

RESEARCH BULLETIN

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IC Market Growth Limited by Narrow Window of Global GDP Expansion

Significant and noticeable IC market growth closely tied to significant worldwide GDP growth.

IC Insights' 20th anniversary, 2017 edition of *The McClean Report* shows that since 2010, worldwide economic growth has been the primary influencer of IC industry growth. In this "global economy-driven" IC industry, factors such as interest rates, oil prices, and fiscal stimulus are the primary drivers of IC market growth. This is much different than prior to 2010, when capital spending, IC industry capacity, and IC pricing characteristics drove IC industry cycles.

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Figure 1 plots the actual annual growth rates for worldwide GDP and the IC market from 1992 and includes IC Insights' 2017 forecast. As shown, both of these categories displayed extremely volatile behavior from 1992 through 2010 before registering much more subdued growth rates from 2011 through 2016. Moreover, IC Insights forecasts similar restrained annual growth rates for worldwide GDP and the IC market through 2021.

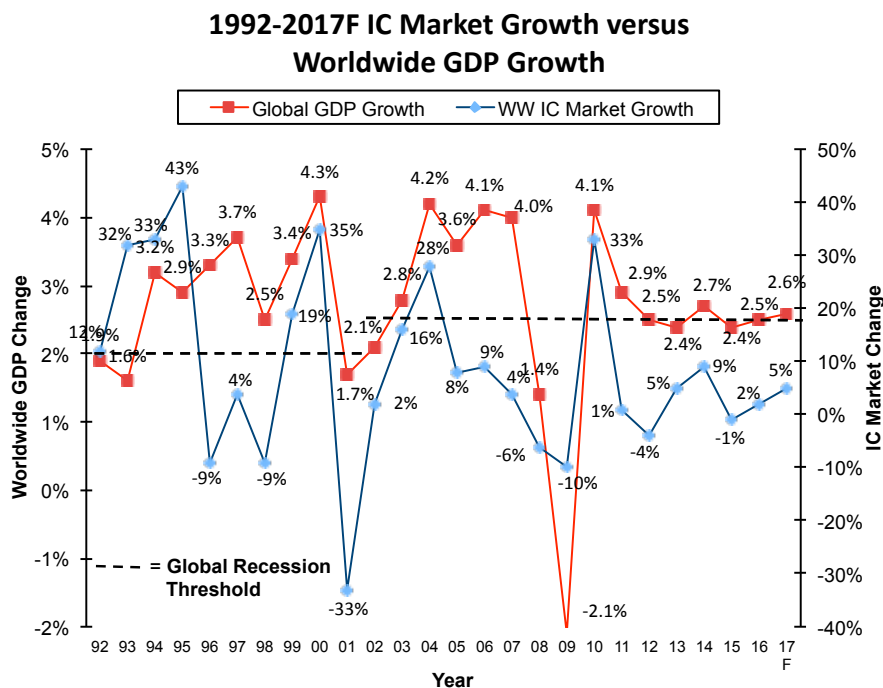


Figure 1

Some observations regarding worldwide economic growth (GDP) include the following.

- Since 1980, the annual worldwide GDP growth has averaged **2.8%**. The average annual worldwide GDP growth rate has declined every decade since the 1960s with a slight rebound forecast to be registered in the first seven years of the current decade.
- Worldwide GDP growth of **2.5%** or less is currently considered by most economists to be indicative of a *global recession*, which puts 2016's growth right at the threshold. The 2017 global growth rate is forecast to come in only slightly better at 2.6%. Prior to the late 1990s, when emerging markets like China and India represented a much smaller share of the worldwide economy, a global recession was typically defined as **2.0%** or less growth. The global recession threshold has never been a "hard and fast" rule, but the guidelines discussed here are useful for this analysis.

Figure 2 compares the actual annual growth rates of worldwide GDP and the worldwide IC market from 2011 through IC Insights' 2017 forecast. It is worth mentioning that the same scale used in Figure 1 for both worldwide GDP growth (-2% to 5%) and IC market growth (-40% to 50%) was used for this chart. It is clear when looking at this specific timeperiod and using the historical growth rate scale end points, that IC market and worldwide GDP growth volatility from 2011 through 2017 is expected to be much more tame than in the past.

