

**JULY 11, 2022**

## **Are Micron and the Taiwanese Semi Suppliers the Canaries in the Coal Mine?**

*Early warning signs of a turning point in the semiconductor industry cycle becoming more evident.*

***Canary in a Coal Mine: Something that acts as an indicator and early warning of possible adverse conditions or danger.***

On June 30, 2022, Micron, the third largest memory supplier in the world, reported its fiscal 3Q results that ended in May. These results were very strong, with the company posting sales of \$8.6 billion, up 11% from the previous quarter and 19% higher than one-year earlier. However, the guidance for its fiscal 4Q sales ending in August was the epitome of a “canary in a coal mine” moment.

### **MORE INFORMATION CONTACT**

Bill McClean  
President  
Phone: +1-480-348-1133  
Email: bill@icinsights.com

As reported, Micron’s guidance for its fiscal 4Q is for sales of \$7.2 billion, +/- \$400 million. At this mid-point, the company is expecting its fiscal 4Q/3Q sales to plummet 17%! This steep decline in its fiscal 4Q includes July and August, two of the three months in calendar year 3Q, which, due to the seasonality of the semiconductor industry, is typically the strongest growth quarter of the year. It currently appears that Micron has given us an early warning that the 3Q22 memory market will be extremely weak.

While the vast majority of semiconductor suppliers only report their sales results on a quarterly basis, many of Taiwan’s semiconductor companies report their top line revenues on a monthly schedule with more financial details described in their quarterly reports. Oftentimes, these monthly results provide an early indicator of a possible change in direction in the semiconductor market, up or down.

Figure 1 shows the June/May sales results of the top-10 Taiwanese semiconductor suppliers. In total, these 10 companies posted a 5% drop in June semiconductor sales as compared to May, with three of the four largest companies, including TSMC, registering a decline. Particularly worrisome is the steep 26% decline in the June/May sales by previous “high-flyer” Novatek (the company posted a 2021/2020 sales increase of 78%). Note also the 16% drop in June/May sales by DRAM supplier Nanya, possibly confirming the dire memory market outlook Micron alluded to in its June 30 guidance.

Typically, a month-to-month decline in sales would not be a cause for concern. However, historically, semiconductor companies post the strongest sequential increases in monthly revenue in the last month of

each quarter (i.e., March, June, September, and December), as is evident in the WSTS (World Semiconductor Trade Statistics) monthly data.

## Top-10 Taiwanese Semiconductor Suppliers' June/May 2022 Sales Change

June Rank	Company	May Semi Sales (NT\$)	June Semi Sales (NT\$)	June/May % Change
1	TSMC (1)	185.7	175.9	-5%
2	MediaTek	52.1	51.0	-2%
3	UMC (1)	24.4	24.8	2%
4	Realtek	10.5	9.6	-8%
5	Winbond	8.8	8.9	1%
6	Novatek	11.0	8.2	-26%
7	Powerchip (1)	7.4	7.1	-4%
8	Vanguard (1)	5.3	5.5	3%
9	Nanya	6.2	5.2	-16%
10	Macronix	3.5	3.9	10%
<b>Top-10 Total</b>		<b>315</b>	<b>300</b>	<b>-5%</b>

(1) Foundry

Source: Company reports, IC Insights

**Figure 1**

While not providing a monthly sales result, Himax Technologies, the fourth largest Taiwanese fabless IC supplier, released updated guidance for its 2Q22 revenue on June 20, 2022. The company stated that it expects its 2Q/1Q sales to fall by 22-27% (lower than its initial guidance for a 16-20% decline). No way to sugarcoat that announcement!

TSMC, by far the largest foundry in the world as well as the largest Taiwanese semiconductor supplier, is especially worth watching for signs of weakness in the industry. As shown, TSMC's June 2022 sales were down 5% from May 2022. It should be noted that from 2016 through 2021, the company posted an average June/May sales *increase* of 14%, with 2018 registering the only decline (-13%) during this timeperiod.

It will be especially interesting to hear TSMC discuss its 3Q22 guidance when it reports its 2Q22 sales results on July 14, 2022 (the first top-25 semiconductor supplier to report its calendar year 2Q results and offer guidance for 3Q). Regarding the company's historical 3Q/2Q performance, from 2016-2021 TSMC registered an average sales increase of 16% and hasn't logged a 3Q/2Q revenue drop since 2011.

***IC Insights will update its detailed 2022 through 2026 semiconductor market and capital spending forecasts in its upcoming August Update to The McClean Report.***

## **Report Details: *The 2022 McClean Report***

*The McClean Report—A Complete Analysis and Forecast of the Semiconductor Industry*, is now available. A subscription to *The McClean Report* service includes the January *Semiconductor Industry Flash Report*, which provides clients with IC Insights' initial overview and forecast of the semiconductor industry for this year through 2026. In addition, the second of four *Quarterly Updates* to the report was released in May, with additional *Quarterly Updates* to be released in August and November of this year. An individual user license to the 2022 edition of *The McClean Report* is available for \$5,390 and a multi-user worldwide corporate license is available for \$8,590. The Internet access password and the information accessible to download will be available through November 2022.

<https://www.icinsights.com/services/mcclean-report/pricing-order-forms/>

To review additional information about IC Insights' market research products and services please visit our website: [www.icinsights.com](http://www.icinsights.com)

### **About IC Insights**

IC Insights, Inc., based in Scottsdale, Arizona USA, is dedicated to providing high-quality, cost-effective market research for the semiconductor industry. Founded in 1997, IC Insights offers coverage of global economic trends, the semiconductor market forecast, capital spending and fab capacity trends, product market details, and technology trends, as well as complete IC company profiles and evaluations of end-use applications driving demand for ICs.

**Web Site:** [www.icinsights.com](http://www.icinsights.com) • **Phone:** +1-480-348-1133 • **E-mail:** [info@icinsights.com](mailto:info@icinsights.com)