BERNSTEIN
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Global Semiconductors & Hardware

China Smartphone Tracker (August): Further deceleration


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*Please download our smartphone monthly tracker data from **here**.*

August saw further deceleration. In August, China smartphone shipment declined 11% MoM and 27% YoY to 17.2M units. We attribute the weakness to the absence of promotions, fatigue of government subsidies, and elevated selling price across both new launches and old models. Cumulative shipment in 8M26 was 11% lower YoY. By pricing segment, mid-tier was the most resilient, whereas the contribution from entry-level models fell to a new record low in the overall shipment mix.

Huawei gained unit share, but premium models consistently underperformed. Huawei was the only OEM achieved positive YoY shipment growth in August, but it was mainly driven by products with ASP below RMB 5K. Its premium smartphone sales was 23% lower YoY. This again suggests the Kirin 9030 chip based on SMIC's "N+3" node was not competitive in the premium segment & China's lack of EUV capability continues to place Huawei at a structural disadvantage. We are also waiting for more data to assess the consumer feedbacks on Kirin 9050 which is made with the LogicFolding technology advocated by Huawei.

ASP up 24% YoY & finally price hikes from Huawei and Apple too. August ASP was 24% higher YoY as a result of significant contraction in low-end segment and like-for-like price increases due to surging memory price. Looking ahead, we expect ASP to remain elevated after the across-the-board price hikes for iPhone 18 Pro series and Huawei Mate 80 and Nova16 series in September. Hence, we expect further demand destruction in 4Q26, and possibly into 2027 too.

MediaTek lost unit share to Qualcomm in August, likely due to recent launches of the Redmi K100 Pro and Honor 600 series. We remain cautious on MediaTek's smartphone business given memory price pressure and its higher exposure to mid- to low-end segments. The lack of a lower-cost N2 flagship alternative may have disadvantaged MediaTek in certain design wins as OEM budgets tighten. However, we believe rapid TPU revenue growth and high operating leverage should more than offset smartphone weakness. We rate MediaTek Outperform and make it the Top Pick of our Asia Semis & Global Memory coverage.

Apple (OP) continues to gain share in China and globally as shipments outperform market (see recent APPLE TRACKER and Apple: How bad could December Qtr Gross Margins be? for more on our latest thoughts on Apple). Largan indicated that Apple cut its sales forecast in September, while variable aperture lens production challenges weighed on gross margin. However, we expect smartphone supply chain sentiment to improve going forward, supported by the iPhone 18 launch in 1H27, the 20th-anniversary lineup in 2H27, and potentially easing memory price pressure.

Xiaomi's (OP) shipments declined by -32% YoY, with market share increasing to 15.1% in August 2026, vs. 14.4% in July 2026, but lower vs. 16.1% in August 2025. In 8M26, Xiaomi's shipment declined by -24% YoY. Other than the high base, the weakness partially reflects its premiumization strategy amid rising memory prices. In 8M26, shipments of high-end models (RMB 4k+) declined by -30% YoY. Meanwhile, low-end (<RMB 2k) segments declined -33% YoY. Xiaomi's 12-month rolling ASP in China grew 9% YoY (Xiaomi Q2).

See the Disclosure Appendix of this report for required disclosures, analyst certifications and other important information. Alternatively, visit our Global Research Disclosure Website.

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BERNSTEIN TICKER TABLE

			14 Oct 2026		TTM		Reported EPS			Reported P/E (x)		
Ticker	Rating	Cur	Closing Price	Price Target	Rel. Perf.	Cur	2025A	2026E	2027E	2025A	2026E	2027E
2454.TT (MediaTek)	O	TWD	4,475.00	5,500.00	223.1%	TWD	66.17	68.52	169.35	67.6	65.3	26.4
3034.TT (Novatek)	M	TWD	560.00	490.00	20.6%	TWD	26.87	34.32	34.03	20.8	16.3	16.5
QCOM (Qualcomm)	M	USD	172.62	165.00	(9.4)%	USD	12.03	10.51	9.57	14.3	16.4	18.0
SOI.FP (Soitec)	O	EUR	140.70	215.00	270.3%	EUR	(6.17)	0.01	3.92	(22.8)	N/M	35.9
002475.CH (Luxshare)	O	CNY	44.94	86.00	(40.0)%	CNY	2.26	2.64	3.48	19.9	17.0	12.9
3008.TT (Largan)	O	TWD	6,880.00	5,150.00	192.7%	TWD	158.08	187.55	208.38	43.5	36.7	33.0
1810.HK (Xiaomi)	O	HKD	26.38	35.00	(62.9)%	CNY	1.62	0.89	1.29	13.9	25.4	17.4
AAPL (Apple)	O	USD	342.96	370.00	22.2%	USD	7.46	8.85	9.90	46.0	38.8	34.7
2382.HK (Sunny Optical)	O	HKD	58.85	94.00	(43.2)%	CNY	4.25	3.62	4.47	11.8	13.9	11.2
ASIAX			1,876.06									
SPX			7,718.94									
EDME			1,581.51									

O - Outperform, M - Market-Perform, U - Underperform, NR - Not Rated, CS - Coverage Suspended

QCOM, SOI.FP, AAPL estimate is Adjusted EPS; QCOM, SOI.FP, AAPL valuation is Adjusted P/E (x); SOI.FP base year is 2026;

Source: Bloomberg, Bernstein estimates and analysis.

INVESTMENT IMPLICATIONS

MediaTek (OP, PT NT$5,500.00): We rate MediaTek Outperform with PT NT$5,500.00.

Novatek (MP, PT NT$490.00): We rate Novatek Market-Perform with PT NT$490.00.

Apple (OP, PT$370): We rate AAPL Outperform with PT $370.00.

QCOM (MP, $165): The diversification story is real but a number of near-term headwinds (smartphone memory dynamics, margins, AAPL etc) need to be navigated first.

Luxshare (OP, PT RMB 86.00): We rate Luxshare Outperform with a RMB86.00 price target.

Sunny Optical (OP, PT HK$94.00): We rate Sunny Optical Outperform with a HK$94.00 price target.

Largan (OP, PT NT$ 5,150.00): We rate Largan Outperform with a NT$5,150.00 price target.

Soitec (Outperform, PT €215.00). We rate Soitec Outperform with a PT of €215.00. Soitec's core narrative is shifting to Photonics-SOI as the next primary source of growth, now clearly offsetting continuing destocking-led declines in smartphone-related RF-SOI.

Xiaomi (Outperform, PT HK$35): We rate Xiaomi Outperform with price target for 1810.HK at HK$35.00.

DETAILS

This tracker is mainly based on the smartphone sell-through data that CINNO reports for the China market. We usually compare that with the sell-in data published by CATR (China Academy of Telecommunication Research) to get a view on handset inventory but not in this report as CATR still hasn't published the July & August data. Additionally, we summarize the shares of mobile SoC suppliers & the use of display panel technologies. Please find the details of our methodology in **this** and **this report**.

China smartphone market saw further deceleration.

