



G+D warns: chip shortage threatens vital economic sectors

2021-08-04

Munich

Giesecke+Devrient

The global semiconductor shortage is causing bottlenecks in numerous industries. The international technology group Giesecke+Devrient (G+D) warns of failures in economically critical areas such as connectivity, payment systems, and electronic identities – and notes the far-reaching consequences the shortage could trigger.

In an increasingly digitalized world, the current chip shortage is having a considerable impact, the severity of which is growing daily. As striking as stalled assembly lines in automotive production or smartphone delivery delays may be, failures in important production areas and manufacturing industries such as connectivity, payments and electronic identities can have even more lasting consequences for national economies. Industry associations and umbrella organizations such as [Eurosmart](#), the [Secure Identity Alliance](#) (SIA), the [Smart Payment Association](#) (SPA), and the [Trusted Connectivity Alliance](#) (TCA) have issued strong warnings about possible economic risks and dangerous social consequences.

An internal analysis by G+D shows that already a 10% cut in production of payment cards could trigger far-reaching disruptions in terms of cash supply and electronic payments, which would result in significant economic damage. The negative effects on both the macroeconomy and the microeconomy would be extensive. Moreover, the chip shortage could have an equally considerable impact on the production of SIM cards. The digitized world largely operates via electronic communication channels, so end-to-end availability of connectivity based on SIM cards of all kinds is essential. If there are long-term bottlenecks here, the countless daily exchanges both between people and between machines, IoT platforms and other networked applications will be at risk. Equally affected is the personal identity sector. Embedded in national electronic identity cards (eID) and passports, chips enable the identification of billions of people worldwide. Sovereign documents give them access to public services, healthcare, and many other important services such as opening a bank account.

That is why Ralf Wintergerst, CEO of Giesecke+Devrient, is calling for the current supply shortages to be addressed responsibly in the interests of minimizing damage across all sectors: "It is the responsibility of policymakers to support the economy and its most important productive factors as a whole, not to serve the loudest particular interests. Stable payments are the backbone of any economy, while connectivity enables communication and the sharing of knowledge. A trusted legal identity, on the other hand, is essential to protect the people's rights. Ultimately, it is about the economic prosperity and social stability of entire nations."

In the near and intermediate future, therefore, governments, organisations and banks must work together in a concerted effort to ensure that factors of stability and growth that are particularly vital to the national economy, such as payment transactions, have the highest priority in the procurement of semiconductors. The aim is to take initiative among chip producers and create,

demand and promote awareness of this priority. Nevertheless, Ralf Wintergerst is optimistic for the current year. "Adapting to changing and restricted environments is not new territory for us, and we are well prepared for this year. Through our commitment to maintaining close customer relationships we are able to recognize trends in the market in due time and react quickly to changes. Beyond 2021, however, political course must be set for long-term viable strategic options to reduce dependence on non-European chip suppliers. Otherwise, the current bottlenecks will persist and exorbitant price increases and supply shortfalls will threaten to become a permanent reality."

About Giesecke+Devrient

Giesecke+Devrient (G+D) is a global security technology group headquartered in Munich, Germany. As a partner to organizations with the highest standards, G+D's solutions create trust and secure essential assets. The company's innovative technology protects physical and digital payment, the connectivity of people and machines, the identity of people and objects, as well as digital infrastructures and confidential data.

G+D was founded in 1852. In fiscal 2020, the company generated sales of 2.31 billion euros with around 11,500 employees. G+D is represented by 74 subsidiaries and joint ventures in 32 countries. Further information: www.gi-de.com.