



2017: -4.1%
Jan.-Nov. 2017 vs. Jan.-Nov. 2016

BY BERTRAND WEISROCK / MAZARS

UNITED ARAB EMIRATES, OVER-SUPPLY?

The hub for luxury watches in the Middle East has been met with challenging times these last three years. Basically, there is too much supply, with the continuous opening of new extra-large malls, at too high a price for the (now slowing) demand.

The watch market in the United Arab Emirates has been declining since 2015. The Middle East has been the worst performing market for many brands for the last years.

The main reasons are the following:

- Too many malls have been built recently. Consequently, there is an overcapacity for the supply. Brands are closing shops in the old malls to focus on the new malls where customers are going.
- Retailers have too much watch inventory inherited

from the boom years, which still need to be cleared. Therefore, they do not have the right stocks and are trying to sell the old collections.

- The pricing is too high compared to Europe. Since clients are better informed and have more transparency on the price thanks to digitisation, they are buying their watches on other channels or in other countries.
- The difficulty of finding competent staff with customer connections and product knowledge exacerbates the problem of resellers.
- The significant political uncertainties do nothing to encourage buying expensive watches.

The best-selling brands in the United Arab Emirates remain Patek Philippe and Rolex. Hublot and Audemars Piguet are also beloved in the 'big watch' category. The buyers are 60% locals and 40% tourists. Locals are buying the most expensive watches because of the proximity of customer service.

Entry-level and mid-range sales are declining because of the competition of connected watches or non-Swiss made watches. However, the luxury watch market and the connected watch market are two different markets and customers. The only cannibalisation of the connected watch over the luxury watch could be entry-level and/or non-mechanical watches (i.e. steel watches from traditional Swiss brands Baume & Mercier, Frédérique Constant or Raymond Weil). ♦

Swiss watch exports evolution since 2000 (in mio CHF)

2000	180.5
2005	347.3
2010	579.1
2015	950.9
2016	923.6