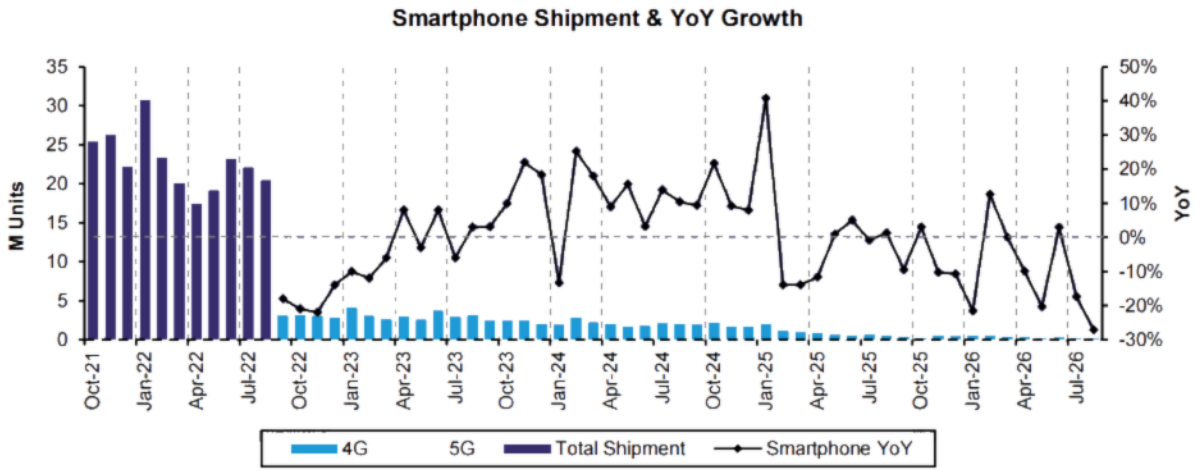
- In August, China smartphone sell-through declined by 11% MoM and 27% YoY to 17.2M units (Exhibit 1). We attribute the weakness to the absence of promotions, fatigue of government subsidies, and elevated selling price for not only new models, but old ones too. Cumulative shipment in 8M26 was 11% lower YoY.

- By price tier, low-end segment continued suffering from high memory cost. Should we define low-tier segment as smartphones priced below RMB 2,000 (below c. US$290), mid-tier as RMB 2,000-5,000 (c. US$290-725) and high-tier as above RMB 5,000 (above c. US$725), we find a clear divergence across these segments. The low-end segment saw its shipments decline by 53% YoY in August — significantly underperforming the overall market. The high-tier segment also softened, down 16% YoY. Mid-tier market turned out to be the most resilient, but just barely flat YoY (Exhibit 2). As a result, the contribution from low-end segment in the overall shipment mix hit another new low (Exhibit 3).

- Premium OEMs like Huawei and Apple were less-affected by the memory cost pressure (Exhibit 4, Exhibit 5). In contrast, Vivo and OPPO were likely affected most and both saw low-end product shipment mix dropped to historical lows (Exhibit 6 - Exhibit 7). Non-Apple/Huawei OEMs saw their combined shipment decline 37% YoY in August & their aggregated market share drop 11pts vs. August 2025 (Exhibit 9 - Exhibit 10).

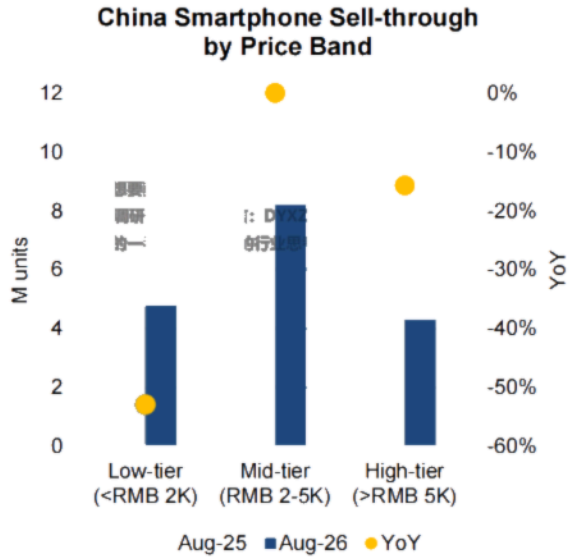
- We now expect the China smartphone market to decline 13.5% YoY in 2026 (***Smartphone and 5G Model***). Although upstream vendors have delivered better-than-expected results with stronger ASPs and margins driven by premiumization, we remain cautious on the risk of a supply chain correction in late 2026 and 1H27 given ongoing memory inflation and possible further end demand destruction.

EXHIBIT 1: **China smartphone sell-through shipment in August was down 11% MoM and 27% YoY. Shipment YTD was down 11% YoY.**



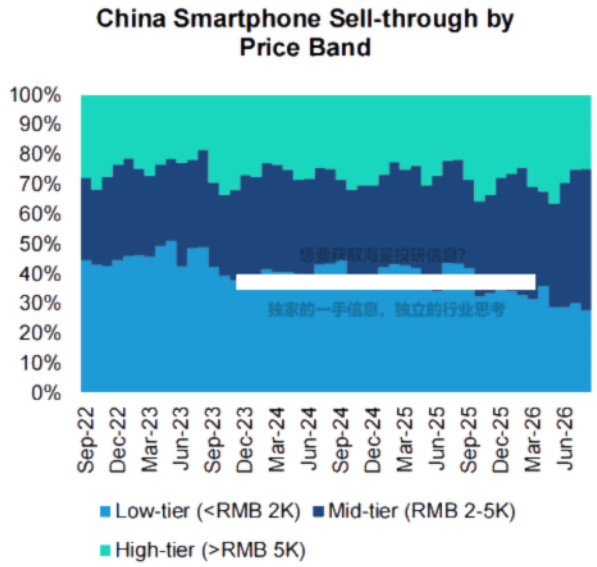
Source: CINNO and Bernstein analysis

EXHIBIT 2: **Low-tier smartphone shipment declined by 53% YoY in August, followed by high-tier (-16% YoY). Mid-tier was barely flat likely thanks to new product cycle.**



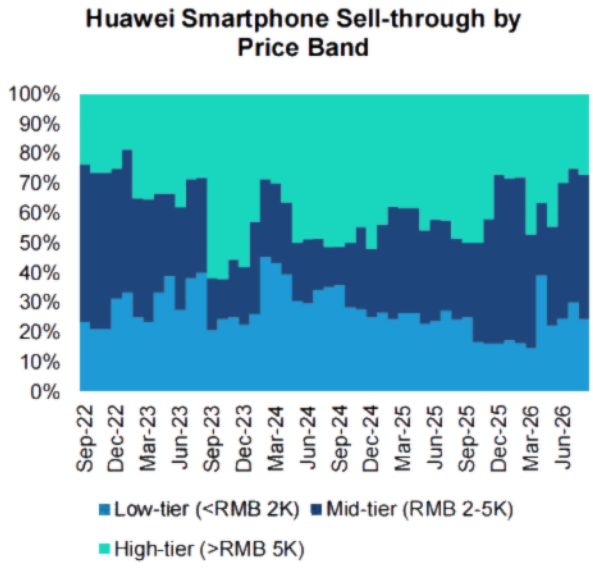
Source: CINNO and Bernstein analysis

EXHIBIT 3: **The contribution from low-end segment in the overall sales mix hit a new record low of 28%.**



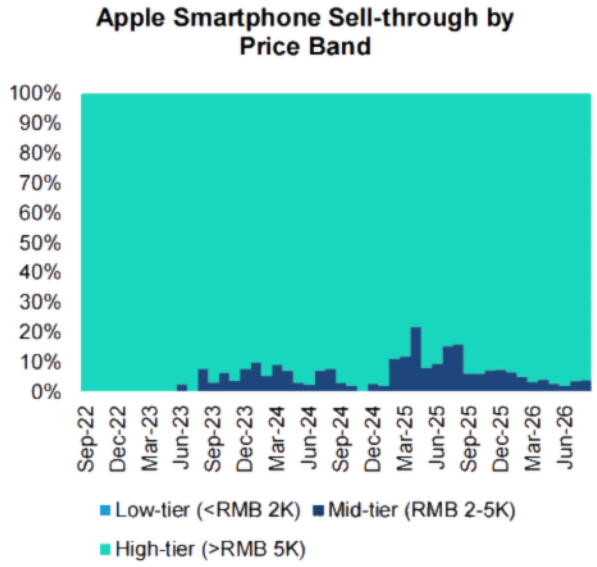
Source: CINNO and Bernstein analysis

EXHIBIT 4: **For Huawei the fall of low-end segment mix started before memory price hike. The mix even expanded in recent 6 months.**



