

Gartner Says Worldwide Semiconductor Revenue on Pace to Decline 17 Per Cent in 2009

The Market Sees Positive Signs in Consumer Spending and Government Support

STAMFORD, Conn., August 26, 2009 — Worldwide semiconductor revenue is on track to total \$212 billion in 2009, a 17.1 per cent decline from 2008 revenue of \$255 billion, according to the latest outlook by Gartner, Inc. This forecast is better than the second quarter projections when Gartner projected semiconductor revenue would decline 22.4 per cent this year.

“The semiconductor market has performed better than expected, as was evident when second quarter semiconductor revenue increased 17 per cent in sequential sales,” said Bryan Lewis, research vice president at Gartner. “Consumers reacted strongly to reduced PC and LCD TV pricing as price elasticity was amazing. The industry also benefited from the China stimulus package that worked remarkably well to boost short-term demand. Governments worldwide took action quickly and extensively to avoid a meltdown, and it worked.”

Some of the leading semiconductor vendors reported positive second quarter sequential revenue growth that bodes well for the PC and cell phone segments. For example, Intel posted 12 per cent sequential revenue growth, while Samsung, the No. 2 semiconductor vendor based on 2008 revenue, posted a 30 per cent increase sequentially in chip sales driven by firming memory prices, exchange rates, and a rebound in PC production. Qualcomm, the No. 8 ranked semiconductor vendor last year, reported that its cell phone chip sales increased 35.7 per cent sequentially.

While the outlook for 2009 has improved, Gartner analysts point out that all major segments of the semiconductor market are expected to experience double-digit declines in revenue this year. The largest segment of the semiconductor market, application-specific standard product (ASSP), will reach \$57.2 billion in 2009, but this is a 16.5 per cent decline from 2008 revenue. The memory market, the No. 2 segment, is forecast to total \$41 billion, a 13.5 per cent decline from last year. The microcomponents segment (microprocessors, micro controller units, digital signal processors) is on pace to reach \$39.4 billion in 2009, a 19.2 per cent decline from 2008.

While the industry did see some better than expected results in the second quarter of 2009, the question is can this optimism be sustained through 2010. Gartner's latest outlook for 2010 is worldwide semiconductor revenue to total \$233 billion, a 10.3 per cent increase from 2009 projections.

“The fourth quarter of 2009 and first quarter 2010 will be extremely important in shaping the annual growth for 2010,” Mr Lewis said. “We are currently expecting the fourth quarter of 2009 to be slightly positive, in line with typical seasonal patterns, but foundries have reported they are concerned that demand may drop off more than seasonal in the fourth quarter, and it may carry into first quarter 2010. Gartner's most likely scenario is calling for a negative 5 per cent growth in the first quarter of 2010 as customers take a pause and absorb all the devices they purchased over the previous three quarters.”

About Gartner

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