

WATCH & JEWELLERY SELL-OUT INDEX

MONITOR THE REAL TRENDS IN YOUR MARKETS

NOVEMBER 2019 REPORT

THE WATCH & JEWELLERY SELL-OUT INDEX

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Top Markets Summary

November 2019 report

Key Take-Aways

USA: Third straight month of increase.

Hong-Kong: Sell-out struggle, plunging 40.7%.

China: Sell-out decline for the third month in a row amidst economic downturn.

UK: Sharp slowdown of the growth.

Singapore: Fourth straight month of decline with visitor arrivals moderating drop.

Germany: Third straight month of growth, in a still positive retail environment.

France: Sharp rebound in an overall positive retail environment.

Macau: Third straight quarter of sluggish sales, impacting the total retail sales

Duty-Free & Travel Retail: A dynamic market within a buoyant industry.

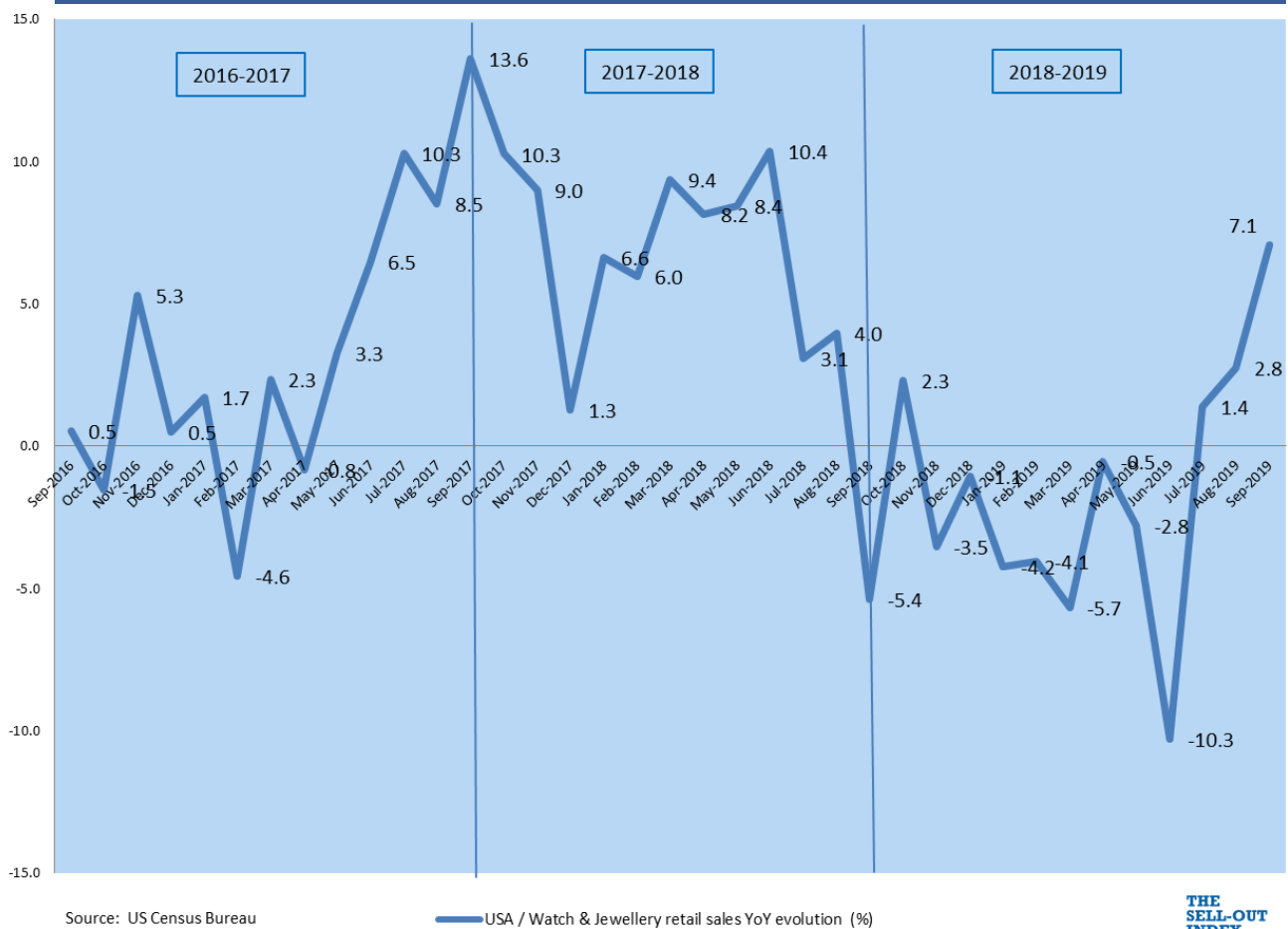
Year-on-Year (YoY) Evolution - Watch & Jewellery Specialized Retailers Sales

Markets & Last Period		Watch & Jewellery Retail Sales at Specialized Stores		Total Retail Sales of the Market	
		MTD	YTD	MTD	YTD
USA	Sep-2019	7.1%	-2.0%	3.3%	3.2%
Hong Kong	Sep-2019	-40.7%	-16.4%	-18.3%	-7.3%
China	Sep-2019	-6.6%	0.6%	7.8%	8.2%
United Kingdom	Sep-2019	4.4%	9.1%	3.5%	3.9%
Singapore	Sep-2019	-4.3%	-3.3%	-0.3%	-1.6%
Germany	Sep-2019	4.2%	1.5%	3.6%	3.7%
France	Aug-2019	7.6%	2.9%	4.2%	3.1%
Macau	Q2-2019	-4.2%	-3.6%	-0.8%	-1.2%
Duty Free & Travel Retail	Q2-2019	7.1%	5.3%	14.8%	11.6%

USA – September 2019

Retail Sales YoY–Jewelry stores (incl. watches and their e-commerce activity)

Third straight month of sales increase



In September 2019, Watch & Jewellery retail trade rose 7.1% year-on-year, following an upwardly 2.8% increase in August 2019. This is the third straight month that sales have increased since December 2018. While this is far from the highest months of 2018, it's welcome news after months of sluggish trade.

