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Potential U.S. Recession's Impact on IC Market Forecast

It's no time to panic. IC Insights says hold out for full 1Q08 results before re-evaluating forecast.

According to the majority of economists in the latest *Wall Street Journal* economic-forecasting survey, the U.S. has slid into the beginning of a recession. This view was reinforced by new data showing a sharp drop in February retail sales and a report of more U.S. job losses in the month.

The survey, conducted March 7 through 11, marked a precipitous shift to the negative from the previous survey conducted five weeks earlier.

So, is the sky falling? Is it time to downgrade IC market forecasts for 2008? Although no government data has been released to indicate that the U.S. economy has had even one quarter of negative GDP growth, IC Insights acknowledges that the U.S. is teetering near that point. However, we also believe it is premature to make adjustments—however slight or great—to our full-year IC market forecast, based on spot-news headlines and a survey of U.S. economists. IC Insights' *March Update to The McClean Report* examines the myriad pros and cons currently affecting the U.S. and worldwide economies.

According to IC Insights' experience, IC market growth in the first quarter of each year tells a lot about what to expect in terms of overall market growth for the year. Currently, IC Insights is forecasting 9% IC market growth for all of 2008. The forecast is based on the IC market declining 4% in 1Q08/4Q07, declining another 2% in 2Q08/1Q08, increasing 15% in 3Q08/2Q08, and growing 3% in 4Q08/3Q08. With these quarterly growth rates, the full-year 2008 IC market would achieve 9% growth (Figure 1).

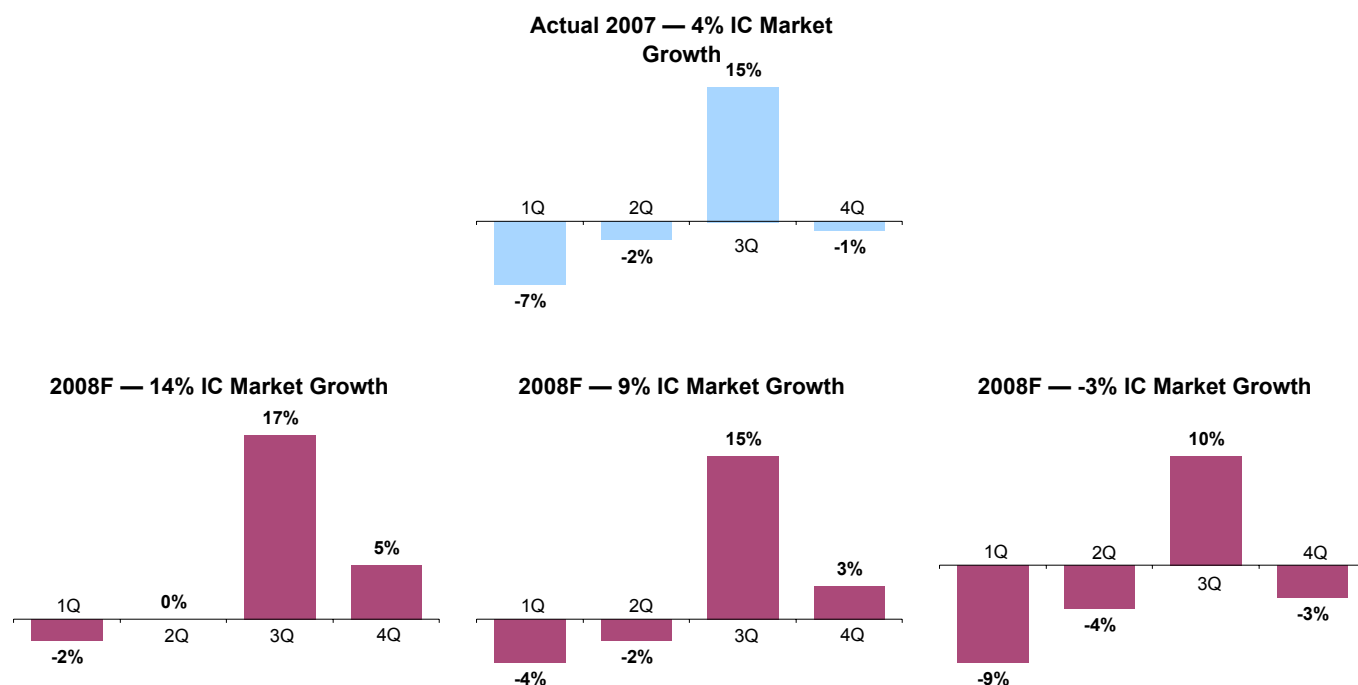
If a recession has indeed hit the U.S., and other global regions also see their economies slowing throughout 2008, then the IC market may actually decline. In this scenario, IC Insights believes the market could drop 9% in 1Q08/4Q07, followed by a 4% decline in 2Q08/1Q08, then 10% growth in 3Q08/2Q08, and then ending the year with a 3% decline in 4Q08/3Q08. The result would be total IC market decline of 3% for the year.

The 2008 edition of IC Insights' *McClean Report* shows that there have been five years since 1975 when the IC industry posted a negative growth rate (1975, 1985, 1996, 1998, and 2001). In those years, the 1Q/4Q IC market displayed at least a 9% decline (1975, -13%; 1985, -18%; 1996, -9%; 1998, -10%; and 2001, -20%). If the sequential decline in the 1Q08/4Q07 IC market is 9% or worse, IC Insights believes that the 2008 IC market would be on pace to register a *negative year*. While the potential for a negative growth year exists, IC Insights is not ready to change its forecast just yet. Rather, we believe it is more prudent to stay with our current outlook of 9% growth at least until complete 1Q08 results become available—typically in the last week of April—before making any adjustments. All too often, IC forecast revisions made in the late winter must be revised back up in the summer.

MORE INFORMATION CONTACT

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2008 Quarterly IC Market Scenarios



Source: IC Insights

Figure 1

Report Details

The 2008 edition of *The McClean Report*, IC Insights' complete analysis and forecast of the integrated circuit market, is now available. Packed with 400 tables and graphs, the report is available in three-ring binder, CD-ROM, and on-line formats, and also comes with free monthly updates by e-mail from March through November. A single copy of the report in CD-ROM or binder format is priced at \$2,790. A bundled CD-binder set is priced at \$3,285. An Internet access password is available as a \$695 option. The report is also available under a multi-user corporate license for \$5,990.

Announcements

- The 2008 edition of the *O-S-D Report* is now available and extends IC Insights' coverage of the semiconductor industry with detailed analysis of trends and growth rates in the optoelectronics, sensors/actuators, and discretely market segments. The 2008 report is available for \$2,190 in either a three-ring binder or CD-ROM format. Additional individual copies of the CD-ROM or binder sell for \$495 each. The report is also available under a multi-user corporate license for \$5,490.

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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