 1.4 percentage points higher than that of the first quarter.

According to the National Bureau of Statistics of China, total sales of watches and jewellery at specialized stores were RMB 275.8 billion / CHF 39.5 billion in 2018.

United Kingdom
Retail Sales Year-on-Year
(%)

June
2019

Watches & Jewellery specialized stores
(incl. E-commerce activity)



Watch & Jewellery retail trade increased 25.7% year-on-year in June 2019, following an upwardly revised 15.7% in the previous month. **Total retail sales of the country (excluding automotive and fuel) rose at a faster pace (4.1% vs. 2.1% in May).** "June's retail sales figures are a timely reminder that consumers aren't being haunted by the possibility of a no-deal Brexit, but are happy to spend the proceeds from rising growth in the real wages," said Samuel Tombs, chief UK economist at Pantheon Macroeconomics.

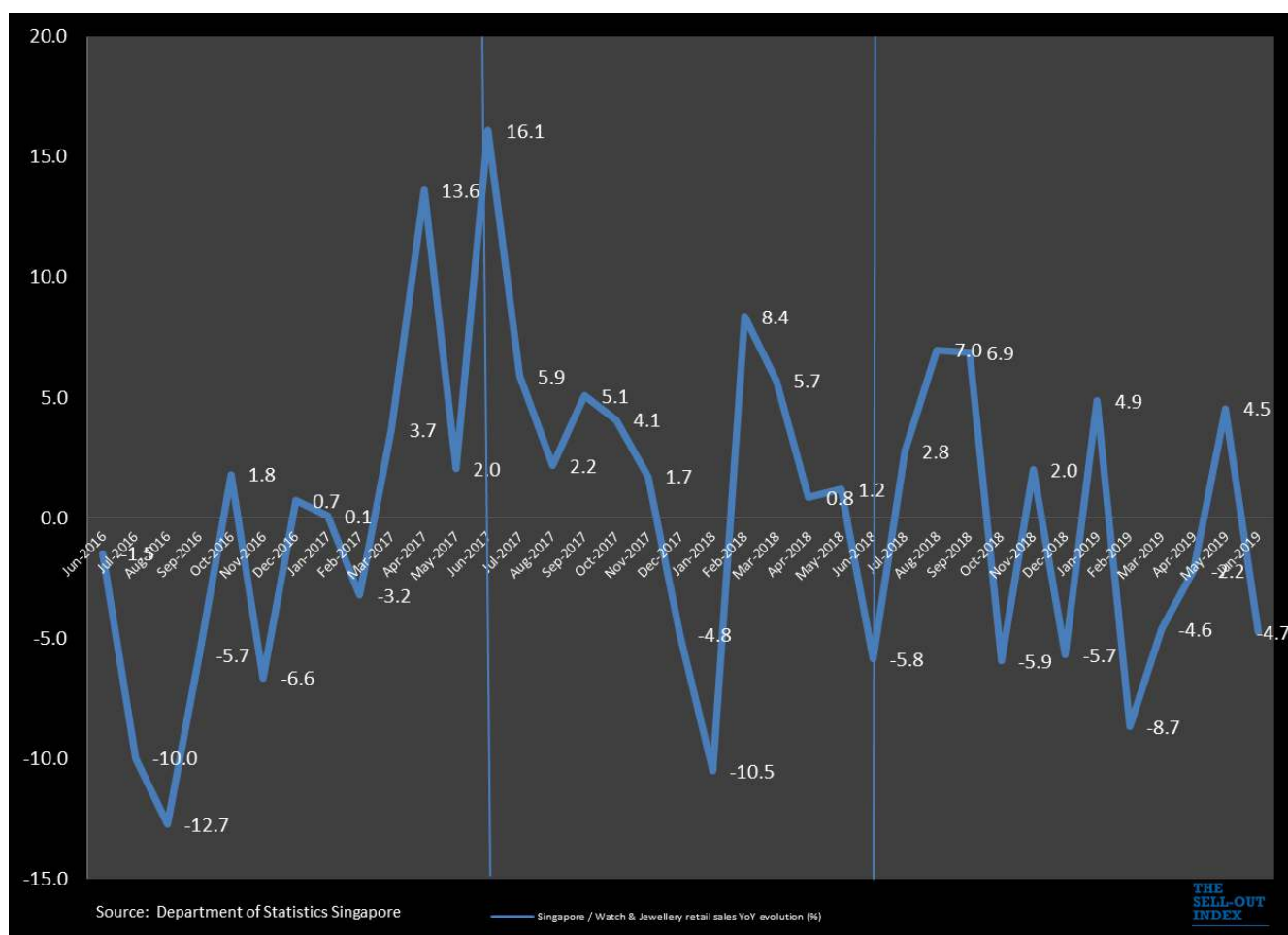
From **January to June 2019**, the Watch & Jewellery retail sales growth continued to strongly outperform the Total retail sales of the country (excluding automotive and fuel). Partly lifted by mono-brand boutiques, e-commerce and travel retail, the category **grew 14.4%** compared to the same period in 2018. In the meantime, **country's Total retail sales increased 4.3%.**

