Watches of Switzerland optimistic about US market growth post-Trump tax cuts

Watches of Switzerland has conveyed a positive outlook for the luxury market in Europe, while highlighting sustained progress in the US, indicative of the global luxury sector's slow emergence from a two-year slump.

According to the watch retailer, the once-stressed luxury market is now showing signs of stability, despite persistent pressures such as decreasing disposable income and evolving consumer tastes, as reported by City AM.

Amidst the cost-of-living crunch, there is a notable trend of European shoppers, particularly those from Generation Z, gravitating towards pre-owned luxury items over new ones.

This shift, coupled with a reduced pace in China, has caused a substantial retraction in the luxury marketplace.

However, Watches of Switzerland, Britain's leading luxury watch retailer, reported that demand for premier luxury brands remained "strong" during the third quarter, with further acceleration observed in the American market.

The company acknowledged that the increase in its Q2 revenue by 24% to £355m was primarily propelled by its performance in the US sector.

U.S. President Donald Trump
(Image: Getty Images)

The tax reductions enacted under former US President Trump, aimed at high earners, are largely anticipated to benefit luxury names with stakes in the American market.

Sharing an optimistic business update that will undoubtedly encourage luxury investors still elated by favourable outcomes from industry peers Richemont and Burberry recently, Watches of Switzerland projects an upward turn.

Anticipating a recovery phase, RBC analysts have described the latest financial figures as “reassuring”, assigning the stock with an ‘Outperform’ rating.

Despite this positive assessment, they recognized that the watch industry remains caught in a cyclical downturn for the present time.

Just prior to the festive season, experts had anticipated a revival in the luxury domain, forecasting a revenue increase of five to six per cent by 2025.

“Whilst luxury has generally been a tough sector [in the second half of 2023 and in 2024]… the setup is improving,” remarked RBC analysts Piral Dadhania and Richard Chamberlain.

Nevertheless, the popularity of pre-owned items is expected to persist. Watches of Switzerland referenced the “encouraging performance” of its second-hand business operations within their report.

Furthermore, the company bolstered its digital position by acquiring an editorially driven media enterprise based in New York that focuses on wristwatches, this past October. Watches of Switzerland reaffirmed its full-year financial projections.