

JUNE 26, 2018

China's Semi Capex Forecast to be Larger than Europe and Japan Combined in 2018

Chinese semi firms to spend \$11.0 billion in capex this year, up from only \$2.2 billion in 2015.

IC Insights will release its 200+ page *Mid-Year Update* to the 2018 *McClean Report* next month. The *Mid-Year Update* revises IC Insights' worldwide economic and IC industry forecasts through 2022 that were originally presented in *The 2018 McClean Report* issued in January of this year.

Figure 1 shows that IC Insights forecasts that China-headquartered companies will spend \$11.0 billion in semiconductor industry capex in 2018, which would represent 10.6% of the expected worldwide outlays of \$103.5 billion. Not only would this amount be 5x what the Chinese companies spent only three years earlier in 2015, but it would also exceed the *combined* semiconductor industry capital spending of Japan- and Europe-headquartered companies this year.

Since adopting the fab-lite business model, the three major European producers have represented a very small share of total semiconductor industry capital expenditures and are forecast to account for only 4% of global spending in 2018 after representing 8% of worldwide capex in 2005. Although there may be an occasional spike in capital spending from European companies (e.g., the surge in spending from ST and AMS in 2017), IC Insights believes that Europe-headquartered companies will represent only 3% of worldwide semiconductor capital expenditures in 2022.

It should be noted that several Japanese semiconductor companies have also transitioned to a fab-lite business model (e.g., Renesas, Sony, etc.). With strong competition reducing the number and strength of Japanese semiconductor manufacturers, the loss of its vertically integrated businesses and thus missing out on supplying devices for several high-volume end-use applications, and its collective shift toward fab-lite business models, Japanese companies have greatly reduced their investment in new wafer fabs and equipment. In fact, Japanese companies are forecast to represent only 6% of total semiconductor industry capital expenditures in 2018, a big decline from the 22% share they held in 2005 and an even more precipitous drop from the 51% share they held in 1990.

MORE INFORMATION CONTACT

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

Chinese Company Semi Capex versus the Combined Semi Capex of Japanese and European Companies (\$B)

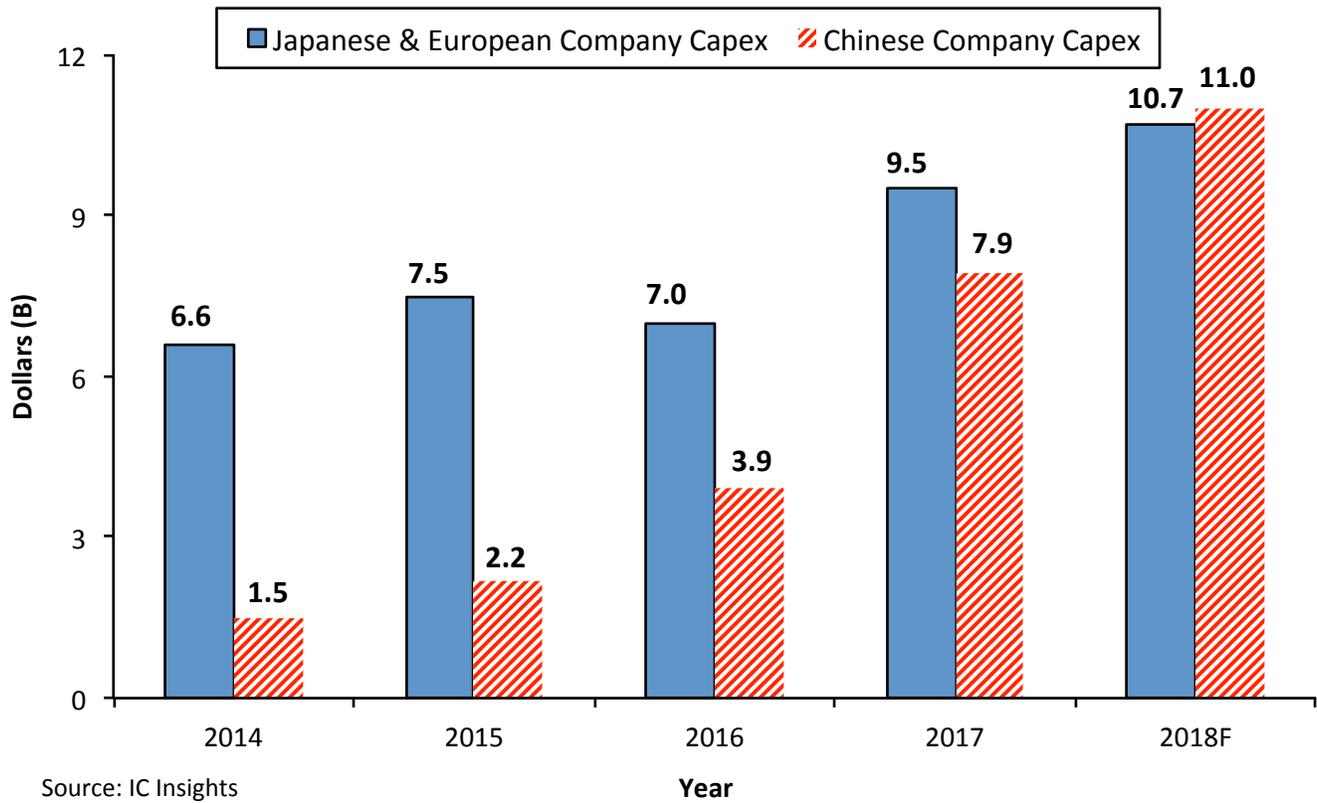


Figure 1

Although China-headquartered pure-play foundry SMIC has been part of the list of major semiconductor industry capital spenders for quite some time, there are four additional Chinese companies that are forecast to become significant semiconductor industry spenders this year and next—memory suppliers XMC/YMTC, Innotron, JHICC, and pure-play foundry Shanghai Huali. Each of these companies is expected to spend a considerable amount of money equipping and ramping up their new fabs in 2018 and 2019.

Due to the increased spending by startup China-based memory manufacturers, IC Insights believes that the Asia-Pac/Others share of semiconductor industry capital spending will remain over 60% for at least the next couple of years.

Report Details: *The 2018 McClean Report*

Additional details on semiconductor industry capital spending and IC market trends will be provided in the *Mid-Year 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 the 200+ 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.

To review additional information about IC Insights' new and existing market research products and services please visit our website: www.icinsights.com

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.

Web Site: www.icinsights.com • **Phone:** +1-480-348-1133 • **E-mail:** info@icinsights.com