

Gartner Says Worldwide Semiconductor Capital Equipment Spending to Decline 9.9 Percent in 2008

STAMFORD, Conn. December 19, 2007 — As the semiconductor industry remedies its oversupply situation in the memory market, worldwide semiconductor equipment spending is forecast to total \$ 40.3 billion in 2008, a 9.9 percent decrease from 2007 spending of \$44.8 billion, according to Gartner, Inc.

“2007 was marked by continued strong DRAM investments, shrugging off the realities of a market sector in oversupply, slower NAND spending growth, and disappointed hopes of a foundry spending revival,” said Klaus Rinnen, managing vice president for Gartner’s semiconductor manufacturing group. “As we look to 2008, we expect the long overdue capital spending correction in the DRAM market to push the capital equipment market into contraction. Adding on the downside is another slow year from foundry and generally more cautious spending mood, with concerns about a US economic recession rising.”

“On the positive side, NAND flash spending should continue to ramp,” Mr. Rinnen added. “And a firming pricing picture for logic device segments brings manufacturers hope for some upside in capacity spending from this segment.”

All major segments of the capital equipment market are projected for negative spending in 2008 (see Table 1). The quarterly picture for 2008 shows a weak first half of the year as DRAM companies slow their capital investments to help get the supply demand picture under control. In foundry the drive to the next technology node will pick up steam, and Logic will need to invest to meet demand. Gartner sees this occurring in the second half of 2008, moving the industry into positive growth in 2009.

Table 1
Worldwide Semiconductor Capital and Equipment Spending Forecasts (Millions of Dollars)

	2006	2007	2008	2009	2010	2011	2012
Semiconductor Capital Spending	56,312.7	59,085.6	51,297.3	55,721.1	63,248.3	58,246.3	62,653.4
Growth (%)	19.3%	4.9%	-13.2%	8.6%	13.5%	-7.9%	7.6%
Capital Equipment	41,950.2	44,805.0	40,348.1	44,284.3	49,027.0	44,843.6	49,508.8
Growth (%)	22.9%	6.8%	-9.9%	9.8%	10.7%	-8.5%	10.4%
Wafer Fab Equipment	32,610.1	35,559.7	31,918.7	34,969.1	39,402.6	36,044.0	39,417.8
Growth (%)	25.7%	9.0%	-10.2%	9.6%	12.7%	-8.5%	9.4%
Packaging and Assembly Equipment	5,217.8	5,202.1	4,699.8	5,198.2	5,420.4	4,933.7	5,609.1
Growth (%)	18.2%	-0.3%	-9.7%	10.6%	4.3%	-9.0%	13.7%
Automated Test Equipment	4,122.3	4,043.2	3,729.6	4,117.0	4,204.0	3,865.9	4,481.9
Growth (%)	9.3%	-1.9%	-7.8%	10.4%	2.1%	-8.0%	15.9%
Other Spending	14,362.5	14,280.6	10,949.2	11,436.8	14,221.3	13,402.7	13,144.5
Growth (%)	10.0%	-0.6%	-23.3%	4.5%	24.3%	-5.8%	-1.9%

Source: Gartner (December 2007)

The wafer fab equipment segment's revenue will rise 9 percent in 2007 and decline 10.2 percent in 2008. Despite an increase in NAND flash spending, the sharp decline in DRAM related spending will hit hard at equipment companies with a high level of exposure to the memory market. The recovery should begin in the second half of the year as DRAM supply and demand comes into balance.

The packaging and assembly equipment (PAE) market has improved since Gartner's October forecast revision, when Gartner expected a 3.5 percent decline in 2007. This improvement was because of continued improvements in the spending picture for semiconductor assembly and test services (SATS) players. However, continued weak business conditions will yield a market decline of nearly 10 percent in 2008.

Gartner analysts expect a modest decline of 1.9 percent for the automated test equipment (ATE) market, as test providers began to restrict capital budgets in the middle of 2007. For 2008, a more substantial decline of 8 percent is expected given continued weakness in the device industry and slowing economic conditions.

Additional information is available in the Gartner report "Semiconductor Capital Equipment Market Corrects in 2008". The report is available on Gartner's Web site at http://www.gartner.com/DisplayDocument?ref=g_search&id=565611&subref=simplesearch.

This research is produced by Gartner's Semiconductors Manufacturing program. This research program, which is part of the overall semiconductor research group, provides a comprehensive view of the entire semiconductor industry, from manufacturing to device and application market trends. More information on Gartner's semiconductor research can be found in the Gartner Semiconductor Focus Area at http://www.gartner.com/it/products/research/asset_129175_2395.jsp.

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