GfK Retail and Technology
GfK-Digital World

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Is the crisis is behind us?

A Positive Start to 2010 for the Global Electronics Markets

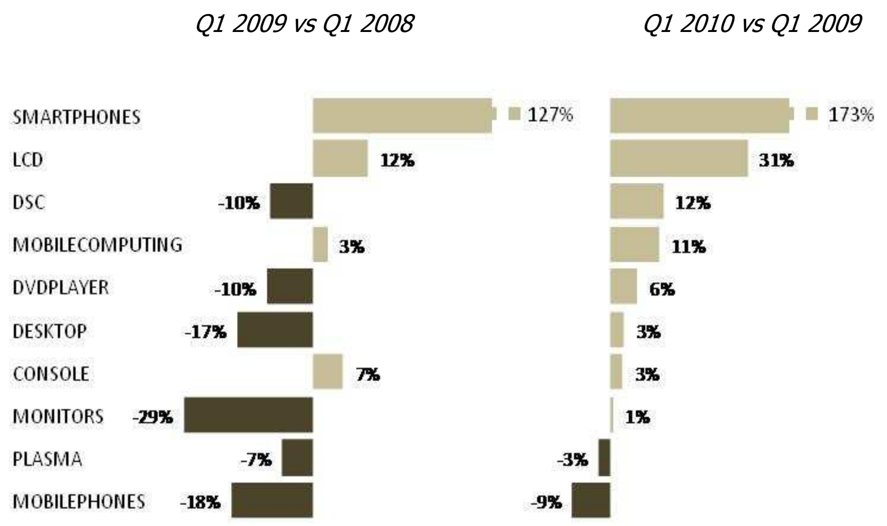
Looking at the results for the first quarter of 2010, the electronics market (CE, IT, Photo, and Telecom) has benefited from the significant recovery in the majority of regions worldwide.

During this period, Asia Pacific (APAC) exhibited growth of 13% in value terms (euros) compared to 2009 following a decrease of -1% between 2008 and 2009. It is a similar situation in Latin America where, after a decline of 19%, the market recovered to enjoy very strong growth (+38%) during Q1 2010. With other regions such as Africa and the Middle East also enjoying increases of around 15%, the picture is in stark contrast to the European Market. Western Europe showed slow growth of 4%, while Eastern Europe, which had been expected to exhibit a positive increase, continued to decline by 12%. This was less catastrophic than the -24% between the same period in 2008 and 2009, but a disappointing result nevertheless.

In terms of product category performance, by observing the top ten (that represent 85% of the market) we notice that the situation has improved markedly. During the same period between 2008 and 2009, only four of these were demonstrating positive growth: LCD (+12%), laptops (+3%), consoles (+7%) and of course smartphones (+127%).

One of the greatest developments for Q1 2010 is that eight of the ten most important products are increasing when compared to the same period in 2009 (see graph on page 2). Moreover, some products which are less important are following the same trends, including Portable Media Players (+1%) and Home Audio Systems (+6%).

Turnover evolution of the 10 most important products worldwide
(Value terms)



Source: GfK Digital World

This trend has continued into April. Compared to April 2009, every region in 2010 experienced an increase, with the exception of Eastern Europe, which exhibited a decline of -8%. Overall, the global electronic market increased by 14% (in euro terms) in April 2010 compared to the corresponding period in 2009.

This situation projects a promising future for the upcoming months. However, two questions remain unanswered..

Firstly, is this return to growth likely to be consistent?

"This very positive quarter should not lull us into a false sense of security," commented GfK-Digital World Senior Analyst Claude Terrier. "That is to say if we disregard the crisis period and compare markets between 2008 and 2010, only four of the ten most important products are still growing at the rates they were between 2009 and 2008."

Developed markets such as Western Europe for instance, are struggling to reproduce a positive trend and according to the CEA, the situation is the same for North America. The growth is clearly sustained by emerging regions that have capitalized on consumer's first purchases of major equipment (China: +16%, Brazil: +42% but also India: +11%).

So what will happen when the number of households already equipped in those regions rises to saturation?

In conclusion, whilst the positive results for Q1-2010 are certainly a reason for optimism, it is important to stay mindful of the future. GfK-Digital World believes that if the market expects to reinforce this revival in growth, manufacturers will have to create not only new technologies, but new usages as well.

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The findings are based on real, POS sales data from over 400,000 retailers worldwide through GfK Retail and Technology's 'Digital World' service. The database consists of manufacturing sales data in the US and retail sales data in the rest of the world.

Working with the CEA, the North American industry authority, this comprehensive global database allows all those with an interest in the IT, Telco and CE markets to compare, contrast and forecast their portfolios in detail for the first time.

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