Handset Market Growth Drops to 6% in 2008

Contributed by IMS Research
Tuesday, 25 March 2008

26 March 2008 Â Worldwide shipments of new cellular handsets will grow to 1.2 billion in 2008, showing only 5.7% growth over 2007. The slowdown of growth is attributable to several factors, including economic challenges and a slowdown in sales of replacement handsets in highly penetrated markets.

The global handset market is forecast to see slowing growth for 2008, with year-on-year growth only achieving 5.7% according to the IMS Research Online Cellular Database. This is significantly lower than previous years, which enjoyed double digit growth. Shipments for new handsets are forecast to hit 1.19 billion for 2008, up from 1.12 billion in 2007.

The region that will experience the least impact is Asia, with China and India continuing to perform strongly, resulting in 10.7 percent growth from 2007 to 2008. The Americas will only experience 7% growth, largely as a result of economic challenges being faced in the US. Europe is forecast to experience negative growth at -1.2%, largely due to challenges being faced by the large number of highly penetrated markets.

The slowdown in growth can be attributed to several factors. A general softening of the global economy is expected to have an impact on worldwide handset sales. The average consumer will have less disposable income available, which will restrict their ability to either upgrade their existing handset, or to add a second handset. This is coupled with the fact that many post-paid customers are being encouraged to sign 18-24 month contracts with their carriers, extending the replacement cycle and slowing

This is coupled with the fact that many post-paid customers are being encouraged to sign 18-24 month contracts with their carriers, extending the replacement cycle and slowing growth. These factors will be especially relevant in mature markets such as Western Europe, which has a number of countries that are at or above 100% penetration. Growth in these areas is entirely dependant on consumers not only replacing existing handsets, but also purchasing additional handsets on the basis of specific features or aesthetics.

According to Bill Morelli, Mobile Technologies analyst at IMS Research, there are already signs of this slowdown occurring in the market. â€œRecent announcements from Texas Instruments and Sony Ericsson have highlighted the fact that demand is not as strong for high-end handsets, especially in mature marketsâ€• states Morelli. â€œWhile this is a cause for concern, the overall handset market is still expected to grow in 2008, just at a more conservative pace than initially expected.â€• The global penetration rate for mobile handsets stands at 50%, leaving room in the market for continued growth, much of which is expected to come from Africa, Asia, and the Middle East.

Quarterly updates to the global handset market are available through IMS Researchâ€™s Online Cellular Database.