Chart of the Week: Behind the rise of Chinese smartphone makers

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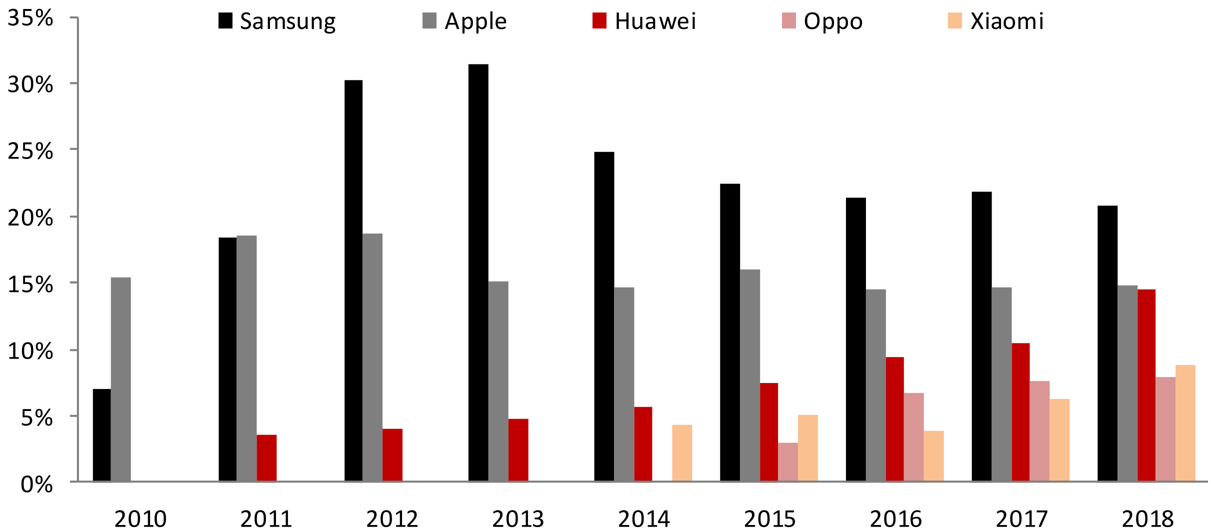
Key Events:

- *Japan's 4Q18 GDP is expected to show a moderate rebound; while Malaysia's should remain stable.*
- *January trade data out of China and Taiwan would reinforce the concerns about export contraction.*
- *January inflation in India will likely stay below target, allowing RBI to maintain an easing stance.*

Chart of the Week: Behind the rise of Chinese smartphone makers

Chinese firms have been growing rapidly in the smartphone sector. Huawei boosted its global market share to 14.6% in 2018 from 10.5% in 2017, on par with Apple's 14.8%; while Oppo and Xiaomi have gained in the last 2-3 years. Chinese brands account for more than 40% of global smartphone shipments today, far exceeding Samsung's 21%. The decline of Samsung started from 2014, well before the deterioration in South Korea-China political ties and the Chinese boycott of Korean products in 2017. The decline of Apple started from 2013, also far before the US-China trade war broke out. The advancement of Chinese smartphone makers is not new and has been ongoing for many years, which could be attributed to the structural factors such as technology/product maturity, price competitiveness and marketing success. The recent, further rise of Chinese brands came at the expense of a wide range of small players in Europe, US and Asia, which could reinforce foreign concerns about Chinese competition in the global tech sector.

Worldwide smartphone market share



Source: IDC, Statista, data transformations are by DBS Group Research

Event	Consensus	DBS	Previous
Feb 11 (Mon)			
Malaysia: industrial production (Dec)	2.7% y/y	1.3% y/y	2.5% y/y
Feb 12 (Tue)			
Philippines: exports (Dec)	2.4% y/y	1.3% y/y	-0.3% y/y
- imports	4.1% y/y	5.2% y/y	6.8% y/y
- trade balance	-USD4060mn	-USD4388mn	-USD3901mn
Taiwan: CPI (Jan)	0.3% y/y	0.3% y/y	0% y/y
India: CPI (Jan)		2.4% y/y	2.2% y/y
- industrial production (Dec)		0.5% y/y	0.5% y/y
Feb 13 (Wed)			
US: CPI (Jan)	1.5% y/y	1.5% y/y	1.9% y/y
Feb 14 (Thu)			
Japan: GDP (4Q P)	1.4% q/q saar	2.0% q/q saar	-2.5% q/q saar
Malaysia: GDP (4Q)	4.7% y/y	4.4% y/y	4.4% y/y
US: retail sales (Dec)	0.1% m/m sa	0.2% m/m sa	0.2% m/m sa
China: exports (Jan)	-3.2% y/y	-2.7% y/y	-4.4% y/y
- imports	-10.7% y/y	-11.0% y/y	-7.6% y/y
- trade balance	USD34.0bn	USD33bn	USD57.1bn
Feb 15 (Fri)			
China: CPI (Jan)	1.9% y/y	1.7% y/y	1.9% y/y
Indonesia: exports (Dec)		1.1% y/y	-4.6% y/y
- imports		9.8% y/y	1.2% y/y
- trade balance		-USD1535mn	-USD1102mn
Taiwan: exports (Jan)	-3.4% y/y	-0.2% y/y	-3.0% y/y
- imports	-4.5% y/y	-3.5% y/y	2.2% y/y
- trade balance	USD3.24bn	USD3.52bn	USD4.71bn
US: industrial production (Jan)	0.1% m/m sa	0.2% m/m sa	0.3% m/m sa

China: Exports are expected to contract relatively mildly by -2.7% YoY in January (vs 4.4% in December) due to the different timing of the Lunar New Year. Outward shipment performance is clouded by weakening global demand and potential tariffs from the US. Import growth is also projected to fall further amid slowdown in domestic activities and decline in oil prices, by -11.0% YoY. Early indicators point to further moderation of trade sentiments. New export orders PMI and imports PMI have contracted for 8 and 7 consecutive months respectively. Trade balance will likely deteriorate in the months ahead.

