

## TV Panel Prices Plunge in June, with No Signs of Stopping in July, Says TrendForce

2019-07-05 [Iris Hu](#)

According to [WitsView](#), a division of [TrendForce](#), although the US-China trade dispute reached a ceasefire after the Trump-Xi meeting at G20, TV brands have been engaging in preemptive stocking in 2Q due to fears of a 25% tariff to be placed into effect in 3Q as well as Samsung Display's (SDC) original decision to shut down their Gen 8.5 L8-1-1 plant. This caused TV panel prices to plunge in June to an unforeseeable extent.

TrendForce points out that although SDC eventually had to postpone the shut-down of the plant until 3Q due to financial, technological and other considerations, end distributors' inventories of TV sets have already become bloated beyond saving in June, and brands' panel inventories have already reached dangerous levels. Although some panel manufacturers are making small adjustments to production capacity in June and July, there is no turning back from the oversupply situation.

Though US-China trade has entered the renegotiation stage entering July, it is of limited help to the TV market. Samsung Electronics made it out of the trade war safe and sound, as it leveraged its Mexico manufacturing advantage. Yet despite its signaling at the end of 2Q that it will actively make preparations in anticipation of peak season demand in 3Q, China brands' efforts to promote sales in 1H haven't been paying off, leading to ever-increasing inventory levels. Adding that panel prices started to take a dive in May and continued plunging throughout June, China brands' confidence in the markets has greatly diminished, and will take up a more conservative stance in procurements for July.

Furthermore, most panel manufacturers will be turning a blind eye towards the prospect of making production capacity adjustments in 3Q, in hopes of maintaining their respective shares of the market. As demand stays weak and production capacity pressures continue to rise, negotiating power for TV panel prices in 3Q will probably remain firmly in the hands of buyers.

### 32-inch Panel Prices Drop by More than 10%, with No Improvements in Demand

32-inch panel prices have dropped by over US\$4 in one fell swoop under the weak demand and climbing inventory levels of June, arriving at US\$36. From a supply side point of view, we see BOE, a major supplier, trying to lower 32-inch production in order to alleviate the downward pressure on prices. Meanwhile, Innolux's 58-inch products from its Gen 5.5 line were no match for CEC Group's low-pricing strategy, causing the company to suffer an outflux of orders and turn to 32 -inch products for help. We also see Korean manufacturers endlessly cranking out 65-inch panels, which are produced in pairs with 32-inch panels, in a bid to maintain their 65-inch panel market share.

32-inch panels will be in oversupply for July, and panel prices may crash below cash costs, putting panel manufacturers' cost-saving abilities to the test.

### 55-inch Panels Falling out of Fashion and Dipping in Sales

Due to a drastic fall in prices for 65-inch TV sets, the TV size of choice hung in the living rooms of North American families have moved up from 55 inches to 65 inches, causing demand for 55-inch products to stagnate. Although SDC will be closing 1.5 of its Gen 8.5 lines, other panel manufacturers with Gen 8.5 lines will be increasing the ratio of production for 55-inch panels, bringing supply for such panels up by 3-4% YoY. Panel prices will most likely fall.

Due to brands having stocked up beforehand in June in anticipation of SDC's plant shut-down and the low demand at the end, their panel inventories have been piling up. Meanwhile, panel manufacturers are under

pressure to get rid of their inventories by the end of the first half-year, causing prices to sink by over US\$10 in June with ASP arriving at US\$116 for the first time. If demand remains unoptimistic in July, there will still be some risk of price decline.

#### 65-inch and 75-inch Production Capacity Continues Growing, with Shipments Brought up by Price Cuts

As BOE's Gen 10.5 Hefei line reaches full swing, and CSOT's Gen 11 continues expanding, 65-inch and 75-inch panel supply will far surpass the needs of customers, leading to only one road for 65-inch and 75-inch panel prices: reduction. Panel manufacturers have even accumulated over a month's worth of inventories in June, and are under heavy pressure to sell off their stocks: 65-inch products have slid by US\$10, with ASP arriving at US\$185. As for 75-inch products, CSOT had to drive prices down to appeal to customers in order to keep the flow of shipments steady after its Gen 11 line began mass production in May, causing the 75-inch market to drop by 7-9% and ASP to crash below the US \$400 threshold in June.

Now as CSOT has new production capacity for large-sized panels, perhaps not even BOE's attempt to relocate capacity from 65- and 75-inch products to 43-inch products would be enough to mitigate the risk of prices falling.

## About TrendForce

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