

Chip shortages persist while some sectors face the burden of oversupply

Article

The news: Chip delivery times remain lengthy as component shortages continue. Meanwhile, chip inventories in certain markets are exceeding demand, per the [Taipei Times](#).

No end in sight: The chip shortage was expected to turn the corner in late 2022 and early 2023, but global scarcity was compounded by [geopolitical strife](#).

- Chip delivery times increased to 25.8 weeks in December, up six days from the previous month, per the [Susquehanna Financial Group](#).
- **Automotive chipmakers are sold out until 2024**, per [Ars Technica](#), resulting in manufacturers like Toyota limiting vehicle orders.
- “Lead times for nearly every product category witnessed all-time highs, with power management and MCUs [microcontrollers] leading the charge,” said **Chris Rolland**, analyst for Susquehanna.

The supply chain is out of whack: The lack of diversification and slow adjustments in the chip sector are taking their toll and could lead to a period of imbalance for supply chains.

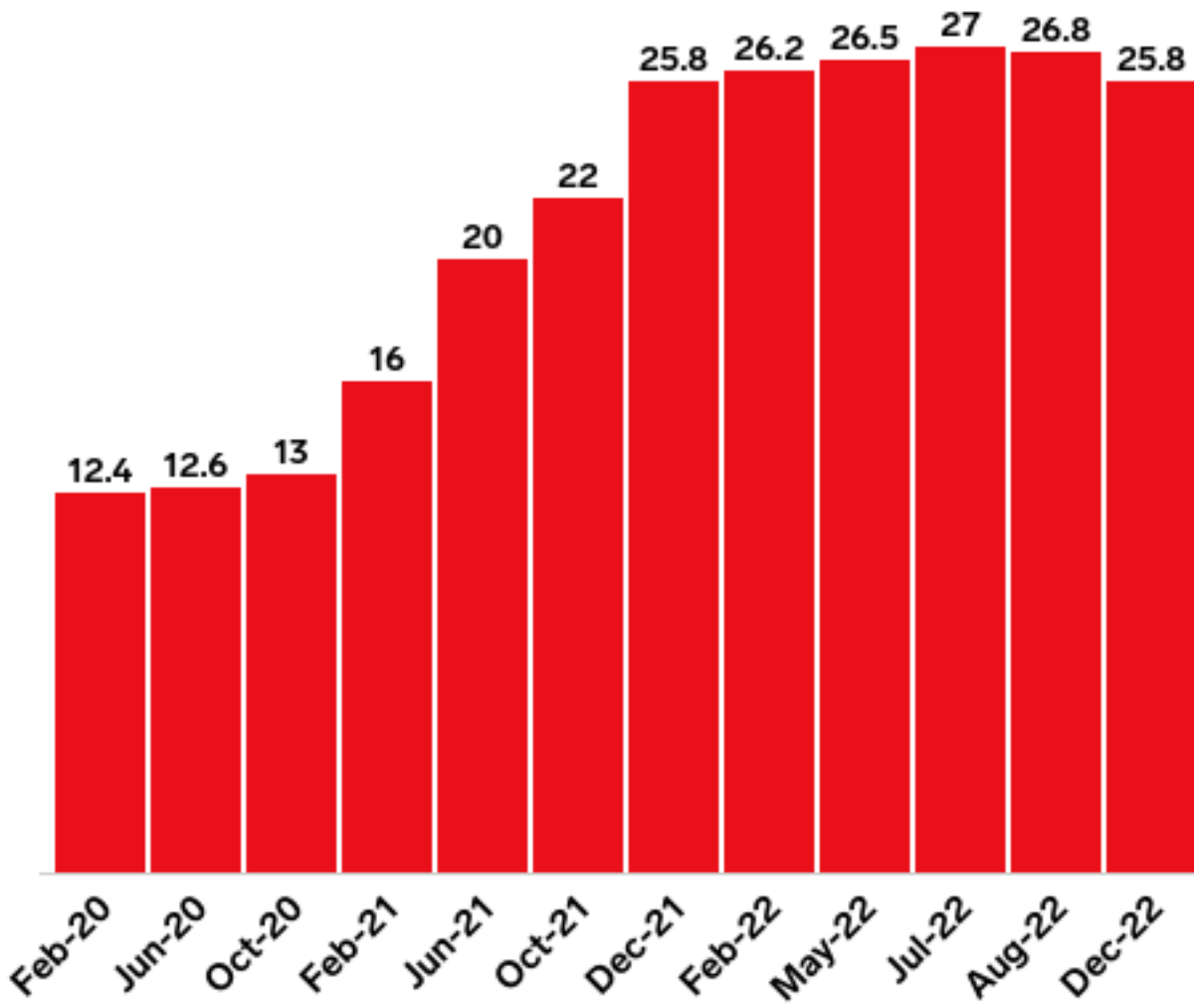
- Rising interest rates, recession fears, and [shrinking demand for PCs](#) and consumer electronics are leading to overstocked chip inventories.
- While the automotive sector faces shortages, **PC and smartphone chips are in danger of oversupply** mostly due to the slowdown in consumer spending.
- Chip manufacturers are rushing to hedge their bets for anticipated demand by diversifying future plant locations.
- **TSMC is [building chip factories](#) in the US, Japan, and Europe** while investing **1.86 trillion New Taiwan dollars (\$60.4 billion)** in a new Taiwanese factory.

A year too late: None of these new chip factories is expected to contribute to global supplies until they go online in 2024. Until then, supply chain scarcity will continue drive up product pricing.

- Expect shortages in the automotive industry to continue to boost vehicle prices and cause delivery delays.
- **Automakers sold 13.9 million cars, trucks, SUVs, and vans in 2022**, per [Repairer Driven News](#), the lowest sales number since 2011, when the economy was recovering from the Great Recession.

Gap Between Ordering a Chip and Delivery

(In weeks)



Source: Susquehanna Financial Group, 2023

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