APR 21

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TSMC forecasts 16% sales tumble in Q2, signaling tech sector slowdown

Article

The news: **TSMC** forecast **sales would tumble 16% in Q2,** reflecting the continued slowdown in the tech sector, per Yahoo.

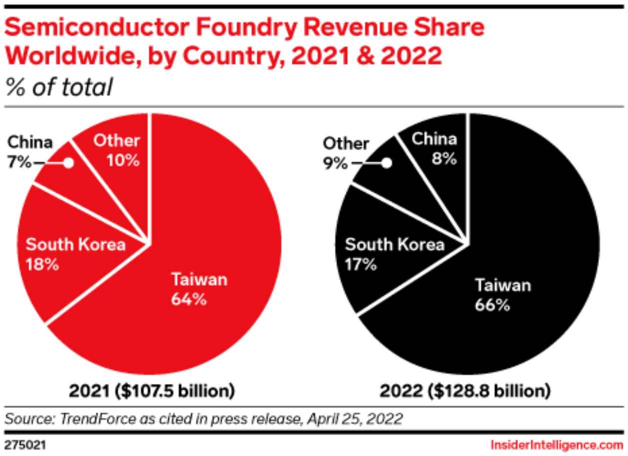
Why it's worth watching: The world's largest chipmaker said industry inventories were higher than expected and would only rebalance to a healthier level in Q3.

- Much like the rest of the industry, TSMC is grappling with uncertain electronics demand in 2023 as budgets tighten to deal with soaring inflation and a potential global recession.
- TSMC, which supplies chips for **Apple, AMD**, **Amazon**, **NVIDIA**, and **Google** posted its **first revenue drop in nearly four years in Q1** per The Wall Street Journal.
- The company and its performance are a bellwether for the technology and consumer electronics sector, where the **focus has shifted dramatically from pandemic shortages to an oversupply of silicon and other components**.
- "Moving into Q2 2023, we expect our business to continue to be impacted by customers' further inventory adjustment," CFO **Wendell Huang** said Thursday.

What's next? TSMC has committed to **building various chip factories in the US**, **Japan, and Europe**, on top of investing TWD 1.86 trillion ($60.4 billion) in a new Taiwanese factory.

- TSMC is applying for subsidies from the US Chips Act, but its efforts could be confounded by the proviso that firms taking US funds **won't expand their chip manufacturing in "countries of concern" like China and Russia for 10 years**.
- The stipulations could cause chip manufacturers like **Samsung**, TSMC, **GlobalFoundries**, **Qualcomm**, and **Micron** to reconsider the long-term benefit of chip subsidies.
- TSMC is in "constant communication with the U.S. government" to understand the specifics regarding subsidies, Huang said.

Our take: 10 years is an eternity in terms of innovation. **Some of these chipmakers could seek out incentives elsewhere** or abandon factory expansion plans as they try to manage short-term slowdowns and chip oversupply.



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