

Grassroots Research®

Market Monitor

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Smartphone Sales – China

Grassroots commissioned interviews with smartphone retailers, distributors, and mobile service operators in China to understand the smartphone sales outlook and competitive environment. According to sources, overall smartphone sales are expected to increase an average 3% in 1Q 2023 vs. 1Q 2022, and an average 5% in 1Q 2023 vs. 1Q 2019. Sales are expected to increase during the summer months and into 2H 2023 from the slowdown in 2022, with the highest sales growth in the midrange to high-end segment.

Indeed, all sources reported that current inventory levels are on average about four to five months vs. the appropriate level of two to three months. 86% expect the inventory situation to improve over the next three months, and is expected to take four to six months to get inventory back to the appropriate level.

Sources have been cutting prices over the past one to two months to reduce excessive inventory, with discounts of 30%–50%. This has been successful in bringing down inventory levels and for competing with used smartphone sellers. 53% expect price-cutting levels to be more aggressive over the next three months, and 47% expect it to stay the same. One source commented, “The only way to reduce excess inventory levels is through price cuts. With competition rising from the used smartphone market, it’s hard to compete with the lowest prices on those nearly-new older models.”

Looking ahead, all sources expect to increase inventory procurement from June 2023 onwards. The most sought-after smartphone models are associated with 5G network support, extra-long battery life, high pixel density, large screens,



wireless display, multi-screen interaction, and AI technology.

In addition, 53% of sources said that demand for peripheral products (such as smartwatches, smart glasses, and VR equipment) is positive in 2023, with an increase of young customers requesting new product models, such as smartwatches, while 47% said demand is neutral as they only appeal to a small group of customers.

Composite Decking Demand – US

To gain an understanding of homeowner interest for spending on composite decking in 2023 vs. 2022 in the US, Grassroots commissioned interviews with deck builders/contractors and home improvement retailers. 45% of sources who commented said overall demand for decking is trending flat vs. the same period last year, while 36% said up.

According to sources, 97% said customers prefer composite over wood decking, primarily due to easier maintenance and longevity. At the same time, all said customers are willing to pay for composite decking vs. wood decking, especially since the cost premium is minimal with today's price of hardwoods.

Regarding market share, 80% of sources said there has been no change in market share among composite decking brands over the past 24 months, while 20% said TimberTech (AZEK) is gaining on the

higher-end market, largely due to more color options. Still, 67% said there is a preference for Trex, while 7% said AZEK, and 26% said it depends on the project.

Looking ahead, 37% of sources expect sales of composite decking will remain flat in 2023 vs. 2022, while 26% said it will increase, and 23% said they were unsure and it will depend on the economy. One source said, "Interest rates on purchasing a new house are going up, so demand for new homes is going to go down, and there is going to be a higher percentage of people staying in their homes instead of moving. As a result, a deck, pergola, or some other outdoor innovation is going to mean a smaller loan than an addition or new home. Composite decking will drop slightly, but not as much as the housing market as a whole."

Air-to-Water Heat Pumps – Europe

To track the sales outlook and competitive landscape for air-to-water (ATW) heat pump systems in key European markets, Grassroots commissioned interviews with heat pump distributors and contractors in France, Germany, Italy, and Spain. Sources reported that sales momentum in 1Q 2023 is expected to rise vs. 4Q 2022 for 87% in Germany and 60% in Spain, as ATW heat pumps become more widely installed in new construction and for replacing traditional boilers. It is expected to stabilize for 67% in Italy and 60% in France, after a significant sales increase starting several years ago when government incentive schemes were deployed, and due to product shortages.

Regarding sales growth, sources reported that overall demand for ATW heat pumps is expected to increase in the next two to three years for all sources in Germany,

93% in Spain, 87% in Italy, and 73% in France due to cost benefits, existing and future government regulations pushing for more energy-efficient heating solutions, and ongoing or new financial aid programs. One source in Germany said, "The sales momentum will definitely continue upwards. If I am right, solar and ATW pumps will become mandatory for new construction in Germany."

When asked about market share, sources said that Daikin is the leading brand in all countries, followed by Mitsubishi (Mitsubishi Electric) in France, Italy, and Spain, and NIBE in Germany. Atlantic (Groupe Atlantic) is the third-leading brand in France, Buderus (Robert BOSCH) in Germany, Samsung in Italy, and Panasonic in Spain.

Agricultural Fertilizer and Farm Equipment Spending – Brazil



To gauge farm income expectations for 2023 vs. 2022 and track spending intentions, Grassroots commissioned interviews with operators of large farms in Brazil. 55% of sources expect their net farm income to decrease in 2023 vs. 2022 due to bad weather and price increases of fertilizers, diesel, electricity, and transport, while 30% expect it to remain the same because of higher soybean prices and better productivity.

65% of sources have made no changes in intended acreage for corn for 2023 planting allocations vs. 2022, while 25% have decreased it, and 10% have increased it—down an average 5% overall. At the same time, 90% expect soybean allocations to remain the same in 2023. Large farms in Brazil use the totality of the area, growing corn during winter and soybeans during the summer.