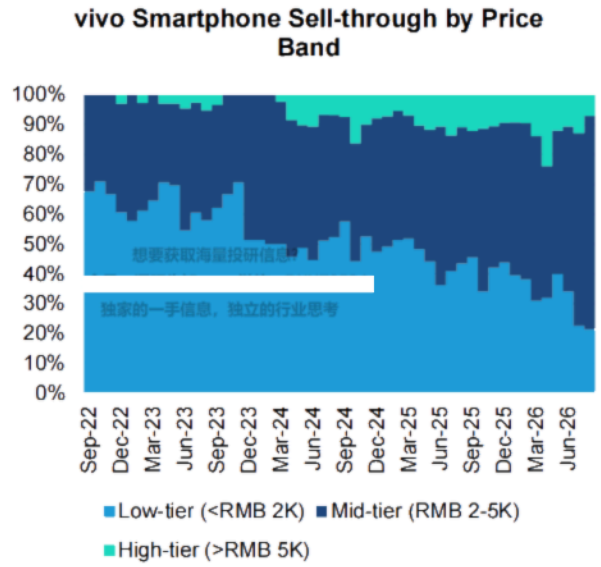
Source: CINNO and Bernstein analysis

EXHIBIT 5: **Apple has no exposure to low-end market, and thus best positioned among all brands.**



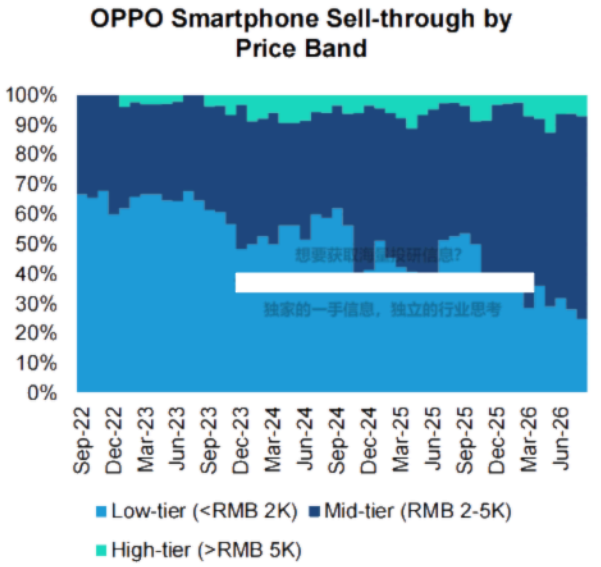
Source: CINNO and Bernstein analysis

EXHIBIT 6: **Vivo saw the most notable decline in shipment contribution from low-end products.**



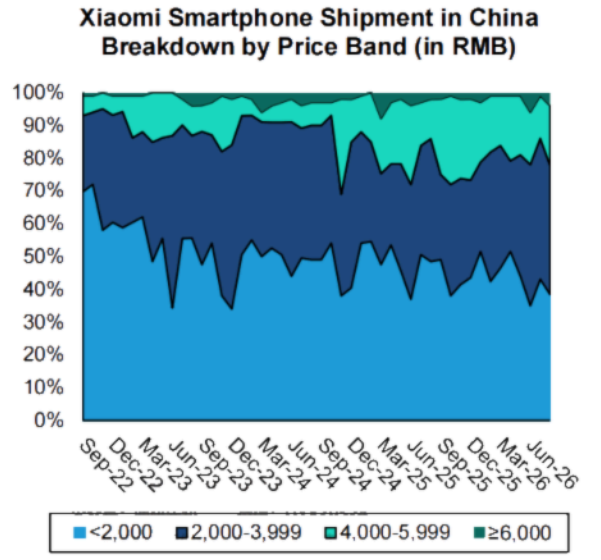
Source: CINNO and Bernstein analysis

EXHIBIT 7: **Low-end sales mix for OPPO also came to a historical low in August.**



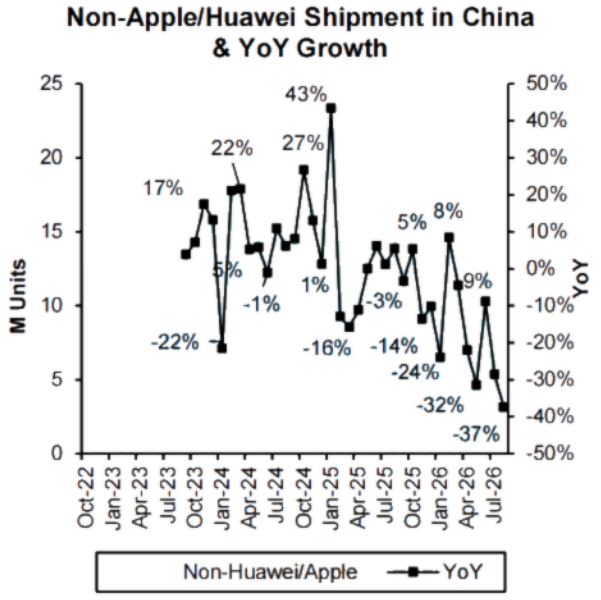
Source: CINNO and Bernstein analysis

EXHIBIT 8: **In August 2026, the share of Xiaomi shipments priced below RMB 2k declined 10 ppt yoy to 38%, while the RMB4k+ segment expanded to 8ppt to 22%.**



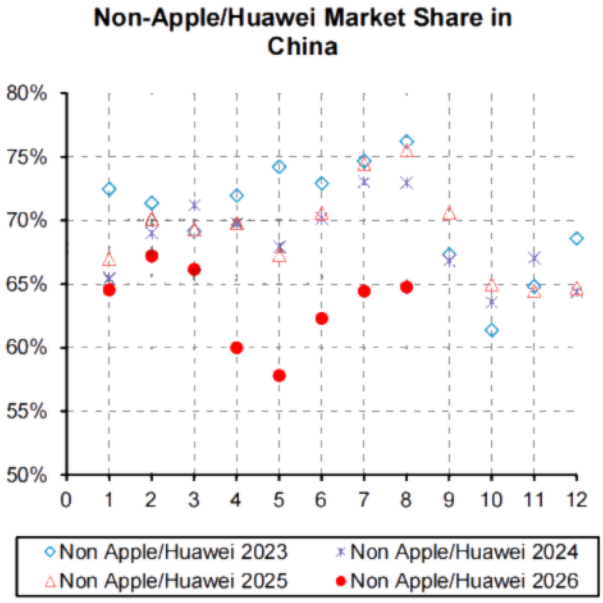
Source: CINNO and Bernstein analysis

EXHIBIT 9: **Non-Apple/Huawei OEMs altogether shipped 37% less smartphones in August 2026 vs. August 2025 ...**



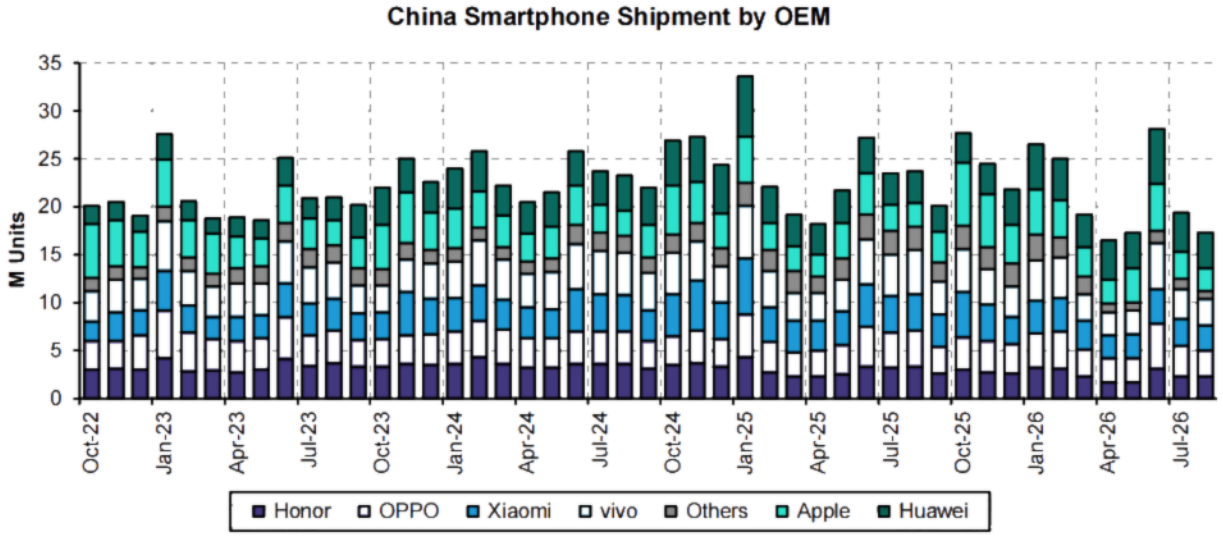
Source: CINNO and Bernstein analysis

EXHIBIT 10: **...and they collectively lost 11pts unit share YoY, likely burdened by the drop of low-end segment shipment.**



Source: CINNO and Bernstein analysis

EXHIBIT 11: **Sell-through of all OEMs declined MoM in August on seasonality. On a YoY base, only Huawei managed to achieve a positive growth.**



Source: CINNO and Bernstein analysis

Huawei's overall unit share has expanded, but its premium-model sales have consistently underperformed.

