



PC Shipments To Drop 4.5% in 2009, According to IDC

FRAMINGHAM, Mass., March 5, 2009 – Worldwide PC shipments fell 1.9% in the fourth quarter of 2008 following five years of almost uninterrupted double-digit growth. As the economic environment continues to deteriorate in 2009, PC shipments are expected to fall by more than 8% in the first half of 2009 and gradually improve to a small positive growth in the fourth quarter, according to IDC's Worldwide Quarterly PC Tracker.

The financial crisis continues to spread as bank rescues expand, key industries falter, stock values drop, and unemployment rises steadily, among other signs of stress in economies around the world. This is clearly the biggest financial shock in a long time. Nevertheless, PCs are far more important and far less expensive today than they were in previous economic crises. A typical PC today costs half what it did in 2000 at the beginning of the last recession, and prices continue to drop at a rapid rate, making PCs more affordable and less likely to be sacrificed in tough times.

The PC market is also more driven by replacements than it used to be. The five years preceding the 2001 recession saw PC shipments increase at a compound annual growth rate of 18.8%, vs. 13.6% for the five years before our current crisis. This slower growth means a larger share of existing systems will need to be replaced sooner. In addition, the share of portables has risen dramatically from less than 20% in 2000 to 50% in 2008. Portable PCs typically have a shorter lifespan than desktops, further supporting replacements despite efforts to extend system life. The market went through a period of extending PC lifecycles following the last recession, but it does not appear that they shortened much in the years since, and there is a limit to how long a PC's utility can be stretched.

Although we've seen some dramatic declines in component shipments, a significant portion of that will be due to cleaning of inventory, particularly because the crisis hit in the fourth quarter when inventory was at its peak. We should not look at the drop in component shipments and annualize it, assuming that the trend will continue. Instead, we should see an initial shock to component growth followed by more careful orders as businesses get a handle on inventory and demand in the new environment. As such, the 11% drop in PC processor shipments during Q4 should be more substantial than the impact to actual PC shipments will be over several quarters.

The PC market is also far more global today. In 2000, the United States accounted for almost 37% of PC shipments and emerging markets (including Asia Pacific excluding Japan, Latin America, Central and Eastern Europe, Middle East and Africa, and Canada) accounted for less than 30%. In 2008, the U.S. share is down to 23% and emerging markets are up to 49%. While emerging markets have seen some of the fastest changes in growth, they started with faster growth, so that even in depressed times, volume is expected to fall only 4% in 2009 compared to an 8% drop in mature markets in 2001 during the last recession. For example, APeJ volume grew roughly 20% in the years preceding 2001 (even with the impact of the Asian financial crisis), and saw growth of 9% in 2001. In the current environment, the APeJ market grew at a comparable rate of about 20% in recent years, but we expect APeJ to see flat growth in 2009. Even though the change in APeJ is more dramatic, volume is not expected to decline on an annual basis.

Emerging markets in Latin America, Central Europe, and the Middle East and Africa have been hit hardest by the financial crisis. Consumer and distribution channel financing has become increasingly tight which will drive investment and credit availability in these markets even lower. As a result, IDC's forecast projects that these markets will suffer double digit declines in volume over the next three quarters. Mature regions will weather the current economic climate better due to their ability to absorb financial losses.

"To be sure, the PC market is in for a bumpy ride," said Loren Loverde, director of IDC's Worldwide Quarterly PC Tracker. "Nevertheless, there are a number of reasons why the PC market will not fare dramatically worse in the current environment than it did in the 2001 recession – even if the current economic environment is notably worse. Pricing will become even more aggressive, and there will be further consolidation, but the PC industry will not go the way of the financial or auto industries in this cycle."

"Slackening demand in the consumer market is stifling the engine of growth for U.S. PC shipments," said Richard Shim, Personal Computing research manager. "In conjunction with an increasingly negative scenario in the commercial market, the U.S. PC industry is seeing a substantial drop in volume. When the PC market rebounds, we expect the commercial replacements to take a larger role in the recovery."

PC Shipments By Region And Form Factor (in Millions), 2008-2013

Region	Form Factor	2008	2009*	2010*	2011*	2012*	2013*
USA	Desktop PC & x86 Server	34.2	29.0	26.0	24.5	23.5	23.0
	Portable PC	34.1	33.3	35.5	40.5	44.3	47.6
	Total PC	68.3	62.3	61.5	65.1	67.9	70.6
International	Desktop PC & x86 Server	118.5	104.4	105.3	110.1	115.1	119.4
	Portable PC	108.3	115.3	134.1	165.1	196.8	229.4
	Total PC	226.8	219.7	239.5	275.2	311.9	348.8
Worldwide	Desktop PC & x86 Server	152.8	133.4	131.3	134.6	138.7	142.4
	Portable PC	142.4	148.6	169.6	205.6	241.1	277.0
	Total PC	295.2	282.0	300.9	340.3	379.8	419.4

* Forecast data

Source: IDC Worldwide Quarterly PC Tracker, March 2009

PC Shipment Growth By Region And Form Factor, 2008-2013

Region	Form Factor	2008	2009*	2010*	2011*	2012*	2013*
USA	Desktop PC & x86 Server	-7.5%	-15.3%	-10.3%	-5.6%	-4.0%	-2.4%
	Portable PC	13.6%	-2.4%	6.6%	14.2%	9.3%	7.4%
	Total PC	2.0%	-8.9%	-1.3%	5.8%	4.3%	4.0%
International	Desktop PC & x86 Server	-4.5%	-11.9%	0.9%	4.5%	4.6%	3.7%
	Portable PC	39.0%	6.5%	16.3%	23.1%	19.2%	16.6%
	Total PC	12.3%	-3.2%	9.0%	14.9%	13.3%	11.8%
Worldwide	Desktop PC & x86 Server	-5.2%	-12.7%	-1.5%	2.5%	3.0%	2.7%
	Portable PC	31.9%	4.3%	14.2%	21.2%	17.2%	14.9%
	Total PC	9.7%	-4.5%	6.7%	13.1%	11.6%	10.4%

* Forecast data

Source: IDC Worldwide Quarterly PC Tracker, March 2009

Taxonomy Note: PCs include Desktop, Notebook, Ultra Portable, and x86 Server and do not include handhelds.

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.

About IDC

IDC is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications, and consumer technology markets. IDC helps IT professionals, business executives, and the investment community make fact-based decisions on technology purchases and business strategy. More than 1,000 IDC analysts provide global, regional, and local expertise on technology and industry opportunities and trends in over 110 countries. For more than 44 years, IDC has provided strategic insights to help our clients achieve their key business objectives. IDC is a subsidiary of IDG, the world's leading technology media, research, and events company. You can learn more about IDC by visiting www.idc.com.

- # # # -

All product and company names may be trademarks or registered trademarks of their respective holders.

Contacts:

Loren Loverde
lloverde@idc.com
305-351-3115

Richard Shim
rshim@idc.com
650-350-6244

Michael Shirer
508-935-4200
press@idc.com