

Smartphone production falls a record 16.7% year-on-year in Q2/2020

A rebound of 17.2% is expected from Q2 to Q3, but 2020 will still be down 11.3% on 2019, reckons **TrendForce**.

Global smartphone production reached 286 million units in second-quarter 2020, a slight quarter-to-quarter rebound of 2.2% but a record 16.7% decrease year-on-year, according to TrendForce. The COVID-19 pandemic has compelled governments worldwide to impose border closures and regional lockdowns, which led to significant declines in various countries' GDPs this year as economic and social activities around the world have stagnated, notes the market research firm.

Governments in many countries have now started to ease some of the restrictive measures for containing COVID-19 and launched economic stimulus policies to generate consumer demand, TrendForce adds. These developments will be beneficial for the smartphone market's potential rebound going into second-half 2020. Smartphone production in Q3/2020 is expected to amount to 335 million units, down by 10.1% year-on-year but up 17.2% on Q2.

Samsung the only top-six manufacturer to see market share fall; Huawei's share in China may be cannibalized by competitors

In the course of the COVID-19 pandemic since March, the situation has become worse for most countries. By region, the major markets for Samsung smartphones are Europe, the USA and India. Their outbreaks were very severe during Q2/2020, and this affected Samsung more than the other brands in the top six. Samsung led the industry in terms of smartphone production with 55 million units in Q2, but it is also the only top-six brand that posted a quarter-to-quarter decline, approaching 16%. In Q3, as China-US tensions intensify due to the latter's sanctions against Huawei, and China-India relations continue to destabilize, Samsung has been building up its inventories as it targets the entry-level and mid-range segments in order to compensate for its poor performances in the previous quarter. Samsung's production volume is likely to increase in Q3.

Placing second in the production ranking, Huawei, which continues to rely heavily on the Chinese market, raised

its smartphone production by 13% quarter-to-quarter to about 52 million units in Q2. Competition in this market is expected to intensify in Q3 as brands release their new flagship models in second-half 2020.

Huawei's smartphone sales in overseas markets have been falling sharply since the end of 2019 as the effect of the trade actions by the US government began to take its toll. These measures will make R&D on in-house mobile processors and the sourcing of components much more difficult for this Chinese smartphone brand. Given that Huawei depends on China for smartphone sales, other Chinese brands — including Xiaomi, OPPO and Vivo — are expected to cut into Huawei's market share.

Apple's iPhone production in Q2/2020 rose by 8% quarter-to-quarter to 41 million units due to above-expected sales of the iPhone SE and iPhone 11, giving the brand third place in the ranking. In Q3, demand for the iPhone SE and iPhone 11 is expected to remain strong. At the same time, Apple will begin mass producing the four new models in the (tentatively named) iPhone 12 series, which are equipped with 5G capabilities, raising its quarterly smartphone production. The bill-of-materials (BOM) costs of the iPhone 12 models are significantly higher compared with the models in the previous series because of the 5G support. To cut costs and stabilize retail pricing, Apple is selling the upcoming iPhones without accessories such as wired earphones, power adapter, etc. This is expected to help with sales performance. However, recent orders by the Trump administration barring US businesses from carrying out transactions with TikTok, WeChat and their respective parent companies ByteDance and Tencent may have an impact on Apple's sales performances in the Chinese market going forward, reckons TrendForce.

Xiaomi is fourth in the production ranking for Q2/2020 with 29.5 million units, OPPO (including OPPO, OnePlus, and realme) is fifth with 27.5 million, and Vivo is sixth with 26.5 million. The three Chinese brands benefitted from the recent recovery of their home market. Furthermore, they also took advantage of the precautionary inventory building in the overseas retail channels dur-

ing first-half 2020. Retailers stocked up aggressively during that time in fear of pandemic-related disruptions. They hence all posted a rise of more than 10% quarter-to-quarter for Q2.

Recent border tensions between India and China have placed considerable pressure on the three brands' sales

efforts, since they all count on India as one of their major foreign markets. On the other hand, they have been cultivating their presence in the country for a long time. This, combined with their products' price competitiveness, may be enough to get them through this difficult period with their market shares relatively intact, predicts TrendForce. Nevertheless, Chinese smartphone brands will be very constrained in terms of growth if the relationship between their home country and India remains tense.

Xiaomi, OPPO and Vivo will continue to prioritize the entry-level and mid-range segments in their overseas expansion strategies (which include regions such as Europe, India, Southeast Asia and Russia) over the long term. In China, the three brands will capitalize on the Chinese government's push to commercialize 5G services by being more proactive in the development and pricing of 5G smartphones.

Company	2Q20		3Q20E	
	Ranking	Market Share	Ranking	Market Share
Samsung	1	19.2%	1	23.5%
Huawei	2	18.2%	2	14.0%
Apple	3	14.3%	3	13.3%
Xiaomi	4	10.3%	5	11.5%
OPPO	5	9.6%	4	11.8%
Vivo	6	9.3%	6	8.2%
Total Production Volume (Unit: M)		286.1	335.2	

Ranking of global top-six smartphone brands by production for Q2/2020.

Rebound in production and sharp rise in 5G penetration expected in 2021

TrendForce forecasts annual smartphone production of 1.24 billion units for 2020, down 11.3% year-on-year. However, assuming that the pandemic can be brought under control in 2021, total smartphone production is likely to rebound next year.

In addition, to maintain their market shares in the face of the recent demand slump, smartphone brands are pushing out 5G models from this year.

Since mobile system-on-chip (SoC) suppliers such as Qualcomm and MediaTek are also starting to provide 5G solutions for mid-range and high-end smartphones, the share of 5G models in total smartphone production is projected to grow rapidly to 19.2% for 2020 (a penetration rate equivalent to about 238 million units).



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