



Analysts To Discuss Semiconductor Industry Outlook at Gartner's 16th Annual Semiconductor Roadshow in Asia

Gartner Says Worldwide Semiconductor Revenue to Grow 31.5 Percent in 2010

Worldwide

semiconductor revenue in 2010 is forecast to reach \$300 billion, a 31.5 percent increase from 2009 revenue of \$228 billion, according to the latest outlook by Gartner, Inc. Analysts project worldwide semiconductor revenue to total \$314 billion in 2011, a 4.6 percent increase from 2010.

The projected 2010 revenue for the semiconductor industry has increased from Gartner's forecast in the second quarter of 2010, when it expected worldwide semiconductor sales to grow 27.1 percent in 2010. However, analysts warned that while semiconductor revenue is still poised to hit record levels this year, second half growth is expected to be below seasonal norms as semiconductor sales align with electronic system sales.

"Semiconductor growth in the first half of 2010 was very strong, but it is becoming increasingly clear that the industry cannot maintain the momentum in the second half of 2010 and into 2011," said Bryan Lewis, research vice president at Gartner. "While the impact of the European credit crisis has subsided, the global economic recovery is slowing, and there is concern that electronic equipment vendors are adopting a cautious stance, ready to cut production at the first signs of slowing customer orders."

The PC

supply chain is showing the most evidence of a correction, as can be seen by recent company announcements, including Intel's lowering its third quarter guidance. The forecast of second half 2010 PC production unit growth has been reduced in the 3Q10 update. Gartner analysts said consumer PC purchases in mature markets were slightly weaker than expected in the second quarter and the outlook for the third quarter is below seasonal growth. However, surging sales of media tablets are partially offsetting the weakness in consumer PCs, as they've begun to prove themselves a popular substitute for netbooks.

The outlook for the mobile phone market has been steadily improving throughout 2010. The forecast of total market growth has been increased slightly from the 2Q10 update. Gartner analysts stated that application-specific semiconductors for the phone market are experiencing intense competitive pressure, with revenue growing only about 13 percent in 2010.

Smartphones continue to drive the mobile phone semiconductor market, representing 18 percent of units and 36 percent of overall 2010 mobile phone semiconductor revenue. These percentages increase to 41 percent of units and 64 percent of mobile phone semiconductor revenue by 2014 as entry-level smartphones trigger a second wave of growth in the market.

The dramatic rise in DRAM revenue growth is set to peak in 2010. "Due to early strength in the PC market and supply constraints, the DRAM industry has been very profitable, with revenue set to increase by 82.5 percent to nearly \$42 billion in 2010," Mr. Lewis said. "However, during the second half of 2011, this is set to change, and we expect a DRAM downturn in 2012 as sales decline 29 percent."

In contrast, NAND revenue is set to sustain a growth trajectory through 2013, with the NAND flash market driven by strong sales of smartphones and media tablets.

Gartner will provide more detailed analysis on the outlook for the semiconductor industry during the company's 16th Annual Semiconductor Roadshow in Taiwan (30 September), South Korea (5 October) and Singapore (7 October).

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