

# Press release

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## Global smartphone sales growth driven by China

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- Low-end smartphones continue to drive market volume growth
- Increases in average selling price partially offset volume decline in the saturated Western Europe market
- China delivers strongest sales growth of 19 percent

Nuremberg, May 19, 2016 – Global demand for smartphones in 1Q 2016 remained positive, standing at six percent year-on-year. This was helped by continued low-end segment growth in the majority of emerging regions, despite weak economies across the globe. Only China experienced strong growth (up 19 percent year-on-year), driven by increased operator subsidies aimed at spurring 4G adoption.

### Smartphone sales 1Q 2015 vs. 1Q 2016

	Units sold (in mil.)			Sales value (in bn. US\$)		
	1Q15	1Q16	Y/Y percent change	1Q15	1Q16	Y/Y percent change
<b>Western Europe</b>	31.8	30.0	-6%	12.5	11.9	-5%
<b>Central &amp; Eastern Europe</b>	16.9	17.1	+1%	3.4	3.5	+3%
<b>North America</b>	43.5	45.4	+4%	17.3	18.1	+5%
<b>Latin America</b>	27.9	24.8	-11%	7.3	6.5	-11%
<b>Middle East &amp; Africa</b>	39.9	42.0	+5%	11.1	10.4	-6%
<b>China</b>	92.0	109.2	+19%	27.3	32.1	+18%
<b>Developed APAC</b>	19.5	18.7	-4%	11.4	10.9	-4%
<b>Emerging APAC</b>	47.8	50.0	+5%	8.2	7.9	-4%
<b>Global</b>	<b>319.3</b>	<b>337.2</b>	<b>+6%</b>	<b>98.5</b>	<b>101.3</b>	<b>+3%</b>

Source: GfK Point of Sales (POS) Measurement data in 90+ markets, May 2016

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Kevin Walsh, director of trends and forecasting at GfK comments, "Quarter one shows continued smartphone growth, however, we are seeing a slowdown in growth rates when we compare year-on-year performance. As a result, we have downgraded our 2016 growth forecast to five percent year-on-year. Operators and manufacturers are responding with a variety of strategies in the different regions, such as increased marketing activity and subsidies."

### North America: Aggressive operators drive growth in 1Q

In North America, smartphone demand returned to growth in 1Q 2016, following a dip in the last quarter of 2015. In total, 45.4 million units were sold, down 19 percent quarter-on-quarter and up four percent year-on-year. The rise in demand was helped by aggressive operator marketing and sales efforts.

However, there are signs that this will not continue at the same level because of the cost. In addition, consumer migration to 4G is in the last quartile of its adoption curve. Traditionally, that is when subscriber retention activities become more important than acquisition, lengthening smartphone replacement cycles.

### **Western Europe: Year-on-year demand falls for the first time as market saturation bites**

30 million units were sold in Western Europe in 1Q 2016, a fall of 29 percent quarter-on-quarter and six percent year-on-year. Sales declined despite strong demand for the Samsung Galaxy S7 and S7 Edge in their first three weeks of launch.

**Germany**, the largest smartphone market in Western Europe, saw a significant fall in demand during this quarter of 11 percent year-on-year. Although GfK expects a slight recovery, it predicts total smartphone demand here will fall three percent year-on-year in 2016.

GfK forecasts a partial recovery in Western Europe in the second half of 2016, helped by the launch of the Apple iPhone 7. This launch could generate more of a sales uplift than 2015's iPhone, buoyed by users who are 24 months on from the strong iPhone 6 and 6 Plus launch now looking to upgrade.

### **Central Europe: Positive outlook as Russia shows signs of recovery**

Smartphone unit demand was at 17.1 million in 1Q 2016, down 24 percent quarter-on-quarter. While growth in demand within **Poland** has slowed since 4Q 2015's strong performance, it appears to have stabilized in **Russia** following poor results in 2015. The outlook for the region is therefore positive, with smartphone unit demand forecast to reach 77 million in 2016, a growth of five percent year-on-year.

### **Latin America: Smartphone demand suffers third consecutive quarterly decline**

Smartphone demand in Latin America continued to decline in 1Q 2016 to 24.8 million units, a drop of 22 percent quarter-on-quarter and 11 percent year-on-year. The **Brazilian** economic and political situation is the major contributor to this decline, and even the Olympic Games are unlikely to provide a much-needed respite for the market.

In comparison, **Argentina** saw strong demand in 1Q 2016 as the economy

finally started to show signs of a recovery. Overall, however, smartphone demand in the region will remain weak with 2016 posting a decline of 12 percent year-on-year. Looking at the region without Brazil, performance is more promising, up seven percent year-on-year.

#### **Middle East and Africa: Macroeconomic weakness slows growth**

Growth in the Middle East and Africa (MEA) slowed significantly to five percent year-on-year in 1Q, down from 12 percent growth in 4Q 2015 year-on-year. Falling oil prices in **Saudi Arabia and Nigeria** resulted in weak demand.

ASP in the region eroded considerably to US\$247 (down 11 percent year-on-year). The main cause was a shift in demand to the sub-US\$100 price band, which accounted for 26 percent of the total smartphone sales in the quarter, up from 22 percent in 1Q 2015.

