EL SEGUNDO, CA – Consumers are snapping up digital photo frames and tiny televisions, spurring a period of supply tightness and price increases for small/medium displays that is expected to linger through the first quarter, says **iSuppli Corp**.

Overall demand for small/medium displays – for example, screens with diagonal dimensions of less than 10" – exceeded supply by a scant 0.8% in the fourth quarter, down from 6.2% sequentially. Supply will exceed demand by only 1% in the first quarter, according to the research firm.

“With demand just barely higher than supply, availability of some screens has been constrained, which in the fourth quarter led to something that hasn’t been seen in the small/medium display market for a year: price increases for some products,” said Vinita Jakhanwal, principal analyst, mobile displays, for iSuppli. “With the large volumes and intense competition in small/medium displays, prices typically decline on a quarterly basis. The price increases indicate that demand growth is extremely vigorous.”

The global average selling price of small/medium displays used for digital photo frames rose to $30 in the fourth quarter, up 20% sequentially, Jakhanwal noted. The ASP for small/medium displays for tiny LCD televisions rose to $8.40 in the fourth quarter, up 2.4% sequentially.

Although prices for digital photo frame displays will decline by 3.3% in the first quarter, prices will increase slightly in other areas, including portable media players, mobile handsets, automotive applications, camcorders, cameras and industrial/financial applications, iSuppli predicts.

This will cause the overall ASP of small/medium displays to rise to $6.80 in the first quarter, up 22% from the fourth quarter.

In general, prices for smaller-sized small/medium displays are remaining steady or decreasing slightly, while larger displays are experiencing price increases.

Pricing strength will contribute to a strong first quarter for small/medium displays, with global revenue reaching $6.4 billion, up 17.3% year-over-year. Revenue will decline by 6.5% sequentially, but a seasonal slowdown is typical, says iSuppli.

For 2008, small/medium display revenue is expected to rise to $27.6 billion, up 14.7% compared to 2007. This represents a significant acceleration compared to 8.8% growth in 2006.

On a percentage basis, digital photo frames will be the world's fastest-growing application for small/medium display in 2008, with global revenue rising to $699 million, up 91.4% from 2007. However, mobile handsets will continue to dominate the market, accounting for $15.9 billion in revenue in 2008, up 17.3% from 2007.

Although strong demand for small/medium panels is expected this year, there remains some risk of imbalances in the supply/demand equation, according to iSuppli.

Chinese white-box mobile handset demand is weakening. Furthermore, major panel overbooking could result in inflated demand expectations, leading to a correction in demand later this year.

The background to this is the precarious U.S. economy and stock market. The sub-prime crisis has weakened the U.S. economy and could dampen information technology and consumer spending.

Small/medium LCD panel makers are concerned and are contemplating reducing or slowing their capacity expansion efforts to control output during the second half of the year.