

# RESEARCH BULLETIN

**JULY 15, 2020**

## 1Q/4Q "Direction Indicator" Signals Rebound in the 2020 IC Market

*After dropping by 15% last year, the worldwide IC market is expected to show single-digit growth in 2020, even with the disastrous effects of Covid-19 on the global economy.*

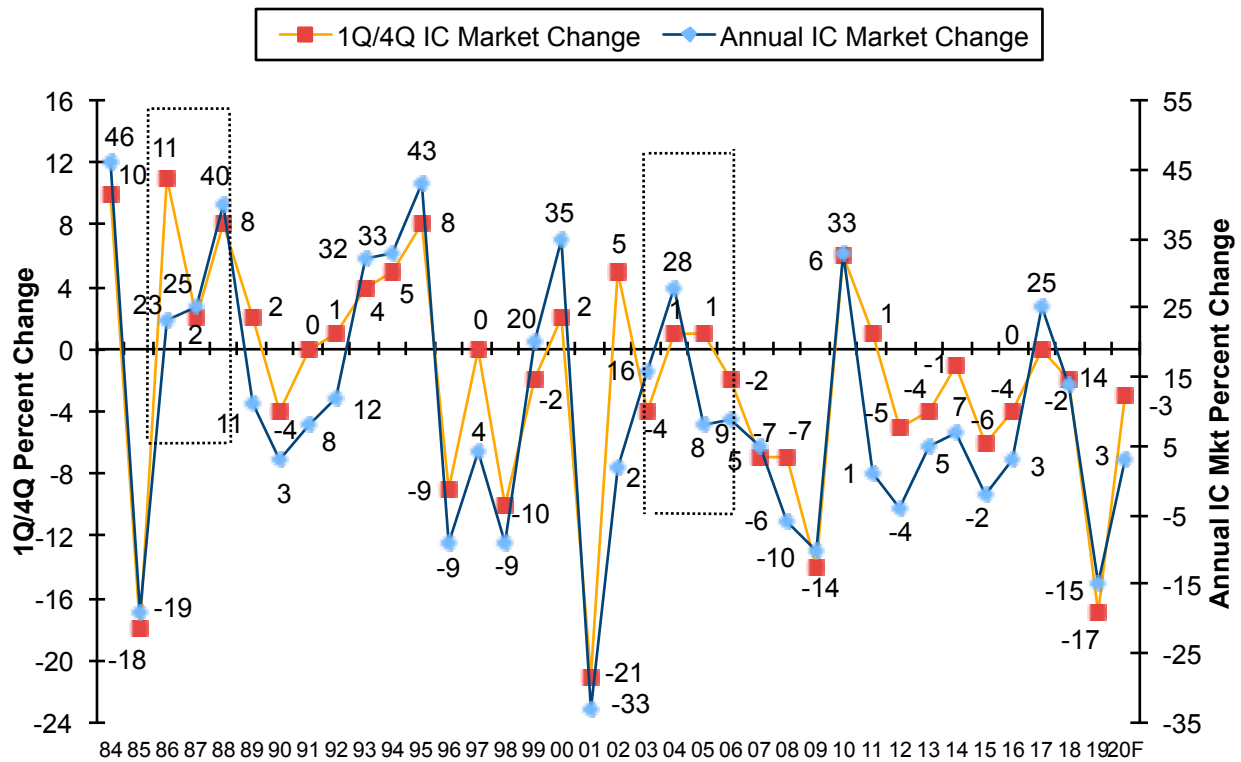
IC Insights will release its 200+ page *Mid-Year Update* to the 2020 *McClean Report* later this month. The *Mid-Year Report* updates IC Insights' worldwide economic and IC industry forecasts through 2024 that were published in *The McClean Report 2020*, released in January.

### MORE INFORMATION CONTACT

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

Figure 1 shows the 1Q/4Q IC market direction indicator that IC Insights developed 23 years ago.

### 1Q/4Q IC Market Direction Indicator



Source: WSTS, IC Insights

Year Boxed regions highlight indicator fluctuations after steep downturn years of 1985 and 2001.

**Figure 1**

From 1984-2019, the average seasonal sequential decline in the 1Q IC market was 2%. In 1Q20, the IC market was down just 3% as compared to 4Q19, slightly below the 36-year average. Excluding the years after the severe IC industry downturns of 1985 and 2001, IC Insights believes that the 1Q/4Q sequential *quarterly* IC market change is a good indicator of the direction and intensity of the *annual* IC market change.

Note that Figure 1 is labeled as a “direction indicator.” This is because the actual 1Q/4Q change does not directly forecast the eventual annual IC market growth for a given year, but instead more accurately describes the expected direction and intensity of the annual IC market growth rate as compared to the previous year. For example, 2017 showed 0% 1Q/4Q growth and 25% annual IC market growth, whereas 2011 displayed 1% 1Q/4Q growth but a full year IC market growth rate of only 1%, the difference being the 1Q/4Q change as compared to the previous year’s 1Q/4Q change.

The reason why this model is a good indicator of the *direction* of the IC industry’s annual growth rate lies in the seasonality of the IC market itself. Given the typical quarterly seasonal pattern that is characteristic of the IC industry, the first quarter essentially establishes a “base” upon which future quarterly IC market growth will build.

Overall, when the 1Q/4Q performance of a given year is better than the previous year’s 1Q/4Q result, the *annual* growth rate for that year can be expected to be better than the previous year. The opposite is usually true when the 1Q/4Q performance of the current year is worse than the year earlier. Since the 1Q20/4Q19 IC market change of -3% was much better than the 1Q19/4Q18 IC market change of -17%, IC Insights believes that the *annual* growth rate for the 2020 IC market, even after incorporating the negative impact of Covid-19, is likely to be much better (3%) than the 15% decline the IC market registered in 2019.

***In the original 2020 McClean Report (released in January before any mention of Covid-19), IC Insights forecast a 1Q20/4Q19 IC market decline of 5% and a full-year 2020 IC market increase of 8%. With the 1Q20/4Q19 IC market registering only a 3% decline, excluding the now known severe damage of Covid-19 on the global economy, IC Insights would most likely have raised its full-year 2020 IC market forecast from 8% growth to 10% or greater.***

### **Report Details: *The 2020 McClean Report***

Additional details on IC market trends and forecasts are 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 2020 edition of *The McClean Report* is priced at \$4,990 and includes an Internet access password. A multi-user worldwide corporate license is available for \$7,990.

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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.

**Web Site:** [www.icinsights.com](http://www.icinsights.com) • **Phone:** +1-480-348-1133 • **E-mail:** [info@icinsights.com](mailto:info@icinsights.com)