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TSMC Profit Soars on U.S. AI Chip Demand, But Tariff Threats Cast Shadow

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A major boost came from continued business with Nvidia Corporation (NVDA), a key TSMC client. The U.S. government recently greenlit Nvidia's resumption of AI chip sales, specifically its H20 model, to China. TSMC Chief Executive Officer (CEO) C.C. Wei called this a "very positive" development, not just for Nvidia, but also for TSMC. He emphasized the strategic value of China as a major consumer market.

Despite the strong financials, TSMC executives signaled a more cautious outlook for the fourth quarter of 2025. CEO Wei noted that the company is monitoring “a lot of uncertainties,” including the looming threat of U.S. semiconductor-specific tariffs. While no immediate changes in customer behavior have been observed, the company is bracing for potential disruptions in global supply chains and trade policy shifts that could dent earnings.

Currency headwinds are also in play. The appreciation of the Taiwan dollar, up nearly 12% this year against the U.S. dollar, is expected to impact the company’s margins. Gross margins for the third quarter are projected to fall to between 55.5% and 57.5%, down from 58.6% in Q2. Additionally, TSMC is investing heavily in expanding its international footprint, particularly in the United States and Japan, which further affects short-term margins.

The company reaffirmed its capital expenditure plans, ranging between \$38 billion and \$42 billion for 2025. This includes TSMC’s multi-billion-dollar investment in U.S. manufacturing, first announced in partnership with Donald Trump at the White House. That investment includes \$100 billion in long-term commitments and the development of three chip fabrication facilities in Arizona.

However, Trump suggested the introduction of semiconductor-targeted tariffs, and Taiwan, facing possible reciprocal tariff rates of up to 32%, is entering a more uncertain second half of the year. Analysts also warn that any underperformance from Apple Inc. (AAPL), another major TSMC client, could further pressure fourth-quarter results, particularly if iPhone sales in China continue to lag.

While shares in TSMC rose nearly 80% last year amid the AI boom, gains have slowed in 2025, rising just 5% year-to-date. This muted performance reflects investor unease about tariff risks and currency volatility, despite TSMC’s central role in powering the global tech ecosystem.

As geopolitical challenges and market shifts continue to shape the semiconductor landscape, TSMC’s robust earnings underscore both the opportunities and risks faced by leading chipmakers navigating an increasingly complex global economy.