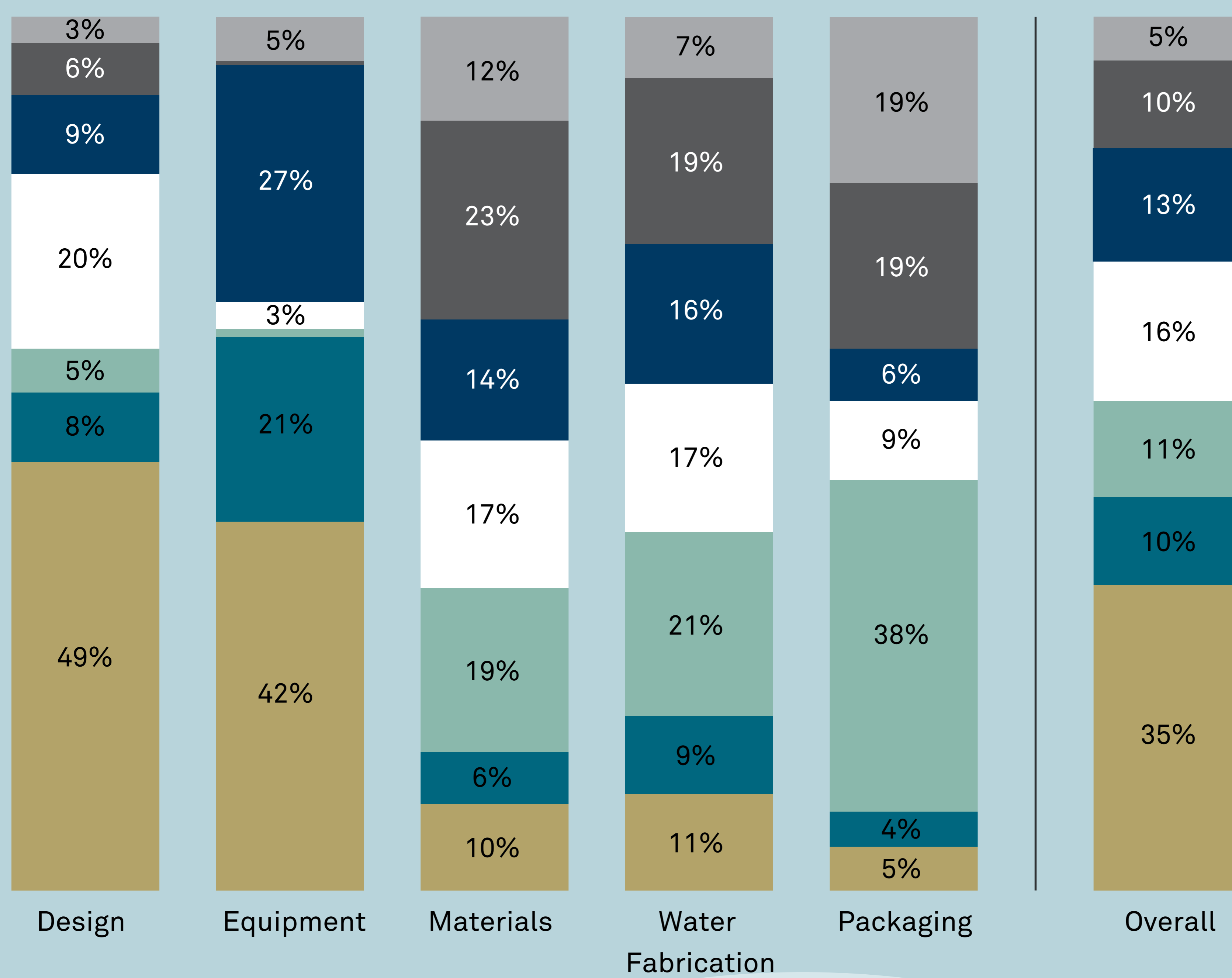


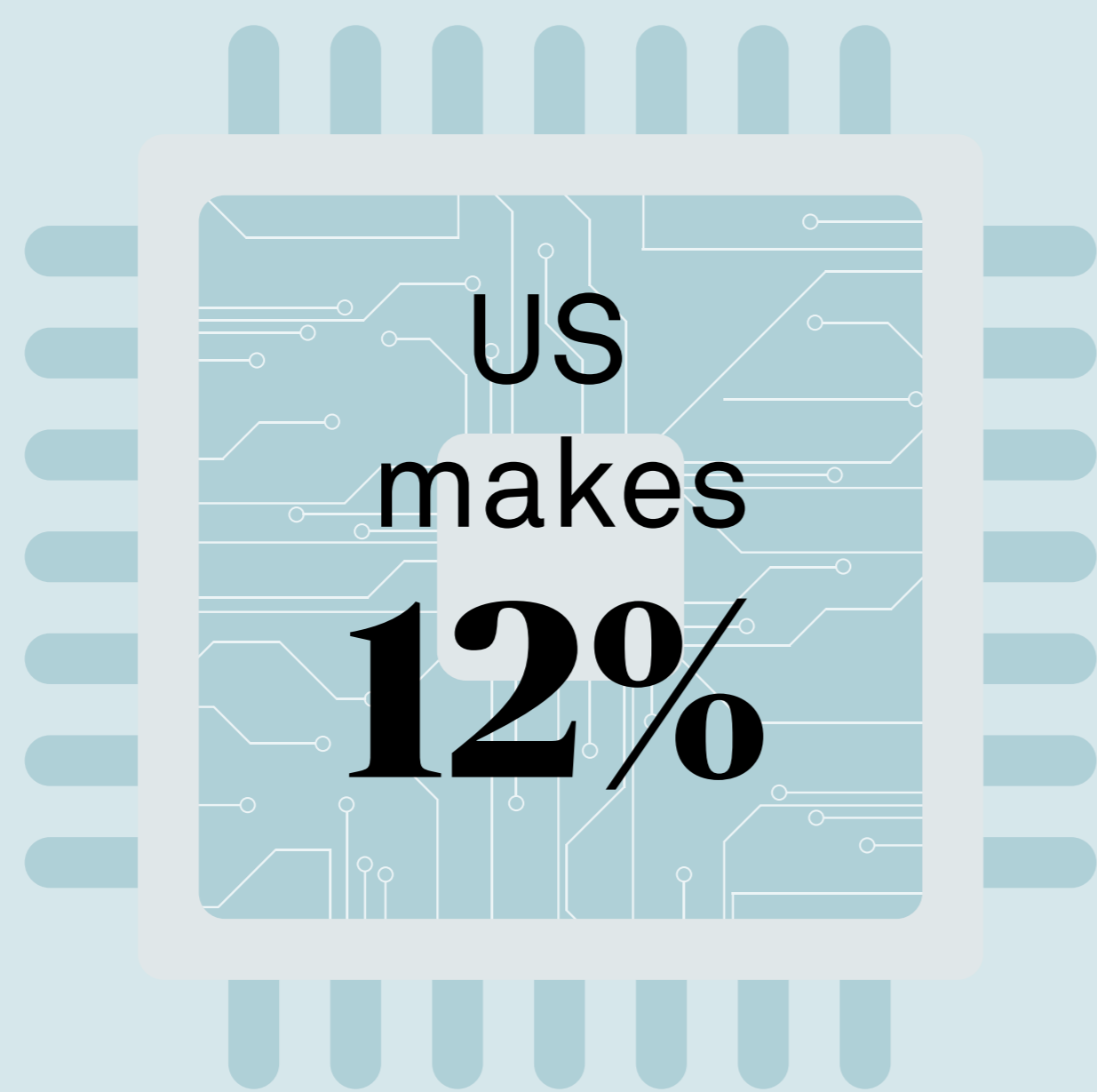
Chips falling into place

