

China's idling economy to slow down global smartphone market

Article

The data: The economic downturn in China will be a factor in dragging down worldwide smartphone shipments in 2022. IDC's latest forecast is pointing to a 3.5% global decline, [per Bloomberg](#).

The world's biggest smartphone market stumbles: When China falters, global markets feel the squeeze. China's smartphone market is expected to shrink by 38 million units this year,

down 11.5% YoY.

- This represents four-fifths of the global shipment reduction volume behind Central and Eastern Europe, a market whose economy is clouded by ongoing war.
- **COVID-19 lockdowns, surging inflation, geopolitical angst, record-high oil prices, and cooling consumer spending are compounding economic recovery** in various countries.
- IDC says **Apple** “appears to be the least impacted vendor due to greater control over its supply chain ... and customers in the high-priced segment are less influenced by macroeconomic issues like inflation.”
- Despite this, Apple has already taken a more conservative stance and is keeping iPhone production flat in 2022, producing 220 million iPhone units for the second year, [per Bloomberg](#).
- In contrast, Chinese smartphone makers are [facing the worst drop in shipments](#) since the pandemic started, a trend that is expected to continue until parts of China recover from the mandated two-month lockdown.

The bigger picture: China isn't just the world's largest market for smartphones—it is the key producer for various brands. **The country produced more than 70% of the smartphones shipped to the US**, [per Canalis](#), and builds devices for brands like **Vivo, Oppo, Huawei, Xiaomi**, and others.

- China's economic recovery, or how quickly it can bounce back from factory closures and production slowdowns, will likely be a key indicator of return to growth for smartphone manufacturers.
- IDC still expects a 5% growth in 2023 following various landmark smartphone releases, including a redesigned **iPhone 14**, **Google's** flagship **Pixel 7**, and **Samsung's** latest flagships and foldables.

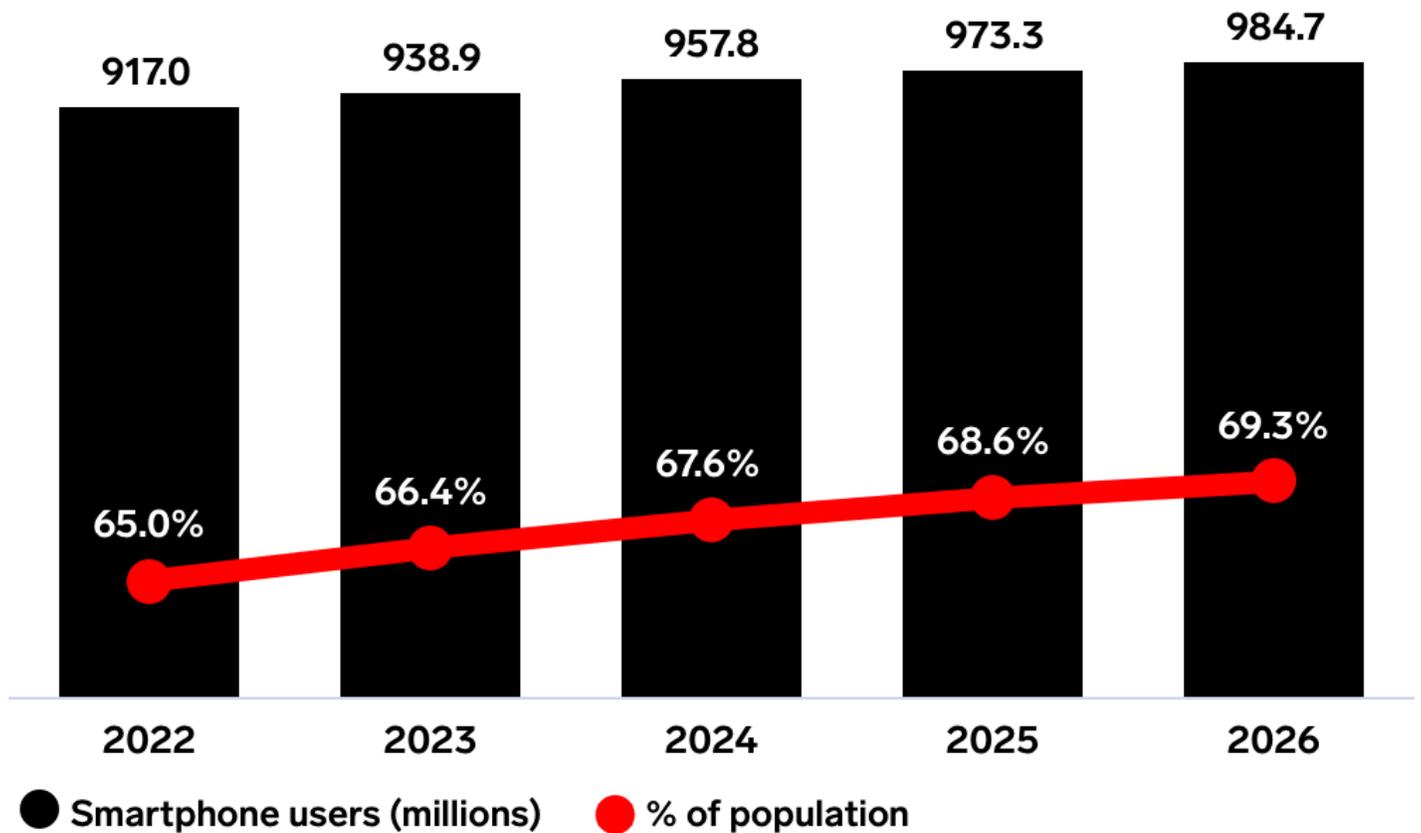
What's next? The toll of inflation, the **chip shortage**, as well as increasing transport and storage costs due to oil price hikes will inevitably raise smartphone prices as a whole.

- Price increases will come at a time when consumers are holding off on upgrades after their recent **5G** transitions.
- This is an opportunity for entry-level and mid-range smartphone manufacturers to grab a larger market share with affordable 5G-capable smartphones.

- The void left by Chinese manufacturing slowdowns also leaves an opening for manufacturers in other countries to ramp up capacities to fill resulting backlogs.

Smartphone Users

China, 2022-2026



Source: eMarketer, February 2022

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