According to the Office for National Statistics, total sales of watches and jewellery at specialized stores were GBP 7.552 billion / CHF 9.510 billion in 2018.

Singapore
Retail Sales Year-on-Year
(%)

June
2019

Watches & Jewellery specialized stores
(incl. E-commerce activity)



In June, Singapore's watch & jewellery retail sales decreased 4.6% year-on-year, due partly as a result of a lower demand. Conversely, sales of the Medical Goods & Toiletries and Wearing Apparel & Footwear industries both grew by 1.4%..

Total Retail (excluding Motor Vehicles) dropped by 2.7% year-on-year in June 2019. This was the fifth straight month of yearly fall in retail trade and the steepest since February.

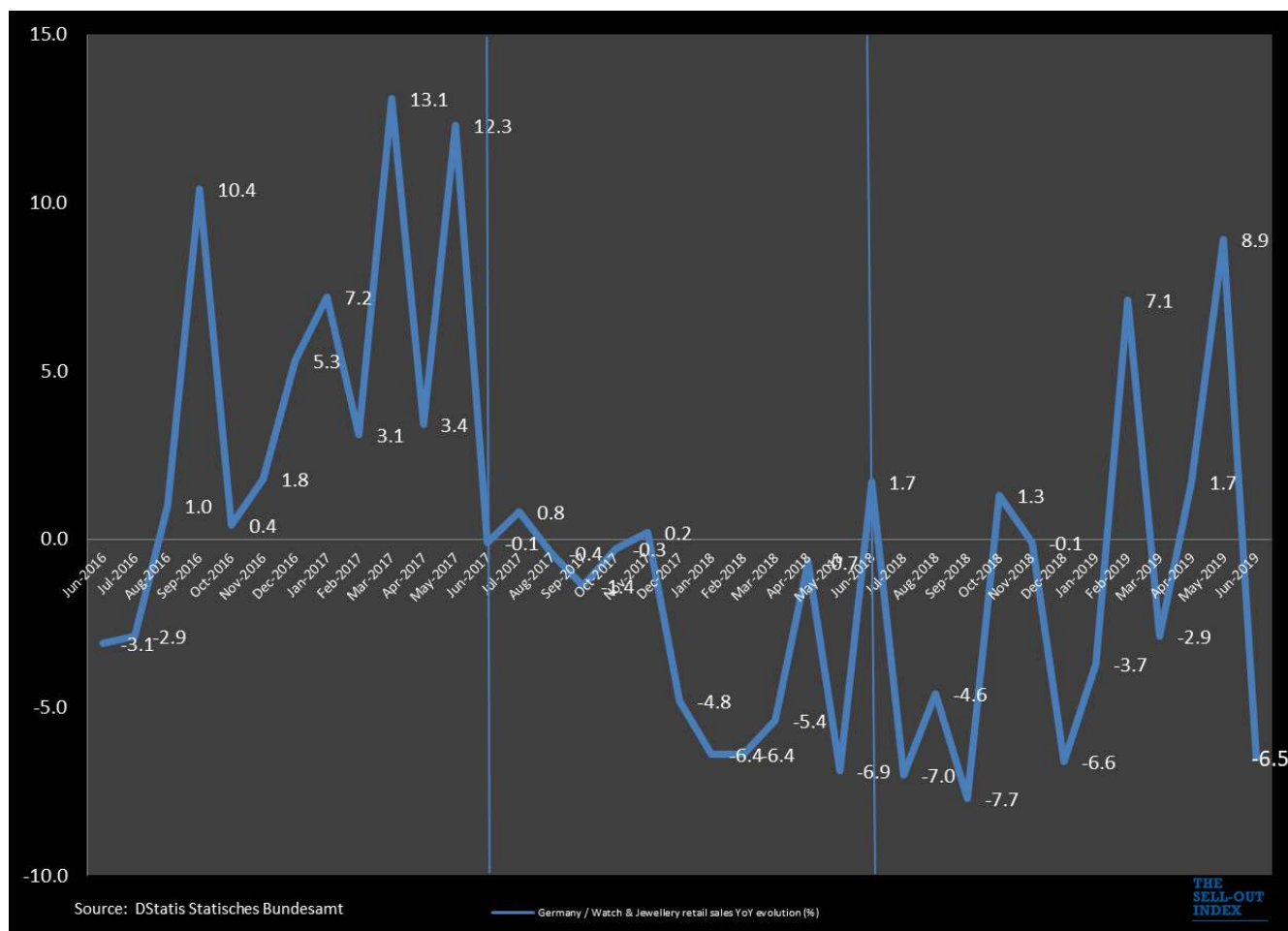
In year-to-date, watch & jewellery retail sales fell 1.8% and **Total Retail sales (excluding Motor Vehicles) decreased 1.9%.**

