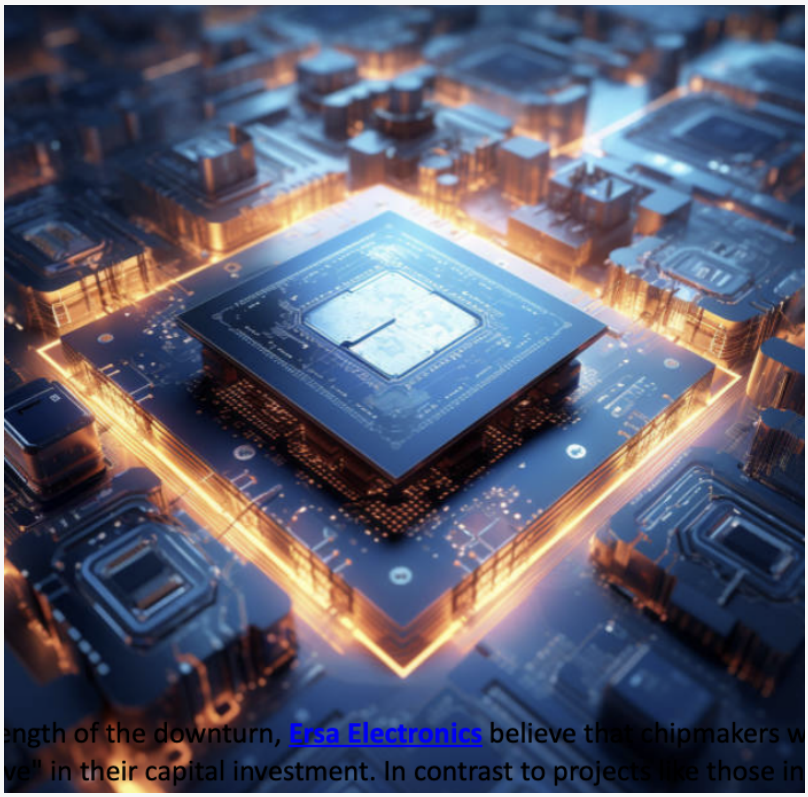
Semiconductor Sector Analysis: Ersa Electronics Evaluates 2024 Prospects Amidst Downturn and Overcapacity Challenges

Recovery Not as Expected on Semiconductors



Ersa Electronics

BROCKTON , MASSACHUSETTS, USA, January 29, 2024 /EINPresswire.com/ -- Based on the performance of semiconductor stocks, Ersa Electronics is aware that the semiconductor sector has been in a downturn for over two years, but that is the truth. Although equities have been pricey throughout the downturn and it appears that the anticipated recovery is always delayed, the stock market does appear to be a leading indicator of future success. Is 2024 going to be the turnaround that everyone has been waiting for? Although not particularly fantastic so far, the signals do not point to a return to the exhilarating times of extravagant spending and high expectations. The massive sum of money invested in the sector to increase capacity following the shortages brought on by the New Crown pandemic has exceeded expectations, resulting in a downward cycle brought on by overcapacity that has been ongoing for more than two years.

Given the length of the downturn, Ersa Electronics believes that chipmakers will likely be a little "conservative" in their capital investment. In contrast to projects like those in Arizona, which have been purposefully slowed down or postponed, TSMC is forecasting "flat" spending in 2024. Additionally, by not purchasing High NA EUV lithography from ASML, TSMC will control its spending.

Intel seems to be more selective when it comes to technology rather than capacity, and its spending is respectable but by no means excessive. Samsung's memory spending isn't expected

to increase anytime soon because memory capacity is still offline and isn't back to 100% utilization. Once more, we observe that Samsung's spending is mostly driven by technology rather than capacity.

Capacity spending, less than expected

Crucially, the semiconductor business is not limited to a single capacity-driven supply-demand cycle. The technology cycle is the second cycle, but one that is smaller than the capacity cycle. It's obvious that in addition to general capacity-driven investment, we have witnessed technology nodes and new fabs that generate distinct waves of spending.

Rather than being capacity-related, we anticipate that most spending in 2024 will be driven by technology and will consequently be smaller in amount. Intel and TSMC are both making technological investments. Samsung and other memory manufacturers will need to maintain capacity away from the market to keep up with the shift in technological nodes. To stay competitive, they must stay up to date with technology, as Moore's Law determines the basic cost of the memory industry.

Essentially, whereas capacity investment has fluctuated greatly, technology spending has changed but remained essentially steady. Our projections for a large rise in capacity spending in 2024 have been lowered. In 2024, we do not anticipate a significant spike in memory, integrated circuits, or logic demand that would propel capacity spending everywhere.

Although artificial intelligence (AI) is still a major industry focus and driver, it won't be sufficient on its own to quickly restore normalcy to the whole sector. Though excellent, high-bandwidth memory is not nearly sufficient to accommodate all of the available memory capacity, particularly when considering the retooling needed to convert capacity to high-bandwidth output. Manufacturers of memory need to exercise caution so as not to exceed the demand for HBM memory, which might be further constrained by the availability and capacity of AI logic processors.
Undoubtedly, the majority of the industry is made up of PCs, servers, and wireless devices, and to stimulate demand for these products, we still need a larger macroeconomic recovery.

HBM is a bright spot in the semiconductor industry

Samsung's foundry products are still not quite as good as TSMC's, and given the low level of demand, memory recovery may be gradual. Memory prices have risen from their long-term low, although not significantly. It feels less like robust demand is returning and more like capacity constraints are finally making an impression. It won't be a great rebound if this is true and memory prices are higher because of holding capacity offline. (Research: https://www.counterpointresearch.com/?coverage=memory)

HBM, albeit limited, remains a positive aspect. SK Hynix, which excels in the memory market, is a

pure memory company, while Samsung has struggled in the foundry sector. Overall, chip stocks could do well during this earnings season as many management teams should be discussing improved prospects for 2024, even though this is still more of a wish than a reality.

The prospect for a recovery is still greatly influenced by the dream of artificial intelligence, which hasn't yet encountered any significant obstacles that would make it slow down. Compared to chipmakers, equipment expenditure will recover more slowly because there is still a limited need for capacity in foundries or memory in general (apart from China spending). Geopolitics is still somewhat hazy. Though this is certainly not at the top of the list, tensions are still boiling over.

Kat fleckk
Ersa Electronics
+1 305-444-9112
email us here