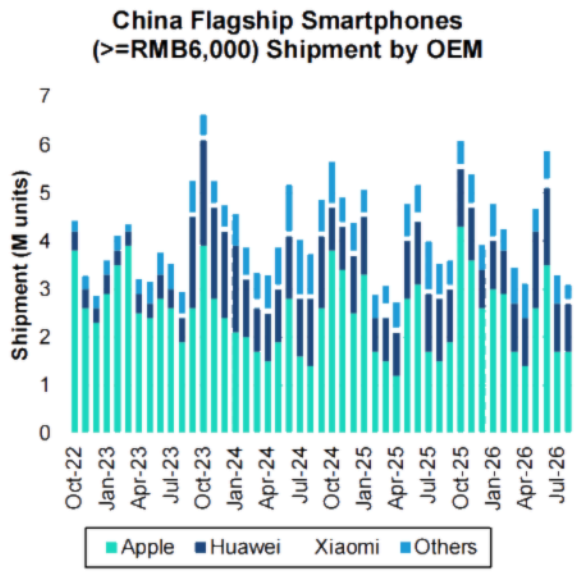
- Huawei's adoption of homegrown SoCs from late 2023 helped it regain share in higher-end segments, and other Chinese OEMs also moved upward in price tiers and chipped away shares from the low-side of Apple's portfolio. With the size of flagship segment barely growing, Apple in the past lost share mainly to Huawei and to a lesser extent to other OEMs (Exhibit 12 - Exhibit 14).

- Apple then has responded with more flexible pricing. For example, at the iPhone 17 launch in September 2025, Apple priced the devices below RMB 6,000 & made them eligible for subsidies. The prices of the iPhone 16 series were also adjusted accordingly. Apple also expanded the use of seasonal promotions across various distribution channels during the "618" Shopping Festival. This momentum however waned afterward as promotions ended. iPhone shipment was down by 14% MoM and down 4% YoY according to CINNO (Exhibit 19). (See recent APPLE TRACKER and Apple: How bad could December Qtr Gross Margins be? for more on our latest thoughts on Apple)

- Huawei's shipments grew 12% YoY in August, driven primarily by models priced below RMB5,000, while shipment in the premium segment (i.e. ASP above RMB 5,000) declined by 23% YoY. We focus on the Pura 90 Pro/Pro Max and Mate Pro Max models which adopt Kirin 9030 chipset fabricated on SMIC's non-EUV N+3 process. Shipments of these models serve as a useful proxy for both the ramp-up of SMIC's N+3 capacity and consumer acceptance of Huawei's latest flagship platform (Exhibit 17 - Exhibit 18). Market reception to the Pura 90 series appears weak. High chipset and memory costs constrain Huawei's pricing flexibility, limiting its ability to compete aggressively. This is broadly consistent with teardown findings suggesting that SMIC's N+3 process is comparable to TSMC's N6 technology and remains several generations behind the most advanced mobile processor nodes. More importantly, China's lack of EUV lithography capability continues to leave Huawei at a structural disadvantage relative to Apple and other OEMs, whose flagship smartphones benefit from more advanced EUV-based semiconductors.

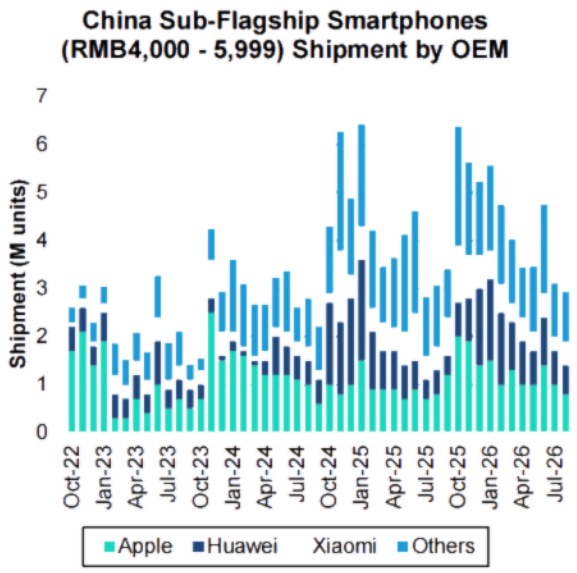
- Moreover, we're waiting for more data to assess the consumer feedback of Kirin 9050. This chip is important as Huawei begins to adopt LogicFolding technology from Kirin 9050 and advocates the technology can overcome the lack of EUV and still make chips better technologically. We should have more sell-through data next month and thus can better judge the claim of Huawei later.

EXHIBIT 12: **Apple focuses on flagship segment but the size of this segment hardly expanded.**



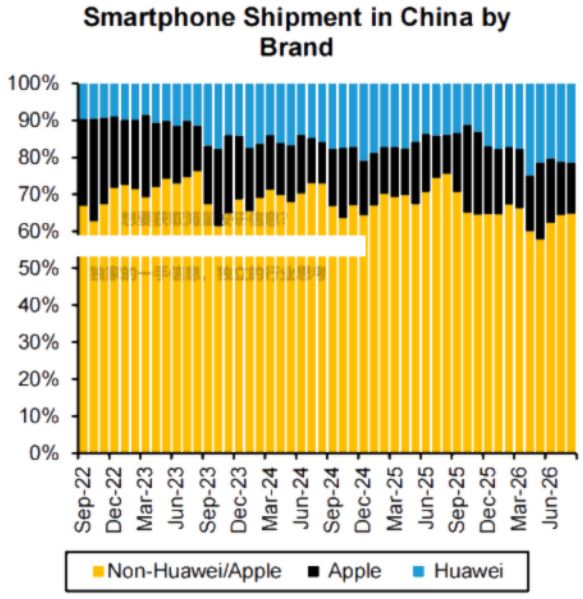
Source: CINNO and Bernstein analysis

EXHIBIT 13: **In comparison, sub-flagship segment has been growing gradually.**



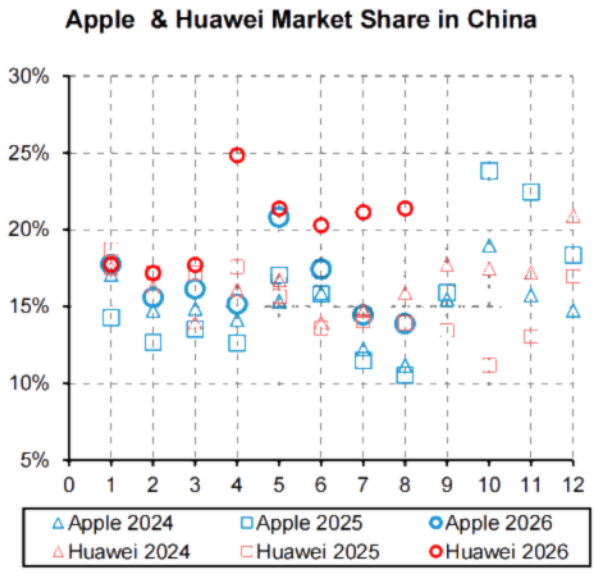
Source: CINNO and Bernstein analysis

EXHIBIT 14: **Apple is challenged by Huawei in the flagship segment & earlier also by other Chinese OEMs in the sub-flagship segment.**



