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10 Reasons to be Optimistic about the IC Industry in 2010

Are you uncertain about the 2010 IC industry recovery? It may help to consider these actual data points and current expectations that offer support for an increasingly positive outlook for the IC industry this year.

- 1) On January 26, 2010, the International Monetary Fund (IMF) raised its worldwide GDP forecast for 2010 from 3.1% to 3.9%. Given the narrow scale of worldwide GDP growth, this was a big upgrade to its forecast.
- 2) On January 21, 2010, The Conference Board stated that the U.S. Index of Leading Economic Indicators was up 1.1% in December of 2009. Over the last eight months of 2009, the Index was up 8.8%, the highest increase since 1983!
- 3) The Institute for Supply Management (ISM) stated that the January 2010 U.S. manufacturing sector Purchasing Managers Index (PMI) was a very strong 58.4 (any figure over 50 indicates growth). Moreover, the PMI **order** figure was 65.9, the highest since 2004!
- 4) China's manufacturing sector PMI was a very strong 57.4 in January of 2010. This was the highest PMI figure in China since the survey was started there in 2004! Amazingly, even when China's economy (i.e., GDP) was growing at greater than 11% in 2006 and 2007, it did not register a PMI index as high as was seen in January of 2010.
- 5) China's GDP growth in 4Q09 was 10.7%. IC Insights believes that it is highly likely that China's GDP growth will be at least 10% in 2010, up from 8.7% in 2009. Remember, China is the largest market in the world for cellphones and automobiles and the second largest in the world for PCs.
- 6) Although the first quarter of the year is typically a seasonally slow quarter for IC suppliers (i.e., negative 1Q/4Q sales), some companies (e.g., TI, Altera, ON Semi, Microchip, etc.) have stated that they currently expect an **increase** in 1Q10/4Q09 IC sales! IC Insights believes that 1Q10 IC market results will provide a good indicator of just how strong IC market growth will be in 2010.

MORE INFORMATION CONTACT

Bill McClean
President
IC Insights, Inc.
Phone: +1-480-348-1133
Email: bill@icinsights.com

- 7) Following the severe correction in the first half of 2009, IC unit volume inventories have been under control. In fact, there are an increasing number of stories about shortages and extended lead times for various IC devices in 1Q10. Unfortunately for the IC buyer (but good for the IC supplier—due to increasing pricing leverage), IC supply is forecast to become even tighter in the second half of this year.
- 8) In 4Q09, 300mm IC fabrication capacity utilization was over 95%. Such high utilization rates typically lead to rising IC average selling prices (ASPs) and a fast-growing IC market.
- 9) According to SEMI, December 2009 North American semiconductor equipment bookings rose to \$863 million. The December 2009 bookings figure was 3.5X the level of March 2009! Spurred by high IC capacity utilization and surging IC unit demand, semiconductor manufacturers are expected to increase their capital spending by at least 45% in 2010. Moreover, IC Insights believes that a semiconductor capital spending increase of up to 60% is possible this year.
- 10) After a lackluster 2009, PC and cellphone unit shipments are expected to register double-digit growth rates. Windows 7 is forecast to give a boost to PC sales this year. Moreover, the cellphone market is moving increasingly toward 3G smartphones, which contain much higher IC content than 2.5G cellphones. Thus, the two main drivers of the IC market, PCs and cellphones, are poised to register strong growth in 2010.

The 10 points listed above should provide the reader with some encouragement with regard to the IC industry and its suppliers in 2010. Is it clear skies and smooth sailing for the rest of the year? Not, quite. Some potential “pot holes” on the road to 2010 success include: a possible spike in oil prices to greater than \$100 barrel; a major terrorist attack that weakens consumer confidence and the economy along with it; and/or, another major shock to the financial system like a major collapse of a country’s economy (e.g., Greece or Dubai).

Forecasts are just that, they are not a guarantee. However, after excluding the emotional “fear of the future” factor, the recent actual data and current forecasts from a number of different sources all point to at least a good (i.e., 15% growth) and possibly **great** year (i.e., $\geq 20\%$) for the 2010 IC industry.

Report Details

Additional details of the IC market, including forecasts of market size, unit shipments, and average selling prices through 2014 are found in IC Insights’ *McClean Report 2010 Edition*. Packed with more than 400 tables and graphs, the 2010 edition of *The McClean Report* is available in three-ring binder, CD-ROM, and on-line formats, and also comes with free monthly updates by e-mail from March through November. A single copy of the report in CD-ROM or binder format is priced at \$2,890. A bundled CD-binder set is

priced at \$3,385. An Internet access password is available as a \$695 option. The report is also available under a multi-user corporate license for \$5,990. To view a downloadable brochure and to read more information, visit www.icinsights.com.

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.

Web Site: www.icinsights.com • **Phone:** +1-480-348-1133 • **E-mail:** info@icinsights.com