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Semiconductor Content in Electronic Systems Sets Record in 2010!

Stable semiconductor pricing forecast to keep percentage above 25% in the future.

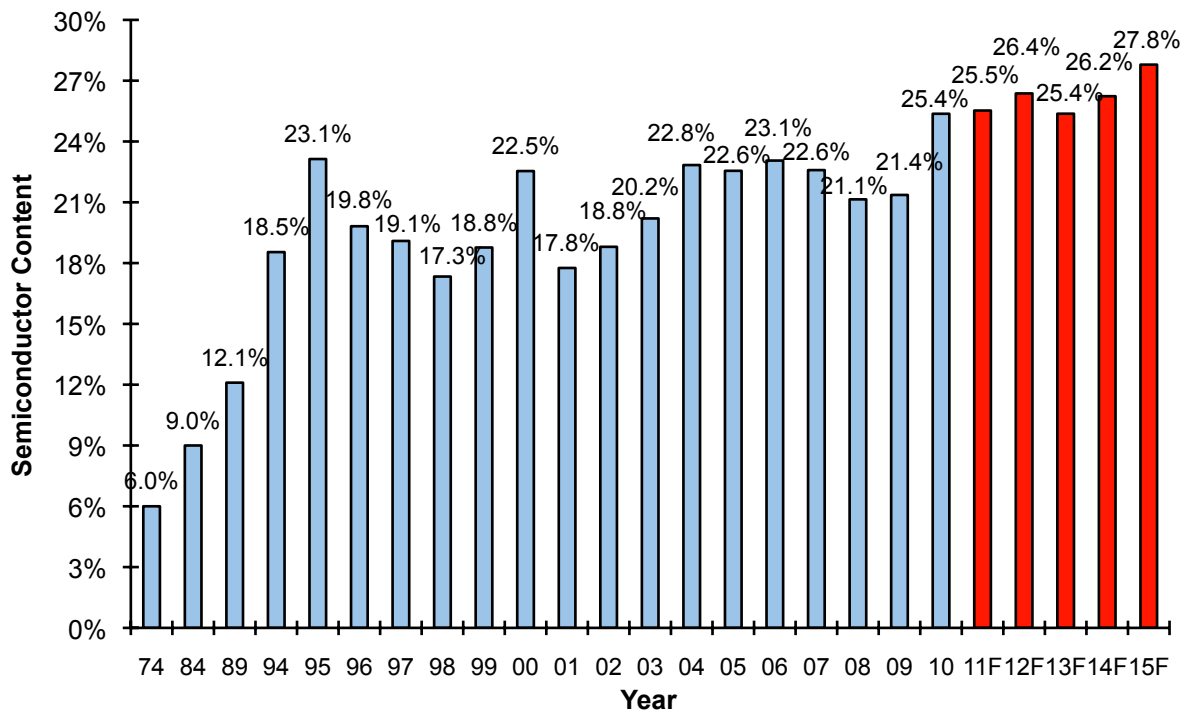
The driving force behind the historically higher growth of the semiconductor industry as compared to the electronic system market is the increasing value of semiconductors used in electronic systems. Figure 1 shows the historical and forecasted percentage of electronic system sales (dollars) that are represented by semiconductors.

As shown in the figure, 2010 set an all-time high for semiconductor dollar content in electronic systems at 25.4%, 2.3 points higher than the previous high of 23.1% first reached in 1995 and again in 2006.

MORE INFORMATION CONTACT

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Electronic System Semiconductor Content



Source: ST, TI, IC Insights

Figure 1

It should also be noted that 2009 was the first year on record that showed an increase in semiconductor content in electronic systems in a year when the semiconductor market declined.

In the 22-year period from 1989 through 2010, the "percent semiconductor" figure increased 13.3 points, an average increase of about 0.6 points per year. Historically, much of the volatility with regard to the percentage of semiconductor content in electronic systems has been due to IC price changes. In 2009, the IC average selling price (ASP) dropped 2%, a record fifth year in a row of an IC ASP decline, but increased 1% in 2010.

Assuming a continuation in the consolidation of IC suppliers, smaller and more focused IC product lines, and relatively low levels of capital spending as a percent of sales, IC Insights expects IC ASPs to continue to show improvement in 2011 and 2012. The trend toward increasing IC ASPs is forecast to cause the average semiconductor content in electronic systems to rise just over two percentage points over the next five years, from 25.4% in 2010 to 27.8% in 2015.

Of course, the trend of increasingly higher semiconductor value in electronic systems has a limit. Extrapolating an annual increase in the percent semiconductor figure indefinitely would, at some point in the future, result in the semiconductor content of an electronic system exceeding 100%! Whatever the ultimate ceiling is, once it is reached, the average annual growth for the semiconductor industry will closely track that of the electronic systems market (i.e., about 6% per year). IC Insights' opinion is that the "ceiling" is at least 30% and it does not expect this figure to be reached within the forecast period.

Report Details

IC Insights has released the new 2011 edition of *The McClean Report*. Packed with 363 tables and graphs, the 2011 *McClean Report* subscription also comes with free monthly updates by e-mail from March-November (including a 200+ page *Mid-Year Report*). A single-user subscription to the 2011 edition of *The McClean Report* is priced at \$3,190 and includes an Internet access password. The subscription is also available under a multi-user worldwide corporate license for \$6,290.

To review additional information about IC Insights' new and existing market research products and services please visit our web site: 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.

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