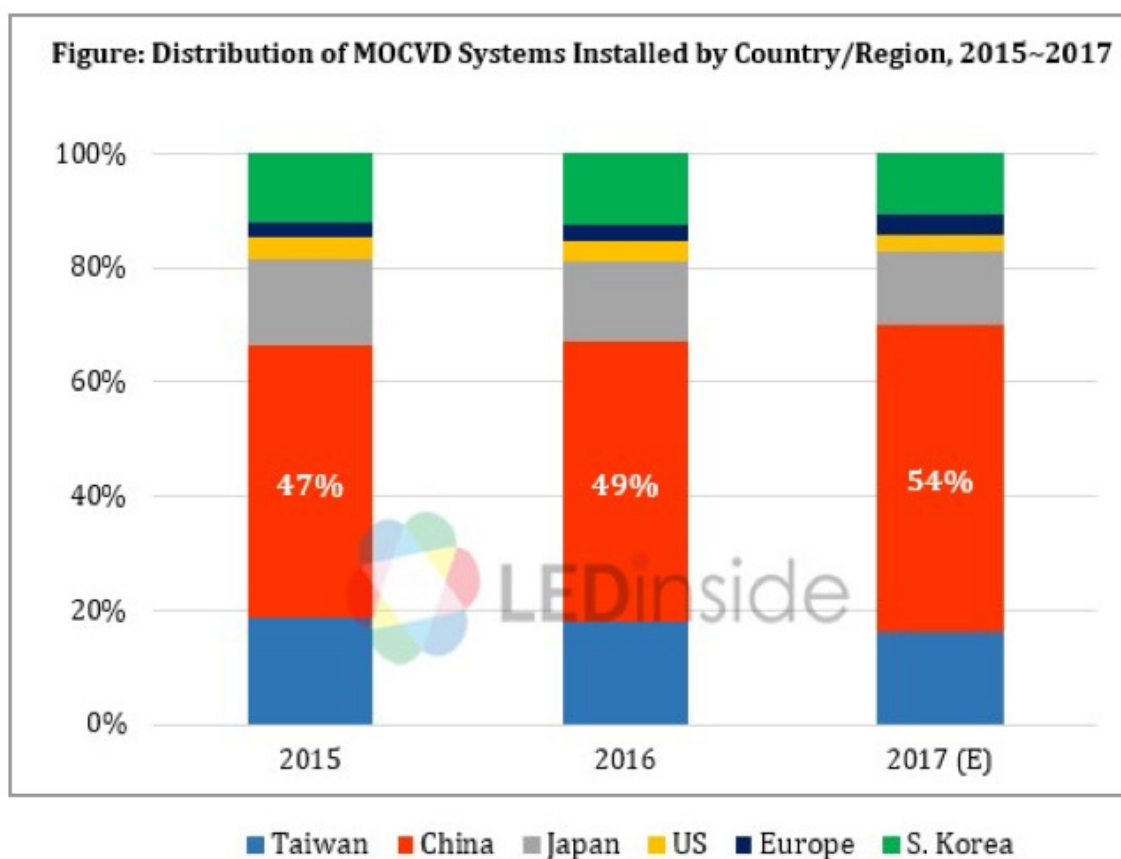


Total global LED chip production capacity is in an expansionary phase, according to a new LED market supply and demand analysis. Roger Chu, Research Director of LEDinside, who published the analysis, says, "At the start of 2017, major Chinese LED chip makers including San'an Optoelectronics, HC SemiTek, and Aucksun revealed that during the year they will be carrying out major capacity expansion plans. We estimate that the new processing operations set up by the domestic chip makers will push China's representation in the global MOCVD capacity to 54% [for year 2017]".



Chu added that this wave of capacity building for LED chips in China has been to meet the growing demand from the LED package suppliers downstream. Furthermore, domestic package suppliers in recent years have been relocating their operations to second-tier cities due to the rising costs of labor and land in the traditional industry clusters of Guangdong Province and the Pearl River Delta. Local governments in the smaller cities have offered various incentives to get LED companies to build factories in their domains. Consequently, China's LED industry in 2017 saw another capacity growth spurt comparable to that in 2010–11.

LEDinside say the rapid and subsidised capacity expansion in China is now squeezing heavily on the profit margins of long-established global LED companies. These international majors are having to scale down their own manufacturing and/or increase their outsourcing. Either way, says Chu, Chinese LED companies will benefit and become even larger.