GfK forecasts that MEA will post an increase of 12 percent year-on-year to 183 million units in 2016.

#### **China: Strongest growth in demand for almost two years**

Smartphone demand in **China** reached 109.2 million in 1Q 2016, up two percent quarter-on-quarter and 19 percent year-on-year. This is the strongest year-on-year growth in demand in two years.

The desire for 4G is behind the impressive growth, with 4G smartphone demand in 1Q 2016 up 58 percent year-on-year. Increased operator subsidy support and the falling cost of data plans have made 4G smartphones more attractive and affordable. More than 95 percent of smartphones sold in the first quarter of 2016 were 4G enabled.

Overall, total smartphone demand in China will be 411 million units in 2016, up seven percent year-on-year.

#### **Developed Asia Pacific\*: A tale of saturation and subsidies**

In 1Q 2016, smartphone demand totalled 18.7 million units, down seven percent quarter-on-quarter and four percent year-on-year. However, it's not all gloom in the region.

**Japan** saw a return to mild growth of one percent year-on-year in 1Q 2016. This was helped by a rush to buy smartphones under operator price promotions early in the quarter, ahead of the government-imposed restrictions on promotions announced for February. After these restrictions became effective in February, demand turned negative for the rest of the quarter. The outlook for 2016, though, is positive, and GfK forecasts growth of one percent.

Japan's positive performance was more than offset by declines in other major countries, including **S. Korea and Australia**. This was despite a

strong performance from Samsung's Galaxy S7 and S7 Edge, which launched in the quarter.

GfK expects demand to decline by eight percent year-on-year in 2016, due to a saturated smartphone market.

### Emerging Asia Pacific\*: Temporary slowdown in 1Q

Emerging Asia Pacific (APAC) was the powerhouse of smartphone growth throughout last year, but the region experienced a considerable drop in year-on-year growth, from 24 percent in 4Q 2015 to five percent in 1Q 2016.

This slow-down was caused by India, where demand was dampened by operators increasing data rates. GfK expects the impact to be temporary, because new operators set to enter the market later this year could ignite a local price war. The "Make in India" initiative is also likely to help keep prices down.

Price competition intensified further in 1Q 2016 in the key markets of **India and Indonesia** as local and Chinese vendors continued to offer cheaper smartphones. Despite this, smartphone penetration in the sub-US\$100 price band remained at only 30 percent, leaving plenty of room for smartphone demand growth.

### Smartphones: 2015 sales vs. 2016 forecast

	Units sold (in mil.)			Sales value (in bn. US\$)		
	2015 sales	2016 forecast	Y/Y percent change	2015 sales	2016 forecast	Y/Y percent change
<b>Western Europe</b>	137.3	133.6	-3%	53.6	51.1	-5%
<b>Central &amp; Eastern Europe</b>	73.4	77.1	+5%	14.8	14.7	-1%
<b>North America</b>	190.8	197.4	+3%	78.0	76.9	-1%
<b>Latin America</b>	110.3	97.2	-12%	27.1	23.4	-14%
<b>Middle East &amp; Africa</b>	162.6	182.7	+12%	42.1	42.4	+1%
<b>China</b>	385.3	411.5	+7%	115.8	120.4	+4%
<b>Developed APAC</b>	73.5	67.3	-8%	43.1	38.4	-11%
<b>Emerging APAC</b>	201.1	229.5	+14%	32.9	33.4	+2%
<b>Global</b>	<b>1,334.2</b>	<b>1,396.3</b>	<b>+5%</b>	<b>407.4</b>	<b>400.7</b>	<b>-2%</b>

Source: GfK Point of Sales (POS) Measurement data in 90+ markets for calendar year 2015 and GfK forecasts for calendar year 2016, as at May 2016.

Arndt Polifke, global director of telecom products at GfK concludes, "The connected consumer is evolving from connectivity to complete and seamless integration with technology. For smartphones, there is still growth to come from connectivity, especially in the emerging markets. Already though, we are seeing how the next wave of growth from wearables, virtual reality and smart home can be complementary to smartphone



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growth in 2016 and beyond.”

**-Ends-**

**Note to editors**

GfK forecasts end-demand consumer purchases rather than manufacturer shipments. Market sizes are built up by point-of-sale (POS) tracking in 90+ 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 May 2016.

GfK continually works to ensure its panel data is as accurate a reflection of the end market as possible. When a change is made to the number of participants in our panel, GfK will amend historical data to better reflect the impacted end market. For example, when a new retailer joins, the addition of their historic sales may lead to slight adjustments to actual data.

**\*Countries included in Developed/Emerging APAC in this release:**

**Developed APAC:**

Australia  
Hong Kong  
Japan  
New Zealand  
Singapore  
South Korea  
Taiwan

**Emerging APAC:**

India  
Indonesia  
Kampuchea (Cambodia)  
Malaysia  
Philippines  
Thailand  
Vietnam

**About GfK**

GfK is the trusted source of relevant market and consumer information that enables its clients to make smarter decisions. More than 13,000 market research experts combine their passion with GfK’s long-standing data science experience. This allows GfK to deliver vital global insights matched with local market intelligence from more than 100 countries. By using innovative technologies and data sciences, GfK turns big data into smart data, enabling its clients to improve their competitive edge and enrich consumers’ experiences and choices.

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