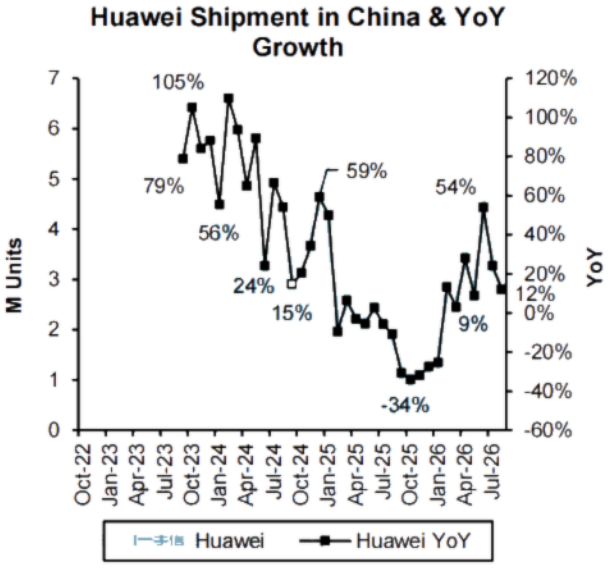
Source: CINNO and Bernstein analysis

EXHIBIT 15: **In August, Huawei further expanded its lead over iPhone in unit share.**



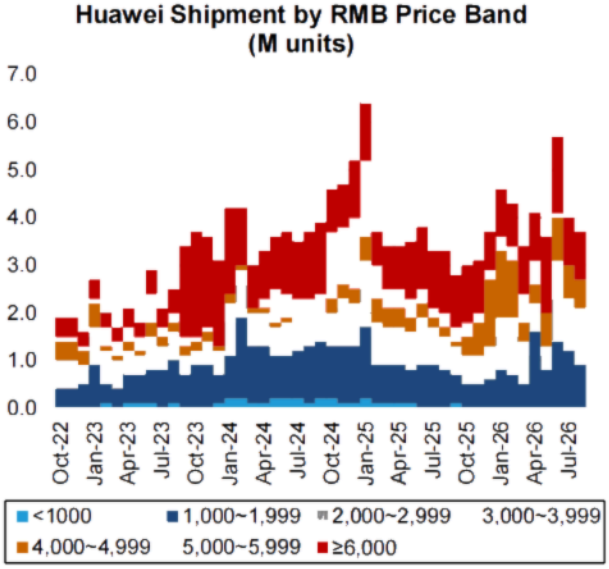
Source: CINNO and Bernstein analysis

EXHIBIT 16: **Huawei's shipment grew by 12% YoY in August ...**



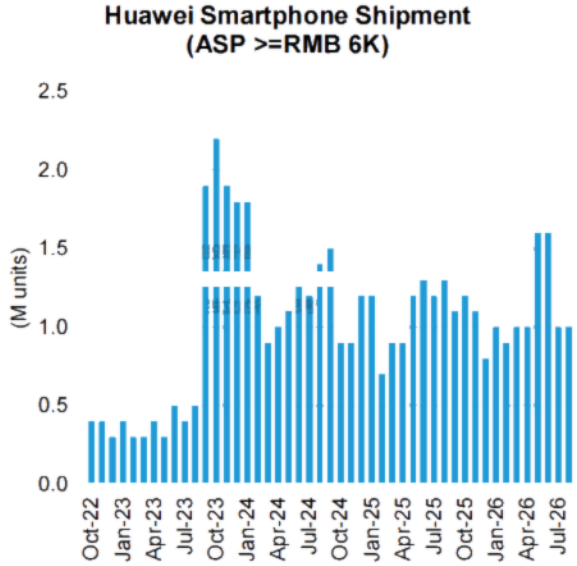
Source: CINNO and Bernstein analysis

EXHIBIT 17: **... mainly driven by products with ASP below RMB 5K.**



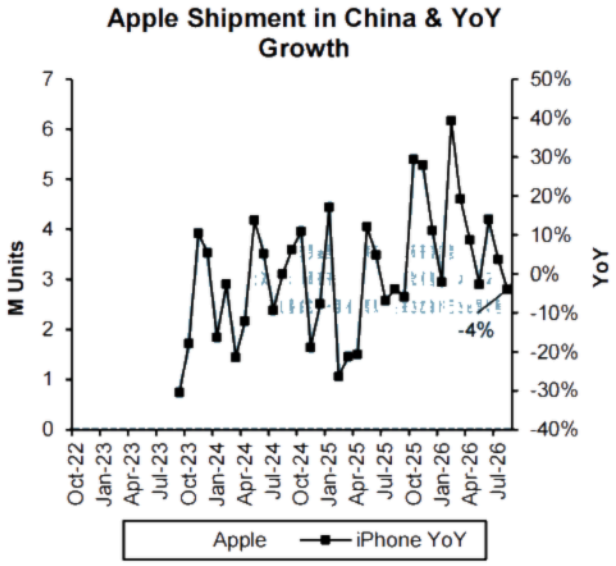
Source: CINNO and Bernstein analysis

EXHIBIT 18: **Huawei's premium smartphone (i.e. ASP >= RMB 6K) shipment dropped 23% YoY and was flat MoM.**



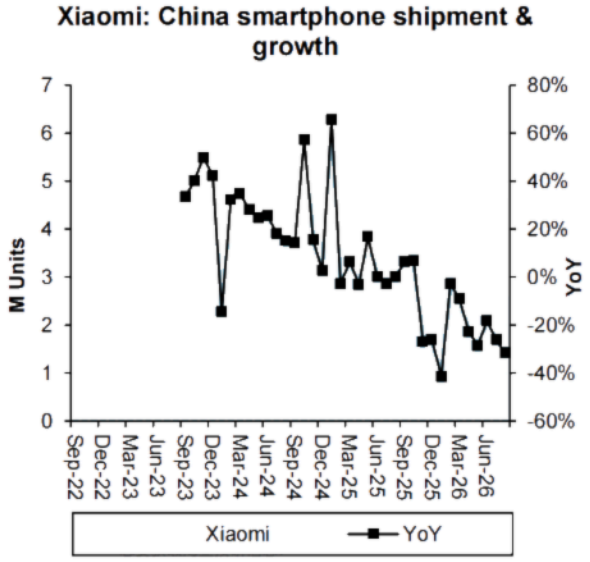
Source: CINNO and Bernstein analysis

EXHIBIT 19: **Apple shipment was down 14% MoM and down 4% YoY.**



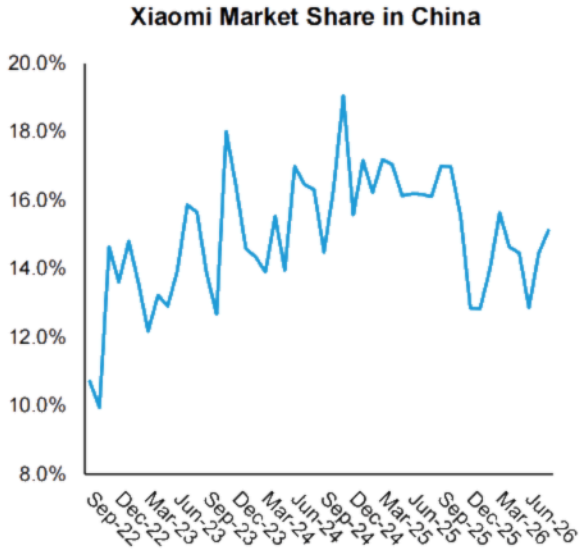
Source: CINNO and Bernstein analysis

EXHIBIT 20: **Xiaomi's smartphone shipment fell -32% in August 2026 and -24% YoY in 2026 8M.**