SEMICONDUCTOR INDUSTRY VALUE ADDED BY ACTIVITY AND REGION 2021¹

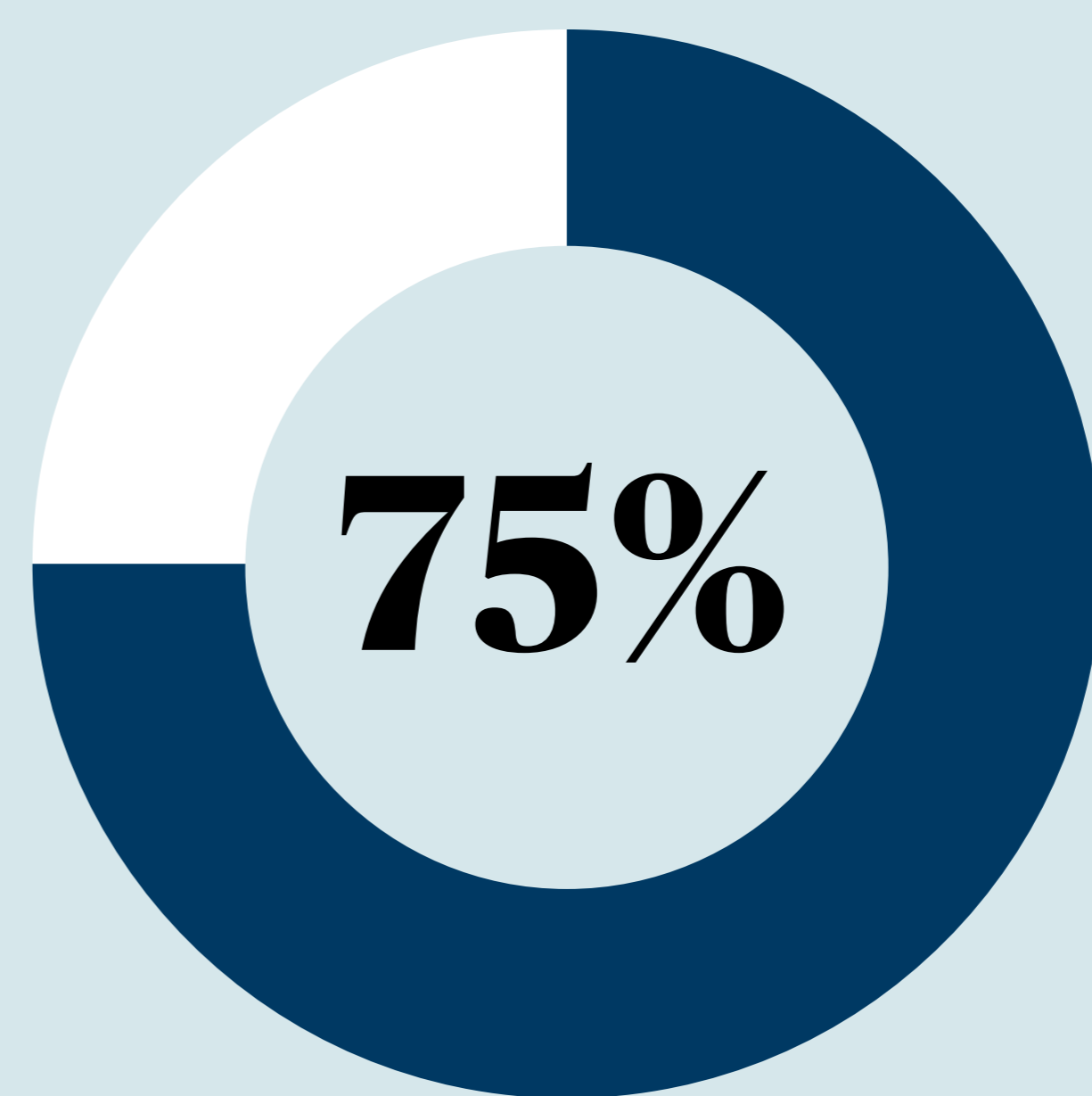


US Europe China South Korea Japan Taiwan Other

¹ Source: Semiconductor Industry Association - State of the US Semiconductor Industry Report, November 2022.



