News release

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**China’s Semiconductor Consumption Grows to Historic Level Despite Volatility in Global Market**

***China now accounts for more than half of worldwide***

***semiconductor consumption, PwC report finds***

China’s semiconductor consumption has grown to historic levels, and now accounts for over half of the global semiconductor market. The level of semiconductor consumption in China increased 8.7% in 2012 to account for 52.5% of global usage, according to PwC’s ‘*China’s Impact on the Semiconductor Industry – 2013 Update.*’

The growth in Chinese semiconductor consumption is a remarkable contrast to the global market for semiconductors, which experienced an overall decline of 3% in 2012.

Growth in China’s semiconductor consumption was attributed to the continuing transfer of worldwide electronic equipment production and the above-average semiconductor content of that electronic production. China’s share of worldwide electronic equipment production increased by 2 percentage points to 34.2% in 2012 and is expected to increase to more than 40% by 2017.

“China strengthened its domination of semiconductor consumption, mostly due to the growing footprints of smart phones and tablets, both of which are produced primarily in the country,” said Raman Chitkara, PwC’s Global Technology and Semiconductor Leader. “China is expected to continue its domination of semiconductor consumption for the foreseeable future with its market share possibly reaching 60% by 2017.”

Other key findings of the PwC report include:

* **Industry growth:** China’s semiconductor industry grew by 9.6% to reach US$56.3 billion.
* **Integrated circuit (IC) industry holds major influence**: The Chinese IC industry (including IC design, IC wafer manufacturing and IC packaging and testing) was the main driver behind China’s semiconductor growth in 2012. All three of these sectors reported double-digit growth in 2012.
* **Design fastest growing:** China’s IC design continues to be the fastest growing segment of China’s semiconductor industry, growing by 21% in 2012.
* **Semiconductor packaging, assembly and test (SPA&T) capacity grew in China, while it shrunk elsewhere**: In 2012, China had a 5% increase in net manufacturing floor space—a proxy for potential manufacturing capacity—while the rest of the world’s manufacturing floor space fell by 8.9% during the same time period.

**Future market opportunities**

China’s semiconductor consumption continues to outpace its semiconductor production with the resulting gap growing by US$6.7 billion to reach US$101.6 billion in 2012.

This imbalance offers a huge, unfilled market opportunity. It is unclear, however, if this gap will be filled as a result of expansion of Chinese manufacturing operations by multinational semiconductor companies or whether Chinese companies will rise to meet this challenge.

"Since the year 2000, China has continually strengthened its IC design capabilities, which has resulted in it being the only segment in the country's semiconductor industry that achieves positive year-on-year revenue growth every year. We expect this to continue,” said Jianbin Gao, PwC China’s Technology Leader. “With these solid foundations we anticipate key Chinese players, supported by ambitious government incentive plans and venture capital investment, to emerge and capitalise on untapped market potential."

**Notes to editors:**

PwC’s 2013 Update on China’s Impact on the Semiconductor Industry (www.pwc.com/chinasemicon) also elaborates on the growth of the IC design segment, provides data about Chinese top semiconductor companies, perspective on semiconductor activity in Greater China, updates on semiconductor patents and IPOs in the semiconductor industry amongst other topics.

For copies of the report or to schedule interviews, please contact Alayna Francis at Alayna.Francis@us.pwc.com.

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