Gartner Says Semiconductor Equipment Spending on Pace to Grow 122 Per Cent in 2010

STAMFORD, Conn. September 13 10, 2010 — Worldwide semiconductor capital equipment spending is projected to approach $36.9 billion in 2010, a 122.1 per cent increase from 2009 spending of $16.6 billion, according to Gartner, Inc. In 2011, semiconductor capital equipment spending will grow 4.9 per cent.

"*The strong semiconductor growth in 2010 has driven semiconductor capital growth to all-time highs*," said **Klaus Rinnen, managing vice president at Gartner**. "*Capital expenditure (capex) is above 95 per cent due to strong spending by the foundry and logic segments, along with a technology upgrade for the memory manufacturers. In 2011, capex growth is expected to slow to 10 per cent, because a slowing economy will negatively impact electronic and semiconductor sales*."

"*Companies should prepare their manufacturing plan for a softer 2011, when equipment purchases will focus more on capacity than technology equipment*," **Mr Rinnen** said. "*Companies should also prepare business plans for the next equipment down cycle, starting in late 2012, because memory companies will have overinvested, thus generating excess equipment."*

All segments of the semiconductor capital equipment market will experience exceptionally strong growth in 2010, and all of these segments will continue to experience growth through 2012 (see Table 1).

Table 1

Worldwide Semiconductor Capital Equipment Spending Forecast, 2009-2014 (Millions of Dollars)

	2009	**2010**	**2011**	**2012**	**2013**	**2014**
Semiconductor Capital Spending	25,876.3	50,686.6	55,812.0	59,934.0	54,972.9	54,909.7
Growth (%)	-41.2	95.9	10.1	7.4	-8.3	-0.1
Capital Equipment — Includes Test	16,606.1	36,887.6	38,697.9	43,266.5	36,573.8	36,467.6
Growth (%)	-45.8	122.1	4.9	11.8	-15.5	-0.3
Wafer Fab Equipment	12,747.7	28,032.1	29,116.3	33,227.3	29,131.5	28,564.1
Growth (%)	-47.4	119.9	3.9	14.1	-12.3	-1.9
Packaging and Assembly Equipment	2,708.5	6,049.6	6,424.1	6,647.4	4,847.0	5,082.5
Growth (%)	-32.3	123.4	6.2	3.5	-27.1	4.9
Automated Test Equipment	1,149.8	2,805.8	3,157.6	3,391.9	2,595.3	2,821.1

Growth (%)	-53.0	144.0	12.5	7.4	-23.5	8.7
Other Spending	9,270.2	13,799.1	17,114.1	16,667.5	18,399.0	18,442.1
Growth (%)	-30.7	48.9	24.0	-2.6	10.4	0.2

Source: Gartner (September 2010

2010 is shaping up as the strongest year for the wafer fabrication equipment (WFE) segment in recent years. WFE is projected to increase 119.9 per cent in 2010, followed by 3.9 per cent growth in 2011. Overall utilisation rates peaked at 94 per cent in the second quarter of 2010 but will quickly drop back to the 90 per cent range as more capacity comes online, and semiconductor production slows and becomes more aligned with end-user demand.

The packaging and assembly equipment (PAE) segment will increase more than 123 per cent in 2010. The PAE market is expected to continue to grow through 2012, though at a modest single-digit rate. The decline expected for 2013 is based on a more-traditional oversupply condition, particularly in the memory sector of the device market, and it also reflects a substantial slowdown in the copper bonding build-out.

The worldwide automated test equipment (ATE) market will grow 144 per cent in 2010. Solid growth has occurred through the first half of this year, but this segment is expected to realise seasonal declines late this year and in early 2011. Gartner's 2010 and 2011 growth expectations are driven heavily by the transition to DDR3 memory test processes. For 2010, all ATE segments will realise revenue growth of more than 110 per cent.

"*2010 will likely be the strongest year ever for the semiconductor equipment industry, which will be a nice rebound from the worst year ever*," **Mr Rinnen** said. "*Growth will continue through 2012 as companies move from technology buys to capacity purchases."*

Additional information is available in the Gartner report "Forecast: For Semiconductor Capital Equipment, 2010 Is in the Books, but 2011 Looks Slower." The report is available on Gartner's website at http://www.gartner.com/resId=1433253**.**

This research is produced by Gartner's Semiconductor Manufacturing program. This research program, which is part of the overall semiconductor research group, provides a comprehensive view of the entire semiconductor industry, from manufacturing to device and application market trends. More information on Gartner's semiconductor research can be found in the Gartner Semiconductor Manufacturing Focus Area at http://www.gartner.com/it/products/research/asset_129175_2395.jsp.

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