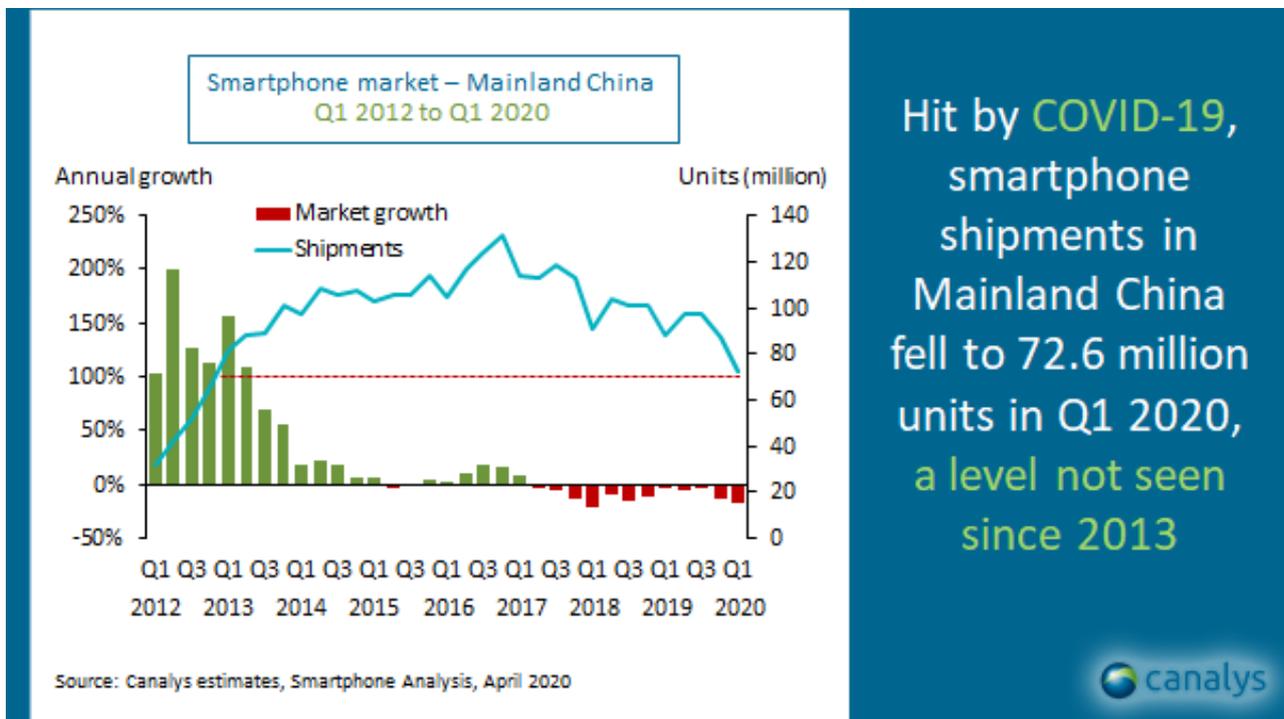


Canalys: Smartphone shipments in China reach 73 million in Q1 2020, down 18% year on year

Shanghai (China), Bengaluru (India), Singapore, Reading (UK) and Portland (US) – Friday, 1 May 2020

China's smartphone market took a big hit in Q1 2020, as the country struggled with COVID-19. According to Canalys' latest data, smartphone shipments fell 18% year on year in the world's largest market. The major smartphone vendors were resilient during the coronavirus pandemic, with the top five all reporting better-than-expected results. Huawei was the leading vendor in the Chinese market, recording another terrific quarter, and the only top-five vendor to grow shipments annually amid the difficult market conditions. Oppo retained second place, while Vivo took third, with shipments down 26% and 19% respectively. Xiaomi suffered a 26% year-on-year decline in Q1 to remain in the top four, followed by Apple in fifth.

"The smartphone's status as an 'essential' personal item has stopped the market falling further during the pandemic," said Nicole Peng, VP Mobility. "The Q1 performance was also buoyed by China's well-established ecommerce channel for smartphone distribution, and the fact that most Chinese businesses were able to resume work rapidly after two weeks of nationwide travel restrictions. Unfortunately, the same conditions do not apply in any other major markets in the world."

