

## 10 Major Trends to Watch in 2025 – Niko Partners Predictions

Niko Partners is in constant pursuit of higher excellence every year. To that end, we are publishing our forecast accuracy that we conduct on our internal model. Most firms would not disclose their accuracy, but at Niko Partners we aim to be transparent with our clients. We've analyzed our 2019-2024 market models to discern accuracy over a 5-year period.

### Forecast Accuracy Over 5 Year Period (2019-2024)

Year*	2019	2020	2021	2022	2023
Mobile	-1.1%	6.4%	13.7%	3.5%	1.3%
PC	-8.4%	-11.1%	-15.5%	-15.0%	-15.5%

\*Accuracy percentages are based on 2019 estimates relative to actual market size as of October 2024

We found that our 5-year mobile games revenue forecast was 1.3% higher than actual revenue at the end of the forecast period. While this denotes an extremely high level of accuracy, we note that this forecast was created pre-Covid and did not account for the sharp increases reflected in year 2 and 3 of the forecast.

We found that our 5-year PC games revenue forecast was 15.5% lower than actual market revenue at the end of the forecast period. The difference is due to lower than previously projected revenue growth in East Asia. We also made significant changes to our methodology for PC game revenue in Southeast Asia. While our PC game revenues are now lower than originally stated in 2019, we believe they more accurately reflect the reality of the market.

Here are our predictions for the video game industry in 2025, which includes 10 major trends to watch:

### 1. China's video game market revenue will reach \$50 billion

Niko Partners proprietary market model forecasts that player spending on video game software and services will surpass \$50 billion in China next year, the first country to do so. While China is a mobile-first market, with over 2/3 of spend from smartphones and tablets, we continue to see notable growth from the PC and console game segments, especially on the heels of the successful launch of *Black Myth: Wukong*.

China won't be the only market to achieve a milestone in 2025. India is set to exceed \$1 billion in player spending, the Philippines will reach \$500 million, and Thailand will closely

approach \$2 billion. In fact, the Asia & MENA region as a whole will reach \$89 billion in player spending across PC, mobile, and console, with a user base of 1.76 billion gamers.

## 2. 2025 will be better than 2024 for the games markets in Asia & MENA

The global video games industry has experienced significant fluctuations during the post-pandemic period, and Asia & MENA are not exceptions to this. However, while layoffs continue along with global economic uncertainty, we see 2025 (particularly after Q1) as a more stable year for the industry compared with 2024. India's games revenue will grow 14.7% YoY in 2025, followed by MENA-3 (8.3% YoY) and Southeast Asia (6.1% YoY). However, Japan and Korea likely will not see positive growth rates until 2026.

In emerging markets like India, MENA, and Southeast Asia, new gamers and a growing middle class will drive increased spending on video games. We also expect to see companies that significantly downsized their gaming operations, such as ByteDance and Garena, indicate recovery by greenlighting new titles and other gaming related projects.

## 3. Over 1 billion gamers in Asia & MENA will watch gaming & esports content online



Niko Partners conducts an annual online survey of 7,500 gamers across Asia & MENA to understand gamer behavior, motivations and insights across the region. One important stat that we've paid attention to recently is the increasing number of gamers that watch gaming and esports related video content online. In 2024, we found that just over half

of all gamers surveyed watch gaming and esports content online. In 2025, we expect this to increase to nearly 60% as publishers and content creators fuel demand for video content.

Southeast Asia and India already index higher than China, East Asia, and MENA, which typically fall slightly below 50%. Game video and livestreaming continues to play a greater role in the region for game discovery, marketing, and even distribution. One notable trend we've seen recently is the sale of in-game content via livestreams, with viewers able to make purchases without leaving the stream.

