



GCC Mobile Phone Market Enjoys Robust Growth Despite Challenges Faced by Huawei

Dubai – The overall mobile phone market of the Gulf Cooperation Council (GCC) experienced robust year-on-year (YoY) unit growth of 11.5% in Q2 2019, with shipments totaling 6.5 million devices worth \$1.7 billion, according to the latest figures announced today by global technology research and consulting firm International Data Corporation (IDC). Quarter on quarter (QoQ), shipments were up 8.0%, continuing the growth seen in Q1 2019,

Despite shipments declining 4.5% YoY in Q2 2019, the feature phone market experienced QoQ growth of 5.5% to total 1.7 million units. The smartphone market, spurred by particularly strong performances in Saudi Arabia, the UAE, and Qatar, totaled 4.7 million units, up 19.0% YoY and 8.9% QoQ. Combined mobile shipments declined in Bahrain (-5.9%), Oman (-4.4%), and Kuwait (-12.0%) QoQ; these declines were caused by a downturn in smartphone shipments, with the feature phone segments remaining stable in each of these countries.

"Smaller GCC markets like Bahrain, Oman, and Kuwait have seen their smartphone markets contract due to a reduction in consumer spending caused by the introduction of new levies, a difficult job market, and changing government policies," says Akash Balachandran, a senior research analyst at IDC. "Kuwait has seen a significant degree of consolidation in terms of brands, while the implementation of new taxes (e.g., Utility Tax, VAT) has reduced the purchasing power of Bahraini residents. In Oman, the government's Omanization policy has caused a significant drop in the expat population, which has naturally impacted the mobile phone market. By contrast, Saudi Arabia's smartphone market is seeing growth as the market finally stabilizes following all the upheaval caused by domestic policy and regulatory changes in recent years."

Despite May's announcement of a ban on U.S. companies doing business with Huawei, the GCC's smartphone vendor rankings remained unchanged in Q2 2019, with Samsung first (42.9% unit share), Huawei second (22.8%), and Apple third (18.4%). While Huawei experienced a sharp halt in shipments in June, immediately following news of the ban, its overall volumes for the quarter were not impacted as significantly as anticipated, despite a third of the quarter being hit so drastically. Indeed, shipments of Huawei smartphones in the GCC were down only 10.6% on the previous quarter in Q2 2019.

"This is because a significant portion of Huawei shipments took place earlier in the quarter and at an increased pace, which helped to counteract the declines seen following the ban towards the end of the quarter," says Nabila Popal, a senior research manager at IDC. "Furthermore, most of the negative impact for Huawei was on their premium devices, whereas their midrange and entry-level devices, which make up the bulk of their shipments, were significantly less impacted. As a result, the overall quarterly volume of Huawei, and in turn the smartphone market itself, did not suffer as much as it could have done."

Additionally, the seamless timing of Samsung's well-received budget and midrange offerings saw the vendor capture whatever share was dropped by Huawei, helping to offset any potential declines the GCC smartphone market may have suffered. "The success of Samsung's new A-series range – the successor to the previously popular J-series range – highlights the market shift seen towards midrange devices," says Popal. "The A-series represents a great value-for-money proposition and its introduction offers consumers a timely alternative to Huawei devices. This saw Samsung increase its unit share of the GCC smartphone market by 8.4 percentage points from the previous quarter."

Looking ahead, IDC expects overall GCC mobile phone shipments to close 2019 up 3.5% YoY. "This growth will be spurred entirely by the smartphone market, which is set to post a 10.1% YoY increase in shipments for the year as a whole," says Popal. "Despite the initial panic, Huawei's shipments have already resumed following a brief halt in June and are expected to return to normal levels by end of 2019, as strong incentives and communications are put in place by the vendor to reassure channels and consumers alike about Huawei's future."

In the long term, IDC expects the GCC mobile market to expand at a five-year compound annual growth rate (CAGR) of 2.9% through to 2023. "Major events in the region, such as Expo 2020 in the UAE and the FIFA World Cup 2022 in Qatar, along with an anticipated recovery in the GCC's smaller markets, will help sustain smartphone growth in the long term," says Popal. "This growth will be further fueled by the introduction and rapid proliferation of 5G devices and other form factors, such as foldable devices, that are also expected to drop in prices quite rapidly towards the end of the five-year forecast period."

"While many people seem to believe 5G will be the salvation to all the challenges facing the stagnating smartphone industry, it's imperative for market players to realize that releasing 5G devices alone won't be enough to fuel the required growth," warns Balachandran. "The provision of excellent support, widespread networks rollouts from telecom operators, comprehensive customer education on the real-world benefits of 5G, and the release of devices at the right price point will all be critical if 5G is to have a significant impact on overall market volumes and reduce the ever-lengthening refresh cycle."

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