Total Retail sales of the country (excluding motor vehicles and part dealers) rose 3.3 % over a year earlier. Despite their negative month-to-month evolution, Moody's Investors Service analysts noted that they "continue to expect that increased consumer confidence, wage growth, low unemployment and the strong macro-economic environment in the US will result in 2019 retail sales growth of over 4.0%.", as stated by Retail Dive..

From January to September 2019, the Watch & Jewellery specialized retail still registered a negative performance with a 2.0% decrease over 2018.

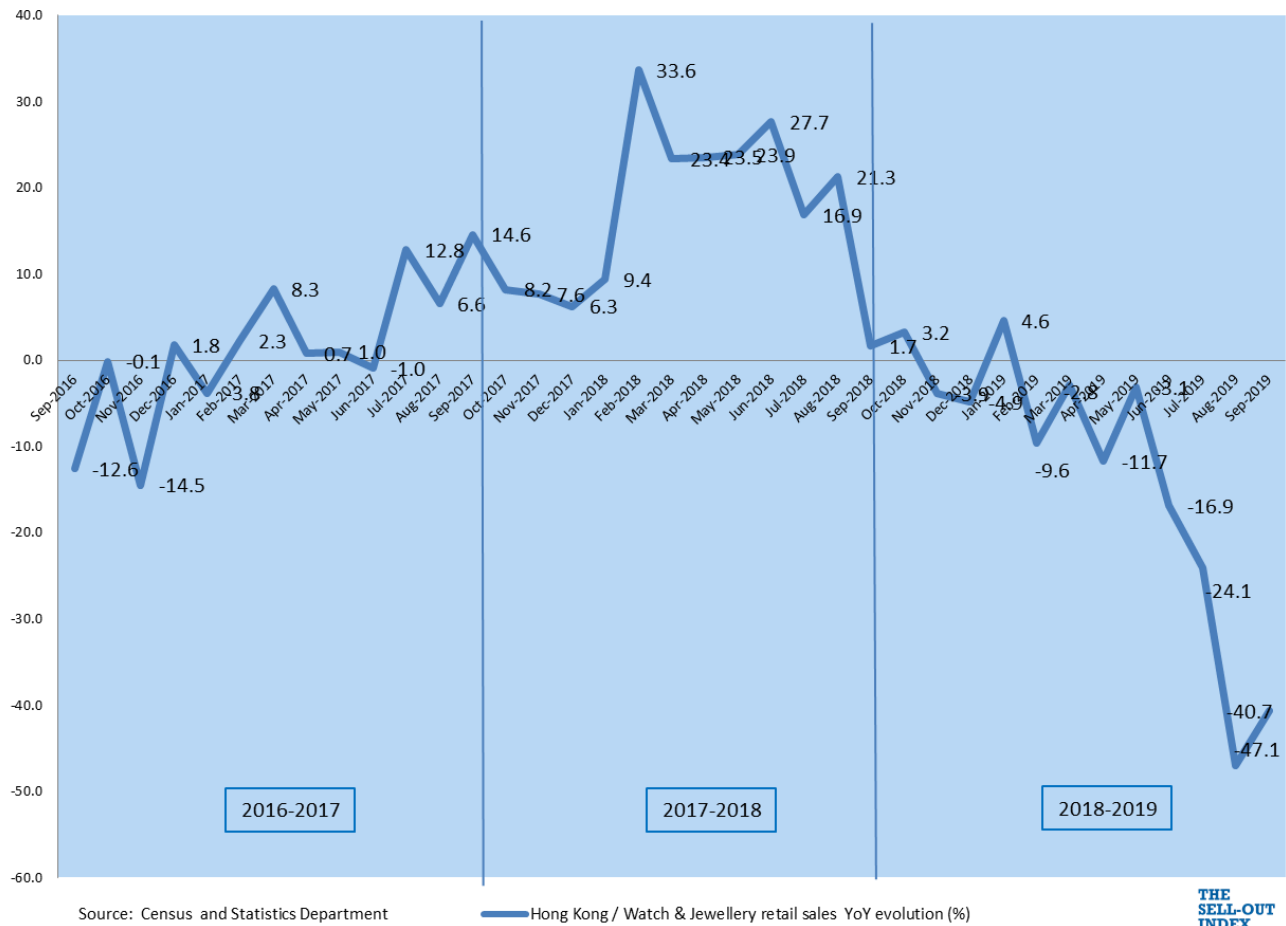
In contrast, Total Retail sales (excluding motor vehicles and part dealers) grew 3.2%, lifted once again by on-line sales which rose 13.7%, and accounted for 15.7% of the Total US retail sales (excluding motor vehicles and part dealers). Department stores and Clothing stores were respectively down 4.8% and 1.5%. Meanwhile, Health and personal care stores were up 3.7%.

According to the US Census Bureau, total sales at Jewelry stores (including watch & jewellery) 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 – September 2019

Retail sales YoY – Jewellery, watches and clocks, and valuable gifts in specialized stores & department stores (incl. their e-commerce activity)

Sell-Out continued to struggle, plunging 40.7% in September



In September 2019, retail sales of watch and jewellery in specialized stores and department stores in Hong Kong **plunged by 40.7% year-on-year, following a record 47.1 % drop in August**. Due to their high value, they contributed to 38% of the decline of the Total retail sales in Hong-Kong.

