

Press release

Global quarterly smartphone demand down year-on-year though revenue growth remained strong

April 25, 2018

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- **Global demand declined two percent year-on-year to 347 million units in 1Q18**
- **Average sales price grew 21 percent year-on-year leading to strong revenue growth**

Nuremberg, April 25, 2018 – Global smartphone demand fell two percent to 347 million units in the first quarter of 2018 (1Q18). Demand was especially sluggish in China (down six percent year-on-year) and North America (down five percent year-on-year). However, global smartphone average sales price (ASP) growth accelerated further to 21 percent year-on-year in the first quarter of 2018. As a result, revenue grew 18 percent year-on-year to USD 129.8 billion despite the fall in demand.

Arndt Polifke, GfK's telecom expert, comments, "We start the year with a very different picture to the final quarter of 2017, when smartphone demand records were broken. In the first quarter of 2018 by comparison, there was a year-on-year decline in global smartphone demand. It's perhaps no surprise as we hit saturation point in more markets. On the other hand, consumers are tending to choose higher-priced models as they embrace the latest innovations offered by smartphone brands. As a result, the average sales price grew by an astonishing 21 percent year-on-year to USD 374. This led to 18 percent revenue growth globally, which is exceptional for a maturing industry."

Western Europe: Revenue increased by 23 percent year-on-year

Revenue increased by 23 percent year-on-year in 1Q18 to USD 14.5 billion, driven by a 26 percent rise in ASP which was boosted by growing demand in the ultra-high-end segment. This came despite smartphone demand in **Western Europe** falling two percent year-on-year to 28.3 million units. The markets experiencing the biggest fall in demand the first quarter were **Great Britain** (down 11 percent year-on-year), **Spain** (down seven percent year-on-year) and **France** (down four percent year-on-year). However, while ASP is likely to continue to rise, GfK forecasts smartphone demand in the region to be flat in 2018.

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Central and Eastern Europe: A stellar performance by Ukraine bolsters 1Q18

In **Central and Eastern Europe**, revenue grew by 35 percent year-on-year to USD 5.9 billion. This was driven by a 29 percent rise in ASP, while demand increased five percent to 19.7 million units. **Ukraine** was key to the demand growth, with demand here rising 23 percent in the first quarter. **Russia** and **Poland**, the two largest markets in the region, both experienced two percent year-on-year demand growth. Looking to the full year, GfK forecasts that continued growth in Russia and the Ukraine will drive up smartphone demand in the region by seven percent.

North America: Demands decline in 1Q18

In **North America** smartphone demand declined by an estimated five percent to 35.8 million units. GfK forecasts smartphone demand in North America to decline by two percent in 2018.

Latin America: Demand grows boosted by strong performances in Colombia and Argentina

In **Latin America**, smartphone demand continued to grow in 1Q18, with sales of 32.8 million units, up three percent year-on year. Revenue grew five percent year-on-year to USD 10.3 billion. Although there were declines in both **Brazil** (falling four percent year-on-year) and **Chile** (down 18 percent year-on-year) in the quarter, this was offset by strong growth in **Colombia** (up 41 percent year-on-year) and **Argentina** (up six percent year-on-year). GfK forecasts smartphone demand growth in the region will moderate to three percent in 2018 due to declines in Brazil.

Middle East and Africa: Egypt and South Africa drive growth

In the **Middle East and Africa** region, smartphone revenue grew seven percent year-on-year to USD 11.4 billion in 1Q18. Demand rose two percent to 44.1 million units driven by **Egypt** (plus 42 percent year-on-year) and **South Africa** (plus 13 percent year-on-year), as consumers continued to upgrade from feature phones to smartphones. GfK forecasts unit demand to increase four percent in the region in 2018.

China: ASP increases offset falling demand for smartphones - for now

In contrast to previous years, Lunar New Year promotions failed to drive year-on-year smartphone demand growth in **China**, with demand falling six percent in the first quarter to 109.6 million. However, revenue grew by 14 percent to USD 41.1 billion, with both domestic and international brands persuading the Chinese to migrate to more premium devices. The online sales channel continued to experience strong smartphone demand growth, but this was more than offset by declines in the operator channel. GfK forecasts smartphone demand in China to decline by four percent in 2018 as the market becomes more saturated.

Developed Asia*: South Korea drags region to negative performance

In **Developed Asia**, smartphone revenue increased 13 percent year-on-year to USD 12.4 billion. This was driven by ASP, which rose 16 percent to USD 707. Demand fell three percent year-on-year in 1Q18 to 17.6 million units. Although **Australia** experienced strong demand growth of 22 percent year-on-year, this was offset by a 16 percent decline in **South Korea** demand. GfK forecasts demand in the region to decline by four percent in 2018, dragged by South Korea.

Emerging Asia*: Declining demand in India weighed on the region

In **Emerging Asia**, demand was flat year-on-year at 58.7 million units. However, revenues grew 14 to USD 11.0 billion percent due to rising ASP. In **India**, smartphone demand fell four percent as an influx of low-priced, 4G-enabled feature phones stunted smartphone adoption. In contrast, **Indonesia** and the **Philippines** enjoyed demand growth of 18 percent year-on-year and 16 percent year-on-year, respectively. GfK forecasts smartphone demand in the region will grow seven percent in 2018.

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Note to editors

This release is based on final GfK Point of Sales data for January and February, and March estimates based on weekly data to 31 March 2018.

GfK forecasts end-demand consumer purchases rather than manufacturer shipments. Market sizes are built up by point-of-sale (POS) tracking in 75+ markets with updates on a weekly and monthly basis. For the US, GfK employs proprietary market modeling and consumer research rather than POS to produce its market forecasts. Values are based on unsubsidized retail pricing. Data is available quarterly and the next data set is due in July 2018.

North America data: GfK has recalibrated its US smartphone forecast model, particularly for non-captured segments of the market (including smaller mobile phone carriers, MVNO's and proprietary channels such as manufacturer-owned stores). GfK previously assumed that the mix of non-captured smartphone sales would decline as the major mobile phone carriers gained share. However, analyzing wholesale connections reported by all carriers, GfK concluded that the non-captured segment mix, in fact, continued to increase. Going forward, GfK will size the US market by analyzing carrier reported metrics such as net additions, churn rates and device upgrades.

***Countries included in Developed/Emerging Asia in this release:**

Developed Asia:

Australia
Hong Kong
Japan
New Zealand
Singapore
South Korea
Taiwan

Emerging Asia:

Bangladesh
India
Indonesia
Cambodia
Malaysia
Myanmar
Philippines
Thailand
Vietnam

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