

RESEARCH BULLETIN

NOVEMBER 10, 2022

After 1Q23 Bottom, Expectations Increase for a 2Q23 IC Market Rebound

Notably, the IC market has never shown more than three sequential quarters of decline!

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The *November Quarterly Update* to the 2022 *McClean Report* will be released later this month. This *Update* includes a discussion of the 2022-2026 semiconductor industry forecast by major product type, an updated forecast for semiconductor industry capital spending through 2026, and a look at the expected top-25 2022 semiconductor suppliers.

Over its 60-year history, the IC industry is well known for its cyclical behavior. Looking back to the mid-1970s, there hasn't been a period where the IC market declined for more than three quarters in a row. Following a 9% drop in the 3Q22 IC market, and assuming the 4Q22 and 1Q23 IC markets register a decline, the 3Q22-1Q23 timeperiod would mark the seventh three-quarter IC market drop on record (Figure 1).

As shown, there hasn't been a three-quarter decline in the IC market since 4Q18-2Q19. Moreover, the three-quarter decline in 2001 was the steepest on record, with three double-digit declines, which led to a 33% annual decline—the most severe annual IC market drop in history.

Given that the IC industry has never registered a four-quarter sequential IC market decline, expectations are high for a return to IC market growth beginning in 2Q23. While the U.S. and China trade war is an unpredictable "wildcard" for near-term IC market growth scenarios, 2Q23 is currently expected to display modest 3% increase. ***However, even with a rebound in IC sales beginning in 2Q23, the total IC market is forecast to drop by 6% next year.***

MORE INFORMATION CONTACT

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Periods of Three Sequential Quarterly IC Market Declines

| Period | Year | 1Q | 2Q | 3Q | 4Q | Annual |
|--------|------|------|------|------|------|--------|
| 1 | 1981 | -8% | -1% | -2% | 3% | 10% |
| 2 | 1985 | -18% | -8% | -8% | 2% | -19% |
| 3 | 1996 | -9% | -14% | -3% | 8% | -9% |
| 4 | 1997 | | | | -3% | 4% |
| | 1998 | -10% | -6% | 5% | | -9% |
| 5 | 2001 | -20% | -20% | -11% | 1% | -33% |
| 6 | 2018 | | | | -9% | 14% |
| | 2019 | -17% | -1% | 9% | | -15% |
| 7 | 2022 | | | -9% | -8%* | 3%* |
| | 2023 | -3%* | 3%* | | | -6%* |

*Forecast

Source: WSTS, IC Insights

Figure 1

Report Details: *The 2023 McClean Report*

The 2023 edition of *The McClean Report—A Complete Analysis and Forecast of the Semiconductor Industry*, will be released in January 2023. A subscription to *The McClean Report* service includes the January *Semiconductor Industry Flash Report*, which provides clients with an initial overview and forecast of the semiconductor industry for 2023 through 2027. In addition to the January *Semiconductor Industry Flash Report*, *Quarterly Updates* to the report will be released in February, May, August, and November of 2023.

Beginning with the 2023 edition of *The McClean Report*, all renewals and new orders must be placed through TechInsights. To subscribe or receive additional information about TechInsights' new and existing products and services please contact: support@techinsights.com