# TSMC forecasts robust AI hardware spending amid market uncertainties



Taiwan Semiconductor Manufacturing Co. (TSMC), the leading chipmaker for technology giants like Apple Inc. and Nvidia Corp., has recently projected quarterly sales and capital expenditure that surpass analysts’ forecasts, indicating a robust outlook for AI hardware spending. According to Bloomberg, TSMC anticipates spending between $38 billion and $42 billion on technology and capacity this year, which represents an increase of up to 19% more than what analysts had previously expected. The company also predicted revenue of $25 billion to $25.8 billion for the March quarter, exceeding projections by as much as 6%. Following these announcements, shares of TSMC's suppliers, such as Tokyo Electron Ltd. and Advantest Corp., saw a significant rise in Asia.

The strong financial performance reported by TSMC has fostered optimism surrounding the ongoing AI spending cycle, which has already propelled companies like Nvidia to unprecedented levels of success. The surge in interest for artificial intelligence was largely catalysed by the launch of ChatGPT, which initiated a rapid expansion of datacentres over the past two years. This growth has greatly benefited various companies that provide the essential infrastructure and capabilities necessary for the AI boom.

However, despite the evident growth prospects, concerns remain regarding the sustainability of this trend, particularly in light of the absence of a significant profit-generating AI application as of yet, which raises questions about a potentially inflated market. Moreover, TSMC, like many others in the industry, is navigating the challenges posed by the ongoing US-China tech conflict. This geopolitical tension has the potential to disrupt vital supply chains, notably following the recent introduction of new export control regulations by the US aimed at restricting the supply of AI chips to China.

While TSMC is heavily reliant on the consumer electronics market, particularly as Apple continues to be its largest customer, the company is facing muted iPhone sales. Nevertheless, the industry expects that mobile AI functionalities will grow over time and support a broader market expansion. On a recent earnings call, TSMC's Chief Executive Officer C.C. Wei addressed the issue of smartphone sales, indicating that growth in smartphone units is likely to remain in the low single digits by 2025, although there may be mild recovery in sectors outside of AI.

TSMC reported a remarkable 57% increase in net income, reinforcing its financial stability. Charles Shum, an analyst with Bloomberg Intelligence, provided insights on TSMC’s revenue outlook, stating, “For the driver, besides the ongoing robust AI chip demand, there will be support from new smartphone chips and AI PCs, possibly more outsourcing orders from Intel, and WiFi 7 chips.”

Looking ahead, Bloomberg Intelligence suggests that TSMC could retain over half of its existing orders from China, despite the restrictions imposed by the Biden administration on advanced-chip production. This retention would enable TSMC to sustain its sales of smartphone system-on-chips (SoCs) and mid-range computing chips destined for the Chinese market. Notably, Chinese chip orders represented approximately 12.6% of TSMC's revenue from January to September this year.

Overall, while TSMC's projections reflect a positive outlook for AI-related spending, the industry remains vigilant of the surrounding uncertainties that could influence future growth and stability.

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

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