

Gartner Says Outlook for the Semiconductor Equipment Industry Bottomed Out in Second Quarter of 2009

2009 Will See Further Declines in Capital Spending, but a Return to Growth Is Predicted for 2010

STAMFORD, Conn. June 15, 2009 — The outlook for the semiconductor equipment industry is beginning to improve, as it appears capital equipment spending has bottomed out in the second quarter of 2009, according to Gartner Inc. Analysts predict a gradual improvement on a quarter-by-quarter basis throughout the rest of the year and into 2010.

The current up-tick in semiconductor sales will not be sufficient to overcome the effects of industry-wide overcapacity and low utilisation rates in the short term. Worldwide semiconductor capital equipment spending is on pace to total \$24.3 billion in 2009, a 44.8 per cent decline from 2008 spending of \$44 billion (see Table 1). In 2010, worldwide capital equipment spending is forecast to reach \$29.4 billion, a 20.9 per cent increase from 2009.

“The impact of the economic crisis has hit the semiconductor equipment industry hard, but signs of life are returning,” said Klaus Rinnen, managing vice president at Gartner. “Undoubtedly it will be a long, slow road to complete recovery, but we are seeing the first indications of increased foundry activity to replenish inventories depleted by the cutbacks of the past few quarters.”

Table 1
Worldwide Semiconductor Capital Equipment Spending Forecast, 2008-2013 (Millions of Dollars)

	2008	2009	2010	2011	2012	2013
Semiconductor Capital Spending	44,012.3	24,295.9	29,383.7	39,511.8	47,264.1	42,121.8
Growth (%)	-30.5	-44.8	20.9	34.5	19.6	-10.9
Capital Equipment	30,659.3	16,615.9	21,438.0	29,485	34,704.3	29,757.4
Growth (%)	-31.7	-45.8	29	37.5	17.7	-14.3
Wafer Fab Equipment	24,213.9	12,818.7	16,206.9	22,400.9	26,982.7	23,582.1
Growth (%)	-32.8	-47.1	26.4	38.2	20.5	-12.6
Packaging and Assembly Equipment	3,999.8	2,135.1	3,033.8	4,049.6	4,483.8	3,565.0
Growth (%)	-24.5	-46.6	42.1	33.5	10.7	-20.5
Automated Test Equipment	2,445.5	1,662.0	2,197.3	3,034.5	3,237.8	2,610.2
Growth (%)	-31.2	-32.0	32.2	38.1	6.7	-19.4
Other Spending	13,353.0	7,680.0	7,945.7	10,026.9	12,559.8	12,364.4
Growth (%)	-27.6	-42.5	3.5	26.2	25.3	-1.6

Source: Gartner (June 2009)

Worldwide wafer fab equipment spending is expected to decrease 47.1 per cent in 2009, following a drop of nearly 33 per cent in 2008. In 2009, the etch, clean and planarisation segments will be the largest of the front-end equipment areas, followed by deposition and then by lithography. Lithography has been hit especially hard by the downturn as sales for the most advanced 193 nm immersion tools in memory have been lukewarm, with capital spending for memory at levels not seen since 2002.

After declining nearly 25 per cent last year, the packaging and assembly equipment (PAE) market is expected to fall nearly 47 per cent in 2009. A recovery for PAE is likely to be seen in the second half of this year if recent positive economic developments are sustained.

For 2009, the worldwide automated test equipment (ATE) market is forecast to decline 32 per cent. While the test market has waded through a difficult period since 2007, it appears that a bottom is forming in the second quarter of 2009. The ATE market now sits at very low market levels, with some test segments very likely realizing substantial capacity reductions. As the industry moves toward a growth phase, the potential for explosive growth in the 2010 and 2011 time frame could be realised.

Mr Rinnen said that overall, the industry has responded as it should when faced with one of the worst downturns in its history — by eliminating all unnecessary spending, cutting purchases to inventories and not doing anything dramatic. He recommended that for the next few quarters, equipment suppliers focus on quarter-to-quarter growth and let the annual numbers fall where they may.

“Over the past few years, we have seen the semiconductor and electronics industries implement impressive movements in their ability to control and manage inventories,” said Mr Rinnen. “It appears the industry has learned a painful lesson and can implement improvements on its ability to manage capital investments and capacity and thus bring a return to profitability to all segments.”

Additional information is available in the Gartner report “Forecast: Semiconductor Capital Equipment, 2Q, 2009.” The report is available on Gartner’s website at http://www.gartner.com/DisplayDocument?ref=g_search&id=1012512&subref=simplesearch

This research is produced by Gartner’s Semiconductor Manufacturing programme. This research programme, 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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