According to the Department of Statistics Singapore, sales at watch & jewellery specialized stores were SGD 4.615 billion / CHF 3.370 billion in 2017. They accounted for 11.0% of the Total retail sales of the country (excluding Motor Vehicles).

Germany
Retail Sales Year-on-Year
(%)

June
2019

Watches & Jewellery specialized stores
(incl. E-commerce activity)



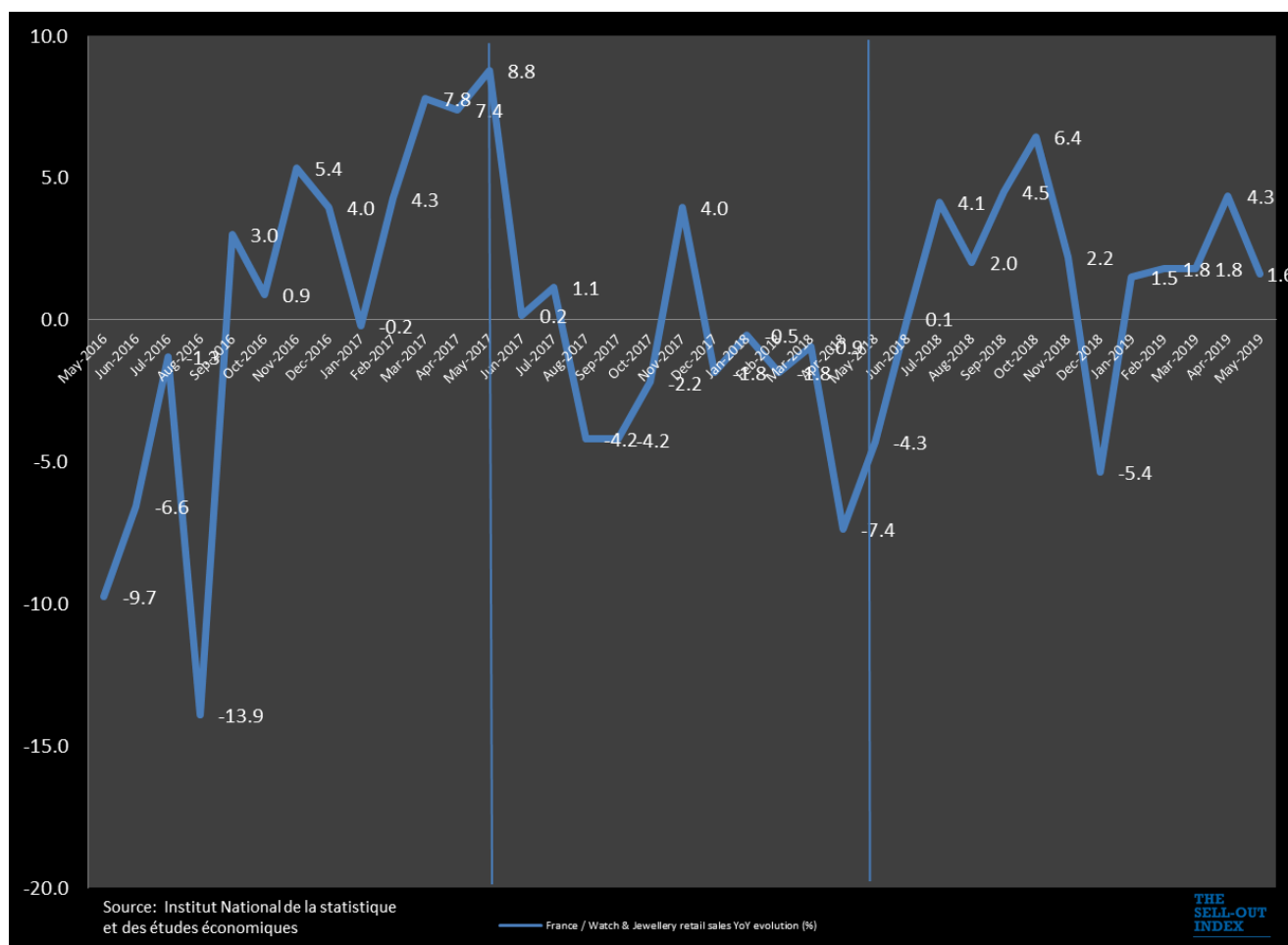
Provisional **watch & jewellery retail sales in Germany decreased 6.5% year-on-year in June 2019**, following an upwardly revised +8.9% in May. Meanwhile, **Total retail sales in Germany (excluding sales of motor vehicles) decreased 0.7%**, due partly as a smaller number of days open for sale (24 in June 2019 and 26 in June 2018). Compared with the previous year, **turnover in total retail trade (excluding sales of motor vehicles) was in the first six months of 2019 3.0% higher than in the corresponding period of the previous year and 0.6% higher for the watch & jewellery retail sales.**

