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## **Press Release**

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### **China's semiconductor industry remains on the upswing**

*Two key factors driving China's record semiconductor consumption growth*

**Thursday 19<sup>th</sup> January 2017** – China's impact on the global semiconductor industry continued on an upward trend in 2015, with chip consumption and production revenues increasing at a greater rate than worldwide revenues.

According to PwC's 2016 update to its annual report, [China's impact on the semiconductor industry](#), China's share of the consumption market increased by 5.9% in 2015 to 58.5% of the worldwide total, marking a new record. For the fifth consecutive year, China's semiconductor consumption growth continued to far exceed worldwide semiconductor market growth. This was driven by two factors: the continuing transfer of worldwide electronic equipment production to China and the above-average semiconductor content of that equipment.

Overall, the country accounted for 16.2% of the worldwide semiconductor industry in 2015, up from 13.4% in 2014. From 2005 through 2015, China's semiconductor industry grew at a 10-year compounded annual growth rate (CAGR) of 18.7% while its semiconductor consumption increased at a rate of 14.3% and the worldwide semiconductor market grew at a 4.0% rate.

"For China's semiconductor industry, all signs point to continued moderate but sustainable growth over the next few years," said Raman Chitkara, PwC Global Technology Industry Leader. "Government incentives and market conditions should continue to benefit the now-mature industry, leading to long-range moderate growth and a further narrowing of the consumption/production gap."

China reported a notable reversal of its integrated circuit (IC) consumption/production gap in 2015, an additional sign of a maturing and stabilising market. The difference between IC consumption and production revenues decreased for the first time since 2009, and only the second time since 1999. Moreover, it is now forecast to continue decreasing for each of the following three years.



## **Industry segment performance**

The IC design (fabless) industry continues to be the fastest-growing segment of China's semiconductor industry. For the first time, this segment's revenues exceeded US\$20 billion and grew to represent 25% of the worldwide fabless industry.

Other segments also showed strong growth. China's wafer fabrication plants in production increased to 169 and their share of worldwide capacity increased to 12.7%. Foundry production continues to constitute the largest share of China's wafer fab capacity.

The country's semiconductor packaging, assembly and test (SPA&T) capacity also increased in 2015, with IC unit production growing by more than 13% and optoelectronics-sensors-discretes (O-S-D) production by more than 7%. In both sectors, China's increase in unit production was achieved at the expense of decreases in other geographic regions as China's increase exceeded the worldwide increase.

China's 2015 semiconductor consumption, as measured by revenue, was largest for the memory and application-specific sectors, and slightly less for the general purpose logic and general purpose analog sectors. China's share of 2015 worldwide semiconductor consumption was largest for the O-S-D sectors, representing more than 70% of those sectors.

"The major global semiconductor companies continue to dominate the Chinese market, where there have been only 14 different companies among the top 10 suppliers over the past 12 years," said Jianbin Gao, PwC Technology Leader for China. "At the same time, however, in recent years we have truly witnessed the maturing and stabilising of China's semiconductor industry."

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