In year-to-date, **retail sales of watch and jewellery in specialized stores and department stores decreased 16.4%**. It represented a loss of HKD 10.8 billion / CHF 1.4 billion over the same period in the previous year. (Hong-Kong-based Jeweler Luk Fook Holdings has revealed its September-quarter Hong Kong sales plunged 39%)

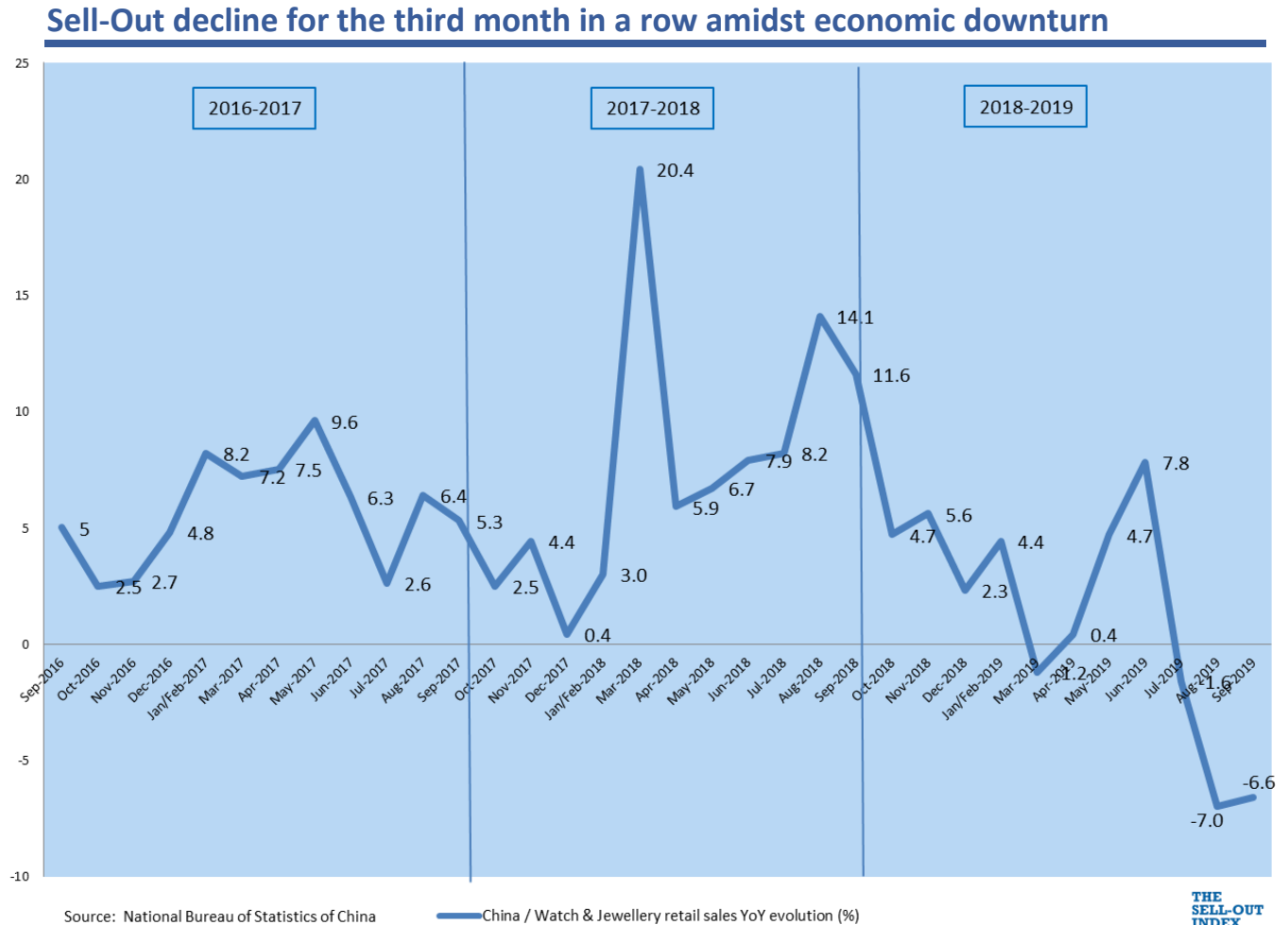
Overall, in September 2019, **Total retail sales fell 18.3%** compared with the same month in 2018. For the third quarter as a whole, retail sales volume fell by 19.5% year-on-year, almost on par with the record decline in the third quarter of 1998. As reported by the South China Morning Post, Annie Tse Yau On-ye, chairwoman of the 9,000-member Hong Kong Retail Management Association, warned of a wave of shutdowns and lay-offs at retailers in the fourth quarter of this year.

In year-to-date, **Total Retail sales in Hong-Kong declined 7.3%**.

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 – September 2019

Retail sales YoY – Jewelry stores (incl. watches and their e-commerce activity)



In September 2019, Retail sales of watch & jewellery at specialized stores declined by 6.6% from a year earlier following a 7.0% decrease in August. They fell for the third month in a row. In the meantime, China's retail sales grew 7.8% vs 7.5% in August and Cosmetics sales continued to outperform the retail categories (13.4% vs. 12.8%).

Leading Jeweler Luk Fook Holdings revealed its September-quarter China sales were down 25%, largely due to the high gold price and the macro-economic downturn in connection with the US-China trade war. Additionally, and as reported in the South China Morning Post, government has clamped down on perceived risky lending and tightened up shadow banking channels. As a result, consumers do not have the ready access to capital they once did, which has meant individual purchases of big ticket items including cars - and probably hard luxury goods - have been in decline.

In the first three quarters of 2019, Total retail sales went up by 8.2% year-on-year. Meanwhile, retail sales of watch & jewellery stores increased 0.6% only.

