RESEARCH BULLETIN

IC Insights

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Ready for the Surge? IC Insights' 2H09/1H09 Forecast Includes:

Worldwide IC Market +18%; IC Foundry Sales +43%; Semiconductor Capital Spending +28%

According to IC Insights' soon-to-be-released *Mid-Year Update* to *The McClean Report*, 2009 is forecast to be a "tale of two halves." The first half of 2009 was hit hard by seasonal weakness for electronic system sales, a major IC inventory adjustment, and the global recession at its worst (with the global economy registering a rare drop in GDP). However, the second half of 2009 is expected to usher in strong seasonal strength for electronic system sales, a period of IC inventory replenishment (which began in 2Q09), and positive worldwide GDP *growth*.

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In IC Insights' opinion, the bottom of the current cycle in the worldwide economy and semiconductor industry was reached in 1Q09. While the "velocity" of the semiconductor industry recovery is subject to debate (slow, moderate, fast, etc.), at least the discussion over the next few quarters will be about how much sequential growth can be expected in instead of how far the markets are going to fall.

Since the beginning of this severe downturn, which began nine months ago, IC Insights has encouraged its clients to think quarterly about 2009, or in this case, at least in halves. When doing so, a much more relevant and positive outlook of the business conditions for the remainder of this year is achieved as compared to the "less granular" annual viewpoint taken by most of the other industry forecasters.

Figure 1 shows eight important examples where the second half of 2009 is expected to be much better than the first half of the year. Some key findings described in the *Mid-Year Update* to *The McClean Report* include:

- Worldwide GDP growth is forecast to be negative this year (-0.8%), but the second half of the year is expected to register positive growth. The same pattern is forecast for the U.S. economy as well.

- IC Insights expects China's second-half GDP to climb almost 9%. In fact, China GDP growth in 4Q09 is forecast to be well over 9%!

- Seasonal strength is likely to propel 2H09 cellphone and PC unit shipments up by 18% and 15%, respectively, as compared to 1H09.

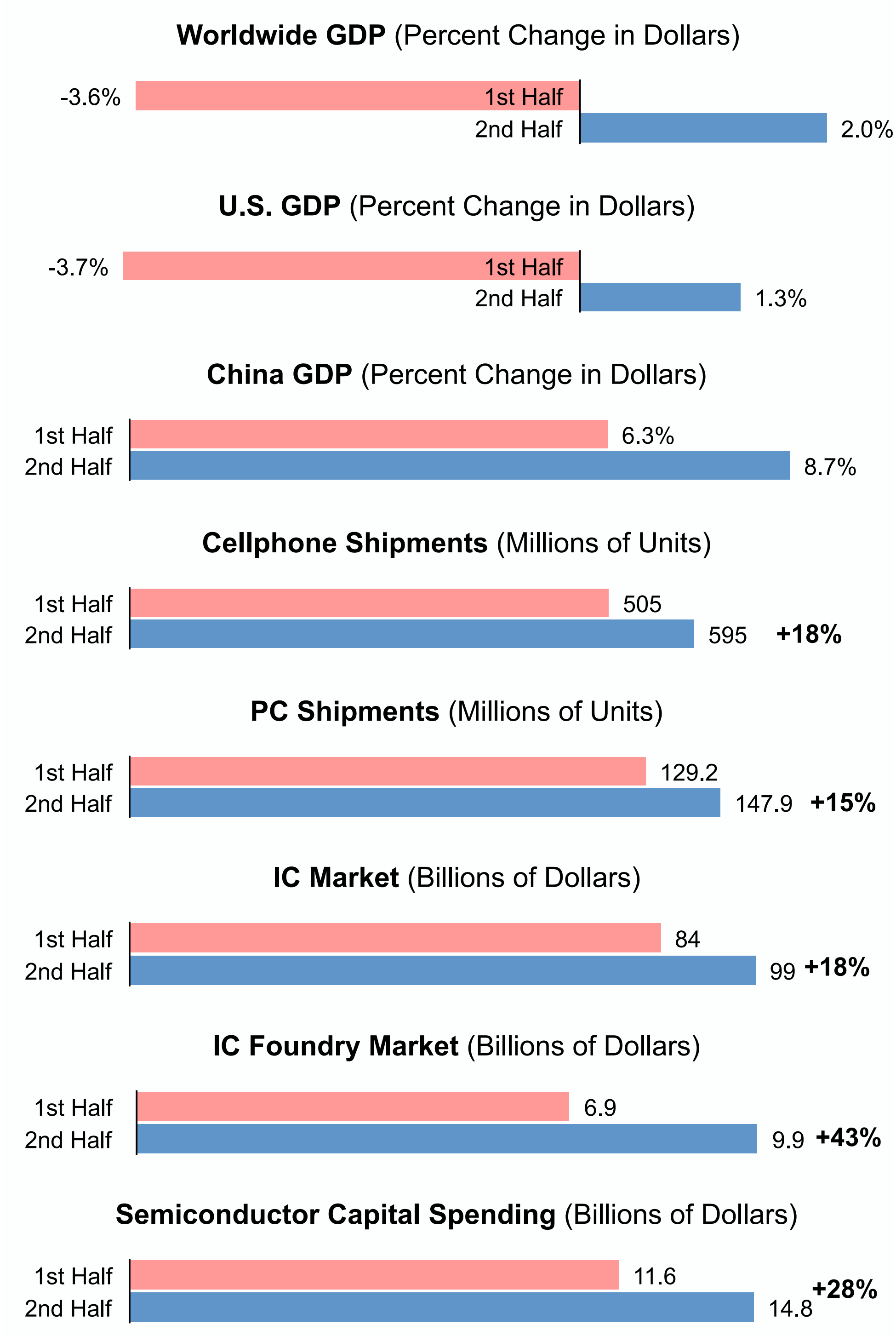
- The seasonal second-half jump in electronic system sales this year, coupled with stable and increasing IC average selling prices, is forecast to spur an 18% surge in the IC market in 2H09. In fact, the double-digit 2Q09/1Q09 IC market increase is clear evidence of the fact that the much-anticipated turning point has already occurred!

