

China's smartphone market suffers first ever annual decline as shipments fall 4% in 2017

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The growth story of the world's largest smartphone market, China, came to an end as it suffered its first-ever annual decline, with shipments down by 4% from 2016 to 459 million units in 2017.

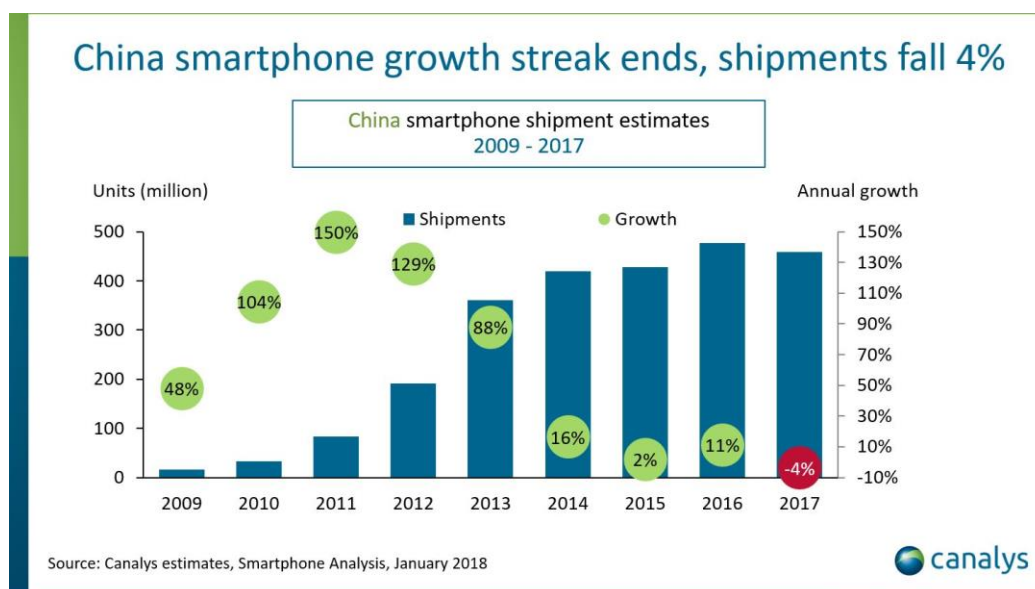
This drop was partly due to China having one of its worst year-on-year performances in Q4 2017,



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with shipments plummeting by over 14% to just under 113 million units. Huawei grew shipments by 9% against the overall market decline, shipping more than 24 million smartphones and staying on top. Shipments fell for both Oppo and Vivo, by 16% and 7% respectively, but they held onto their

respective second- and third-place positions. Oppo shipped 19 million smartphones, while Vivo shipped 17 million. Apple overtook Xiaomi to take fourth place, pushing Xiaomi back to fifth with 13 million units.



Huawei had its best ever quarter in its home market, shipping more than 24 million smartphones in Q4, to reach a total of 90 million in 2017. "Huawei's push into tier-three and tier-four cities has

yielded positive results,” said Canalys Research Analyst Mo Jia. “Nova and Honor have successfully gained share from smaller vendors, such as Gionee and Meizu. Honor’s performance has complemented Huawei’s success, by contributing more than half of Huawei’s total shipments. But competition between Huawei and Honor is getting fierce, and Huawei must deal with possible internal cannibalization.”

Despite the dip in Q4, Oppo and Vivo both saw double-digit annual growth in 2017. “The market has slowed faster than expected. Being aware of inventory issues, both vendors have set up flagship stores in tier-one cities to boost their branding and drive value growth,” said Jia. “Failure to drive footfall, however, will threaten Oppo and Vivo’s ongoing channel transformation and render the exercise futile.”

“The declining Chinese market will have a detrimental impact on those Chinese vendors that have been heavily relying on their home market,” said Canalys Research Analyst Hattie He. “It will affect their cashflow and profitability, limiting overseas expansion and bringing into question future survival. The threat to vendors such as Gionee and Meizu is now closer than ever.” With Lenovo and ZTE refocusing on the Chinese market in 2018, competition will intensify among vendors outside the top five. “There is little room left for the smaller vendors,” said He. “The leading players will make aggressive plans to maintain or grow their market share. We can expect a major market shake-up in China in 2018.”

Smartphone quarterly estimate and forecast data is taken from Canalys’ Smartphone Analysis service.

For more information, please contact:

Canalys APAC (Shanghai): +86 21 2225 2888

Mo Jia: mo_jia@canalys.com +86 21 2225 2812

Hattie He: hattie_he@canalys.com +86 21 2225 2814

Canalys APAC (Singapore): +65 6671 9399

TuanAnh Nguyen: tuananh_nguyen@canalys.com +65 6671 9384

Lucio Chen: lucio_chen@canalys.com +65 6657 9301

Canalys EMEA: +44 118 984 0520

Ben Stanton: ben_stanton@canalys.com +44 118 984 0525

Canalys Americas: +1 650 681 4488

Vincent Thielke: vincent_thielke@canalys.com +1 650 656 9016



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Americas: Suite 317, 855 El Camino Real, Palo Alto, CA 94301, US | tel: +1 650 681 4488

APAC: Room 310, Block A, No 98 Yanping Road, Jingan District, Shanghai 200042, China | tel: +86 21 2225 2888

APAC: 133 Cecil Street, Keck Seng Tower, #13-02/02A, Singapore 069535 | tel: +65 6671 9399

EMEA: Diddenham Court, Lambwood Hill, Grazeley, Reading RG7 1JQ, UK | tel: +44 118 984 0520

email: inquiry@canalys.com | web: www.canalys.com