

Global Top Ten Foundries for 2Q19 Perform Less-than-expected Due to Sliding Demand and High Inventories, Says TrendForce

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According to [TrendForce's](#) latest statistics, the weakened demand in 1Q persisted well into 2Q as a result of political and economic instability. Suppliers' revenues generally exhibited a dropping trend YoY, and 2Q total revenue for foundries worldwide is expected to drop by about 8% compared to the same period 2018, arriving at US\$15.4 billion. The top three in market shares are TSMC, Samsung and GlobalFoundries.

TrendForce points out that the top 5 in 2Q19 foundry rankings remained identical with that of last year, while sixth place to tenth place showed some changes, including a PSC falling from seventh to ninth in a year due to declining foundry demand for memory and display driver chips; and a VIS being surpassed by H-Grace and falling down to eighth place in revenue, due to its lack of 12-inch production capacity in a world increasingly moving towards 12-inch production for display drive chips.

Looking at 2Q performance of the top ten foundries, only Hua Hong Semiconductor benefitted from a rather stable demand in markets such as Smart Cards, IoT, Automotive MCUs and power components, with revenues trending flat compared to last year. The remaining businesses were stuck with a weak demand and yet-to-be-consumed inventories. This, among other reasons, caused total revenue performance in 2Q to suffer a revenue decline YoY of around 8%.

TSMC, being the company to take nearly half in market shares, deserves the most attention as it suffered a comparatively small setback in 2Q thanks to a heightened demand for advanced processes, mainly consisting of 7nm processes. The US Department of Commerce also placed Huawei and 70 of its subsidiaries on the Entity List on May 17. This motion caused leading US suppliers such as Qualcomm, Qorvo, Google and ARM to distance themselves from Huawei, leading to an unprecedented sales dilemma for Huawei and further impacting 2H19 performance of foundry businesses worldwide, including TSMC.

Furthermore, Google's announcement to discontinue related software and services for Huawei in accordance with the demands of the policies in place may also disrupt Huawei's international sales, undoubtedly forming a major hit to a Huawei with overseas markets comprising over 40% of smartphone sales. Contrarily, Huawei's main competitor overseas, Samsung, has a complete network of distribution channels all over the globe, and potentially has the most to gain from this changing global landscape. Judging from the smartphone and processor supply chains, Samsung's adoption of its own Exynos processors on its flagship phones will impact TSMC's 7nm processes the most. If Samsung takes over Huawei's share of the European market, TSMC will find it difficult to retake market shares previously belonging to its flagship processors through customers such as Qualcomm and Mediatek.

A glance at 2019 shows a worldwide economy majorly impacted by the tariff disputes between the US government and China, India and Mexico, as well as the conflicts in the Middle East. The World Bank has already cut its global GDP prediction down from 2.9% forecast in January to 2.6%, while IMF adjusted its own predictions down from 3.6% to 3.1%. TrendForce's projections are that the worldwide foundry industry 2019 will exhibit negative growth for the first time in a decade, with total revenue falling by nearly 3% compared to 2018.

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