

TSMC planning another price increase

Article

The news: Taiwan Semiconductor Manufacturing Company has reportedly warned clients for the second time in less than a year that it will raise prices as a result of looming inflation concerns, [per](#) iMore.

More on this? TSMC, the world's largest chipmaker by volume and revenue, is planning a 5% to 8% increase after hiking **advanced chip prices by 10% and less advanced chip prices by 20% in August.**

- These spikes—which are expected to take place early 2023—will likely have huge ripple effects across multiple industries.
- TSMC is responsible for producing most **Apple, Qualcomm, Nvidia, and AMD** chips and is also a key supplier of chips for EVs.
- The company planned to spend **\$44 billion** in 2022 to expand global operations and get ahead of efforts in [various countries](#) to bring chip production to their shores.
- Decentralizing chip production and weaning off reliance on monolithic suppliers has been one of the biggest results of the chip shortage. However, many of these chip fabs will not be operational until 2024.
- Lack of diversification in chip fabrication has been a key reason for the ongoing chip crisis, [per](#) an IDC report cited by The Register.

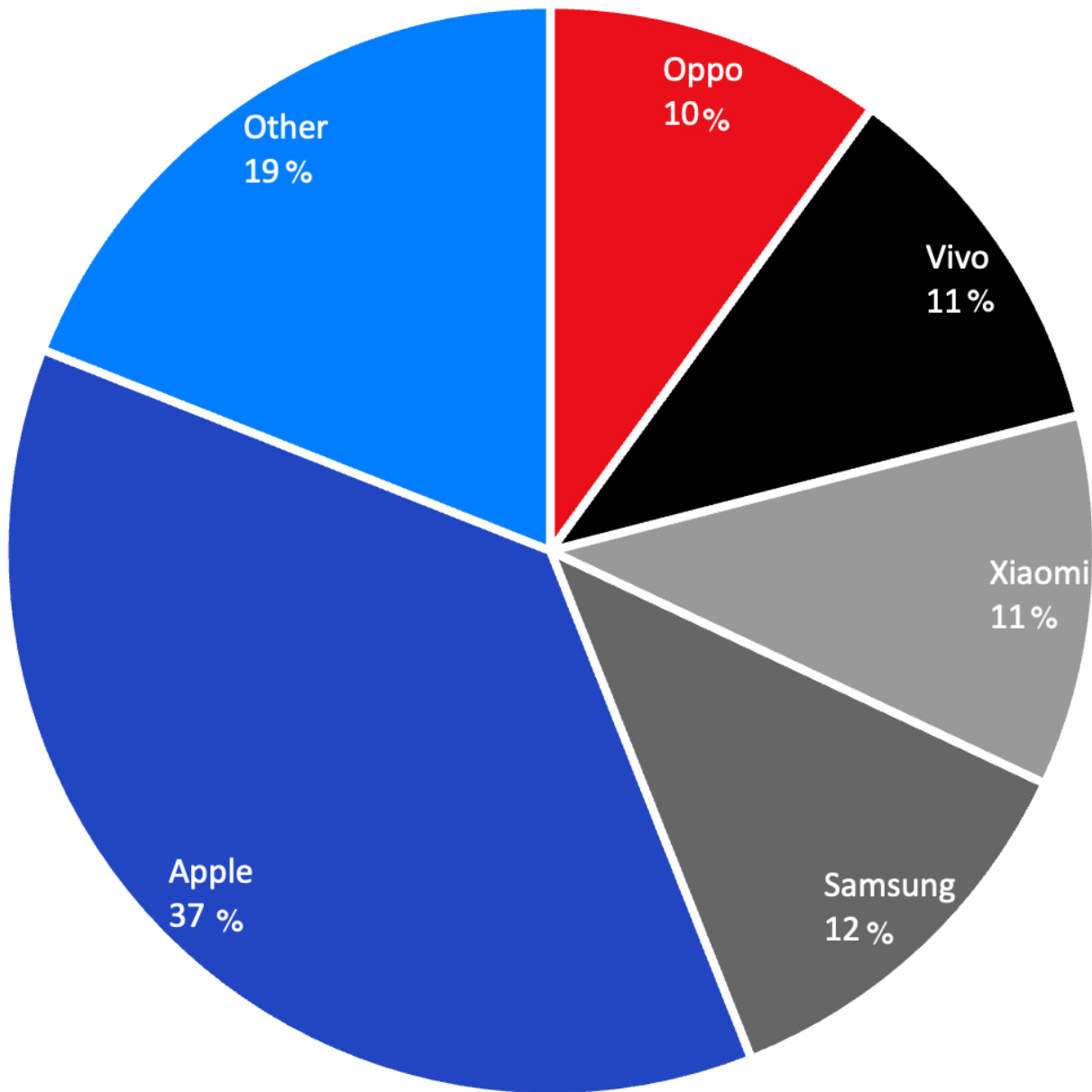
Why this could backfire: This news comes as TSMC reported record revenue, generating **\$5.81 billion** in April, a 55% YoY increase.

- The optics of TSMC squeezing customers just because it can might backfire and heighten resolve to disengage from the chipmaker in the future in favor of local fabs.
- Nikkei Asia reports that the price increase will be difficult to accept due to the [decreased demand of smartphones](#) and PCs. In context, [PC sales have slowed](#) after two years of double-digit gains.
- In the case of Apple, for which TSMC manufactures the A-series chips for the **iPhone** and **Apple Silicon M1** chips for desktops and laptops, price hikes will have a domino effect.
- Between inflation and the rise in chip production costs, Apple is likely to increase prices, reduce volume, or absorb the losses.
- The latter is unlikely now that Apple is no longer the most valuable company. Oil conglomerate **Saudi Aramco** [surpassed it in value](#) Wednesday. Apple's shares have fallen by nearly 20% since the start of the year after a sell-off in technology stocks, [per](#) the BBC.

The bigger picture: TSMC is using its leadership position and the dependence of its customers to leverage price increases. With no viable competitor at its scale, TSMC can continue to raise prices.

iPhones Lead the 5G Race

In January, Apple had more than a third of global 5G handset sales



Source: Counterpoint Research, 2022

1068542231605

[InsiderIntelligence.com](https://www.insiderintelligence.com)