

Apple Fell to Number Three in 1Q19, While a Worsening US-China Trade Dispute May Add Insult to Injury, Says TrendForce

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According to investigations by global market research institute, [TrendForce](#), despite the sudden orders in the first quarter, recovery was not as up to strength compared with the same period a year ago, due to customers' declining desire to replace smartphones. The global smartphone production volume for 1Q19 totaled 311 million units, showing a YoY decrease of 9%. The outlook for 2Q19 indicates that smartphone demand will stabilize, and the traditional busy season for stock-up activities will arrive in the latter half of the second quarter. Thus the global smartphone production volume in 2Q19 is forecasted to register no significant YoY change over 2018, holding steady at the level of 350 million units. TrendForce further forecasts that the global production volume in 2019 will contract by 3.7% from 2018 to around 1.4 billion units.

In view of the escalating US-China trade dispute, TrendForce suggests that if the US is confirmed to impose a 25% tariff on US\$325 billion worth of imports from China, including smartphones, notebook PCs, monitors and many daily necessities, Apple will be most affected among other smartphone brands.

TrendForce points out that Apple phones take up a 40% market share in the American market, yet most of its major production bases are located in China, with only a few of its phones produced in India. Major OEMs include Foxconn, Pegatron etc., all of which have no plans to relocate their facilities in the short term. If these tariffs are to fly, they are predicted to greatly affect the sales performance of Apple phones while benefitting Samsung, who has its production bases in Vietnam. But since Apple, unable to move production back to the US, plays a heavy role in America's economy, the US will probably lay out exemptions for Apple products or apply other modes of tariffs in order to mitigate the damage from inflation.

China has also declared a tariff of 5%-25% on US\$60 billion worth of American produce and daily necessities on May 13, Taipei Time. Although these tariffs did not extend to electronic components, the global economy is feared to have been derailed as the world's two economic superpowers bring the trade war to a whole new level.

Huawei will continue to post production growth in 2Q19, whereas Apple will experience decline QoQ

TrendForce's ranking of smartphone brands by production volume for 1Q19 shows that the top six global brands, in order, were Samsung, Huawei, Apple, OPPO, Xiaomi, and Vivo. Despite the depression in demand, top contender Samsung showed no noticeable fluctuations in production thanks to the release of its flagship Galaxy S10 and stable sales across regional markets. Samsung's production volume for 1Q19 totaled 72.5 million units, at a level similar to the year before, while their second season sales are forecast to reach 73.5 million units, not budging by much QoQ.

Huawei not only took the second place in the production ranking for 1Q19 but was also the biggest overall winner for the period. Besides the strong market performance of its Mate series, Huawei also benefited from increased sales in Latin America and the Middle East. Another reason for their meteoric rise was that Huawei has further built up its component inventories in anticipation of any possible, sudden fallouts from the US-China trade dispute. Its production volume grew by nearly 44% YoY to 60.5 million units (Huawei's own shipment tally shows 59.1 million units). From the second quarter onwards, Huawei will be bringing up production volume growth by leveraging the developmental breakthroughs in high-end phones, particularly its new flagship P30 series. Huawei's production volume is therefore projected to total 63.1 million, a 4% growth QoQ.

As for Apple's iPhone devices, the worldwide sales of its latest models have been lower than expected mainly because of slightly higher pricings. China, previously one of the main battlegrounds for Apple's high-end phones, saw Apple sales 1Q plummet by 26% YoY to 41.5 million units due to the double whammy of the US-China trade dispute and the increasing competition from Huawei's high-end smartphones. Apple slid to third place globally.

Although increasing orders for iPhone XR will sustain Apple during the second quarter, traditionally the transition period between old and new smartphone models, consumers are generally predicted to look on for the meantime. Hence, TrendForce forecasts that the total iPhone production volume for 2Q19 will still register a drop from the previous quarter to around 40 million units.

OPPO, Xiaomi, and Vivo respectively took the fourth, fifth, and sixth place in the production ranking for 1Q19. These three Chinese brands face the same predicaments: The three brands are domestically hard-pressed by a market-aggressive Huawei while faced with an overall saturated market, impeding their efforts to turn the tables. Regarding the individual performances of the three brands, OPPO's production volume for 1Q19 dipped by 4% YoY to 26.8 million units. OPPO's production volume for 2Q19 is forecasted to be on par with the result for the same period last year, totaling around 30.5 million units.

Fifth-place Xiaomi focused on reducing its inventory of whole devices in 1Q19. Its production volume for the period dropped by 17% YoY to 24.5 million units (the company recorded 27.5 million units in shipments). With domestic sales being weaker than expected in the recent period, Xiaomi now relies heavily on overseas markets to boost its quarterly performance. TrendForce therefore forecasts that Xiaomi will again post a YoY decline in its smartphone production for 2Q19, with the total coming to around 27.8 million units.

Sixth-place Vivo raised its quarterly production volume by more than 10% YoY in 1Q19 to a total of 21.8 million units. The brand was able to post an admirable production performance in 1Q despite the influence of the off-season, because it had managed to effectively bring its inventory under control at the end of 4Q18. For 2Q19, Vivo is forecasted to increase its production volume from the prior quarter to a total of 27.2 million units with the recovery of the global market and the release of new devices.

Taken together, the recent performances of smartphone brands have yielded several interesting observations. First, Huawei's major market share gains in the face of limited global demand implies a crowding out of other competitors. Xiaomi, OPPO, and Vivo took the brunt of Huawei's expansive force due to the high degree of market overlap. Despite their efforts to capture sales overseas by increasing the proportion of online shipments or repositioning their brands or sub-brands, in light of the negative growth of the global demand, TrendForce predicts a steady 3Q19 production volume YoY to be the best they can hope for.

About TrendForce

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