Source: CINNO and Bernstein analysis

EXHIBIT 21: **In August 2026, Xiaomi's market share increased to 15.1% from 14.4% in July 2026, though lower vs. 16.1% in August 2025.**



Source: CIINNO and Bernstein analysis

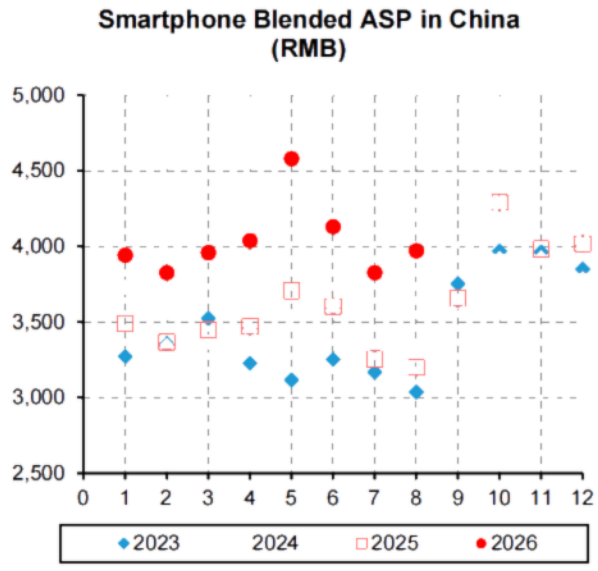
Smartphone ASP was still up 24% YoY & Price hikes by Apple and Huawei will further weigh on end demand.

- High memory cost is prompting OEMs to cut low-priced models and raise prices elsewhere. Additionally, Edge AI is expected to become the next driver for smartphone market. Both Qualcomm and MediaTek added specialized dual-NPU architectures and expanded the on-chip cache memory to their latest flagship SoC to power localized AI workloads. We hence monitor the mix of flagship (≥ US$850 (RMB 6,000)) & sub-flagship (US$560-850 (RMB 4,000-5,999)) segments, as well as the overall smartphone ASP, to gauge the effect of both considerations.

- Smartphone ASPs was up 4% MoM and 24% YoY likely as a result of significant contraction in low-end segment and like-for-like price increases due to surging memory price (Exhibit 22). Looking ahead, we expect ASP to remain elevated. Even Apple and Huawei have recently started raising prices under cost pressure. The iPhone 18 Pro series saw its entry-level price spike by RMB 1,000, while Huawei across-the-board increased prices for its premium Mate 80 and mid-range Nova 16 series by up to RMB 1,000 from the beginning of September. Hence, we expect further demand destruction in 4Q26, with downside risks extending into 2027.

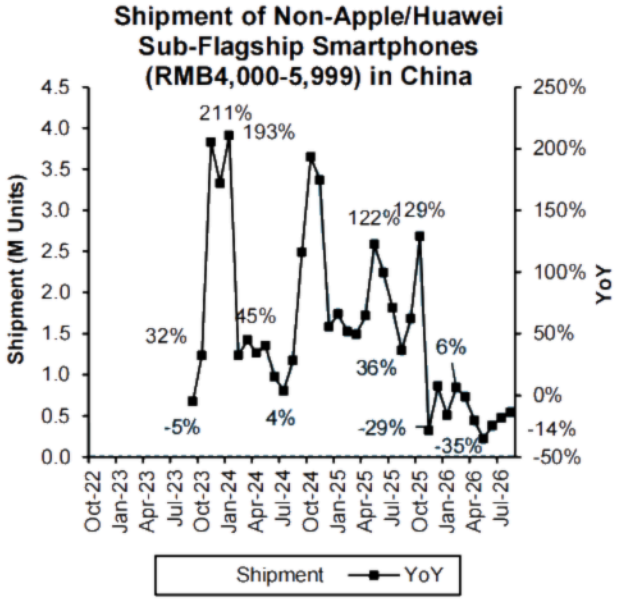
- Zooming into non-Apple/Huawei OEMs, we find their sub-flagship shipment represented 14% of their total shipment, 4pt higher YoY, but the absolute volume was down 14% YoY in August (Exhibit 23, Exhibit 24). Flagship non-Apple/Huawei sales volume was down 46% YoY and its market share was 1pt lower vs. one year ago (Exhibit 25, Exhibit 26). As Apple and Huawei both have stronger presence in flagship & sub-flagship, it's challenging for other OEMs to generate revenue in this segment to offset the loss elsewhere.

EXHIBIT 22: **Smartphone ASP was up 4% MoM and 24% YoY.**



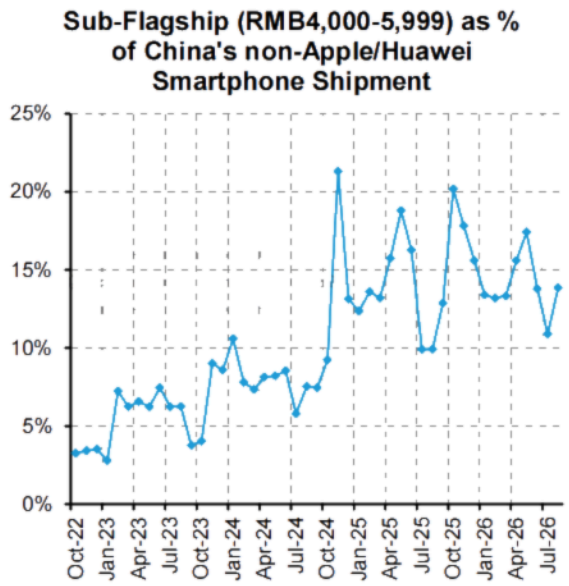
Source: CINNO and Bernstein analysis

EXHIBIT 23: **Non-Apple/Huawei sub-flagship shipment was down 14% YoY in August.**



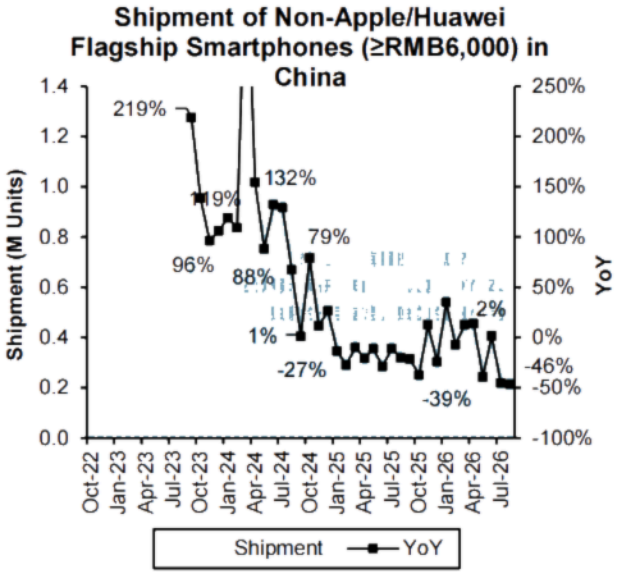
Source: CINNO and Bernstein analysis

EXHIBIT 24: **Sub-flagship segment took up 14% of non-Apple/Huawei shipment, up 4pts YoY.**



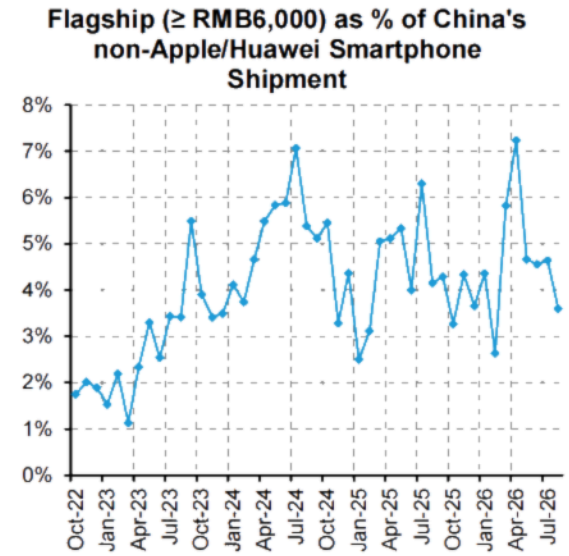
Source: CINNO and Bernstein analysis

EXHIBIT 25: **Non-Apple/Huawei flagship shipment was down 46% YoY.**



Source: CINNO and Bernstein analysis

EXHIBIT 26: **Flagship segment accounted for c. 4% of total non-Apple/Huawei shipment, 1pt lower YoY.**



