

TSMC sets aside up to \$44B to fix the chip shortage in 2022

Article

The news: Taiwan Semiconductor Manufacturing Co. (TSMC) announced its record spending plan for 2022 to meet continued demand for semiconductors in various industries.

Why it's worth watching: TSMC is the world's leading chipmaker, catering to every sector including smartphones, smart home, EVs and automotive, as well as PCs, and has indicated it

intends to spend between **\$40 billion and \$44 billion** to expand capacity in 2022, [per](#) Bloomberg.

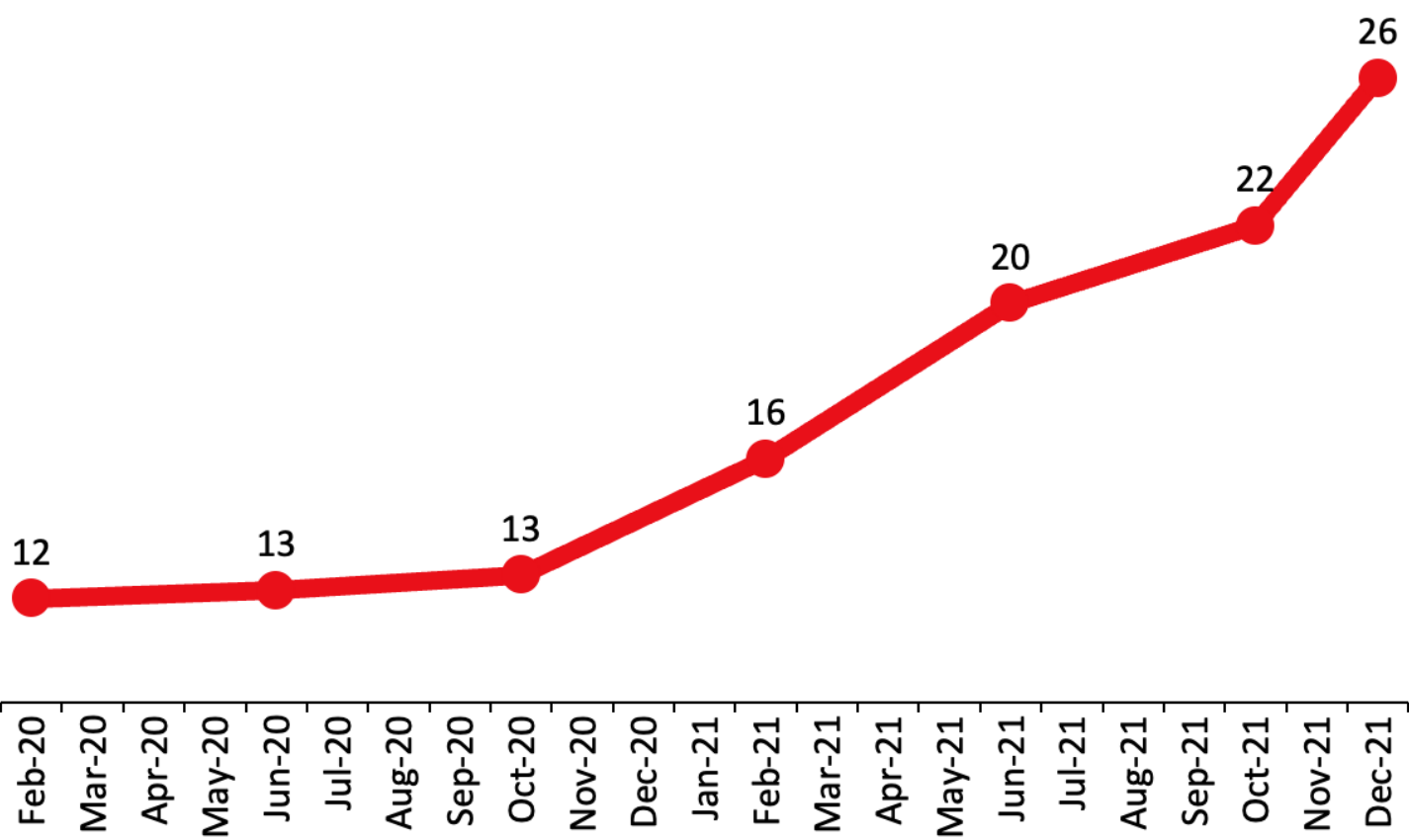
- **Apple**, one of TSMC's biggest clients, is projecting average sales growth of **15% to 20%** annually—double the previous expectation. Analysts [estimate](#) that Apple [accounts](#) for nearly **one-fifth of TSMC's revenues**.
- The company focused on [Apple and EV chips](#) in Q3 2021, as these were the most profitable markets. Prioritizing its marquee clients placed other chip customers at a disadvantage.

The bigger picture: TSMC is taking advantage of its leadership position to reinvest in increased production and output for 2022.

While various chip fab plants have been announced to bolster production, many of these will not be operational until [2024](#), giving TSMC and other chipmakers a limited runway to capitalize on their dominance.

- Investments can help TSMC satisfy its customers' demands and get ahead of efforts in [various countries](#) to bring chip production to their shores.
- The US Senate passed a bill last year to provide chipmakers **\$52 billion in subsidies** this year with the Biden administration's support—Washington's biggest industrial policy investment in decades.
- Q1 of 2022 will be an uphill climb for the entire chip industry. Delivery times for chips increased to **25.8 weeks** in December, the longest wait time on record, [per](#) the Susquehanna Financial Group.

Gap Between Ordering a Chip and Delivery (In weeks)



Source: Susquehanna Financial Group, 2022

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