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January 2011 IC Market "Shocking" — in a Good Way!

1Q11/4Q10 IC sales likely to register growth. IC Insights remains with strongest 2011 forecast.

Although one month does not make a trend, the forecasts for low single-digit IC and semiconductor market growth this year will likely need to be revisited after reviewing the worldwide IC sales results for the month of January 2011. If the January results are indicative of the strength for the remainder of 2011, look for other forecasters to be announcing upward revisions to their 2011 low single-digit IC and semiconductor market forecasts over the next few weeks.

According to data just released by WSTS (World Semiconductor Trade Statistics), worldwide January 2011 IC sales were \$21.4 billion, 16% greater than in January 2010 and a sequential decline of only 4.5% from December 2010. This January/December IC market decline is the smallest since January 1990, 21 years ago! In fact, from 1990-2010, the average January/December IC sales *decline* was 17% while the 1999-2010 average January/December sales *decline* was even more severe at 20% (Figure 1)!

Since 1984, sequential 1Q/4Q worldwide IC market growth has *averaged* -1.2%. Moreover, the largest sequential 1Q/4Q IC market increase since 1984 was 11%, which was registered in 1986. Using the actual January 2011 IC sales figure and incorporating the 1999-2010 *average* sequential growth rate for the months of February (3%) and March (28%) leads to a 1Q11 IC market of \$71.6 billion, which would represent a 14% surge over 4Q10 (a new 27-year 1Q/4Q high)! Taking a "worst case" scenario by using the poorest sequential monthly IC market growth rates for February and March since 1999 (i.e., February of 2007 at -7% and March of 2005 at 19%) would still yield a 1Q11/4Q10 IC market growth rate of 3%.

If one couples the January IC market figures with recently released economic data showing the U.S. unemployment rate falling to 8.9%, orders to U.S. factories climbing 3.1% in January (the highest growth in more than four years), and the global purchasing managers index (PMI) figure remaining well above 50 early this year, it appears the IC market is set for another year of solid growth.

The one significant negative "wildcard" for IC market and global economic growth remains the price of oil. If the price per barrel of oil averages around \$100 or less in 2011, IC Insights believes the IC market will

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prosper with *at least* 10% growth this year. However, oil prices that surge well past \$100, and stay there, will put added pressure on consumers and businesses and possibly dampen the current global economic recovery. IC Insights will further analyze the effects of oil prices and global economics on the world's IC industry in its upcoming *March Update* to *The McClean Report 2011*.

Historical Sequential Monthly IC Market Changes (%)

Year	Jan	Feb	Mar*	Apr	May	Jun*	Jul	Aug	Sep*	Oct	Nov	Dec*
1999	-15	2	23	-20	4	17	-11	6	26	-10	8	13
2000	-17	0	28	-19	9	30	-21	13	18	-22	1	20
2001	-48	5	26	-37	-5	31	-36	8	37	-25	4	17
2002	-21	9	37	-27	7	26	-19	7	26	-19	7	9
2003	-22	4	30	-24	8	23	-17	12	28	-13	6	9
2004	-21	16	22	-18	7	24	-22	9	23	-20	7	6
2005	-11	0	19	-20	2	20	-18	13	25	-23	10	11
2006	-22	7	25	-22	14	21	-23	13	27	-21	11	5
2007	-18	-7	33	-24	3	23	-11	7	21	-18	2	8
2008	-16	-3	39	-27	8	28	-20	6	22	-29	-13	-7
2009	-17	5	30	-6	0	19	-3	2	27	-10	-2	10
2010	-7	-5	29	-13	2	14	-12	5	15	-18	2	10
2011	-5											
99-10 Avg.	-20	3	28	-21	5	23	-18	8	25	-19	4	9

*5-week accounting month

Source: WSTS, IC Insights

Figure 1

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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