According to D-Statistisches Bundesamt, the Federal Statistical Office of Germany, sales of watch & jewellery specialized stores were EUR 6.203 billion / CHF 6.990 billion in 2016 (excl. VAT).

France
Retail Sales Year-on-Year
(%)

May
2019

Commerce de détail d'articles d'horlogerie et de bijouterie en
magasin spécialisé



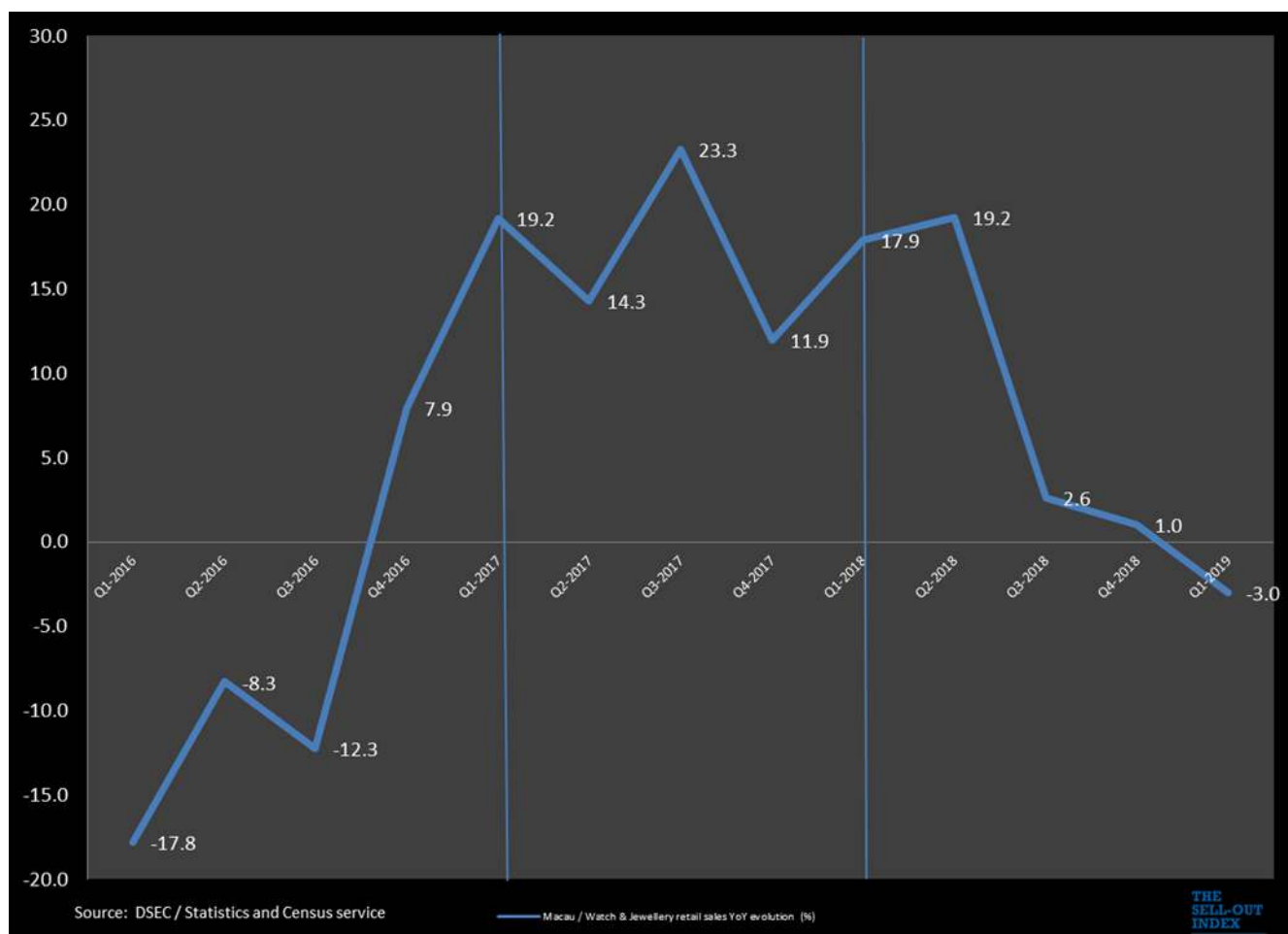
In May 2019, watch & jewellery retail sales in France **increased 1.6% year-on-year**, following an upwardly revised +4.3% in April. The **overall retail sales (excluding motor vehicles) rose by 3.0%**. According to the managers in retail trade, the business climate has weakened in May 2019, after having sharply improved in the previous month. Many more retailers than in April have reported a decrease in their future sales and in their ordering intentions, mainly due to the non-specialised retailers. In year-to-date, **watch & jewellery Retail sales increased 2.2%** from a year earlier. **Overall retail sales (excluding motor vehicles) increased 3.1%**.