#### 4. Game companies will shift back to geographic expansion

Niko Partners believes game companies will recognize growth through geographic expansion in 2025, after new technologies such as Web3, VR/AR/XR, and cloud gaming underperformed expectations. We anticipate firms will double down on international expansion particularly to Asia and MENA, given the growing appetite for gaming and the recent success of global IP in these markets. In 2024, Korean game Dungeon & Fighter launched in China and grossed over \$2 billion. Likewise, Supercell's Brawl Stars has recently seen South Korea, Japan, and China emerge as its top 3 markets outside the US.

Geographic expansion not only diversifies a company's player base but also mitigates the risk associated with untested new technologies, ultimately driving sustainable growth in a more predictable and stable market environment.

#### 5. New regulations will further open walled gardens on mobile

The past few years has seen the US, EU, Japan, South Korea, and India take antitrust action against walled gardens on mobile, primarily operated by Apple and Google. This has led to Apple and Google allowing third party app stores, alternative payment systems, and removing anti-steering provisions in certain countries. However, stakeholders and regulators continue to argue that Apple and Google are not in compliance with these rulings, and regulators in other countries have also started to take an interest in opening digital markets after pressure from the industry.

In 2025, we fully expect that additional markets will announce rulings that require Apple and Google to remove their walled gardens, and we believe that both parties will be required to remove their commission fee in at least one market when developers link out to an external web shop. We expect this to accelerate out-of-app monetization growth, benefiting game developers who will be able to earn higher gross margins on in-game payments.

#### 6. Console gaming growth will surpass mobile and PC in 2025

2025 will be the year of console thanks to a strong pipeline of games and the launch of new console gaming hardware, with two major launches being *Grand Theft Auto VI* and the successor to the Nintendo Switch. *Grand Theft Auto VI*, set to launch in Fall 2025, is one of

the most anticipated games of all time and will only be available on console at launch. The successor to the Nintendo Switch is also highly anticipated, with the original Switch being the third best-selling console of all time. We currently expect the new console to sell in-line with the original Switch in its first year. While demand will be high, fueled by anticipation for a new Nintendo console and first party games; a limited supply, a higher price, and satisfaction with current hardware and live service game offerings could somewhat dampen near-term purchases.



Dedicated gaming hardware as a whole will also have a strong year. Multiple hardware manufacturers are entering the PC gaming handheld market this year and we expect new devices from existing players including Valve and Asus. Platform holders including Xbox and PlayStation have also expressed interest in creating portable consoles which

may be released in 2025. Niko Partners research shows that China, South Korea, and Saudi Arabia have also emerged as notable console gaming markets in Asia & MENA, alongside Japan's existing dominance.

## 7. Multiple large-scale games will offer Generative AI features for players

It's no secret that a majority of game developers in Asia are experimenting with Generative AI to support professional game development and are already reporting increases in efficiency and a reduction in costs when it comes to the pre-production phase. While Generative AI will continue to play a larger role in game development in 2025, we expect to see multiple large-scale games from Asia & MENA based developers incorporate Generative AI features aimed at user interaction that enhance the way games can be played.

We expect these titles to include Generative AI elements that enhance user generated content (UGC) in terms of designing characters, maps, and interactions with NPCs, further driving engagement. We also expect a large number of player debates to take place on whether these experimental features offer additional value, with those in Asia being more receptive than those in the West. According to our 2024 gamer survey, 50% of gamers in Asia are aware of Generative AI and interested in its application with video games, with

players in India, Indonesia, Thailand and the Philippines being most interested in the technology.

### 8. Platform holders will announce multiple new game development incubators

Video game incubators have provided early-stage game developers with the resources, mentorship, training, networking and financial support they require to build games and enter the market. In 2025, we expect platform owners to take a hands-on role when it comes to launching new incubators targeting video game developers in Asia & MENA to bring their titles to global gamers as they look to create a unique and differentiated offering that helps them stand out from the competition.