Source: CINNO and Bernstein analysis

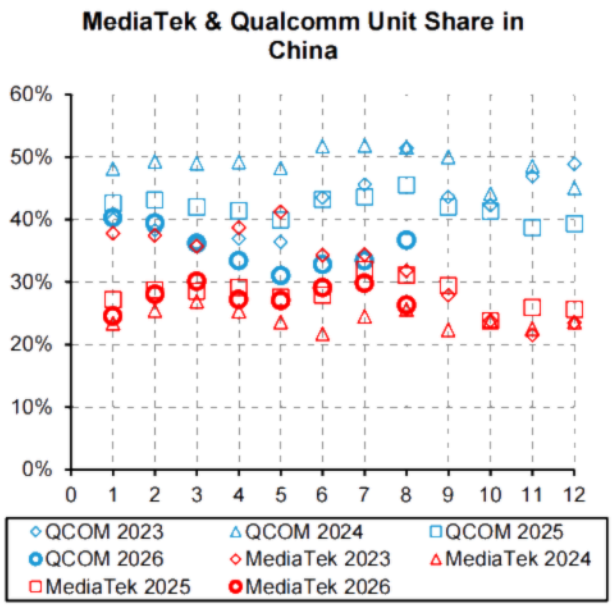
MediaTek lost unit share to Qualcomm in August. Could MediaTek's single-flagship strategy become a disadvantage?

- In August, MediaTek lost c. 3.5pts unit share to Qualcomm, likely due to recent launches of Redmi K100 Pro series, 17 5G series, and Honor 600 / 600 Pro 5G, all of which powered by Qualcomm's Snapdragon (Exhibit 27 - Exhibit 30). On a YoY basis, both of Qualcomm and MediaTek lost share to Huawei and Apple.

- Overall, we're cautious on MediaTek's smartphone business considering the pressure from high memory price & its higher exposure to mid- to low-end segments, where demand and profitability are more vulnerable. In addition, in the latest flagship cycle, Qualcomm's dual-flagship strategy (Snapdragon 8 Elite and 8 Elite Extreme, both on N2) provides OEMs with greater flexibility to balance performance and BOM costs in an increasingly price-competitive market. By contrast, MediaTek offers only one true N2-based flagship, the Dimensity 9600 Pro. While the lower-priced Dimensity 9600M broadens the lineup, it is essentially a repackaged Dimensity 9500 on N3P and therefore may be deemed as a less compelling cost-performance alternative.

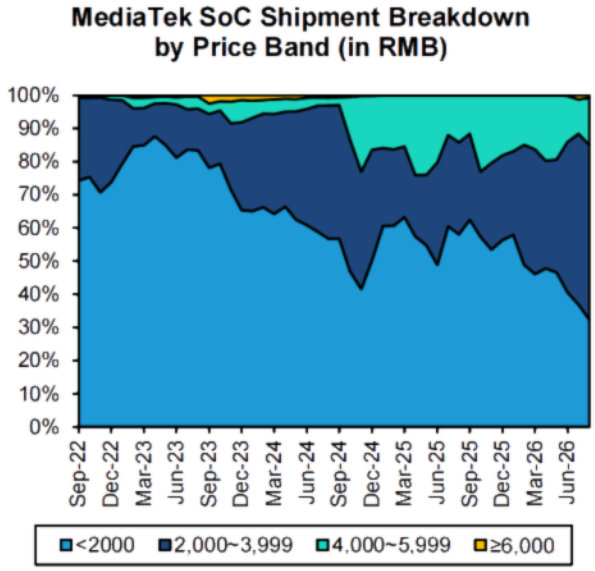
- Finally, UNISOC's share improved sequentially thanks to recent adoption by vivo Y6c and Redmi 17 4G, but remained well below 1% (Exhibit 31), implying the mobile SoC market in China remains a duopoly. Because China has the motivation to use the chips from Chinese suppliers, UNISOC's share staying so low in China attests that the company is not competitive in 5G.

EXHIBIT 27: **In August, MediaTek lost c. 3.5pts unit share, likely to Qualcomm. On a YoY basis, both of them lost share to Huawei and Apple.**



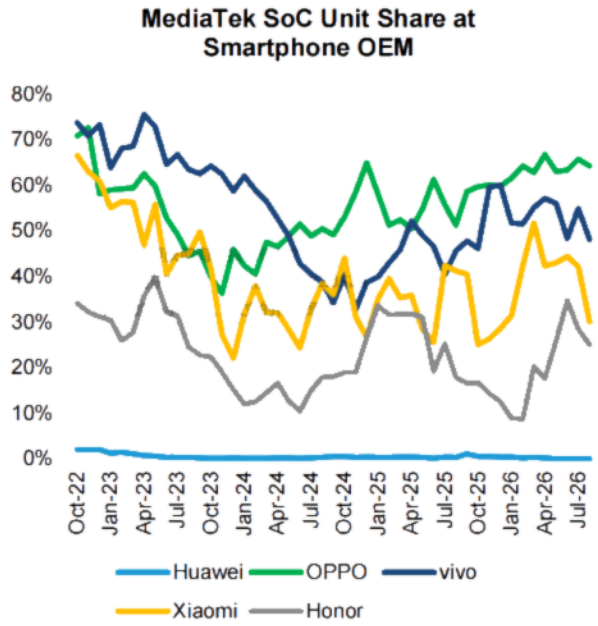
Source: CINNO and Bernstein analysis

EXHIBIT 28: **MediaTek's shipment mix continued to improve.**



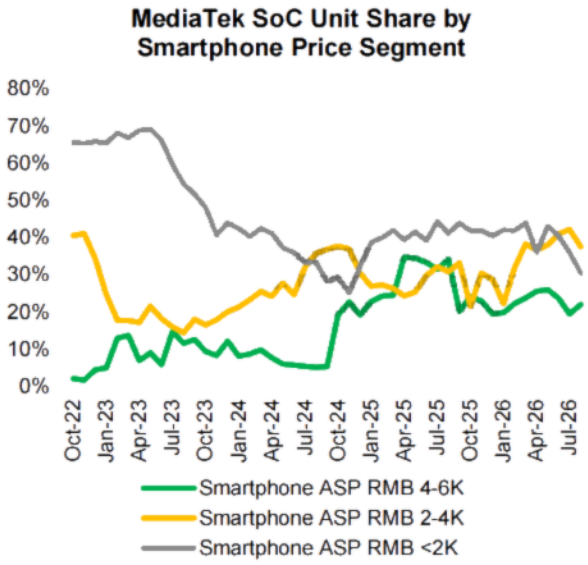
Source: CINNO and Bernstein analysis

EXHIBIT 29: **MediaTek saw unit share loss in Xiaomi and Honor in August.**



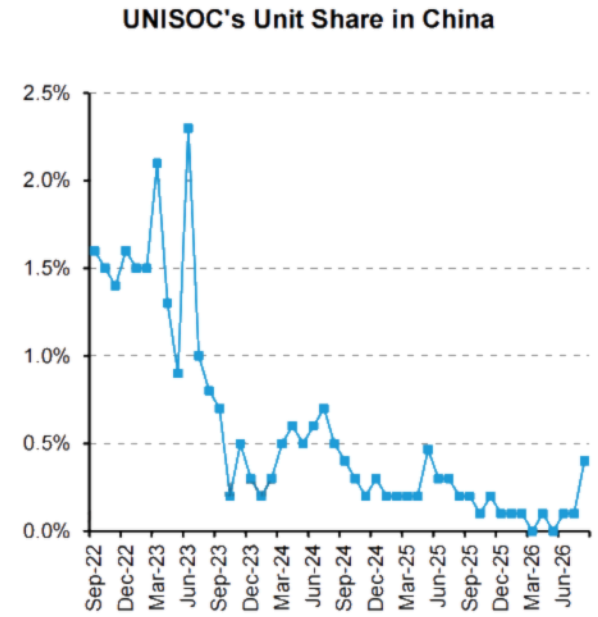
Source: CINNO and Bernstein analysis

EXHIBIT 30: **By price tier, MediaTek's unit share edged down sequentially in mid-end and low-end.**



