Polarizer Supply the Tightest in Four Years, Hopefully to Relax as China Ramps Up Production Capacity in 2020, Says TrendForce

2019-05-13 Julian Lee

According to the newest observations by WitsView , a division of TrendForce , China's high-generation panel manufacturers are expanding at an alarming rate. Additionally, average TV sizes continued to expand, and production capacities of super-wide 2500mm substrates that may be economically cut to 65 inches and 75 inches for polarizer suppliers were not ramped up in time, causing polarizer supply to tighten this year. The glut ratio dove under 5% for the first time in four years and came to a mere 3.3%.

Polarizers in Low Supply, Raising the Bar in Procurement and Price Negotiations for Panel Manufacturers

TrendForce Assistant Research Manager Julian Lee points out that, although this year saw the addition of LG Chemical's wide 1490mm panel line at its Nanjing plant, this was merely a change in production base and not an increase in production capacity. Kunshan Cheng Mei Materials' super -wide 2500mm production line, set to begin mass production this year-end, is expected to enter full swing in 2H20. Yet looking at the newly added panel production capacities for this year, we already see CSOT's Gen 11 line and HKC's Gen 8.6 line beginning mass production in 1H, and Sharp's Gen 10.5 line in Guangzhou beginning in 2H. An imbalance has occurred in polarizers' supply/demand structure, yet the total supply area still remains larger than that of demand.

Polarizer manufacturers have been increasingly replacing TAC films with PMMA/PET films and COP films, yet non-TAC films still form the supply minority, its capacity expanding but slowly in the past few years. They've also failed to catch up with high- generation panel manufacturers in production capacity, causing polarizer supply to tighten somewhat this year. Panel manufacturers may even face situations such as unmet emergency orders or delayed delivery schedules, but they won't be severe enough to affect panel shipments. Nevertheless, many TV panel prices are hovering just above cash costs, whereas polarizer prices refuse to drop. The increased difficulty in negotiations remains to be the largest impact on panel suppliers from these events.

Top Three Polarizer Vendors Combined Comprise 65% of Production Capacity; China's Vendors to Rise in 2020

According to TrendForce's calculations, the total effective polarizer production capacity area for the whole 2019 year is projected to stand at 566 million square meters, while the top three suppliers—LG Chemical, Nitto Denko and Sumitomo Chemical—hold a combined market share of 65% , and are not going anywhere anytime soon. Samsung SDI is ranked at 4th place and takes up 9% of global capacity; Taiwan manufacturers such as Cheng Mei Materials, BenQ Materials and Optimax hold a combined share of 15%; China Manufacturers SAPO, Sunnypol and Sheng Bao Lai take up 8%. All other suppliers make up the remaining 3%.

China manufacturers are predicted to rise significantly in influence beginning in 2020. If Hangzhou Jinjiang Group's SAPO and Kunshan Cheng Mei Materials both open up their 250mm production lines by then, China's polarizer providers will form a double digit share of global production capacity for the first time in history, arriving at 11%.

About TrendForce

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DRAMeXchange focuses on memory, storage and the consumer electronics industry including PC DRAM, Mobile DRAM, Server DRAM, NAND Flash, SSD and smartphone.

WitsView offers comprehensive coverage of the display industry from upstream components, midstream panels/touch modules to downstream system integrators, brands and channels.

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