Regarding recent fertilizer price increases, 40% of sources expect to keep farm receipts flat due to a rise on soybean prices, while 35% expect a decrease greater than 30% because purchases occurred when fertilizer prices were at a peak, and 25% expect a decrease of up to 30% due to purchases at a lower price and a reduction in the farming area. One source commented, "The next harvest will be the most expensive in history. I am anticipating an income decrease of around 30%. Besides this incredible increase in the price of fertilizers,

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we have also endured a rise in the price of electricity, diesel, and other important inputs. It is not a promising scenario.”

Indeed, 45% of sources expect spending on fertilizer to remain flat in 2023 due to unchanged needs and higher costs. One commented, “I am buying the same amount of fertilizer per hectare. I cannot buy less because I am farming on the same extension of land—same area, same needs, same spending per hectare.” At the same time, 35% expect to decrease because of higher costs and farming on a smaller expanse of land, and 20% expect an increase due to soil analysis requirements and larger farming area.

When asked about the use of biological fertilizers, 35% of sources already use them, either alone or combined with conventional fertilizers. One source said, “I’ve been experimenting with biological fertilizer for the past two years and have had positive results. My ultimate goal is to be completely biological.” Meanwhile, 30% of sources would prefer to wait for further studies, and 25% have been using it temporarily on a trial basis.

Regarding spending on efficient agricultural farm equipment, 65% expect it to remain flat because of political uncertainties and the risk of high borrowing rates, while 25% expect an increase of up to 30% due to the need for improvement. One source commented, “A new government is just starting. We don’t know yet what their policy for our segment will be. Our goal is to keep the renovation schedule, but we need to wait a while.”

In addition, another 45% of sources expect spending on farm equipment to decrease based on the political scenario and an actual lack of need, while 30% expect it to increase because of the need to renew the fleet and fulfill current demand, and 25% expect it to remain flat as they will only keep to their existing schedule of acquisitions.

Luxury Jewelry Purchase Intentions and Preferences Survey – China

Grassroots commissioned interviews with consumers in China to assess the demand for gold and gem-set jewelry and purchase intentions in next 12 months. Intentions to purchase luxury jewelry in the next 12 months is high, with 68% having a high desire to buy, and 26% are considering buying. In addition, 72% said they are more interested in buying luxury jewelry now vs. the last 12 months.

For the 72% of sources who cited an increasing interest in buying luxury jewelry, anticipation of more occasions for wear and improved personal spending power are the top two reasons. Meanwhile, for the 6% who cited less interest, deteriorated spending power and fewer occasions for wear were the top two reasons.

Indeed, the major motivations for buying luxury jewelry in next 12 months include daily wear for 55% of sources; self-use for

special occasions/celebrations for 44%; investment purposes for 35%; and gifting for special occasions for 32%.

According to sources, traditional gold and diamond jewelry are the top two preferred types to buy across various occasions. Traditional gold is most preferred for investment purposes as well as a tool to hedge against inflation, as well as for daily wear and non-wedding related gifting. Diamond jewelry is preferred over gold for wedding-related occasions, both for self-use and gifting.

Regarding spending budgets, sources reported the most common luxury jewelry price range for day-to-day wear, special occasions, and gifting is RMB 10,000–RMB 20,000 [USD 1,451–USD 2,902], while the price range for investment and wedding use is higher at RMB 20,000–RMB 50,000 [USD 2,902–USD 7,255].

Clear Aligners and Scanners – France

To assess general trends in demand and brand competition for clear aligners since the beginning of the year, Grassroots commissioned interviews with orthodontists and dentists in France. Demand for clear aligners has been trending up for 70% of sources since the beginning of the year as a result of growing concern about physical appearance, social media influence, and word of mouth. Meanwhile, it has been trending flat for 25% due to economic pressures on patients’ expenditure of choice. One source commented, “Demand for clear aligners has been static overall since the beginning of the year, because of the big jump in bills patients have to pay, combined with some short time working. The demand is still there, but the dramatic increase in fuel and energy costs and prices has inevitably obliged some patients to make choices, and [clear aligner] treatment is expensive.”

According to sources, 60% said brand recognition was the main decision-making argument to prescribe a clear aligner brand, while 20% said superior technology, and 15% said price. One commented, “Brand recognition is the main reason for choosing to prescribe Invisalign [Align Technology]. They are head and shoulders above the competition in the marketplace and patients know about them from social media and friends. When I started prescribing clear aligners, they were the only product available.”

Looking ahead, 85% of sources do not intend to change brands of clear aligners or scanners in the next 12 months, as change is disruptive, and 10% who commented said they cannot change clear aligners because of company policy.

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Advantages:

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- 300+ Field Force Investigators who conduct quantitative market research among consumers
- 60+ reporters who conduct interviews with industry experts
- In-house team in Europe and Asia Pacific

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Grassroots® Market Monitor is published quarterly by Grassroots Research®, a division of Allianz Global Investors. Bockenheimer Landstraße 42-44 60323 Frankfurt am Main Germany

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