

# U.S. SEMICONDUCTOR MANUFACTURING

## U.S. SEMICONDUCTOR MANUFACTURING OVERVIEW

The Semiconductor Manufacturing industry consists of companies that manufacture semiconductors and related devices such as circuits, memory chips, microprocessors, diodes, transistors, and other optoelectronic devices, all of which are components that may be found in computers, TVs, cars, microwaves, servers, phones, etc. The U.S. market competes with emerging economies that have taken over chip manufacturing due to the available tax incentives, industrial policies, and cheap labor, which led to restrained export levels and competition from imports, which was further exacerbated by the strong U.S. dollar during the COVID pandemic. As the pandemic-induced chip scarcity comes to an end, revenue is expected to decrease at a CAGR of 0.6% to \$61.5 billion by 2023, with a 4.6% drop this year alone. However, domestic semiconductor production is entering a new era, with operators enticed to invest in next-generation semiconductors due to abundant government incentives.

## U.S. SEMICONDUCTOR MANUFACTURING OUTLOOK

As domestic expansion is promised to take place over the coming years, semiconductor revenues are projected to increase at a CAGR of 2.5% to reach \$69.7 billion by 2028. Expansion was expected to be bolstered by the CHIPS for America bill that was passed in July 2022; however, ongoing inflation and interest rate rises, along with international trade strains (particularly with China), have led to decreased demand and a slowdown in production, which may prove to dampen projected growth. The slowdown in production is compounded by the significant growth in inventories during 2022, leading to a supply surplus that exceeds falling demand and further contributes to the decline in manufacturing activity. However, the Infrastructure Investment and Jobs Act aims to provide universal access to high-speed internet, which is projected to benefit the manufacturing of tech components.

### KEY EXTERNAL DRIVER #1

#### Private investment in Computers and Software

The capital expenditure deployed by businesses on computers and software is a primary source of demand for electronic products; for this reason, increased private investment in computers and software is driving demand for semiconductors and is expected to continue increasing throughout 2023.

### KEY EXTERNAL DRIVER #2

#### Number of Businesses

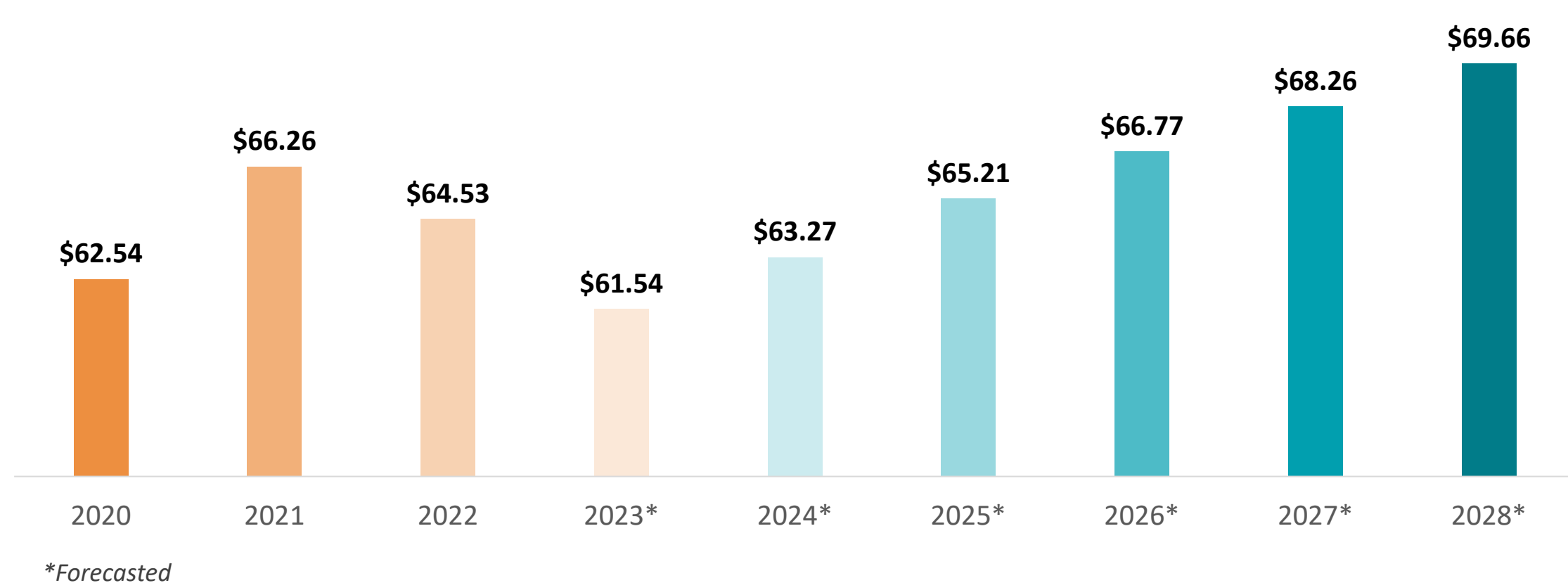
The majority of new businesses make extensive use of technology, both on-site and in the cloud, which results in increased sales as the number of new businesses increases. 2023 is anticipated to foster the creation of new businesses.

### KEY EXTERNAL DRIVER #3

#### Percentage of Business Conducted Online

Related to the number of businesses, the greater the percentage of business conducted online, the greater the sales of semiconductors, boosting demand for manufacturers. The percentage of all business conducted online is expected to increase in 2023 after seeing a slight drop in 2022 due to employees returning to some offices.

## INDUSTRY ANNUAL REVENUE 2020-2028\* US\$ BILLIONS



## CONCLUSION

The semiconductor industry has endured unfavorable conditions over the last few years and is continuing to weather the storm. However, increased government incentives, private investments in computers and software, the number of businesses, and the percentage of business conducted online are all projected to increase over the next five years to 2028, all of which contribute to the demand for manufacturing and thus increased industry revenues, supporting the projected CAGR of 2.5% throughout the forecast period.

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