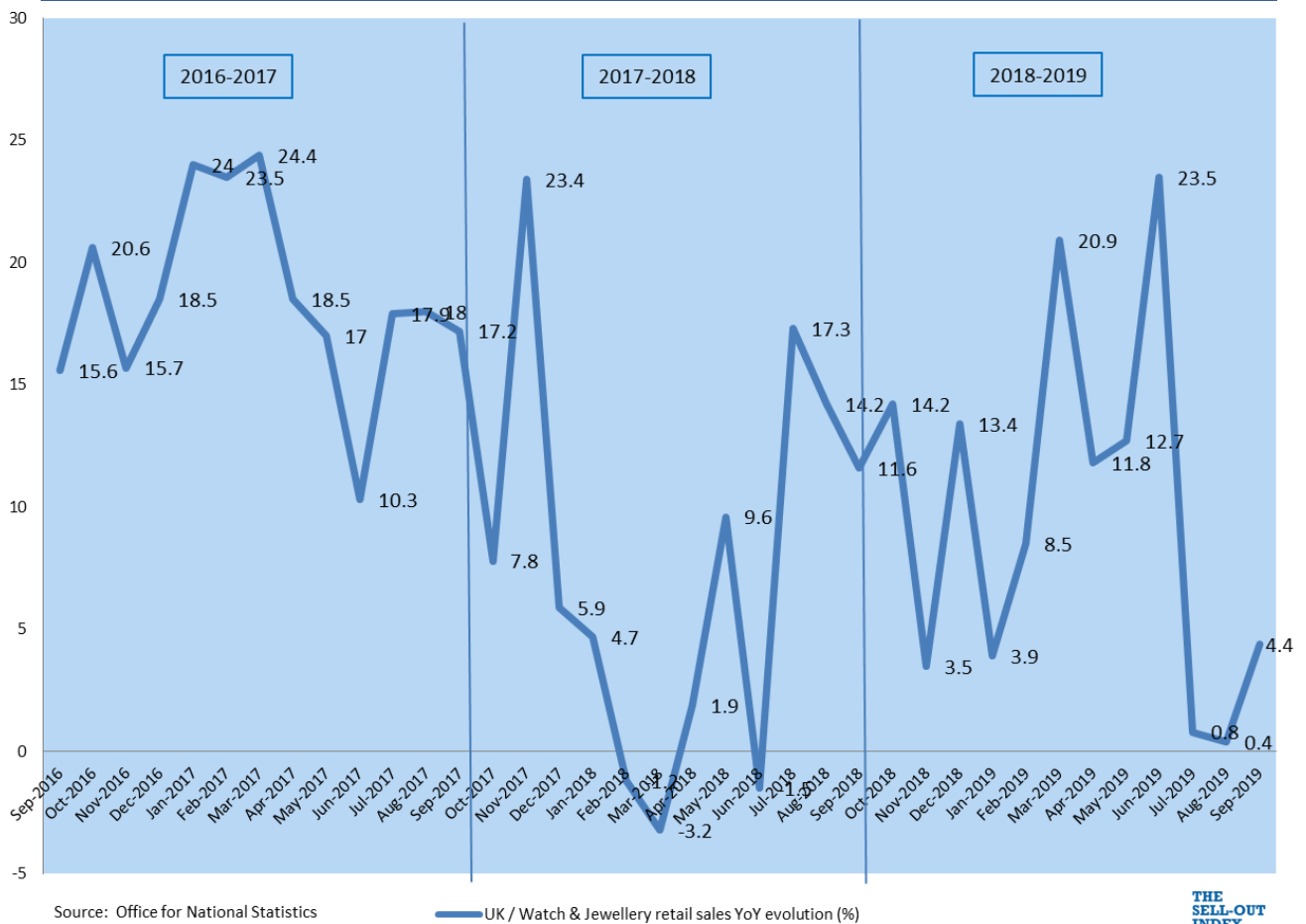
The online retail sales of physical goods increased 20.5 %, accounting for 19.5% of the total retail sales of consumer goods.

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 – September 2019

Retail sales YoY – Watches & Jewellery specialized stores (incl. their e-commerce activity)

Sharp slowdown of the sales growth



In September 2019, UK Watch & Jewellery retail provisional sales at specialized stores picked up to 4.4% year-on-year after a weak few months, and following a downwardly revised 0.4% in the previous month. Despite this growth, the overall trend shows a sharp slowdown from the heights the market reached over the last 14 months.

Total retail sales (excluding automotive and fuel) increased 3.5% year-on-year from 2.8%, reflecting growth in all sectors except for department stores and household goods. As reported by Reuters, "September's retail sales figures were perhaps a bit of a relief given the intense Brexit uncertainty, but were hardly a picture of strength," economist Ruth Gregory of consultancy Capital Economics said.

From January to September 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 sales in mono-brand boutiques, e-commerce and inbound tourism (mainly from China, Middle East and Thailand), additionally to hard Brexit inventories building, the category grew 9.1% year-on-year, thanks to its very good sales performance during the first months of the year.

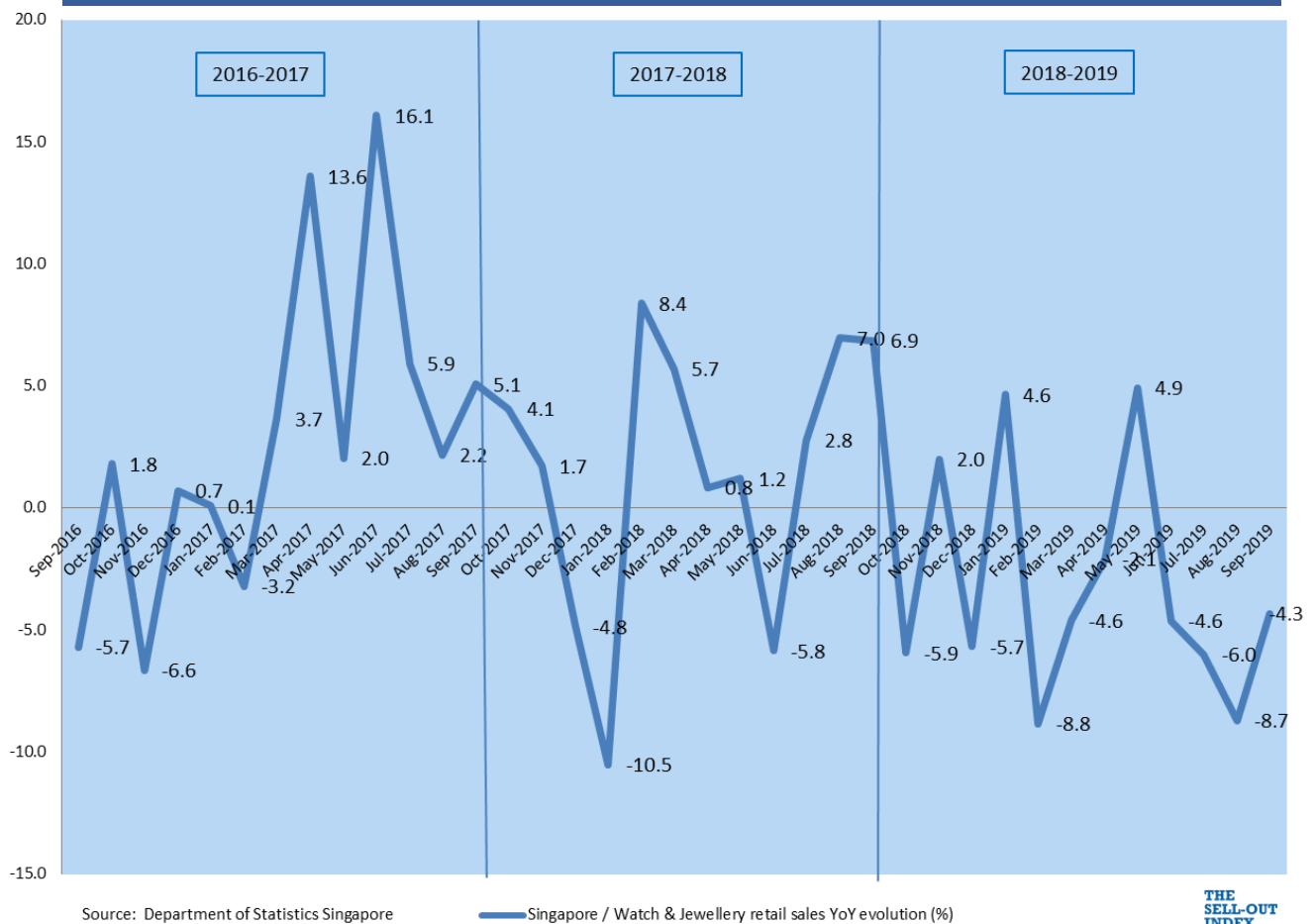
Meanwhile, Total retail sales (excluding automotive and fuel) increased 3.9%.