Source: CINNO and Bernstein analysis

EXHIBIT 31: **UNISOC's share imporved sequentially, but remained very small in China.**



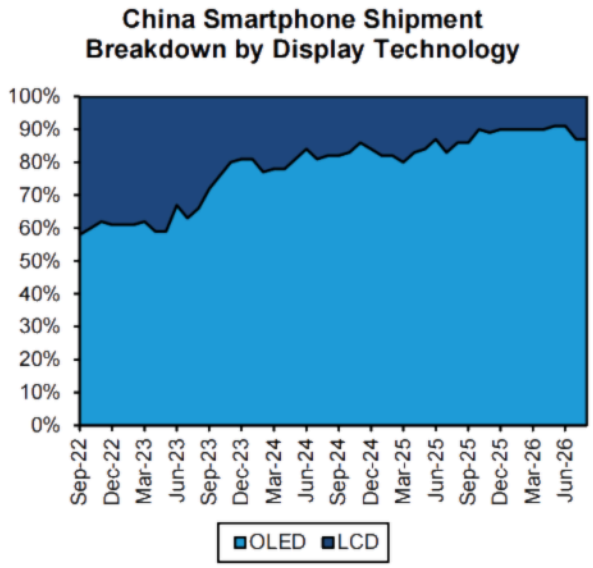
Source: CINNO and Bernstein analysis

OLED helps Novatek fend off the Chinese rivals, but the adoption has hit a ceiling. Breakthrough in foldable penetration awaits iPhone Duo with shipment scheduled to commence in late-October.

- After OLED panel penetration surpassed 80% of the smartphones shipped in China in late 2023, further penetration has been very gradual (Exhibit 32). In fact the penetration has been hovering around 90% for months, indicating that OLED is a mainstream feature and offers very limited further growth headroom (Exhibit 33, Exhibit 34). The growth of OLED panel and the supporting DDIC is thus bound to slow. Novatek has been a key beneficiary of the rising OLED adoption but plateauing OLED penetration may allow Chinese rivals to catch up. Going forward, Novatek will need to count on share gains especially at Apple & Samsung & the agent-AI machine-vision applications to sustain growth & its competitiveness vs. Chinese rivals.

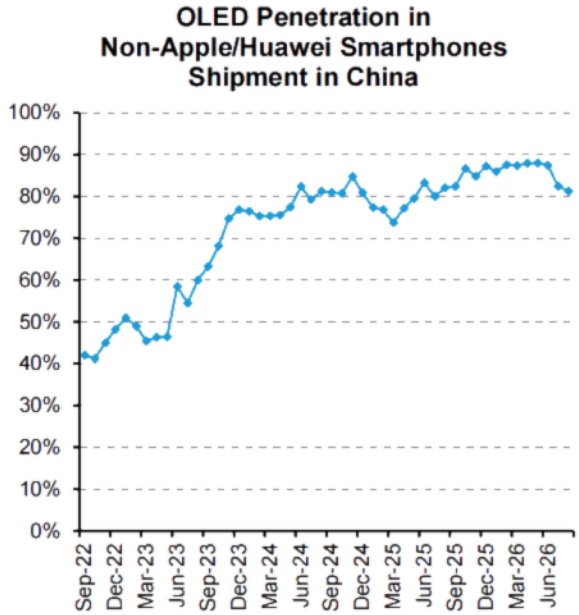
- Finally, foldable panel adoption edged down sequentially to below 3% in August (Exhibit 35). We don't expect a meaningful pick-up in the penetration until October when iPhone Duo is expected to commence volume shipment.

EXHIBIT 32: **The OLED penetration in August was flattish MoM at 87%.**



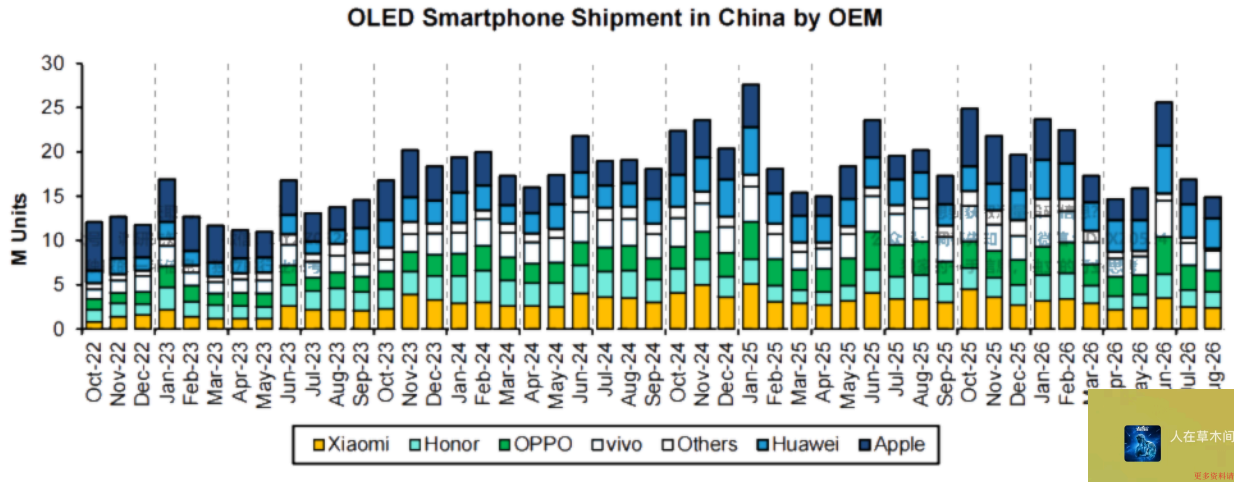
Source: CINNO and Bernstein analysis

EXHIBIT 33: **OLED penetration in non-Apple/Huawei smartphones edged down sequentially to 81%.**



Source: CINNO and Bernstein analysis

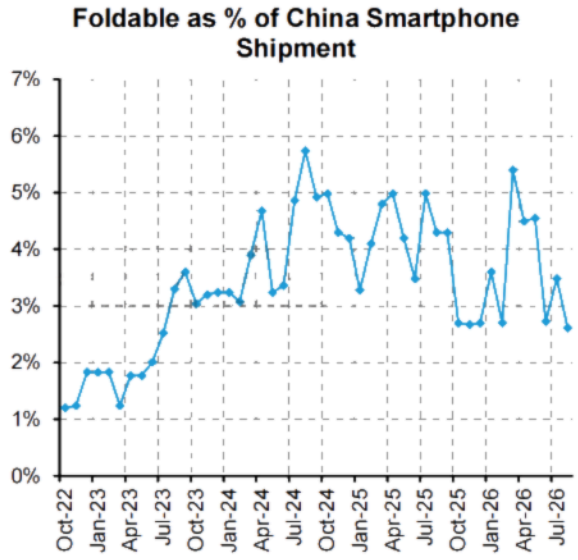
EXHIBIT 34: **Only Huawei shipped more OLED smartphones YoY in August.**



Source: CINNO and Bernstein analysis

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EXHIBIT 35: **The adoption rate of foldable panel edged down to below 3% in August.**



Source: CINNO and Bernstein analysis