

# The Stress of the Module and Chip Makers

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*The year-long slowdown in mobile phone consumption has inevitably trickled down the supply chain, putting pressure on both module and chip makers.*

HONG KONG, CHINA, January 6, 2023 /EINPresswire.com/ -- The year-long slowdown in mobile phone consumption has inevitably trickled down the supply chain, putting pressure on both module and chip makers.

According to Sigmaintell statistics, in the third quarter of 2022, the global shipment of mobile image [sensors](#) was about 1.13 billion, a year-on-year decline of 10.9%; Demand for mobile image sensors will continue to decline until the end of 2022.

According to [JAK Electronics](#), the sell-in of smartphones, TVs, and laptops will all decline in 2022. Since the second quarter of 2022, the pressure has gradually spread from the downstream to the wafer foundry industry. Under the pressure of inventory, [IC](#) design manufacturers began to cut orders at the risk of default, and the capacity utilization rate of each wafer factory began to loosen. The foundry industry has entered a downward cycle.

It means the main 5G chips, whose production capacity was locked down months in advance last year, are facing the same difficulties. Elvis Hsu, general manager of the semiconductor business division of CINNO Research, analyzed to the 21st Century Business reporter. He said there is still destocking pressure for 5G smartphones SoC chips, and relevant manufacturers are therefore facing the pressure of reducing prices to adjust inventory at the present stage.

Under pressure, many roles at the end of the supply chain more or less have to consider whether to control inventory through price reduction and cooperate with the complete machine factory to find the opportunity of a high-end supply chain has become this proposition.

## Inventory pressure

Last year, the main chip manufacturers were once favored by the terminal manufacturers, but this year can't carry.

Elvis Hsu told reporters that the market volatility would affect the stock strategy of Qualcomm, Mediatek, and other chip suppliers, the current inventory level adjusted to the historical average level of about three months, from the high bottleneck period to now is slowly declining, until the second quarter of 2023 is expected to be at a similar range.

"In the future, the pattern of baseband chip suppliers may be affected by the adjustment of wafer foundry prices, the price reduction of peer manufacturers, and the strength of smartphone OEM stocking." "He continued.

Of course, in terms of overall share, MediaTek continues to be in a position of comparative advantage. According to CINNO Research, from January to October 2022, the market share of Mediatek in China's 5G smartphone SoC market was about 43%, an increase of about 9% compared to the same period last year, ranking first. Qualcomm's market share is about 33%, down about 3% from a year ago. Apple's market share was about 21 percent, up 4% from a year ago, to remain in third place.

"But Qualcomm's mid-to-low end 5G SoC SDM4450 will be one to two seasons ahead of Mediatek in 2023, which will have a direct impact on Mediatek's market share." "Elvis continued.

Research firm Counterpoint believes that Mediatek's shipments will decline in the fourth quarter of 2022 due to lower orders from major Chinese handset OEMs. LTE SoC (primarily 4G) will decline more than 5G SoC by the fourth quarter of 2022 due to ongoing customer inventory adjustments, global macroeconomic conditions, and slowing growth in the Chinese market.

The main reason why 4G chips are mentioned here is that in the tight market of main chips last year, mainstream manufacturers were more willing to focus on chip research and development on 5G chips and were not ready for 4G chips. Therefore, last year, 4G chips were more nervous. With the overall market situation turning around, 4G chips will inevitably encounter similar problems.

According to JAK Electronics, Qualcomm will also see shipments decline in the fourth quarter of 2022 due to the same overall environmental impact. It's worth noting that Samsung's previously announced partnership with Qualcomm to supply the main chips for its Galaxy S23 series won't help Qualcomm's bottom line in the short term.

Counterpoint noted that overall market performance would continue to be weak in the first half of 2023, with growth in the second half of 2023, due to rising inventories and weakness in the Chinese market.

Close concurrence

Based on different historical development paths, in the field of 5G mobile phone chips, Mediatek and Qualcomm have different advantages in the market, and the latter has more prominent precipitation in the high-end chip market.

In recent years, Mediatek has continued to make efforts in the high-end market and actively

cooperated with large domestic terminal manufacturers, which has achieved certain results successively.

Counterpoint noted that shipments of Mediatek's flagship Breguet 9200 series chips will increase in the premium segment. In addition, the vivo X90 series and OPPO Find series will use the Celestial 9200 in the first quarter of 2023. As a result, growth will be weak in the fourth quarter of 2022 and sluggish in the first half of 2023.

Elvis told reporters that Mediatek's impact on the high-end market will give Qualcomm a share squeeze, although Mediatek's share in the high-end 5G smartphone SoC market is still little.

According to the data of CINNO Research, the market share of Mediatek increased to about 1% in China's high-end 5G smartphone SoC market with 4,000 yuan or above from January to October 2022, breaking through 0% in the same period last year. From the perspective of market share, Mediatek's joint efforts with mobile phone manufacturers to sprint to the high-end market are gaining some results.

Not only Mediatek, but also Samsung has been aggressively sprinting into the mid-to-high-end 5G chip market. Of course, the road will not be easy. At one point in the early commercial phase of 5G, Samsung co-developed a 5G chip with Vivo, the Orion Exynos 980, but as mentioned earlier, the chip supplier position for its new generation of high-end phones was handed over to Qualcomm.

Interestingly, Vivo is the one that has a very close R&D bond with the vital chip manufacturer. Whether it's Samsung, or now Mediatek, other machine manufacturers will actively cooperate with Mediatek, but Vivo seems to be more deeply bound.

Previously, Hu Baishan, executive vice president and chief operating officer of vivo, said that vivo does not do SoC in the chip field as the industry chain manufacturers have done well. For the public part, Vivo has less investment, but for the specific part more investment, the focus of resources.

According to him, the chip aims at different stages. For example, the coprocessors have a lot of display intercalation, hypersegmentation, and image noise reduction. The flexibility of the co-processor is much higher than that of the main SoC, so I think when it becomes mature and reliable, we can transfer it to the main SoC and put the new features and algorithm transformation outside to play their strengths."

Vivo has been in deep cooperation with Mediatek and prepared to move the algorithm IP to SoC, and the terms given are very favorable. "From user cognition to an algorithm to IP, V-series chips are a fast and small closed-loop process. Large chip SoC has its characteristics, it has two drivers, CPU/GPU+ high-speed communication storage, and an advanced manufacturing process. Therefore, our cooperation in the closed-loop system will go deeper, which will also help the

next generation of Mediatek. Together with the co-processor of the outer loop, it will form the mode of large-scale chip-level supporting games, video, and so on. I think this is the mode of maximizing the value of the whole industry chain."

It also shows that, based on the different understandings of the definition of industry enabling and self-development of the complete machine manufacturers and supply chain manufacturers, manufacturers also have their own choices on how to reach the high-end market steadily. Of course, in essence, it is to give full play to the energy efficiency performance of the chip to the whole machine, but also to better participate in the high-end competition.

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