According to the Office for National Statistics, total sales of watches and jewellery at specialized stores were GBP 7.552 billion / CHF 9.5 billion in 2018.

Singapore – September 2019

Retail sales YoY – Watches & Jewellery specialized stores (incl. their e-commerce activity)

Fourth straight month of decline with visitor arrivals moderating drop



In September 2019, Singapore's **watch & jewellery retail sales at specialized stores decreased 4.3% year-on-year**, after a downwardly revised 8.7% fall in August. This was the fourth straight month of yearly fall.

Total Retail (excluding Motor Vehicles) drop 0.3% year-on-year. This was the eight straight month of yearly fall in retail trade after a decline of 4.3% in August. As reported by the Strait Times, Maybank Kim Eng economist Lee Ju Ye noted that sales in September were supported by some improvement in consumer sentiment and an uptick in visitor arrivals. This was due to the Singapore Grand Prix and also the diversion of leisure and business travellers from Hong Kong caused by protests.

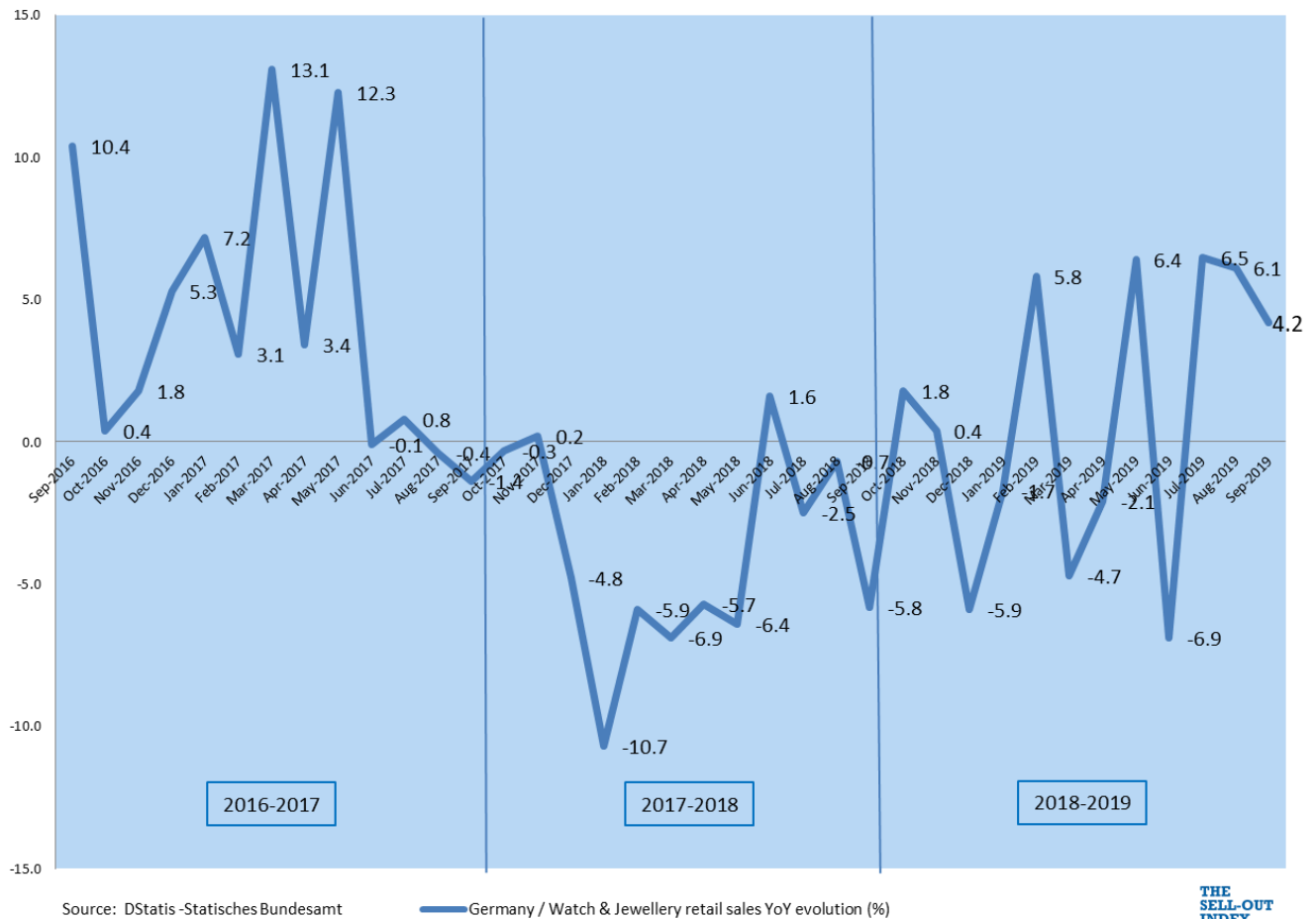
In year-to-date, watch & jewellery retail sales fell 3.3% and Total Retail sales (excluding Motor Vehicles) decreased 1.6%.

