

Macro Roundup Article

Headline: [Western Nations Need A Plan For When China Floods the Chip Market](#)

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Tweet: US, European, and Japanese governments are debating potential responses to Chinese chip overcapacity, as Chinese capacity for "foundational" semiconductors used in cars and household goods is forecast to grow by 60% over the next three years. @crmilller

Summary: On a recent quarterly earnings call, the chief executive of Semiconductor Manufacturing International Corporation, China's leading chipmaker, predicted a "global supply glut" in the types of semiconductors his company produces. Simultaneously, he announced a \$7.5bn increase in capital expenditure. It may defy business logic but, helped by generous subsidies, China's chipmakers are ramping up production capacity despite concerns about oversupply. According to one consultancy, the country's chip production capacity will grow by 60% in the next three years and could double over the next five. Since Western restrictions on the exports of chipmaking equipment to China mean that it can't produce the most advanced processor chips, much of this production will be of foundational processor chips, which are widely used in cars, household goods, and consumer devices. Related: Pettis On China's Export Strategy and EU To Launch Anti-Subsidy Probe into Chinese Electric Vehicles and Danish Weight Loss Drugs vs. Chinese Cars: Two Models of Export Booms

Primary Topic: China

Topics: China, GDP, Op-Ed/Blog Post, Security, Trade (not deficits)

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