China to Dominate Flat Panel Display Manufacturing by 2018, IHS Says

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Despite falling prices and profit margins, BOE and other Chinese panel manufacturers continue ambitious expansion plans

KYOTO, Japan (November 5, 2015) – While conventional thin film transistor liquid crystal (TFT LCD) displays are rapidly trending towards commoditization and currently suffering from declining prices and margins, China is quickly adding capacity in all flat-panel display (FPD) manufacturing segments. Supported by financial incentives from local governments, Chinese TFT capacity is projected to grow 40 percent per year between 2010 and 2018. In 2010 China accounted for just 4 percent of total TFT capacity. However by 2018, China is forecast to become the largest FPD-producing region in the world, accounting for 35 percent of the global market, according to IHS Inc., the leading global source of critical information and insight.

While Chinese capacity expands, Japan, South Korea and Taiwan have restricted investments to focus mainly on advanced technologies. TFT capacity for flat panel display (FPD) production in these countries is forecast to grow on average at less than 2 percent per year between 2010 and 2018.

Based on the latest IHS Display Supply Demand & Equipment Tracker, BOE Technology Group stands out as the leading producer of FPDs in China. With a capacity growth rate of 44 percent per year between 2010 and 2018, BOE will become the main driver for Chinese share gains. By 2018, the company will have ramped up more FPD capacity than any other producers, except for LG Display and Samsung Display.

**FPD Capacity Area Share in 2010 and 2018**

<table>
<thead>
<tr>
<th>Ranking</th>
<th>2010</th>
<th>Share</th>
<th>2018</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Samsung Display</td>
<td>24%</td>
<td>Samsung Display</td>
<td>19%</td>
</tr>
<tr>
<td>2</td>
<td>LG Display</td>
<td>22%</td>
<td>LG Display</td>
<td>18%</td>
</tr>
<tr>
<td>3</td>
<td>Innolux Corp.</td>
<td>17%</td>
<td>BOE</td>
<td>14%</td>
</tr>
<tr>
<td>4</td>
<td>AUO</td>
<td>15%</td>
<td>Innolux Corp.</td>
<td>13%</td>
</tr>
<tr>
<td>5</td>
<td>Sharp</td>
<td>8%</td>
<td>AUO</td>
<td>11%</td>
</tr>
<tr>
<td>6</td>
<td>CPT</td>
<td>3%</td>
<td>China Star</td>
<td>7%</td>
</tr>
<tr>
<td>7</td>
<td>Panasonic LCD</td>
<td>3%</td>
<td>Sharp</td>
<td>5%</td>
</tr>
<tr>
<td>8</td>
<td>Other</td>
<td>8%</td>
<td>Other</td>
<td>12%</td>
</tr>
</tbody>
</table>

*Source: IHS © 2015 IHS*

"Despite growing concerns of oversupply for the next several years in most parts of the display industry, there is still little evidence that Chinese makers are reconsidering or scaling back their ambitious expansion plans," said Charles Annis, senior director at IHS. "On the contrary, there continues to be a steady stream of announcements of new factory plans by various regional governments and panel makers."

In China the central government has generally encouraged investment in FPDs, in order to shift the economy to higher technology manufacturing, to increase domestic supply and to support gross domestic product (GDP) growth. Provincial governments have become the main enabler of capacity expansion through product and technology subsidies, joint ventures and other direct investments, by providing land and facilities and through tax incentives. In return, new FPD fabs increase tax revenue, support land value appreciation, increase employment and spur the local economy. The economic benefits generated from the feedback loop between local governments, panel makers and new FPD factories are still considered sufficiently positive in China to warrant application of significant public resources.

"China currently produces only about a third of the FPD panels it consumes. However, by rapidly expanding capacity, panel makers and government officials are expecting to double domestic production rates in the next few years and are also looking to export markets," Annis said. "How excessive global supply, falling prices and lower profitability will affect these plans over time is not yet exactly clear. Even so, there is now so much new capacity in the pipeline that China will almost certainly become the top producer of FPDs by 2018."
The IHS *Display Supply Demand & Equipment Tracker* covers metrics used to evaluate supply, demand, and capital spending for all major FPD technologies and applications. For information about purchasing this report, contact the sales department at IHS in the Americas at (844) 301-7334 or AmericasLeads@ihs.com; in Europe, Middle East and Africa (EMEA) at +44 1344 328 300 or technology_emea@ihs.com; or Asia-Pacific (APAC) at +604 291 3600 or technology_APAC@ihs.com.

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