

The semiconductor industry could be facing a new dilemma: Overproduction

Article

The news: There may be light at the end of the tunnel for companies suffering from the global chip shortage, [according to](#) new IDC data, which project the **global semiconductor market**

will grow by 17.3% in 2021.

- That would be an **improvement from 10.8% growth in 2020**. The IDC also expects the industry will see a balancing out of capacity by mid-2022 and could even see the possibility of overcapacity in 2023.
- Consumer electronics like mobile phones, notebooks, smart home devices, wearables, and gaming are likely to drive semiconductor growth, along with servers and the automotive industry.

The bigger picture: Signs of a rebound will come as a massive relief to an assortment of industries that are still taking a beating from semiconductor supply constraints, particularly the hard-hit auto industry—which is expected to **lose \$61 billion in sales**, by 2021, **per** Bloomberg.

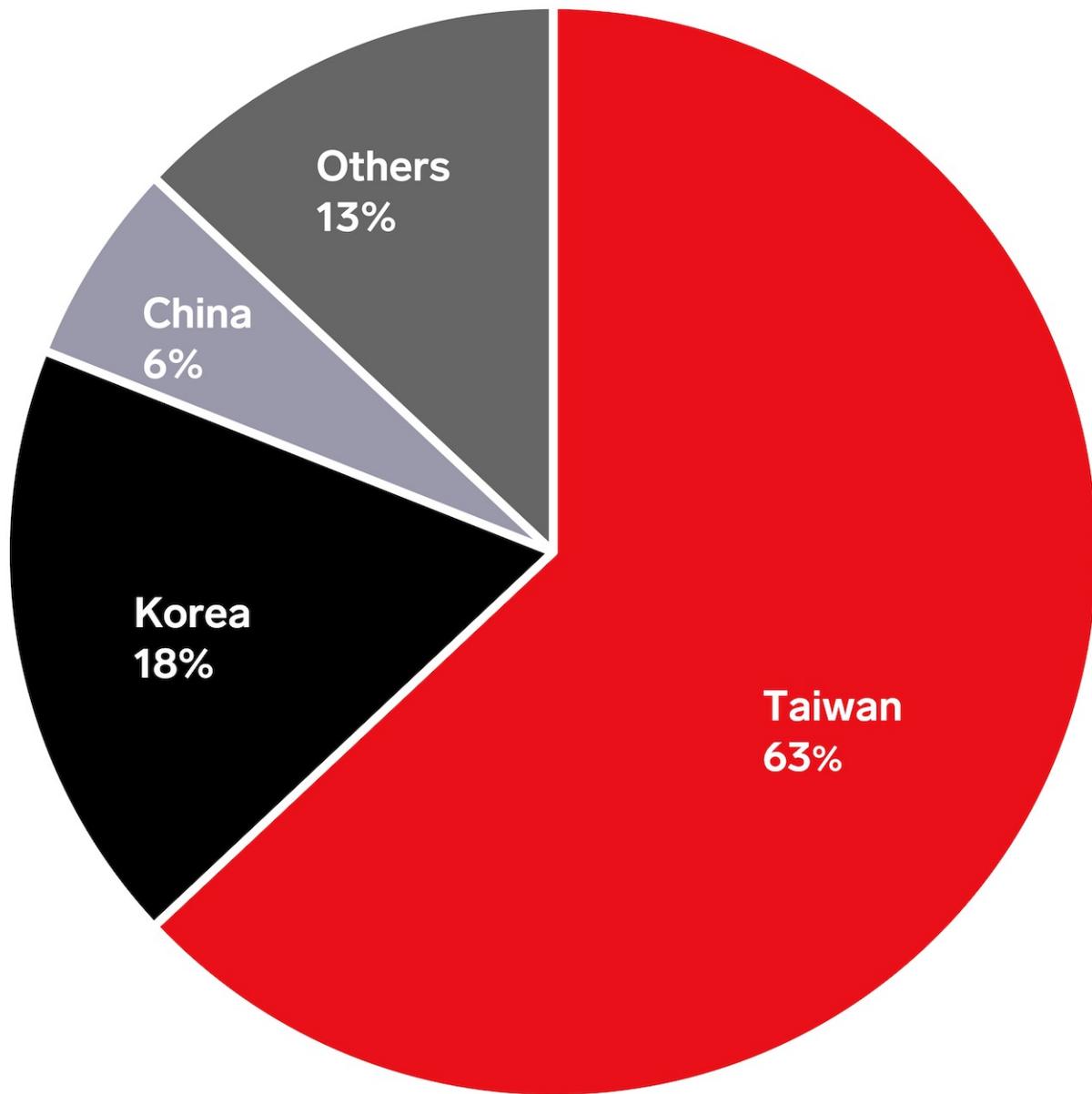
- Earlier this month, **Toyota**, the world's No. 2 automaker, was **forced** to shut down factories and cut **production in Japan and North America by 40%** as a result of the chip shortage and surging COVID-19 cases.
- And **General Motors** announced just last week that it would extend production delays in a number of factories in the **US, Mexico, and Canada**, with some plants likely to remain offline until November, **per** the Wall Street Journal.

Why this matters: The new figures paint a far rosier picture than previous reports and suggest recent attempts by chipmakers to **shore** up and **reprioritize** capacity are working.

- Some of the most pessimistic reports **warned** shortages could stretch well into 2023.
- Longer term, the US, China, and Europe have all announced plans to increase domestic chip production. Though the full effect of this push will take years to sink in, some experts **worry** the dramatic acceleration of chip production could flip the pendulum the other direction and create a chip surplus.

Global Foundry Revenues, by Country, 2020

% of total



Note: Total foundry revenues totaled \$85.13 billion in 2020. Taiwan-based TSMC made up 54% of global foundry revenues.

Source: TrendForce, March 2021

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