

The US-China Trade War Escalates, May Send North American and Global Notebook PC Markets into Turmoil, Says TrendForce

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May 10th sees the US-China trade dispute escalating yet again as the US continues to hike tariffs on US\$200 billion worth of Chinese imports, going from 10% to 25%. [TrendForce](#) points out that TVs, monitors, notebooks and other display products were not among the US\$250 billion worth of goods hit by the 25% tariffs, thus the current impact on panels and the display industry remains to be fairly limited.

Yet tensions amid the US-China trade war has intensified. China has swiftly responded in retaliation, imposing 5%-25% punitive tariffs of its own on US\$60 billion worth of goods on May 13th, Taipei Time. Likewise, the US has released its 4th list of tariffs, including US\$325 billion worth of China exports among the items to suffer 25% tariffs. Notebooks, which make up a sizeable proportion of imports in revenue, are especially deserving of close attention.

The significance of notebook PCs lies in 3 areas, and one should note that not only are the US and China both harmed by the high tariffs, but Taiwan is also caught up in the storm. First of all, nearly 90% of notebook PCs imported to the US are assembled in China, with Chongqing as its main industrial city for these products. Lacking other production bases of similar scale with highly integrated supply chains for flexible procurement, China will suffer a terrible hit in exports should punitive tariffs begin to fly.

Secondly, the North American notebook PC market is highly reliant on domestic brands in the US. According to TrendForce's global shipment statistics for notebook PC brands 2018, American brands HP, Dell and Apple's market shares combined comprised up to 66% of the entire North American market. Looking at it from another angle, shipments for the North American market took up 40~50% of total shipments and formed the main source of business for each of the three giants. If tariffs are imposed on notebook PCs, American brands will begin to lose competitive power due to elevated costs from tariffs, impacting both business and profits. If the tariffs reflect themselves in the end prices for notebook PCs, then there will be good reason to worry whether the North American market, which comprises up to a third of global notebook PC shipments, will suffer from a stifled sales momentum. Should that come to pass, it shall be mayday for both American notebook PC brands and the global notebook market.

Lastly, Taiwan's suppliers have long accumulated competitive power in and concentrated on notebook PC manufacturing. The three aforementioned American brands all depend 90% on Taiwan's suppliers. If punitive tariffs become unavoidable, Quanta, Compal and Wistron may become another center of impact in this disaster. Some notebook PC ODMs have expanded their production capacities in Vietnam, Taiwan and other locations outside China since 2018 in an attempt to minimize the potential impacts from tariffs. Although the change in places of production may circumvent the tariffs, notebook PC supply chains have long been situated in China. Shipping the relevant upstream components to new plants overseas of China will incur additional fees and time costs, thus leading to an inevitable overall increase in cost despite the tariff work-around.

TV Brands to Reshuffle by Market Share and Scale if Tariffs Hit Hard

In TV markets, having TVs made in Mexico and shipped to America for sale have always been the business model for years under considerations of tariff-related incentives and logistic costs. Taking the current top four TV brands by market share for example, we see that Samsung and LG have enormous production capacities in Mexico, allowing the two Korean manufacturers to circumvent the towering tariffs on China imports with ease, thanks to the additional resources at hand.

In contrast, Chinese brand TCL, catapulted by sharp price strategies, and Vizio are still highly reliant on China manufacturers for production. Although TCL possesses some capacity in Mexico, it is only enough for 50% of US

demand. That is to say, once TVs are included in the list of products to suffer punitive tariffs, a reshuffling of brands by brand strength and market shares shall ensue.

About TrendForce

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