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 – September 2019

Retail sales YoY – Watches & Jewellery specialized stores (incl. their e-commerce activity)

Third straight month of sales growth in a still positive retail environment drop



Provisional watch & jewellery retail sales in Germany rose 4.2% year-on-year in September 2019, driven by an increase of the average selling price (volume sales only increased 3.2%), and following an upwardly revised 6.1% in August. This is the third straight month of sales growth within a still positive retail environment. Overall, Total retail sales in Germany (excluding sales of motor vehicles) increased 3.6%, lifted by the non-food retail sectors, which were up 4.9%. The on-line retail achieved the largest increase in sales with 10.9%.

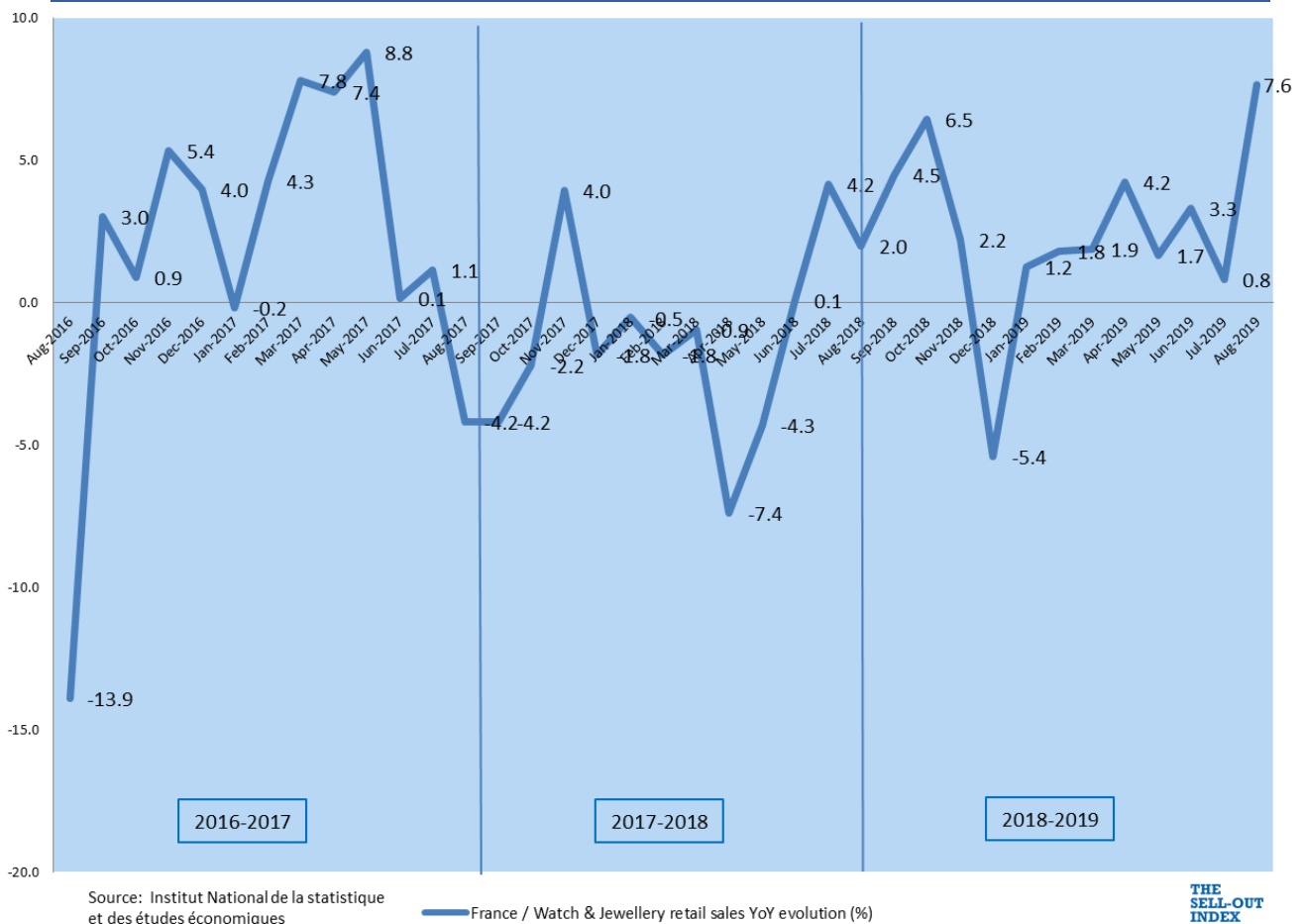
In year-to-date watch & jewellery retail sales increased 1.5%. On the other hand, Total retail sales in Germany (excluding sales of motor vehicles) increased 3.7%.

According to D-Statist, the Federal Statistical Office of Germany, sales of watch & jewellery specialized stores were EUR 5.968 billion / CHF 6.936 billion in 2017 (excl. VAT). They accounted for 1.1% of the Total retail sales of the country (excluding Motor Vehicles).

