

Major Production Bases China and Mexico Both Facing the Threat of Tariffs, Casting a Shadow on This Year's TV Market Development, Says TrendForce

2019-06-04 [Eric Chiou](#)

As worries spring up in the market about whether the 25% tariff arising from the US-China trade war would impact TV markets, US President Trump has further announced on May 30 that he plans to levy a 5% tariff on Mexico's imports to the US on June 10 due to illegal immigrant issues. The tax will keep escalating and hit 25% in October. [WitsView](#), a division of [TrendForce](#), suggests that the tariff problems to follow may severely impact US market confidence and drag down global TV shipments for 2019.

"Mexico has always formed the bases of assembly for many consumer electronics in the US, including TVs, due to being conveniently well-located and the tariff benefits from the USMCA," says Eric Chiou, research vice president at TrendForce. 2018, for example, saw Mexico producing around half of all TV products sold in the US-led North American TV market, while the other half came from China. It is exactly due to Mexico's buffering role that worries over the trade war impact on TV markets were not as intense as over its impact on notebook PCs and smartphones, as the latter two are lacking in production dispatching flexibility.

Korean and Japanese Brands' Large Mexican Capacity to Become an Underlying Concern If the US Imposes Tariffs on Mexico

According to TrendForce's investigations, the seven major TV brands in the North American market are Samsung, Vizio, TCL, LG, Hisense, Funai and Sony, which collectively make up 85% of the total market. The effects felt from the trade war vary depending on production bases and operating models. Vizio is highly reliant on partnering China OEMs in production, and is thus seen as the brand to be hit by the first wave of the US-China tariff war. And although TCL and Hisense, two fast rising companies in North American markets, have capacities in Mexico available for regulation, their heavy dependencies on Chinese manufacturing leave their highly prized cost and price advantages vulnerable to levied tariffs by the US and China.

In comparison, Samsung, LG, Sony and other global brands who possess large amounts of TV assembly capacity in Mexico were not only able to return unscathed from this trade war, but even become beneficiaries from the misfortune of competitors suffering elevated costs. However, once Mexico's imports come under tax-siege, Mexican TV capacity will immediately become quite the hot potatoes for global TV brands.

North American Market Forms a Fifth of Global Shipments; Diminishing TV Demand to Exacerbate the Panel Oversupply

Production dispatching routes for TV brands were virtually severed by the exposure of two countries to the imposed tariffs: first China, then Mexico. Not only is this a US TV market disaster in the making, but it would also hurt the future TV market. The US-led North American market contributes to 20% of global TV shipments, and is also one of the main sales region for extra-large screens 65 inches and above. Raised costs derived from tariff issues may immediately prove detrimental to sales promotions in 2H, perhaps even causing US market sales momentum to come to a screeching halt. Apart from impacting TV shipment scale, there may also be rising concerns over a slowing expansion in TV sizes, which will form an additional woe for the panel industry, which is already stuck in a vicious oversupply cycle.

The tariffs imposed by the US on Mexico is scheduled to climb by the month up until October. TrendForce analyzes that TV brands may soften the impact by stocking up ahead of time, injecting a bit of momentum into the panel industry by bringing up TV panel demand momentarily. Yet if towering tariffs become the norm, the affordable TV market that Americans have grown accustomed to may become something of the past, and dwindling demand may haunt the market in the future. If this happens, it will definitely impact brands' panel procurement needs, and panel suppliers in Korea, Taiwan or China will find it difficult to emerge from the ordeal in

one piece. Of course, whether the Mexican government may take effective measures to control illegal immigrants and win the trust of the Trump administration is also key to solving the US-Mexico tariff dispute.

About TrendForce

TrendForce is a global provider of the latest development, insight, and analysis of the technology industry. Having served businesses for over a decade, the company has built up a strong base membership base of 435,000 subscribers. TrendForce has established a reputation as an organization that offers insightful and accurate analysis of the technology industry through five major research divisions: DRAMXchange, WitsView, LEDinside, EnergyTrend and Topology. Founded in Taipei, Taiwan in 2000, TrendForce has extended its presence in China since 2004 with offices in Shenzhen and Beijing. For more details about TrendForce, please visit www.trendforce.com

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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.

LEDinside covers all aspects of the LED supply chain from upstream equipment/materials, midstream chip/packaging to the downstream backlight and lighting market.

EnergyTrend specializes in green energy research, such as solar energy, lithium battery, energy storage systems and xEVs.

Topology studies structural trends of technology industries in the Greater China Region and beyond, focusing on semiconductors, photovoltaic technology, telecommunications, and IA.

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