We've already seen examples of this, such as with Sony and its recently announced India and MENA Hero projects, which we expect to roll out to other markets this year. Other platform owners we could see launch new incubator programs targeting Asia & MENA this year include Microsoft, Google, Apple, Epic Games, and Tencent. Successful titles in the past year such as *Black Myth: Wukong* from China, *Palworld* from Japan, and *Dark & Darker* from South Korea were all developed by small indie teams in the region. Platform owners will launch their own incubators to find the next hit from Asia & MENA based teams.

### 9. Game companies will build an ecosystem around their IPs in battle for player attention

One trend we've noticed over the past decade is that player time and spend continues to converge around a small number of live service games, with high switching costs for new entrants. Traditional user acquisition methods are also less effective than before, especially on mobile, due to evolving privacy restrictions. In response, we expect to see publishers build content ecosystems around their IP and franchises to drive additional engagement both in and outside of the game. On a basic level, this includes games being available on multiple platforms (Mobile, PC, Console & Cloud) with cross-play and cross-save features, alongside regular content updates.

Beyond these increasingly baseline expectations, we expect game companies to extend their IP across multiple media formats, sponsorship deals, brand collaborations, real-world experiences, and merchandise lines as they aim to capture not only more players but also those who may not play the game but remain invested in the IP. The battle for attention

among increased competition will be the main driver of interoperability and creative experiences that lead to expansive engaged communities capable of sustaining long-term monetization—both inside and outside of core gaming experiences.

#### 10. Game consoles will be exempt from potential US tariffs on Chinese products

We expect the United States to issue tariffs on Chinese products and increase its scrutiny of China based firms in 2025. However, we believe that these tariffs will not be applied to console hardware in 2025. Sony, Microsoft and Nintendo will argue that they are not based in China and that no China based company is directly competing with them in the dedicated video game hardware market. Further, there will be a shift of Chinese manufacturing of some other products to other countries to avoid the tariffs, such as Indonesia.

We do expect to see heightened scrutiny of Chinese tech and gaming firms, and while this will increase operational risk for Chinese firms operating in the US (and vice versa), we do not expect any major ban or divestment initiative involving a Chinese gaming company and its video games to take place this year.

**Here's 10 predictions we made in 2024 and whether we were correct or not:**

- Asia & MENA to account for over 60% of global PC & Mobile games revenue
  - *Almost Correct: Asia & MENA will generate \$82 billion in player spending across PC & Mobile in 2024, which is just under 60% of global PC & Mobile game revenue.*
- A deal valued at more than \$2.5 billion, in top 10 of all time, will happen
  - *Correct, but not specifically in Asia, but EQT acquired Keywords Studios (which has operations in Asia) for almost \$2.4 billion in 2024.*
- Instant games will reach over 1 billion MAUs in Asia & MENA
  - *Correct. We believe this prediction was achieved with 800m MAUs for mini /instant games coming from WeChat and Douyin in China alone*
- New console hardware will be announced in 2024
  - *Almost correct: While the Nintendo Switch successor was not announced, as we previously expected, Sony announced its PS5 Pro and multiple PC gaming handhelds were also announced.*

- The new global esports landscape isn't centered in the west
  - Correct. There were more high-profile esports tournaments and viewership in Asia & MENA compared to the west this year by a growing margin.
- Blizzard will re-enter China in an official capacity
  - Correct. Blizzard announced its return in April 2024 and re-established its partnership with NetEase
- More than 100 import games will be granted an ISBN for release in China
  - Correct. A total of 111 Import Games were approved by the NPPA in 2024 and we expect a higher figure in 2025.
- Governments in Southeast Asia & India will actively support games industry growth
  - Correct. Multiple governments in the region announced policies that include support for video games and esports in their respective markets.
- The ratio of female gamers in India and MENA will increase in 2024
  - Correct: The ratio of female gamers increased from 34% in 2023 to 36% in 2024 when combining India, Saudi Arabia, United Arab Emirates and Egypt.
- Mobile-first game developers will embrace a cross-platform approach
  - Correct: Multiple mobile first game developers announced plans to release existing titles on PC or opened studios to support PC and console ports.

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