France – September 2019

Retail sales YoY – Watches & Jewellery specialized stores (incl. their e-commerce activity)

Sharp rebound in an overall positive retail environment ⁱⁿ



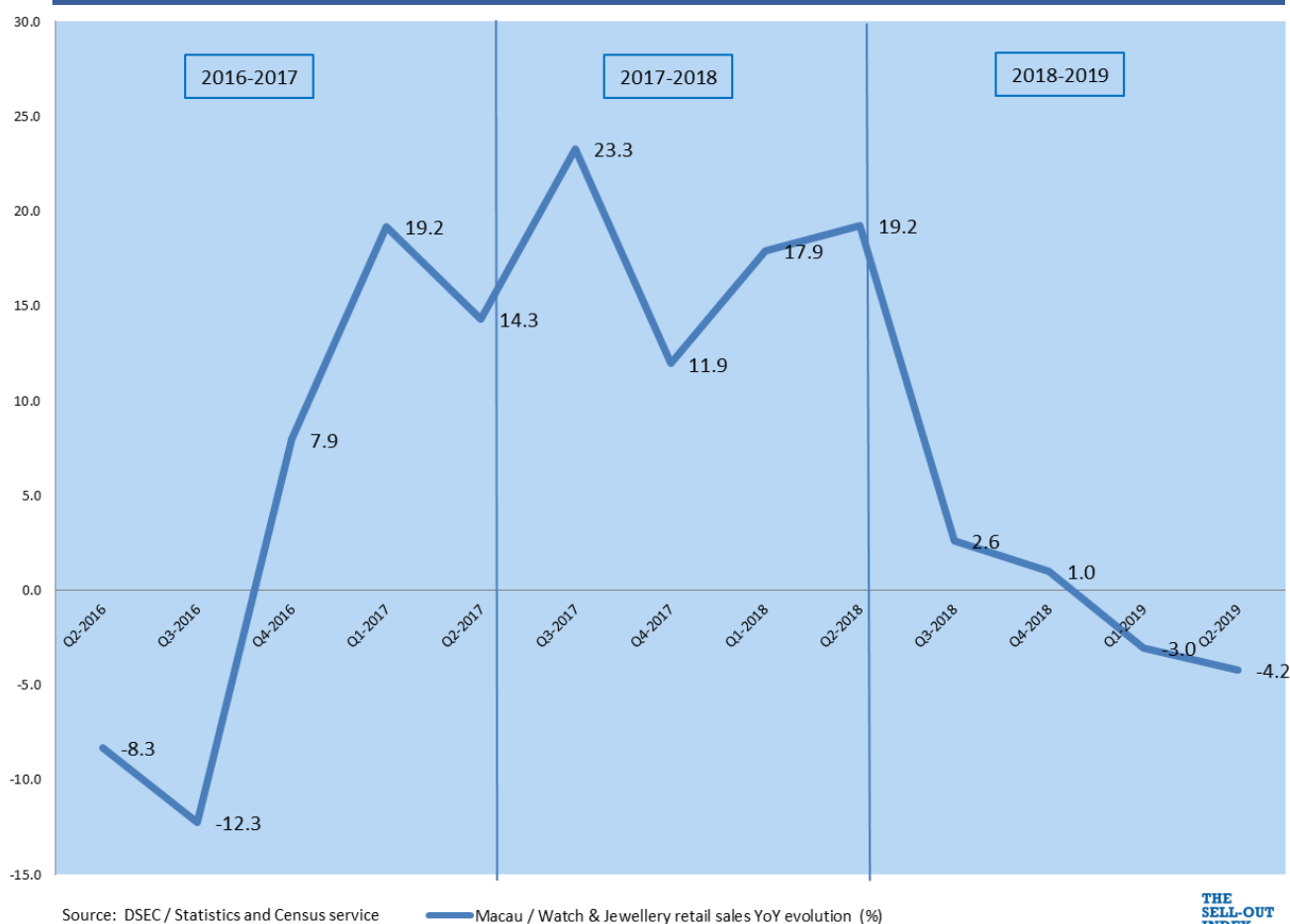
Retail sales of Watches & Jewellery in specialized stores in France surged in August with a growth up 7.6 % year-on-year, accelerating from a 0.8% in July and lifted by higher selling prices (volume sales only increased 6.1%). Overall, the **Total retail sales (excluding motor vehicles)** rose 4.2%. It increased in all sectors. In specialized stores, sales of fine leather goods and of travel articles rose 15.6% and sales of cosmetic and toilet articles grew 5.8%. In year-to-date, Watch & Jewellery Retail sales increased 2.9% from a year earlier and Total 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 – Q2 2019

Watches, Clocks & Jewellery (incl. their e-commerce activity) – Retail sales YoY

Third straight quarter of sluggish sales, impacting the total retail sales



Retail sales of Watches & Jewellery continue to drop in the second quarter of 2019 (-4.2% year-on-year). It was the third straight quarter decrease in retail sales. Among the other major retail activities, Adults' clothing registered notable year-on-year decrease (-10.9%). In the meantime Leather Goods slightly decreased (-0.7%) and Total retail sales recorded a -0.8% year-on-year decrease.

For the first half year, Watch & Jewellery retail sales decreased 3.6% from a year earlier and Total retail sales fell 1.2%, despite a jump of 20.6% of visitor arrivals.

