



SCIENCE & TECHNOLOGY

Chipmakers Celebrate End of Chip Surplus

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From Intel in the United States to South Korea's Samsung, producers are celebrating the beginning of the end of the **chip** surplus. Still, the expectations for demand from buyers outside the artificial intelligence (AI) industry remain weak.

Chip markets

All the major markets for chips - smartphones, computers and data centers - have decreased this year. Both companies and people have reduced spending during a weak international economy, high inflation and rising interest rates.

The decreased demand has created a large oversupply of chips. The result: a record combined \$12 billion first-half operating loss for the world's two largest memory chipmakers, Samsung and SK Hynix of South Korea.

This time of oversupply, however, has started to ease. Chip companies have cut production. And a decline in personal computer shipments eased to 11 percent in the June **quarter** compared to a 30 percent decrease in each of the previous two quarters, data from the research company Canalys showed.

The smartphone market is also looking better, with cellphone shipments falling 8 percent in the June quarter, versus 14 percent in the first quarter, says research firm Counterpoint.

"Demand is recovering very **gradually**," Woohyun Kim, chief financial officer at SK Hynix, said on an earnings call last week.

Intel chief Pat Gelsinger recently said an oversupply in server central processing units (CPUs) will continue until the second half of the year. He also said that data center chip sales will decline in the third quarter before recovering in the fourth quarter.

A slow recovery in China, the world's biggest chip buyer, is also lowering market expectations.

Both Samsung and SK Hynix said China's reopening failed to live up to expectations that it would bring back the smartphone market. The two companies said they were lengthening production cuts of NAND memory chips, widely used in smartphones to store digital data.

American chipmaker Texas Instruments, which does a lot of business in China, predicted third-quarter earnings and profit below targets last week.

"China was roughly half of sales at the end of fiscal 2022, so China has the largest impact on TI's (Texas Instruments) business," said Logan Purk of the investment business Edward Jones.

Artificial intelligence

Demand for chips to support generative artificial intelligence has increased since OpenAI's ChatGPT was launched late last year. Still, AI only accounts for a small amount of overall chip demand.

Manufacturers of the equipment used to make chips such as KLA Corporation and Lam Research in the U.S. are early winners of the AI boom. Both companies predicted quarterly earnings above Wall Street estimates last week.

I'm John Russell.

Joyce Lee reported on this story for Reuters. John Russell adapted it for VOA Learning English.

Words in This Story

chip – *n.* a very small piece of hard material (called silicon) in a computer or other device that contains many electronic circuits

quarter – *n.* a period of three months

gradually – *adv.* happening in a slow way over a long period of time

fiscal -- *adj.* of or relating to money and especially to the money a government, business, or organization earns, spends, and owes