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IDC Reports Slower Third Quarter Growth for Worldwide PC Shipments Due to Financial Turmoil in U.S. and Global Markets

FRAMINGHAM, Mass., October 15, 2008 – Worldwide PC shipments struggled to meet expectations in the third quarter of 2008 (3Q08), according to IDC's Worldwide Quarterly PC Tracker. Worldwide shipments were up 15.8% year over year, which was slightly less than projected. Strong results in EMEA (Europe, Middle East, Africa) helped offset tepid growth in other emerging regions, while the U.S. and Japan held steady.

“The proliferation of low-cost portable PCs coincided perfectly with market conditions,” said Jay Chou, research analyst with IDC’s Worldwide Quarterly PC Tracker. "As more low-cost models enter the fray, a new pecking order may emerge among vendors as the market leans toward notebooks with ever-declining ASPs. What remains to be seen is how much cannibalization will occur, and the degree to which mounting economic pressures will stifle PC market growth over the next year.”

“The difficult economic environment accelerated toward the end of the third quarter. The commercial segment has been constrained due to tight IT budgets, while back-to-school spending helped somewhat in maintaining momentum,” said Doug Bell, research analyst, Personal Computing. “IDC expects the ongoing economic woes in the U.S. to further impact consumer and commercial PC spending during the holiday season."

Regional Outlook

- **U.S.** - As expected the third quarter was sluggish with performance further exacerbated by a flurry of bad economic news. Among the bright spots, however, were the emergence of low-cost notebooks and some marginal back-to-school activities that helped to keep the quarter in positive territory. The competitive landscape has remained essentially unchanged, although Dell and Apple noticeably managed to outperform the market.
- **EMEA** - Continued buoyancy in the consumer notebook market supported another strong quarter in EMEA, as expected. Demand for mainstream notebooks remained robust in the back-to-school season while the proliferation of low-cost ultra portables and deals through Telco operators created additional momentum and boosted growth further. The gloomy economic confidence in several countries showed no sign of slowing consumer demand overall and the market also benefited from sustained demand in the business space. The financial crisis that hit Europe in October may lead to intensifying economic pressure over the coming months, but several factors inherent to the PC market across both Western Europe and CEMA regions will continue to act as growth drivers.
- **Japan** - Shipments slightly exceeded expectations in the quarter, given the current economic situation. Acer and Asus reaped sizable gains from its early entry into Ultra Low Cost Notebooks. Meanwhile, Lenovo suffered significant erosion due to a management shakeup which may be felt for some time to come.
- **Asia/Pacific (excluding Japan)** - Ongoing economic pressures, which were being felt even before the recent financial crisis, kept the APeJ region slightly below forecasts this quarter. Still, growth remains in the double-digit range. Even if global economic uncertainty further erodes the region in future quarters, domestic demand in key markets like China may keep the momentum going.

Vendor Highlights

- **HP** continues to hold its position as the worldwide leader with annual growth of 14.9%. The recent downturn in the U.S. economy affected the company's overall performance both worldwide and in the U.S. HP's vast product offerings should help it to weather the current economic climate and enable it to grow as the market begins to recover.
- **Dell** suffered a disappointing quarter in all regions except APeJ, where it grew 33.7% year over year. Despite positive growth in all regions except Japan, Dell trailed the overall market with 11.4% year-over-year growth. Dell's direct sales approach had a more immediate impact on its U.S. numbers compared with vendors leveraging non-direct methods. The silver lining is that Dell enjoyed a solid performance from its bourgeoning retail presence.
- **Acer** has remained focused on emerging regions and portables, helping it to claim global shipments of more than 10 million units. Like other vendors, U.S. sales were down but the continued early embrace of ultra low-cost PCs helped Acer maintain strong growth in other regions around the world. Combined with Gateway, U.S. shipments declined -3.2% year over year while APeJ and other emerging markets maintained healthy gains.
- **Lenovo** struggled to gain traction as small business spending slowed. Its worldwide annual growth of 7.7% was helped by solid results from its home turf in APeJ as well as EMEA, both of which were closer to expectations compared to other regions.
- **Toshiba** reported annual growth of 24%, less than its 2Q08 growth. Although its pace of growth dampened compared to last quarter, strong showings in EMEA, Japan, and APeJ helped Toshiba to offset limited growth in the U.S.

Top 5 Vendors, Worldwide PC Shipments, Third Quarter 2008 (Preliminary)

(Units Shipments are in thousands)

Rank	Vendor	3Q08 Shipments	Market Share	3Q07 Shipments	Market Share	3Q08/3Q07 Growth
1	HP	15,095	18.8%	13,136	19.0%	14.9%
2	Dell	11,346	14.2%	10,186	14.7%	11.4%
3	Acer	10,038	12.5%	5,388	7.8%	86.3%
4	Lenovo	5,952	7.4%	5,528	8.0%	7.7%
5	Toshiba	3,657	4.6%	2,948	4.3%	24.0%
	Others	34,055	42.5%	31,999	46.3%	6.4%
	All Vendors	80,143	100.0%	69,185	100.0%	15.8%
3	Acer (Merged)	10,038	12.5%	6,411	9.3%	56.6%

Source: IDC Worldwide Quarterly PC Tracker, October 15, 2008

Notes:

Some IDC estimates are prior to financial earnings reports.

Shipments include shipments to distribution channels or end users. OEM sales are counted under the vendor/brand under which they are sold.

PCs include Desktops, Notebooks, Ultra Portables, and x86 Servers and do not include handhelds. Data for all vendors are reported for calendar periods.

Data for Acer includes shipments for Gateway starting in Q4 2007, and only Acer data for prior quarters. This reflects the legal status of the companies, which merged during the fourth quarter of 2007.

Top 5 Vendors, United States PC Shipments, Third Quarter 2008 (Preliminary)

(Units Shipments are in thousands)

Rank	Vendor	3Q08 Shipments	Market Share	3Q07 Shipments	Market Share	3Q08/3Q07 Growth
1	Dell	5,301	29.2%	5,010	29.1%	5.8%
2	HP	4,545	25.1%	4,346	25.2%	4.6%
3	Apple	1,654	9.1%	1,254	7.3%	32.0%
4	Acer	1,538	8.5%	724	4.2%	112.3%
5	Toshiba	978	5.4%	939	5.5%	4.1%
	Others	4,117	22.7%	4,948	28.7%	-16.8%
	All Vendors	18,134	100.0%	17,222	100.0%	5.3%
3	Acer (Merged)	1,538	8.5%	1,589	9.2%	-3.2%

Source: IDC Worldwide Quarterly PC Tracker, October 15, 2008

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IDC's Worldwide Quarterly PC Tracker gathers PC market data in 55 countries by vendor, form factor, brand, processor brand and speed, sales channel and user segment. The research includes historical and forecast trend analysis as well as price band and installed base data.

For more information, or to subscribe to the research, please contact Kathy Nagamine at 650-350-6423 or knagamine@idc.com.

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