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U.S. Growth Slips, But Worldwide PC Shipments Remain Healthy, According to IDC

FRAMINGHAM, Mass., April 16, 2008 – Worldwide PC shipments grew by 14.6% to 69.5 million units in the first quarter of 2008 (1Q08), which was above previous estimates of 13.2%, according to IDC's Worldwide Quarterly PC Tracker. However, the U.S. market slipped to a meager 3.5% year-over-year growth rate as the general economic malaise currently affecting the U.S. economy has begun to impact the local PC market as well. The other international markets more than compensated for the U.S., with the EMEA and Asia/Pacific regions coming in more than 2 points above forecast due to continued strength in developing countries.

As with previous quarters, much of the growth came from the notebook markets, and in particular the consumer notebook segment in retail environments. "Notebook purchases are driving consumers beyond one PC per household to one PC per person and manufacturers are reacting by focusing their attention on customization and personalization," said Bob O'Donnell, vice president, Clients and Displays. "The ability to see and touch these devices in the retail environment and pick one out that matches a consumer's unique style is a critical part of the buying process for consumers."

Microsoft's release of Service Pack 1 for Windows Vista during the past quarter is expected to eventually raise the desire for businesses to deploy new PCs using Vista, but the impact in 1Q08 was very slight. Instead, the quarter's growth continued to be driven by declining average selling prices (ASPs) and the general transition to mobile PCs among businesses and consumers.

While the overall market was strong, there were some regional challenges. The U.S. market, in particular, struggled when compared to other regions. This dynamic is indicative of a major trend impacting the global PC market, wherein the U.S. is becoming less of an influence and the emerging markets are growing in importance. Specifically, the U.S. share of the worldwide market fell more than 2 points to 23% versus the same period last year.

"With the weak economy in the United States, PC shipments were negatively impacted by cautious PC buying in the consumer and commercial markets," said Doug Bell, research analyst, U.S. PC Tracker Program. "Despite the tough economic environment, shipment growth remained in positive territory, essentially driven by the sustained shift to mobility, combined with Dell's renewed competitive stance."

Regional Outlook

- The **United States** market showed symptoms of the economic slowdown, although growth remained positive at 3.5% for the quarter. Consumers and businesses showed some degree of belt tightening – a situation IDC expects to continue into the next quarter.
- The **EMEA** market maintained solid double-digit growth in 1Q08, driven by continued notebook strength across the region. Demand for portable PCs remained strong in Western Europe as declining price points continued to assist SMB renewals and multi-PC per household purchases in the consumer market. The competitive environment also intensified in the CEMA region, where vendors are driving increasing volumes and accelerating portable adoption in CEE and MEA.
- The **Japan** market continued its trend of modest 1-2% growth. The consumer market was negatively impacted by an inventory backlog in retail stores that had been created by early shipments of spring replacement models last quarter. However, this was offset by a healthy commercial market replacement cycle.

- **Asia/Pacific (excluding Japan)** experienced better than expected growth for the quarter. China's total market slipped sequentially in accordance with seasonal trends (Lunar New Year slowdown), but the pain was eased substantially by a very strong consumer notebook market. Indonesia was another standout as vendors found ways to address the customs clearance issue that has plagued that market for many previous quarters.

Vendor Highlights

- **HP** shipment growth rates outpaced the overall market, but were the lowest among the top 5 vendors this quarter at 17.4%. In the U.S., PC shipments were just barely above flat for the quarter as the company began to face renewed competition from Dell.
- **Dell** enjoyed its strongest quarter in almost two years, as the impact of its new retail presence and its growing strength in the portable market propelled the company to a 21.6% improvement in year-over-year shipments. Dell enjoyed strong portable growth in all major regions except Canada.
- **Acer's** worldwide growth continued to outpace the market, but the combined entity suffered a 20% drop in U.S. shipments for the quarter when compared to the Gateway consumer and total Acer shipments from the same period last year. Most of the decline was due to a weakening in Gateway-branded products.
- **Lenovo** saw its shipments improve 21% for the quarter, driven by its dominant presence in the rapidly growing Asia/Pacific region. The company also experienced stronger than expected growth in EMEA portables, but a bit slower than expected growth in the U.S.
- **Toshiba** continued to enjoy the overall transition to notebooks as the company saw its worldwide shipments top 3 million, a 20.6% improvement versus last year. The EMEA and A/P regions, in particular, featured stronger than expected growth as both consumers and businesses in those regions continued to allocate more of their purchase dollars to notebooks.

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

(Units Shipments are in thousands)

Rank	Vendor	1Q08 Shipments	Market Share	1Q07 Shipments	Market Share	1Q08/1Q07 Growth
1	HP	13,251	19.1%	11,291	18.6%	17.4%
2	Dell	10,913	15.7%	8,971	14.8%	21.6%
3	Acer	6,914	9.9%	4,164	6.9%	66.0%
4	Lenovo	4,814	6.9%	3,980	6.6%	21.0%
5	Toshiba	3,069	4.4%	2,544	4.2%	20.6%
	Others	30,537	43.9%	29,674	48.9%	2.9%
	All Vendors	69,498	100.0%	60,624	100.0%	14.6%
3	Acer (Merged)	6,914	9.9%	5,278	8.7%	31.0%

Notes:

* Some IDC estimates 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.

Source: IDC, April 16, 2008

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

(Units Shipments are in thousands)

Rank	Vendor	1Q08 Shipments	Market Share	1Q07 Shipments	Market Share	1Q08/1Q07 Growth
1	Dell	4,938	30.9%	4,271	27.7%	15.6%
2	HP	3,881	24.3%	3,869	25.1%	0.3%
3	Acer	1,389	8.7%	720	4.7%	92.9%
4	Apple	950	6.0%	759	4.9%	25.1%
5	Toshiba	832	5.2%	784	5.1%	6.1%
	Others	3,966	24.9%	5,017	32.5%	-20.9%
	All Vendors	15,956	100.0%	15,420	100.0%	3.5%
3	Acer (Merged)	1,389	8.7%	1,742	11.3%	-20.2%

Notes:
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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.

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