TrendForce Says Latest Fab Plans in China Will Need Government Subsidies to Minimize Risks of Losses in Short/Medium Term

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- Under TrendForce's analysis model, a newly formed semiconductor manufacturer would have the deprecation cost of its fab account for 49% of its annual revenue, whereas the fab depreciation costs of the existing first- and second-tier foundries are 23.6% and 25%, respectively.
- The cost of indirect personnel for a new semiconductor manufacturer would make up 34% of its annual revenue, whereas the shares of indirect personnel cost in annual revenue for the first- and second-tier foundries are 10.2% and 17.5%, respectively.
- Chinese semiconductor manufacturers are reported to have offered prices for bulk silicon wafers that are 20% higher than prices offered by the existing first- and second-tier foundries.

TrendForce's latest research on semiconductor fab plans in China after 2016 finds that a total 17 new fabs are slated for construction so far. Five of these plants will be for processing 8-inch wafers and the remaining 12 plants will be for processing 12-inch wafers. New fab projects will carry high depreciation costs, and the aggressive recruitment efforts by semiconductor manufacturers will raise the cost of personnel needed for fab operation. Furthermore, prices of bulk silicon wafers have gone up as the strong demand for them worldwide has outpaced the overall supply. Within the short/medium term, the construction and operation of these new fabs poses enormous financial risks for their owners.

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