- The IC foundry market is expected to continue its sharp recovery in the second half of 2009. It should be noted the IC foundry market almost doubled in 2Q09 as compared to 1Q09!

- There is no doubt that, as a group, the semiconductor equipment suppliers have taken the worst "beating" of any of the companies involved in the current semiconductor industry downturn. However, the second half of 2009 is expected to offer some relief for these suppliers as semiconductor industry capital spending is forecast to jump by 28% as compared to the first half of 2009. As discussed in the *Mid-Year Update* to *The McClean Report*, many of the major semiconductor suppliers that IC Insights tracks are planning to spend the majority of their capital spending budgets in the second half of 2009 (e.g., Hynix spent 30% of its 2009 spending budget in 1H09 but plans to spend the remaining 70% in 2H09).

Most forecasters continue to resist calling for better growth in 2H09, perhaps unaware of the large amount of quarterly data that points to positive growth through the remainder of the year. IC Insights' *Mid-Year Update* to *The McClean Report* details why it believes that the 2H09 IC market is poised to surge ahead and mark the beginning of a strong multi-year growth period.

2009—A Tale of Two Halves



Source: IC Insights

Figure 1

Report Details, Including the New *"Half-Year" McClean Report* Subscription

The *2009 Mid-Year Update* to *The McClean Report* is a part of IC Insights' new *2009 "Half-Year" McClean Report* service. The new *2009 Half-Year McClean Report* subscription includes the 200+ page *Mid-Year*

Update (to be released at the end of July), the August, September, October, and November *Monthly Updates*, as well as access to *The McClean Report* subscriber-only Webcasts in August and November. The new *2009 Half-Year McClean Report* subscription is **priced at only $1,890**.

Note: Current *2009 McClean Report* subscribers will receive the products/services described above as part of their full-year subscription.

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About IC Insights
IC Insights, Inc., based in Scottsdale, Arizona USA, is dedicated to providing high-quality, cost-effective market research for the semiconductor industry. Founded in 1997, IC Insights offers coverage of global economic trends, the semiconductor market forecast, capital spending and fab capacity trends, product market details, and technology trends, as well as complete IC company profiles and evaluations of end-use applications driving demand for ICs.

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