

Chip industry heading to a rocky end of year

Article

The news: Chipmakers **Samsung**, **Hynix**, and **Micron** are warning of a semiconductor slump heading into Q4, with disruptions and shortfalls heading into 2023, [per](#) Bloomberg.

Silicon sector's gloomy outlook: Executives from Samsung, the [world's largest maker of memory chips](#), said the outlook for the remaining year will be gloomy. The industry expected some momentum toward recovery, but it's not happening.

- The outlook has been echoed by rival chipmakers like Hynix and Micron, which are warning of the [worst downturn of the decade](#).

- In the US, the **Philadelphia semiconductor index sank 4.6% on Tuesday with all 30 members in the red**—its biggest fall in about two months.
- “We continue to believe we are entering the worst semiconductor downturn in at least a decade, and possibly since 2001 given the expectation of a recession and inventory build,” said **Christopher Danely**, an analyst at Citigroup.
- “The general perception was that the second half would be better than the first half, but from April to May, it changed drastically,” said **Kye Hyun Kyung**, Samsung’s Device Solutions Division head.

Like many chipmakers, Samsung is caught in the middle of a conflict between China and the US.

- **South Korea, where Samsung is based, has historically aligned with Washington but is increasingly reliant on sales of chips, smartphones, and consumer electronics in China, where it has customers and factories.**
- “It is difficult for us to miss such a market, and there are many important customers,” said Kyung. “We’re trying to find a win-win solution for everyone in the midst of this conflict.”

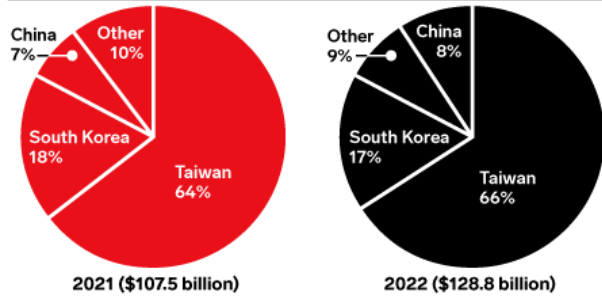
The problem: As a **slumping** PC market, which is on a 8.2% YoY decline, **factory closures** in China, and **plummeting demand** send the industry into turmoil, chipmakers like Samsung, Hynix, and Micron could cut costs by pausing production plans.

- This might delay future chip factory plans, even with incentives and **funding** like the US CHIPS Act.
- The US **conflict** with China, where various chipmakers have production facilities, is another complication with substantial long-term repercussions.
- **China could impose economic sanctions on chipmakers** that make it difficult for them to toe the line between Washington and Beijing.

The bigger picture: Chipmakers will continue to be cautious heading into 2023 as they navigate relationships and future expansion with China and the US.

Semiconductor Foundry Revenue Share Worldwide, by Country, 2021 & 2022

% of total



Source: TrendForce as cited in press release, April 25, 2022

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