

LCD Panel Prices Slide

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iSuppli/Stanford Resources published a report on LCD panel prices.

Prices for large-sized LCD panels for notebooks and [LCD](#) monitors have begun declining this month, bringing an end to a five-quarter period of consecutive increases.

Panel makers are cutting prices, as they attempt to burn off their inventories, which are rising due to increased production levels and a slowdown in present and expected system demand, which partly reflects a disappointing outlook for back-to-school PC sales.

Panel prices began to increase in April 2003, and rose about 21-28% from that time until last month. The price of 15-inch notebook and LCD monitor panels in the XGA format increased to the US\$230 to US\$235 range in June, up from US\$180 to US\$190 last April.

Meanwhile, 14-inch panel prices increased to US\$220, up from US\$171, during the same period. Panel price reductions starting in July brought some relief to panel buyers who have been battered by rising costs over the past few months.

A Change Of Season

What a difference a month makes!

In June, panel buyers' biggest concerns were component shortages and cost increases, as well as hikes in panel prices. Concern over future supply constraints, combined with worries over further price increases, prompted notebook and LCD monitor makers to keep boosting their orders for panels in the second quarter, even though they had detected signs of a slowdown in demand.

However, by the end of June, the system suppliers started cutting down the size of their panel orders, as their inventory levels expanded to four to six weeks, which is much larger than their normal two-week stockpiles. Inventories have been building up both for systems and panels.

Combined with increasing production among panel suppliers, the inventory inflation has resulted in a 3-5% monthly price reduction in large-size panels in July.

The most surprising drop came in the 15-inch monitor panel area, where prices declined by US\$13 from June to July, despite an acute shortage over the past few months. However, as demand softened for 17- and 19-inch products, suppliers were forced to increase production of 15-inch panels to drive down prices. Nonetheless, price reductions for 15-inch models are expected to boost demand for low-end products, especially those used as CRT replacements.

A similar situation is also occurring in the 14-inch notebook panel market, where prices declined on month by US\$9 in July. iSuppli/Stanford Resources expects price reductions to continue in August, with declines ranging from US\$8 to US\$20 for notebook and LCD monitor panels and from US\$20 to more than US\$50 for TV panels. Average price reductions in the third quarter are expected to be 5-10% for notebook and monitor panels and 10-15% for TV panels.

Large-sized LCD panel supply increased 9% on

quarter in the second quarter. Supply is expected to already accumulated in the supply chain. increase 14% by the third quarter because most panel suppliers are expanding their capacity, following establishment of new fifth-generation (5G) and 6G fabs.

Mixed Performance For Panel Applications

The LCD TV market was slow in the first half due to high panel and system prices and the sluggish adoption of LCD TVs by consumers, compared to PDP (plasma display panel) or rear-projection microdisplay televisions (RPTVs) using LCD technology or Texas Instruments' (TI) digital light processing (DLP).

Prices for 30-inch LCD TVs in the first half were in the same range as 42-inch PDP and 50-inch RPTV sets. Because end-user demand for 30-inch LCD TVs was lower than expected, manufacturers scaled back their expectations for the product and instead increased their focus on smaller-sized panels. Panels in the 20-inch and 26/27-inch range appeared to have better prospects in the market.

In the notebook area, panel demand was slow in the first quarter, following normal seasonal patterns. Although demand improved in the second quarter, lower-than-expected back-to-school sales have dampened the outlook for third-quarter demand.

In LCD monitors, panel demand was notably strong in the first quarter. Although end-user monitor demand declined in the second quarter, panel demand remained very high. However, in the third quarter, demand started to experience a slowdown due to the inventory buildup.

About 53% of large-size LCD panel unit demand and 56% of the area demand still come from monitor applications. Thus, any change in the level of monitor demand has a major impact on the large-size LCD market.

Although overall demand for large-size panels is expected to rise in the third quarter compared to the second quarter, sales will rise less than the planned increase in production capacity. Furthermore, it will take time to clear up inventories

The Silver Lining

Despite the present inventory and demand challenges, panel price reductions in the third quarter are expected to allow system makers to cut the cost of their wares in the coming months – particularly during the all-important holiday season. This will allow suppliers not only to reduce their inventories, but to stimulate demand during the fourth quarter holiday season.

Furthermore, panel suppliers are already planning to adjust their production levels by decreasing their utilization rates.

Many suppliers are now raising capital in the stock market for their future expansion plans. However, panel price reductions and slides in stock prices are decreasing their capability to raise capital. This may further impact their production expansion plans for the fourth quarter.

Increasing demand, combined with production adjustments, may bring supply and demand into balance – thus stabilizing prices – by the end of the fourth quarter. iSuppli/Stanford Resources continues to predict higher revenue growth for the LCD market in 2004.

Source: [iSuppli/Stanford Resources](#)

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