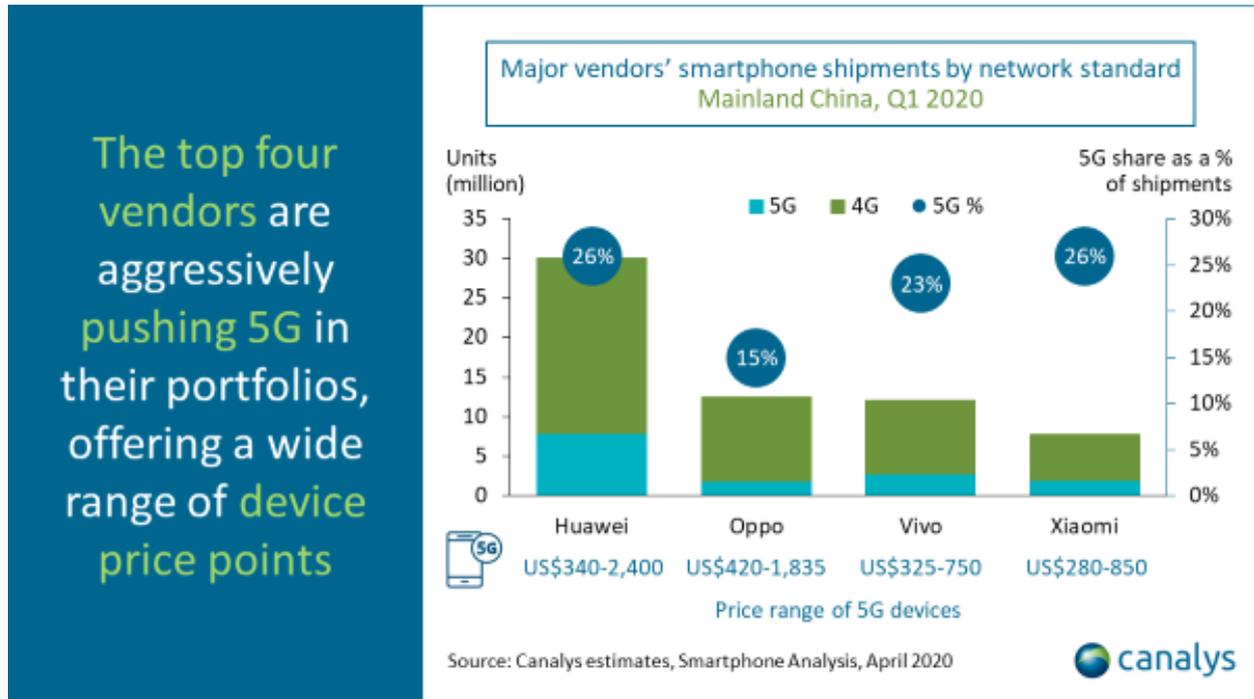


Hit by **COVID-19**, smartphone shipments in Mainland China fell to 72.6 million units in Q1 2020, a level not seen since 2013

“The vendors with the greatest financial resources, supply chain control and negotiating power with the channel are recovering fastest, while smaller vendors have been brought down,” said Canalys Analyst Mo Jia. “The coronavirus crisis has pushed the market toward the top five, which now account for nearly 95% of the total market. Huawei, for example, is using its strength in the 5G supply chain, and its channel volume, to suppress its rivals. Its flagship P and Mate series smartphones are widely considered to be the only serious challengers to Apple’s iPhones at the high end, which creates momentum and positive brand sentiment to drive the rest of its device portfolio. Distribution channels are increasingly dependent on Huawei’s high-end business, which yields higher margins. Its peers, Xiaomi, Oppo and Vivo, have only recently ramped up investment in their own flagships, and these are not yet seen as strong alternatives to Huawei’s models,” said Jia.

The pandemic has not had a material impact on China’s 5G progress, both in terms of infrastructure deployment from operators and device roll-out from handset vendors as many of them switched to online launches. “Huawei is leading in 5G market share after six months of commercial roll-out,” said Louis Liu, Research Analyst. “In the latter stages of Q1, it benefited from a sizable inventory, which was built up ahead of the lockdown. Oppo, Xiaomi and Vivo are pushing aggressively too, but their 5G shipments have been affected by the Q1 production shock. Later this year, operators will start to bring down 5G tariff costs, and provide a variety of sales incentives for 5G devices. But before that happens, device vendors will need to drive end-user demand

themselves, which will include bringing 5G smartphone prices below CNY1,500 (US\$200) by the end of 2020.”



“Looking ahead, we remain cautious about the speed of recovery in China’s smartphone market this year, and maintain our best-case scenario of 326 million shipments for 2020, including 137 million 5G smartphones. Rising unemployment, especially in the manufacturing, retail, travel and tourism industries, as well as the sharp decline in company revenue and profits, casts a shadow over domestic consumer confidence and spending power. This, in turn, will have a negative effect on the market’s ASP. The macroeconomic situation is a huge red flag for China’s market players this year,” said Peng.

People’s Republic of China (mainland) smartphone shipments and annual growth Canalys Smartphone Market Pulse: Q1 2020

Vendor	Q1 2020 shipments (million)	Q1 2020 market share	Q1 2019 shipments (million)	Q1 2019 market share	Annual growth
Huawei	30.1	41.4%	29.9	33.9%	1%
Oppo	12.5	17.2%	16.8	19.1%	-26%
Vivo	12.1	16.7%	15.0	17.0%	-19%
Xiaomi	7.8	10.7%	10.5	11.9%	-26%

Apple	6.2	8.5%	6.5	7.3%	-4%
Others	4.0	5.5%	9.5	10.7%	-58%
Total	72.6	100%	88.1	100%	-18%

Note: percentages may not add up to 100% due to rounding
Source: Canalys Smartphone Analysis (sell-in shipments), April 2020

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