

Sector View

Luxury Goods

3.3% Swiss watch exports decline in February (-5.3% for first two months)

	1 M	3 M	6 M	31/12/15
Pers & H/H Gds	1.5%	0.4%	3.6%	-1.0%
DJ Stoxx 600	3.9%	-5.4%	-3.7%	-6.6%

*Stoxx Sector Indices

Companies covered

CHRISTIAN DIOR	BUY	EUR177
HERMES Intl	BUY	EUR360
HUGO BOSS	NEUTRAL	EUR87
KERING	BUY	EUR180
LVMH	BUY	EUR182
PRADA	NEUTRAL	HKD41
RICHEMONT	BUY	CHF90
SALVATORE FERRAGAMO	BUY	EUR26.5
THE SWATCH GROUP	NEUTRAL	CHF410
TOD'S GROUP	NEUTRAL	EUR82

Swiss watch exports fell 3.3% in February after dropping 7.9% in January, implying -5.3% for the first two months of the year. The main information from February export figures is the still very challenging situation in Greater China (-20%) and a slightly better situation in the US (+2.4%). The high end segment outperformed the market.

ANALYSIS

- Swiss watch exports fell 3.3% in February 2016 (-7.9% in January), implying -5.3% for the first two months. Although January comps were demanding (+5% in January 2015), this was not the case in February (-2%) which could explain the lower decline in February vs the one in January. Not all price segments were down in February. The high end segment (above CHF3,000 export price) rose 1.4% in value terms (+5.8% in volume) while the trend was negative (-9%) for the medium range (between CHF500 and CHF3,000) and for the segment between CHF200 and CHF500 (-5.5%).
- We would highlight the still very tough market in Hong Kong (-29% or -25% for first two months) although comparison is becoming easier (-15% in HK in February 2015). Exports to Mainland China were down 6.8%. Together, exports to HK & MC declined 20% in February and 23% over the first two months. In the US, the situation improved slightly with a 2.4% increase following -14% in January. The situation was mixed in Europe in February (Italy: +0.1%; Germany: +6.6% but -3.3% in UK and -5.1% in France) while Japan fared very well during the month (+22.4%).
- These figures shows that the watch industry is still under pressure and visibility on Swatch Group sales momentum remains quite low.

NEXT CATALYSTS

- March 2016 Swiss exports to be released on April 21th.

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