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IC Insights Lowers 2011 Worldwide Semiconductor Market Forecast to +5%

2011 IC market forecast lowered to +4% while the O-S-D market forecast remains at 10%

As described in IC Insights' soon-to-be-released *Mid-Year Update to The McClean Report*, the worldwide semiconductor industry growth forecast for 2011 has been lowered from 10% to 5% and the 2011 IC market forecast from 10% to 4%. The primary cause for this downgrade is the weak performance of the worldwide economy in the first half of this year.

Some of the unexpected economic "headwinds" the worldwide economy faced in the first half of 2011 are shown in Figure 1. These events caused quarterly worldwide economic growth to slow significantly in the first half of 2011 as compared to 2010

and in turn served to slow worldwide electronics and semiconductor industry market growth. While any of these negative events by themselves may not have had a serious impact, combined, they served to noticeably slow the worldwide economy in the first half of this year.

Currently, the "debt ceiling" issue in the U.S. has not been resolved. Moreover, the work to contain the European debt crises is ongoing, although some progress had been made with regard to the financial situation of Greece. IC Insights' current forecast assumes that these issues will be resolved and that neither of them will cause a serious negative financial situation for the worldwide economy in the second half of 2011.

Although the U.S. debt ceiling and European debt crises are likely to be addressed without creating a worldwide financial panic or meltdown, both of these situations have caused a great amount of *uncertainty* throughout the world, affecting both businesses and consumers alike. The problem with uncertainty in the marketplace is that it typically results in "hesitation" and "worry" for consumers and businesses. This environment of hesitation and worry is not conducive to good economic growth and can sometimes have a worse impact than if the negative event itself took place!

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Overall, the quarterly worldwide GDP growth figures have been on a fairly steep decline since reaching a very strong level of 4.6% in 2Q10. In fact, the 2Q11 worldwide GDP growth estimate of 3.1% is 33% lower as compared to the level registered one year earlier in 2Q10. Moreover, the 3.1% figure for 2Q11 is only 0.6 points above the global recession mark of 2.5% growth.

First Half 2011 Economic Headwinds

Economic Setback	Result
Arab country unrest	Higher oil prices
Devastating earthquake in Japan	Weak Japan IC market in 2Q11 and supply chain disruptions in the electronic system market
Surge of natural disasters in the U.S. (floods, tornadoes, wildfires, etc.)	Disruptions in local economies and a "hit" to U.S. GDP growth
European debt crises and U.S. debt ceiling deadline	Extremely high levels of economic uncertainty

Source: IC Insights

Figure 1

IC Insights expects 2H11 worldwide GDP growth to be better when compared to the first half of the year. One reason behind this expectation is that Japan’s GDP is forecast to be much stronger in the second half of this year as post-earthquake investment and re-building efforts gain momentum. Moreover, the U.S. economy is also expected to perform better in the second half of 2011 due to lower gasoline prices (as compared to the first half of the year), a pick up in automotive assembly production (rebounding from the negative effects from the Japan earthquake), and an increase in capital spending by U.S. businesses before the expiration of various tax breaks at the end of the year.

Although worldwide GDP growth in the second half of 2011 is not forecast to revert back to the levels registered in the first three quarters of 2010, it is expected to show noticeable improvement over the first

half of 2011. This improvement is forecast to help drive a moderately better second-half semiconductor market as compared to the first half and a full-year 2011 growth rate of 5%.

IC Insights' 220+ page *2011 Mid-Year Update* is included as part of the new "Half-Year" subscription to *The McClean Report* and will be released on July 29, 2011. This *Update* will provide you with the proper perspective you need to make your plans for the remainder of 2011 and beyond. Although this is an extremely volatile timeperiod in the IC industry and worldwide economy, IC Insights' "Half-Year" subscription to *The McClean Report* will help guide you through these uncertain times.

Report Details: The New "Half-Year" McClean Report Subscription

The *2011 Mid-Year Update* to *The McClean Report* is a part of IC Insights' new *2011 "Half-Year" McClean Report* service. The *2011 Half-Year McClean Report* subscription includes the 220-page *Mid-Year Update* (to be released July 29, 2011), the August, September, October, and November *Monthly Updates*, as well as access to *The McClean Report* subscriber-only Webcasts in August and November. The new *2011 Half-Year McClean Report* subscription is **priced at only \$1,990 for a single user and \$3,290 for a multi-user corporate license.**

Note: Current *2011 McClean Report* subscribers will receive all of the products/services described above as part of their full-year subscription.

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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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