

MAY 22, 2018

Semi Capex Forecast to Exceed \$100B for the First Time in 2018

IC Insights raises its full-year spending growth forecast for this year from 8% to 14%.

IC Insights recently released its *May Update* to the 2018 *McClean Report*. This *Update* included a look at the top-25 1Q18 semiconductor suppliers, a discussion of the 1Q18 IC industry market results, and an update of the 2018 capital spending forecast by company.

Overall, the capital spending story for 2018 is becoming much more positive as compared with the forecast presented in IC Insights' *March Update* to *The McClean Report 2018 (MR18)*. In the *March Update*, IC Insights forecast an 8% increase in semiconductor industry capital spending for this year.

However, as shown in Figure 1, IC Insights has raised its expectations for 2018 capital spending by six percentage points to a 14% increase. ***If this increase occurs, it would be the first time that semiconductor industry capital outlays exceeded \$100 billion.*** The worldwide 2018 capital spending forecast figure is 53% higher than the spending just two years earlier in 2016.

Although Samsung says it still does not have a full-year capital spending forecast for this year it did say it will spend "less" in semiconductor capital outlays in 2018 as compared to 2017, when it spent \$24.2 billion. However, as of 1Q18, with regard to its capex, its "foot is still on the gas!" Samsung spent \$6.72 billion in capex for its semiconductor division in 1Q18, slightly ***higher*** than the average of the previous three quarters. This figure is almost 4x the amount the company spent just two years earlier in 1Q16! Over the past four quarters, Samsung has spent an incredible \$26.6 billion in capital outlays for its semiconductor group. Wow!

IC Insights has estimated Samsung's semiconductor group capital spending will be \$20.0 billion this year, \$4.2 billion less than it spent in 2017. However, given the strong start to its spending this year, it appears there is currently more upside than downside potential to this forecast.

With the DRAM and NAND flash memory markets still very strong, SK Hynix is expected to ramp up its capital spending this year to \$11.5 billion, 42% greater than the \$8.1 billion it spent in 2017. The increased spending by SK Hynix this year will primarily focus on bringing on-line two large memory fabs—M15, a 3D NAND flash fab in Cheongju, South Korea and its expansion of its huge DRAM fab in Wuxi,

MORE INFORMATION CONTACT

Bill McClean
President
Phone: +1-480-348-1133
Email: bill@icinsights.com

China. The Cheongju fab is being pushed to open before the end of this year. The Wuxi fab is also targeted to open by the end of this year, a few months earlier than its original planned start date of early 2019.

Worldwide Semiconductor Capital Spending Trends (2000-2018F)

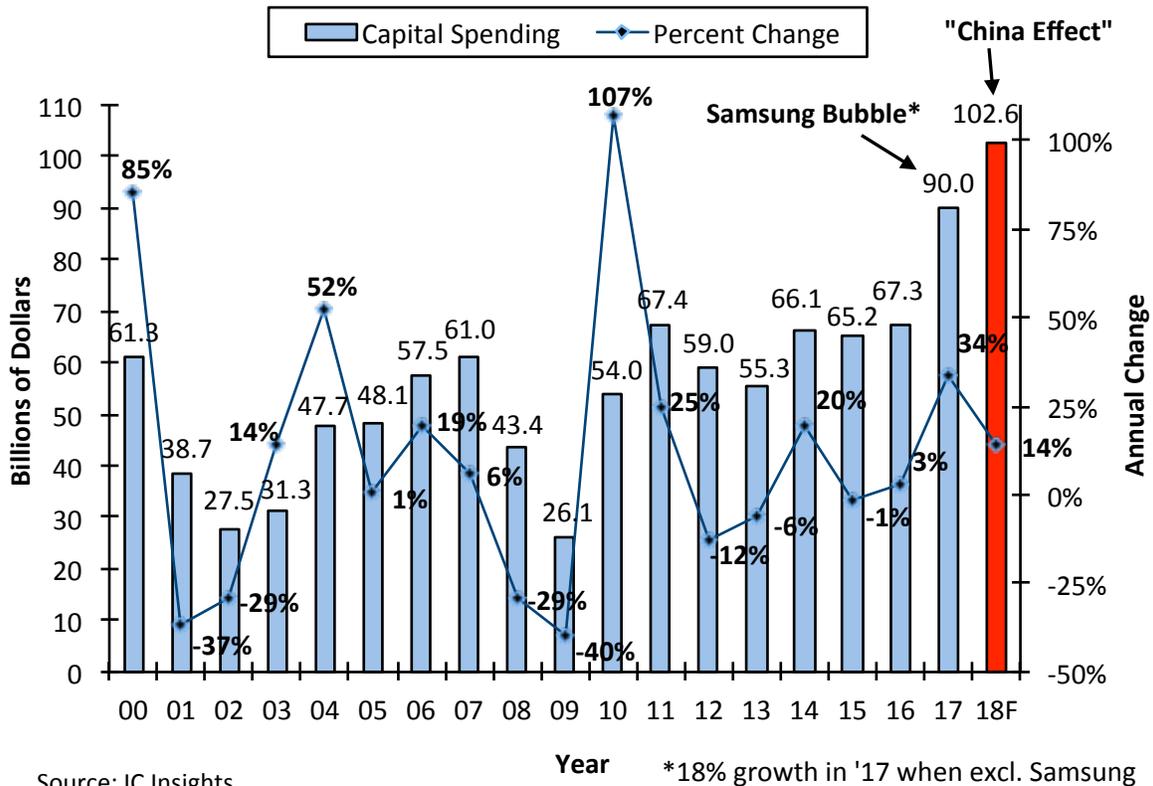


Figure 1

Report Details: *The 2018 McClean Report*

Additional details on current IC market trends are provided in the *May Update to 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 Update*), and **free** access to subscriber-only webinars throughout the year. An individual-user license to the 2018 edition of *The McClean Report* is priced at \$4,290 and includes an Internet access password. A multi-user worldwide corporate license is available for \$7,290.

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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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