On inflation, CPI is forecasted to slow further to 1.7% in January from 1.9% in December, alongside weakening domestic demand. The impact on food prices as a result of the wide spread of pork disease has been largely contained. The decline in oil price also added downward pressure on import prices.

India: Inflation and production data falls due this week. January CPI inflation is expected to bounce to 2.4% YoY from an 18-month low of 2.2% month before. Food likely declined for a fourth consecutive month, though pace of fall narrowed, as the disinflationary trend in pulses and vegetables eased. Core inflation will be watched more closely, after recent movements have been puzzling; core remains elevated since October 2018, despite lower global commodity prices and moderating domestic growth. Commentators have put this headline vs core divergence to data issues (change in the collection agency) or pipeline pressures from a nationwide health insurance scheme (lower likelihood). The RBI reinforced last week that headline inflation, rather than core, is its mandate and in so far as prints remain below/ within targets, the panel will have the space to take a growth supportive stance. Despite fading festive-effects, December industrial production is likely to barely hold above water with 0.5% YoY rise, steady from month before.

Indonesia: Indonesia trade balance has turned negative in 2018. Part of the reason was the strong capital goods imports related to infrastructure projects and higher oil prices. As oil prices have come down significantly since 4Q18, imports growth has also fallen. However, trade balance deteriorated as the improvements in imports sector could not compensate the deterioration in exports (-3.3% YoY in Nov18, the lowest since Jun17). We think exports might pick up slightly to 1.1% YoY in Dec18 while imports at 9.8%, resulting in a trade deficit of -USD1535mn, compared to -USD2047mn in Nov18.

Japan: GDP growth is projected to have rebounded moderately to 2.0% (QoQ saar) in 4Q18 from -2.5% in 3Q18. Consumption, investment and export shipments should have recovered from the typhoon and earthquake disasters on a broad basis. But the underlying growth momentum may have weakened, in light of the slowdown in global economy and faltering of electronics demand. Full-year growth in 2018 may have slightly missed our forecast of 1.0%. Our 2019 forecast of 1.0% also faces some downside risks, given the twin challenges from export slowdown and domestic consumption tax hike. We will review our forecasts after collecting more details from this week's GDP report.

Malaysia: Industrial production index for Dec18 and GDP figures for 4Q18 are tap this week. Headline production output is expected to expand just modestly by 1.3% YoY, down from 2.5% previously. The main drag would come from the manufacturing sector, specifically the electronics cluster. The trade war is adding salt to wound of an already declining electronics cycle. And the cluster is an important driver for the overall manufacturing sector as well as the economy. With global shipment and billing of semiconductors easing sharply, manufacturers are facing the heat.

Indeed, this could weigh down on not just industrial output, but on the overall GDP growth as well. The economy is expected to expand by 4.4% YoY in the fourth quarter last year. This will bring growth in the second half to 4.4%, down from 5.0% in 1H18. This will deliver an overall GDP growth 4.7% for 2018, down sharply from 5.9% previously.

Economic growth momentum globally has slowed in 2018. Tighter liquidity conditions from monetary policy normalisation, as well as greater trade protectionism have all weighed down on Malaysia's growth outlook. Domestically, the surprise election result and the subsequent changes in some of the existing policies have dragged down investment with marginal lift to consumption. We expect this to be played out even more prominently in 4Q18.

Net exports will turn even more negative while investment growth will remain sluggish. Government spending continues to be hampered down by fiscal constraints. Private consumption will remain the key driver but with limited upside. Such scenario will likely persist in 2019, with growth expected to come in even lower at 4.5%.

Philippines: Philippines trade balance has deteriorated in 2H18 as trade demand globally has been weak especially on electronics. We think exports might remain stable at 1.3% YoY in December and imports decelerate further amid lower oil prices. As inflation eases, domestic demand would improve and support consumer goods imports in 2019, while capital goods imports could be stubbornly strong amid the government's continuous focus on infrastructure development.

Taiwan: January trade and inflation data are due this week. Export growth is expected to remain in the negative territory for the third consecutive month, at -0.2% YoY. CPI inflation is likely to hover around 0% for the third month, at 0.3%. The deterioration in Chinese demand, slowdown in electronics cycle, weakness in commodities prices, and lingering of US-China trade tensions will likely continue to depress Taiwan's exports in 1Q. While festive demand may boost inflation during the Chinese New Year period, underlying price pressures will likely remain muted until oil prices rebound. The Directorate General of Budget, Accounting and Statistics will review the 2019 economic forecasts this Wednesday. Brace for a downward revision in the 2019 GDP growth forecast from 2.4% to 2.0% or even lower (DBSf: 1.9%).

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