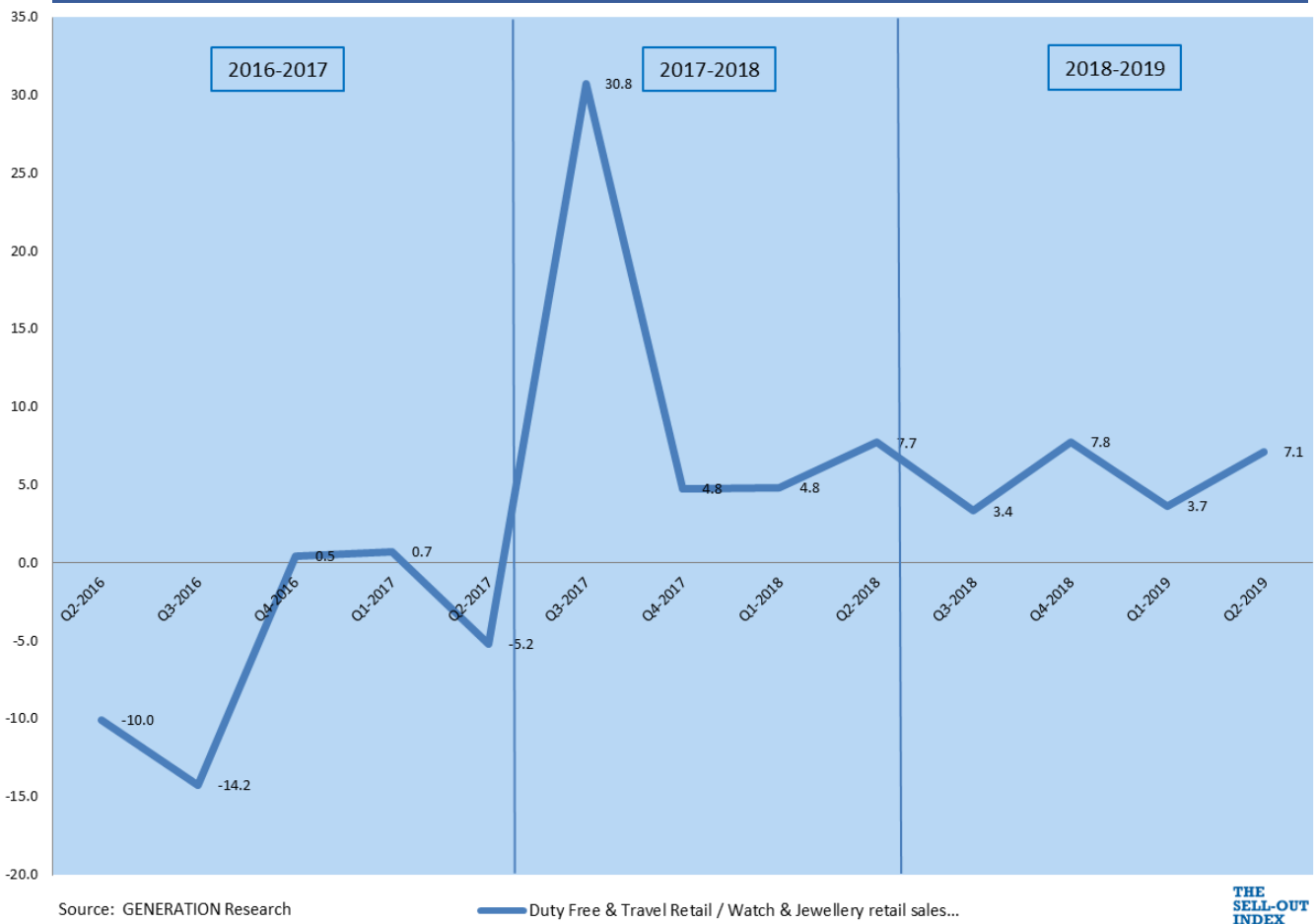
According to the Statistics and Census Service (DSEC), sales of watches, clocks and jewellery stores were MOP 16.1 billion / CHF 1.97 billion in 2018, up from MOP 14.7 billion the prior year (+15.9%). Watches, Clocks & Jewellery accounted for 21.0% of the total value of retail sales in the country.

Duty-Free & Travel Retail – Q2 2019

Watches & Jewellery (& Fine Writing) (incl. their e-commerce activity) – Retail sales YoY

NEW

A dynamic market within a buoyant industry



In Q219, Retail sales of Watches & Jewellery (and Fine Writing) increased 7.1% year-on-year, accelerating from a 3.7% in Q119. In the meantime, Global Duty Free & Travel Retail sales recorded a 14.8% year-on-year rise.

For the first half year, Watch & Jewellery (and Fine Writing) retail sales increased 5.3% from a year earlier and Global Duty Free & Travel Retail sales rose 11.6%, lifted by a sustained growth in Asia-Pacific (South Korea Duty Free shops sales increased 26.7% in H119).

According to **GENERATION**, sales of watches, jewellery and fine writing) stores were USD 6.0 billion / CHF 1.97 billion in 2018, up from USD 5.7 billion the prior year (+6.1%). Watches, jewellery (and fine writing) sales accounted for 7.6% of the Global Duty Free & Travel Retail sales.

ABOUT THE SELL- OUT INDEX:

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)
- Duty Free & Travel Retail (NEW)**

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.

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

SOURCES AND METHODOLOGIES:

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. Read the information displayed in page 14 for further details.

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

NEW: Duty Free & Travel Retail information are provided by **Generation Research**. A key player in this industry, the company possesses the world's largest data bank of duty free and travel retail statistics.

SOURCES AND METHODOLOGIES (CONTINUED)

	Watch & Jewellery definition	Total Retail definition	Data type	Source	Report
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	Monthly retail trade report
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	Report on Monthly Survey of Retail Sales
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	Retail Sales of Enterprises with an annual revenue of 5 million yuan and above
United Kingdom	Watches & Jewellery specialized stores (incl. E-commerce activity)	All Retailing, Excluding Automotive Fuel	At current prices Seasonally adjusted	www.ons.gov.uk	Retail sales index
Singapore	Watches & Jewellery specialized stores (incl. E-commerce activity)	Total (excl Motor Vehicles)	At current prices Non-seasonally adjusted	www.singstat.gov.sg	Retail Sales Index
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	Turnover in Retail trade
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	Indices de chiffre d'affaires dans le commerce
Macau	Watches, Clocks & Jewellery (incl. E-Commerce activity)	Total Retail Sales of Consumer Goods	At current prices Non-seasonally adjusted	www.dsec.gov.mo	Retail sales survey
Duty Free & Travel Retail	Watches, Jewellery and Fine writing	Global Duty Free and Travel Retail sales (Airlines, Airports shops, Ferries, Downtown & Border Duty-Free Stores)	At current prices Non-seasonally adjusted	www.generationresearch.com	

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 in the luxury and market research industries.

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 Q319 (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)

Thierry Huron has been quoted in Le Temps, Business Montres, Europastar, WatchPro and other leading publications about the watch industry.

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.