Watch Out!

A quick comment here. The prices of luxury Swiss watches languished in the early to mid 1990s. That was when I started collecting, small and unimportant pieces, mind. Stainless steel sport watches, divers watches, some classic three hand watches. The later part of the 1990s saw a renaissance for the Swiss watch industry. Companies who in the mid 1990s had consolidated and pared down their product offerings began to expand their product range. Weird and wonderful watches were brought to market.

The recession of 2000 put a dent in the bull market in luxury watches, but only a minor dent. The last 6 years have seen a further surge in interest in horology. Prices have been skyrocketing. All manner of complicated watches have been produced to fulfil needs and requirements nobody knew they had.

As prices have risen, so too has production. Companies that used to make several thousand watches today make several tens of thousands of watches. Many watch buyers have seen the prices of their watches double or more in 5 years. Prices of certain watches considered hot and in demand have risen even more quickly and many trade at a premium to list price. But here's the thing. Demand and supply. Clearly wealth creation and the successful marketing efforts of watch companies has led to a surge in demand. Supply has been adjusted to meet demand. Or at least that's what the watch companies have tried to do. The supply of hand made watches can't just be cranked up like some production line. And so prices rise as watches become relatively scarce. However, supply is not entirely constrained either and production capacity certainly has increased significantly in the last 5 years.

Nothing goes up or down in a straight line, and nothing lasts forever. When the economy slows down the next time, I wonder

if it would be wise to count on that hot watch holding its value. A 1960's Patek Philippe perpetual calendar might lose some of its value, but a relatively mass produced 2005 equivalent might not be as resilient.