News release

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**China’s Semiconductor Performance**

**Far Exceeds Worldwide Market**

***PwC Report Finds China Consumption Market Now Comprises 47 Percent***

***of Global Market***

Mainland China's (“China”) semiconductor consumption market and industry growth accounts for more than 10 times those of the worldwide semiconductor industry1, according to PwC's new report 'China’s Impact on the Semiconductor Industry 2012 Update.' Greater China, which includes mainland China, Hong Kong and Taiwan, accounted for more than half of the worldwide semiconductor consumption market, the report found. In the last four years, Greater China’s semiconductor industry has grown 34 percent compared to a worldwide 17 percent growth.

China’s consumption market growth of 14.6 percent contributed to it achieving a record 47 percent of the global market. China’s exceptional growth resulted from the country’s dominant position in the production of smart phones and tablets. Other key findings include:

* **Fabless sector influences China’s semiconductor growth:** China’s semiconductor design, or fabless sector, continues to grow at a rapid pace and registered an impressive growth of 36 percent.
* **Export market influences China’s dominance:** The export market has been the major contributor to the growth of China's semiconductor market for the last decade, with 63 percent of all the semiconductors consumed in China used in components of finished products assembled in China and exported for sale in other countries.
* **China’s CAGR continues upward trajectory:** From 2003 to 2011, China’s share of the worldwide semiconductor consumption market has grown from less than19 percent to over 47 percent. From 2001-2011 China’s semiconductor industry has achieved a 10-year compound annual growth rate (CAGR) of 24 percent.
* **China leads in semiconductor IPOs :** China continues to represent a growing percentage of global semiconductor IPOs.

“China has launched ambitious policy initiatives to develop large domestic markets for specific next-generation technologies and also, to promote domestic innovation in these areas,” said Raman Chitkara, global Technology and Semiconductor leader, PwC. “Companies in the semiconductor market may want to consider reassessment of a host of factors, including long-term strategies in China, and presence in the market. Understanding innovation within China and working with Chinese government agencies are key ways to maintain presence in this industry.”

**Driving Factors**

The semiconductor consumption market in China has grown faster than the worldwide market mainly due to two driving factors: the continuing transfer of worldwide electronic equipment production to China and the above-average semiconductor content of that equipment. China accounts for one third of the global electronic equipment production and electronic equipment in China had a semiconductor content of 25 percent versus a worldwide average of 20 percent.

China's domestic market also continues to be of increasing significance to the global semiconductor industry. Since 2003, China's domestic market---the value of semiconductors consumed in China that are used in components of finished products assembled and sold in China---has grown at nearly 24 percent compounded annual growth rate (CAGR). China's domestic semiconductor market now represents slightly under one fifth of the global semiconductor market.

**What the Future Holds**

Most industry analysts predict that the trend of an increasing share of electronic equipment production in China will continue over the next five years.

Chitkara added, “Many factors are converging to make China a formidable player in the global semiconductor industry. China has launched programmes with the intent to drive innovation and strengthen its competitive position in the semiconductor industry. These programs are also intended to provide a platform for emerging Chinese companies to excel. China’s semiconductor consumption is also likely to benefit from the country’s rapid urbanisation, increasing consumer consumption and green energy programmes.”

**Notes to editors:**

1The data reveals that China's semiconductor consumption market grew from $132.0bn in 2010 to $$151.2bn in 2011 for a growth of 14.6%; China's semiconductor industry production revenue grew from $38.1bn in 2010 to $43.5bn in 2011 for a growth of 14.4%; while the worldwide semiconductor industry grew from $298.3bn in 2010 to $299.5bn in 2011 for a growth of 0.4%.

Raman Chitkara is available for interviews. Contact Alayna Francis at Alayna.Francis@us.pwc.com to schedule.

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