



PRESS RELEASE

What is the outlook for the semiconductor industry with its proven economic and geostrategic importance?

Paris, November 17, 2022 – The Semiconductor Industry Association and the Semiconductor Research Corporation are today presenting their annual University Research Award to Professors Rodwell (University of California, Santa Barbara) and Rosing (UC San Diego) for their work on semiconductors. This event once more highlights the importance of the global race to innovate and produce the next generation of high-tech semiconductors. US companies in the sector currently invest 20% of their turnover in research and development.

Innovation: the sinews of war

Chipmakers have embarked on a **rush for innovation in an attempt to produce even faster, more powerful and more energy efficient semiconductors**. This means they should be able to meet the need for the **new and varied types of application that are constantly changing**, as in the field of video games or servers used to simulate the impact of climate change.

Semiconductors are also of **strategic importance as they are vital in a broad range of sectors** (transport, IT, medicine, etc.). Electronic components, for instance, represented 40% of the total cost of a combustion-engine car in 2021.

The global market is dominated by Asia, with Taiwan, followed by the US and South Korea. The geostrategic significance of semiconductors was further underlined when the CEO of the Taiwanese Semiconductor Manufacturing Company (TSMC) declared that the company would have to cease production if China were to invade Taiwan. And yet, **Taiwan – via TSMC – accounts for around 60% of global semiconductor exports.**

The severe shortage of semiconductors in the global economy in mid-2020 – when half the world's population was in lockdown (including China) – has also served as a warning sign.

A strategic industry

The governments of the major world economies recognise this geostrategic significance, and have embarked on major investment programmes designed to reduce their reliance on Asia. In early 2022 the European Commission adopted an EU Chips Act, introducing an €11 billion investment plan in their determination to be the world leader in the push for innovation. In the US, the Biden administration also signed a Chips Act in August 2022 earmarking \$52.7 billion for semiconductor research, development, manufacturing and workforce development. In addition, China is competing in this technological race with its Made in China 2025 plan.

The worldwide semiconductor race also lies at the heart of trade tensions between the US and China. The Trump administration put protectionist measures in place against the Made in China 2025 plan. There has been no easing in these tensions in the meantime, with the Biden administration deciding to curtail China's capacities by barring US designers from selling top-of-the range AI and supercomputer chips to the country.

Risks and opportunities

In the short term, China's "zero-Covid" policy is continuing to hamper its production of semiconductors, which is contributing to disruptions in the global value chain. Although these have died down somewhat recently, certain sectors – such as the auto industry – are still suffering the effects.

In the medium to long term, the competition between the major economies regarding semiconductor manufacturing is raising concerns about the possible excess supply and the mismatch with the needs of the industry.

Against the background of a gloomy global economic outlook, and with inflationary pressures and the risk of recession, **prices and sales of semi-conductors are in decline**. Demand for some technology goods is expected to continue to fall. The demand for consumer devices, for instance, has recently dropped at the same time as a downturn in the auto industry. **On the other hand, artificial intelligence and cybersecurity, for example, still provide the opportunity** for profit for companies in the ICT sector. And these high-tech products and services require increasingly innovative semiconductors.

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