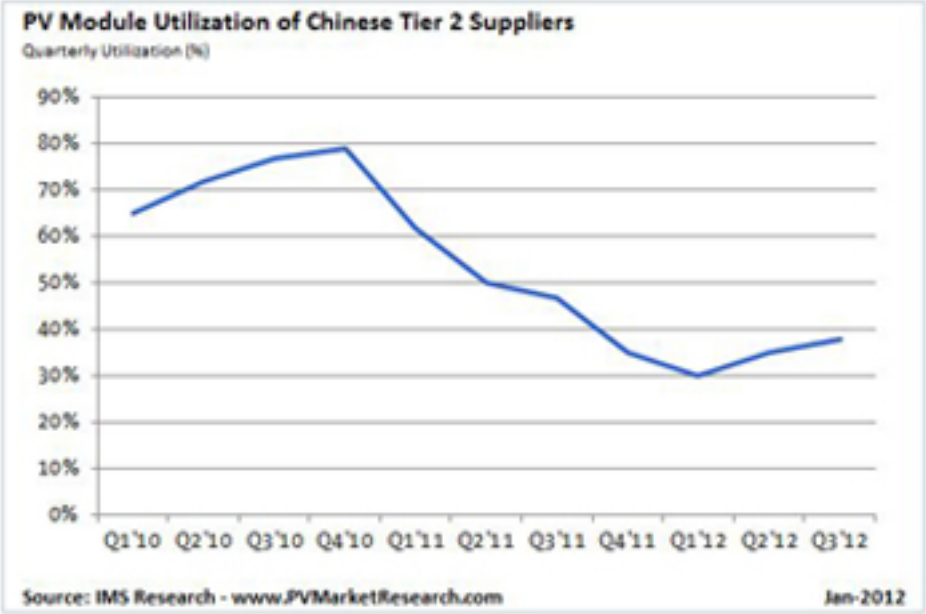
Chinese Tier 2 PV Module Utilization Fell To Record Low in Q4 of 2011

Posted by Chris Warner



The average production capacity utilization rate of Chinese Tier 2 crystalline PV module manufacturers fell to just 35 percent in Q411 according to the latest quarterly report from IMS Research and is forecast to fall even lower in Q112. As a result of high inventory levels and a weak outlook for demand in 2012, many suppliers closed down production lines, or suspended production entirely, resulting in utilization falling to the lowest level IMS Research has recorded. This is a sharp contrast to a year ago, when utilization rates of these suppliers hit 80% in Q410.

In 2010, most Chinese Tier 2 suppliers rapidly expanded their capacity as demand boomed, and these capacity expansions continued in 2011 with the expectation of another strong year. With global installations growing by â€˜just 25% in 2011, compared to 160% in 2010, these rapid capacity expansions led to a severe over capacity. As a result, total PV module production capacity in 2012 will be nearly double the true market demand.

"During 2010 and early 2011, demand for Chinese Tier 2 modules had benefited from OEM supply agreements for Chinese Tier 1 and other suppliers," commented Jessica Jin, PV Market Analyst at IMS Research. "As Chinese Tier 1 and other suppliers are now more able to meet demand for their products with their own production capacities, demand for OEM products has declined. Combined with high inventory levels, this has resulted in the shipments of Chinese Tier 2 suppliers declining each quarter in 2011, forcing suppliers to reduce production and resulting in record low utilization levels," continued Jin.

Low utilization has also impacted on PV module prices. In an attempt to clear high inventory levels, Chinese Tier 2 suppliers have aggressively decreased their prices

and the average price from Chinese Tier 2 suppliers in Q411 was 37% lower than in Q410. Despite the rapid decline of Chinese Tier 2 pricing, according to IMS Researchs Monthly PV Module Price Tracker, distributor pricing for these modules was 16% higher than supplier pricing in December, as local distributors capitalized on end-of-year rushes in major European markets.

IMS Research predicts that utilization of Chinese Tier 2 suppliers will begin to rise again in Q212, due to reduced inventory levels, most suppliers halting capacity expansions, and some suppliers exiting the market.

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