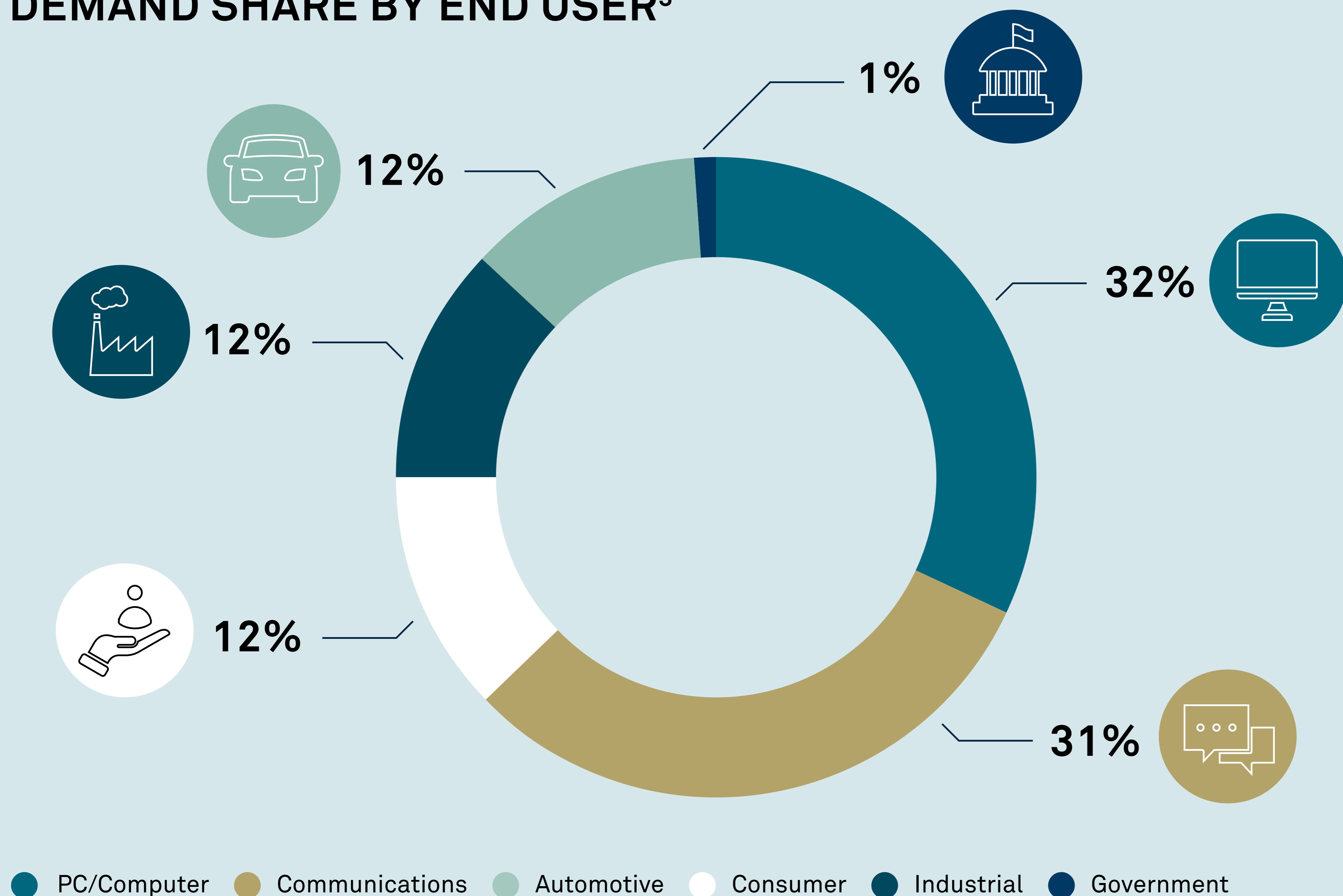
of the world's semiconductors, down from 37% in the 1990s.²