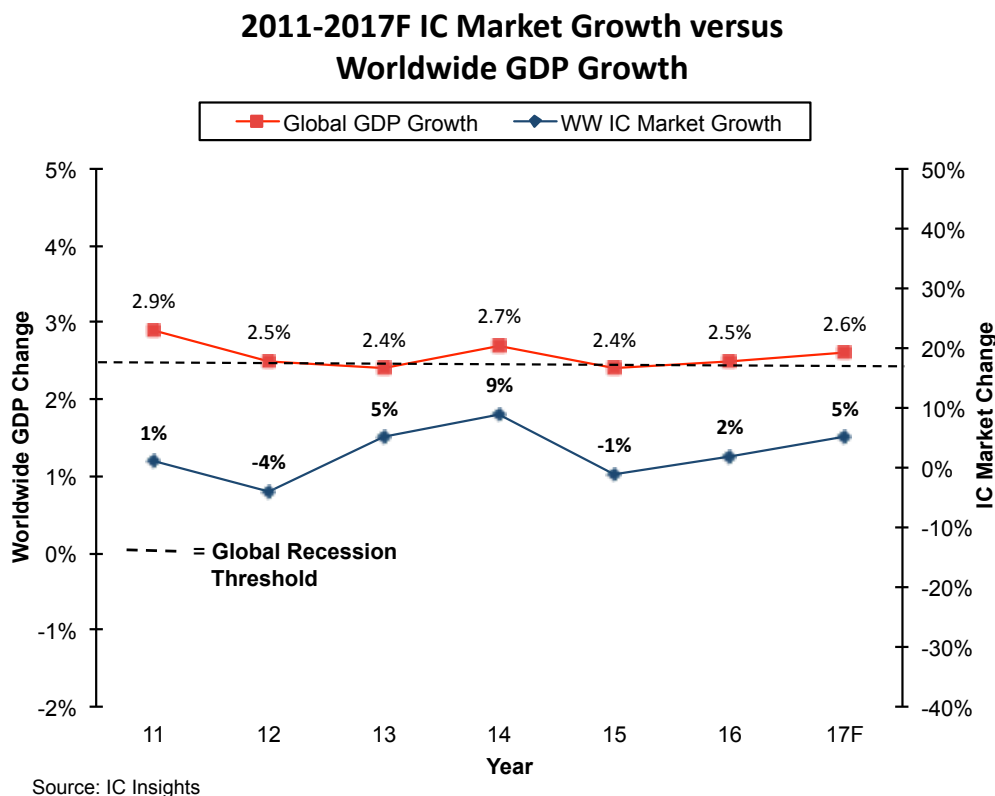


Figure 2

Worldwide GDP growth rates are expected to range from 2.5% to 3.0% from 2016 through 2021. IC Insights' expects the IC market to mirror the narrow range of worldwide GDP growth with forecasted growth rates ranging from a low of 2% to a high of 7% through 2021.

Given the tight correlation between annual worldwide GDP growth rates and IC market growth rates, IC Insights believes that a significant and noticeable IC market cycle will not occur through 2021 unless there is a significant departure from trend, up or down, for worldwide GDP growth (e.g., <2% growth on the low side and >3.0% growth on the high side).

Report Details: *The 20th Anniversary 2017 McClean Report*

Additional details on economic trends impacting the total worldwide IC market forecast through 2021 are included in the new 20th anniversary 2017 edition of IC Insights' flagship report, *The McClean Report—A Complete Analysis and Forecast of the Integrated Circuit Industry*. A subscription to *The McClean Report* includes **free** monthly updates from March through November (including a 250+ page *Mid-Year Report*), and **free** access to subscriber-only webinars throughout the year.

An individual-user license to the 2017 edition of *The McClean Report* is priced at \$4,090 and includes an Internet access password. A multi-user worldwide corporate license is available for \$7,090.

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About IC Insights

IC Insights, Inc., based in Scottsdale, Arizona USA, is dedicated to providing high-quality, cost-effective market research for the semiconductor industry. Founded in 1997, IC Insights offers coverage of global economic trends, the semiconductor market forecast, capital spending and fab capacity trends, product market details, and technology trends, as well as complete IC company profiles and evaluations of end-use applications driving demand for ICs.

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