

The effects of the global chip shortage are starting to take their toll on smartphone makers

Article

The news: Smartphone manufacturers are feeling the strain of the **global chip shortage** as shipments slow down and increased costs are passed on to consumers, [per](#) The Wall Street

Journal. Some companies like **Samsung** and **Google** have been forced to scale back production and even delay new handset releases, halting what has thus far been a strong year for smartphone sales.

How we got here: The global chip shortage has affected entire industries including PCs, consumer electronics, automotive, and IoT, as well as smartphones. Handset manufacturers have managed to largely avoid parts disruptions for much of the past year, mostly because they stockpile parts half a year in advance. These supplies have shrunk while demand for components remains high.

The bigger picture: Global smartphone shipments for the first three months of 2021 increased **20% YoY** and were 4% higher than the same period in 2019, according to Counterpoint Research.

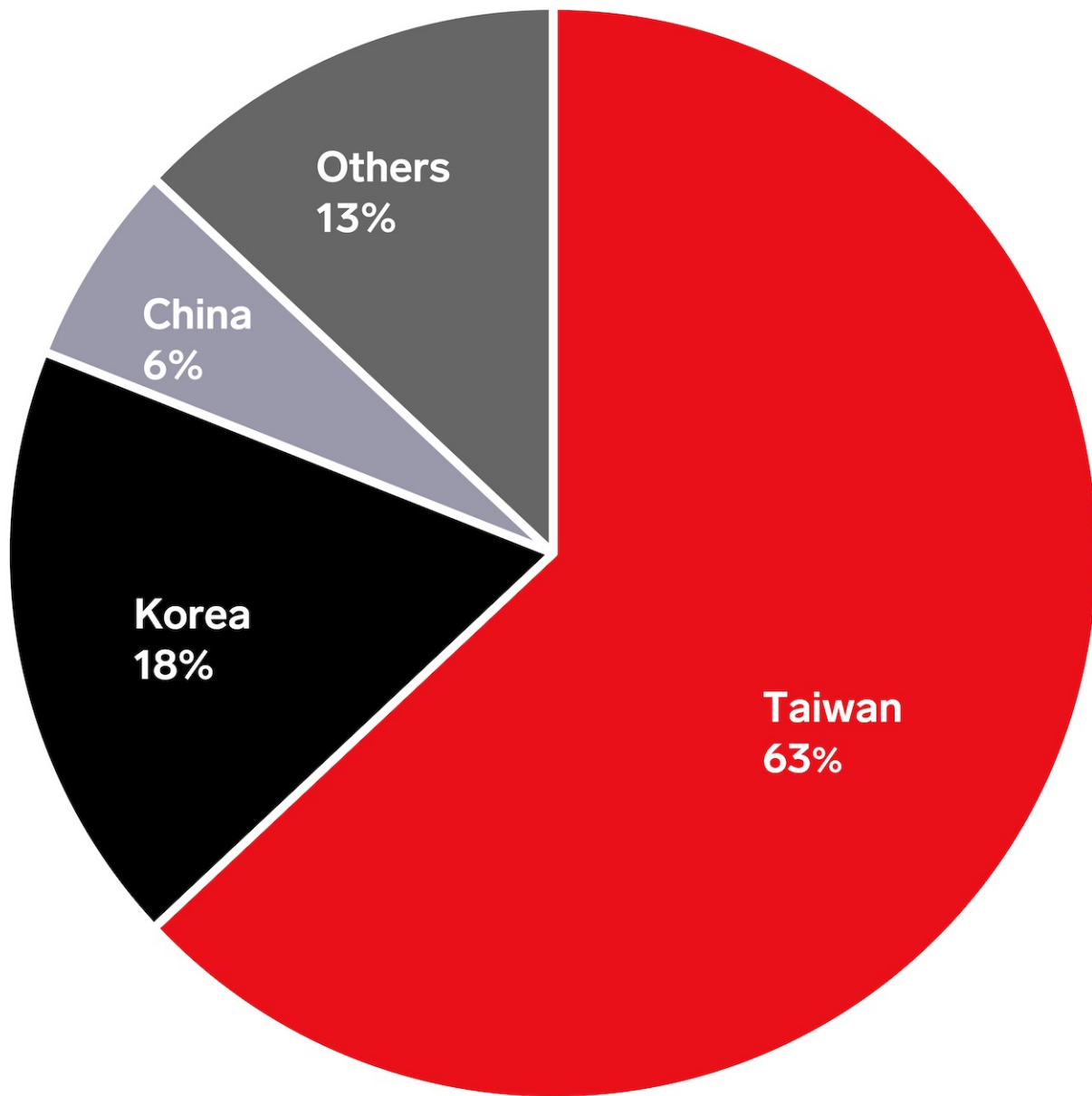
- Samsung, the world's leading smartphone-maker, could see its **Q2 shipments drop** by **20%** from the previous quarter as it struggles to source key parts, per analyst **Doh Hyun-woo** of NH Investment & Securities.
- Google said its Pixel 5s 5G smartphone would be available only in the US and Japan, at least initially, in contrast to last year's models.
- **Xiaomi**, now the second-largest global smartphone vendor by shipments, last month unveiled its flagship Redmi Note 10 in India starting around \$161, but quickly hiked the price to \$174.

Chip supply constraints aren't affecting all the smartphone makers, however. Apple, whose **iPhones** account for one-sixth of annual worldwide smartphone shipments, has managed to stay out of trouble—possibly because of its preferential supply agreement with **TSMC**, which should cover expected needs for Q3 2021.

What happens next? As the chip shortage persists, we expect the smartphone segment to continue shuddering from the delays. The number of **new device models** launched in the first half of 2021 **declined 18% YoY** to 310, per Counterpoint. Given that the effects of the shortage are expected to intensify, shortages and price increases will **likely get worse long before they start to get better**.

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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