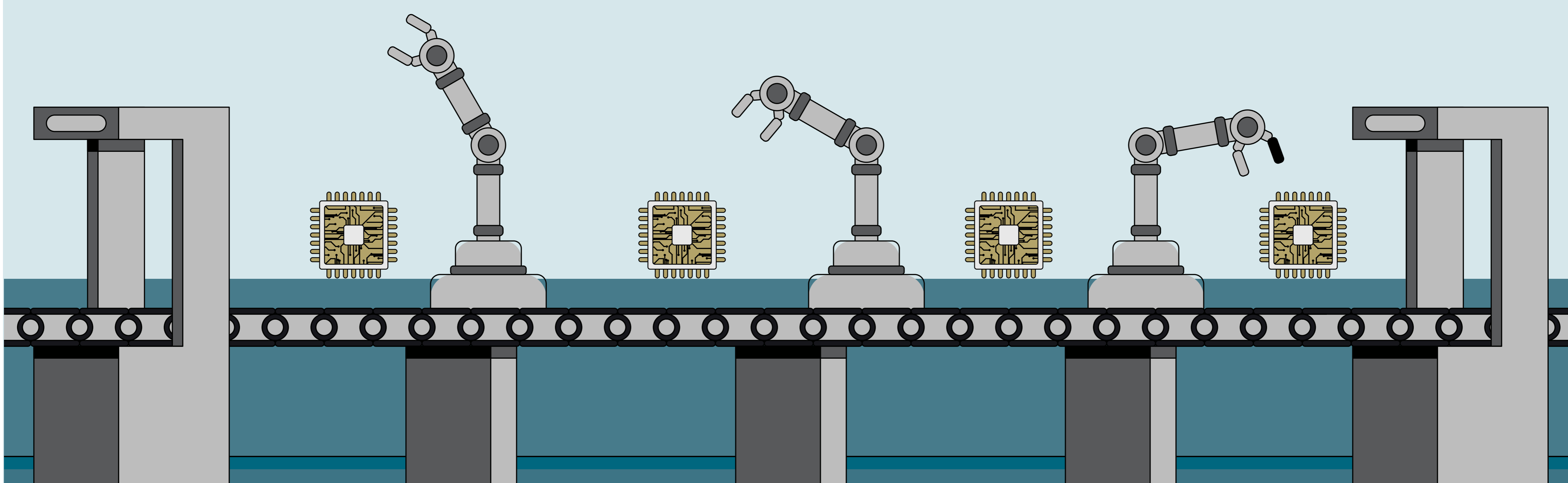
of the world's chip manufacturing is concentrated in Asia.²

² Source: Semiconductor Industry Association. 2021 State of the US semiconductor industry. September 2021.

2021 TOTAL GLOBAL SEMICONDUCTOR DEMAND SHARE BY END USER³



³ Source: Semiconductor Industry Association - State of the US Semiconductor Industry Report, November 2022.



What's driving semiconductor chip demand

The semiconductor chip sits at the center of a technology war being waged between the US and China. Growing political and commercial tensions continue to foster fears over the supply of this vital component of economic activity. This, in tandem with the Covid-19 pandemic disruption, has prompted a global rethink about supply chains, and as China develops, the threats posed by this technology giant from a competitive and security angle.

The importance of the silicon chip should not be underestimated. They are central to the functioning of the global economy. They are critical components of almost any manufactured product, from industrial robots to phones to cars and are the foundation of the technology infrastructure of businesses. Virtually all companies rely on software and hardware infrastructure, whether on-premise or in the cloud, to deliver value-added services or products.

The US put into place legislation aimed at inhibiting the development of the semiconductor industry in China, with restrictions on the ability of Western companies to export the critical equipment China requires to make advanced chips. But the Covid-19-related disruption has also acted as a spur to policy making in the US. The pandemic represented a perfect storm for the global semiconductor supply chain, significantly affecting the vast array of businesses that rely on semiconductors.

The disruptions, along with the Sino-US tensions, brought about the enactment of the CHIPS and Science Act of 2022 (CHIPS Act), which provides critical semiconductor manufacturing incentives and research investments with the aim of promoting the development of the US semiconductor industry and countering potential security and supply chain threats.

Walter Scott research team

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MARK-381486-2023-05-09