According to the Institut National de la Statistique et des Etudes Economiques (INSEE) and Mercury Project's estimate, sales at watch & jewellery specialized stores were € 3.600 billion / CHF 4,056 billion (excl. VAT) in 2018, down from € 3.615 billion the prior year (-0.5 %).

Macau
Retail Sales Year-on-Year
(%)

Q1
2019

Watches, Clocks & Jewellery
(incl. E-commerce activity)



In Q119, value of watch, clocks & jewellery retail sales was down by 3.0% year-on-year, as country's Total Retail sales decreased 1.9%. Among the other major retail activities Communication Equipment and Adults' Clothing registered notable year-on-year decrease, while Leather Goods increased.

Watch & jewellery retail Sales YoY in Macau averaged 5.8% from 2016 until 2019, reaching an all-time high of 23.3% in the third quarter of 2018 and a record low of -12.3% in the second quarter of 2016.

According to the Statistics and Census Service (DSEC), sales of watches, clocks and jewellery stores were MOP 16.1 billion / CHF 1.97 billion in 2018, up from MOP 14.7 billion the prior year (+15.9%). Watches, Clocks & Jewellery accounted for 21.0% of the total value of retail sales in the country.

ABOUT THE MERCURY PROJECT:

The Mercury Project is a data-driven consulting company focusing on the watch & jewellery retail industry.

It provides sales intelligence information to industry stakeholders (companies, retailers and federations) through a reliable monitoring of the key aspects and trends of the markets.

Its activities are based on documented and trusted databases focusing on the watch & jewellery retail information (sell-out data, retailer database and new product launch)

Mercury Project has an integrated service model that allows start-ups or big brands to maximise their resources while having access to specialized industry knowledge and skills.

As Mercury Project's founder, Thierry Huron brings years of experience and success in the luxury and market research industry.

While managing the international marketing strategy at TAG Heuer, he identified the need for a trusted global source of sell-out data in the watch industry and initiated numerous programs in this field.

He recently published:

- KickValue Tracks & Facts H119 (report on monitoring of Kickstarter watch projects)
- The 2017 Watch Retail market in Switzerland (supported by the VSGU/ASHB Swiss watch retail federation)
- Watch Retail and Digitalization (supported by the VSGU/ASHB Swiss watch retail federation)

These reports have been released in newspapers and magazines.

Follow Thierry Huron's daily #watchretail posts on LinkedIn.

They fill a gap in the watch & jewellery industry, by contributing to the knowledge of its retailing activity.