News release

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Driving growth in the global semiconductor industry

London, 30 Jan 2012 - The global semiconductor industry will continue to grow in the medium term, as it has done for virtually all of the past forty years. And this growth is expected to continue averaging 7.4 per cent through to 2015 to reach US$429 billion according to a new study by PwC, "Faster, greener, smarter – reaching beyond the horizon in the world of semiconductors".

Raman Chitkara, Global Technology Industry Leader, PwC said:

> "The global semiconductor market is fuelled by technological developments, consumerisation of technology and above average growth in emerging markets with China leading the way as the growth engine for the industry. China's growth in consumption of semiconductors will come from an increase in its own end markets as well as the strong role played by it as the global hub of manufacturing for the technology industry. This continued demand from emerging markets will somewhat compensate for the economic risks in North America and Europe."

Led by its strong position in technology manufacturing, by 2015 Chinese consumption will account for some 50 per cent of the global semiconductor market rising from 40 per cent in 2010. Chinese domination in consumption of semiconductors will be at the expense of Japan who will see its market share decline to 13 per cent from 16 per cent in 2010. Europe, North and South America will also see declines, dropping to 16 and 11 per cent respectively, and the remainder of the world is predicted to pull back from 13 per cent in 2010 to 10 per cent in 2015.

High growth potential in the auto industry

One of the main growth areas for semiconductors is in the automotive industry where the average semiconductor content per vehicle is expected to increase, and by 2015, the number of light vehicles assembled will increase to 99 million. This growth will be driven by the BRIC economies (Brazil, Russia, India and China) who will account for a 39 per cent share of the assembly market, and to a lesser extent by the US. Sales in the semiconductor industry in this sector will increase at an annual 15.8 per cent to reach US$46.9 billion by 2015. Businesses with industrial customers (eg in the areas of power plant construction, energy distribution and rail vehicles) are expected to grow by 8.9 per cent per year to US$42.9 billion. Semiconductor demand from the computer industry will grow at a modest 6.9 per cent annually to US$175 billion by 2015.

Looking ahead to 2015

There are three main drivers of growth for the global semiconductor industry over the next few years: global macroeconomic developments; technological advances; and the increasing demand from the BRIC economies for semiconductor products.

But alongside the growth prospects, there are issues which semiconductor companies need to address to ensure that they are at the forefront of the industry:

- Asia will continue to gain importance both as a semiconductor market and a place for research and development (R&D) in future years.
- Enhanced functionalities on chips incorporating once separated functionalities (system-on-a chip) and innovative chip design with several applications, will gain importance as a distinguishing competitive feature.
- "Going green", the development of energy-saving components and products that make efficient use of resources will generate a genuine competitive advantage.
- We'll see further breakup of the value chain, with integrated device manufacturers (IDMs) continuing to outsource more of their production to foundries.
- The continuing trend towards system-on-a-chip designs will force semiconductor design companies to increase their knowledge and capacities beyond their original business offerings.
- Changes in the semiconductor industry will drive mergers and acquisitions activity once the capital markets are more stable and financing for deals is available.

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Copies of the report are available from Fiona Scholes (Fiona.scholes@uk.pwc.com) or can be downloaded from our website: www.pwc.com/technology

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