

# Production woes from the global chip shortage continue despite ambitious US spending proposals

Article

President Joe Biden is calling for a **whopping** \$50 billion in spending on semiconductor production and research amid a global semiconductor shortage that's ravaged global supply chains. Part of the administration's \$2 trillion **infrastructure** bill, the proposals come as a diverse array of industries continue to announce production cuts and delays directly tied to scarce semiconductors. Additionally, this week, executives from Alphabet, AT&T, Intel, Samsung, and TSMC **attended** a virtual White House summit to discuss the shortage. For context, Biden **passed** an executive order in February requiring federal agencies to conduct a 100-day review of supply chains related to semiconductor chips and other critical industries.

**Global semiconductor chip shortages are continuing to take a toll on production, with Apple and US car manufacturers hit especially hard.**

- iPad display component and MacBook chip shortages have forced Apple to postpone production on a portion of units for both products until the second half of 2021, **per** Nikkei Asia.
- The shortage may also affect the production of next-generation MiniLED displays reportedly included in Apple's yet-to-be-announced 12.9-inch iPad Pro, **according to** Bloomberg. Sources claim supply issues will force the devices to ship later and in smaller quantities than previously expected.
- General Motors recently announced it would **reduce** production and shut down two carmaking plants as a result of the shortage, following similar plant shutdowns by **Stellantis** and **Ford**.

**In better news, multiple chip manufacturers have signaled an interest in building new US-based semiconductor factories.**

- Last year, TSMC **announced** it would invest \$12 billion to build a chip factory in Arizona with support from the state and US federal government.
- Last month, documents viewed by Reuters revealed Samsung is **considering** four US cities as locations for a new \$17 billion chip factory.
- Weeks later, Intel **announced** it would spend \$20 billion to build two new Arizona-based chip factories.

**While all this investment may increase US semiconductor supplies long term, it does little to address the short-term production crisis.** Biden's proposed \$50 billion investment in research and production and chip producers' potential US-based factories will likely take

years to bear fruit. TSMC’s Arizona plant, for instance, isn’t **expected** to start production until at least 2024. That disconnect exists because the current chip shortage is largely the product of pandemic-driven global supply shocks, according to Insider Intelligence forecasting analyst Rini Mukhopadhyay: “The pandemic has unexpectedly increased the use of electronics. Electronics that require semiconductor chips, such as VR headsets, are expected to face supply chain impediments despite sustained demand, which will affect consumer adoption,” she said. And those disruptions won’t stop anytime soon: **Recent droughts** affecting TSMC’s Taiwan chip factories nearly guarantee the current logjam will continue well into 2021.

**Coronavirus Impact: Major Purchases US Adults Are Planning Once Things Return to Normal, by Age, Nov 2020**

*% of respondents in each group*

	<b>18-34</b>	<b>35-49</b>	<b>50-64</b>	<b>65+</b>	<b>Total</b>
Going on vacation/traveling	39%	43%	36%	38%	39%
Buying new clothes	33%	28%	23%	14%	25%
Personal electronics	26%	27%	19%	5%	20%
Buying a car	24%	24%	14%	10%	19%
Buying a house	18%	12%	5%	2%	10%
Equipment and/or gear for outdoor activities/sports	20%	19%	8%	1%	13%
Not planning to purchase	19%	19%	35%	46%	28%

*Source: The Harris Poll, "COVID-19 Wave 38," Nov 14, 2020*

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