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## **Gartner Says Worldwide Wafer Fab Equipment Spending to Decline 13.3 Per Cent in 2012**

### ***WFE Market Will Not Return To Positive Growth Until 2014***

STAMFORD, Conn., October 1, 2012 — Worldwide wafer fab equipment (WFE) spending is on pace to total \$31.4 billion in 2012, a decline of 13.3 per cent from 2011 spending of \$36.2 billion, according to Gartner, Inc. While the market will improve in 2013, it will not return to positive growth, with WFE spending projected to total \$31.2 billion, a 0.8 per cent decline from 2012. In 2014 the market returns to growth, as it is projected to increase 15.3 per cent to surpass \$35.9 billion.

"The outlook for semiconductor equipment markets has deteriorated as the macro economy has weakened," said Bob Johnson, research vice president at Gartner. "WFE started off the year strong, as foundries and other logic manufacturers ramped up sub-30-nm (nanometre) production. However, demand for new equipment logic production will soften as yields improve, leading to declining shipment volumes for the rest of the year."

Wafer fab manufacturing capacity utilisation will decline into the low 80 per cent range by the end of 2012 before slowly increasing to about 87 per cent by the end of 2013. Leading-edge utilisation will return to the high 80 per cent range by the second half of 2012, and move into the low 90 per cent range through 2013, providing for a somewhat positive capital investment environment.

"Although a period of inventory correction, which led to lowered production levels, appears to be over, overall market weakness is continuing to depress utilization levels," said Mr Johnson. "Increased demand, combined with less than mature yields at the leading edge, is creating shortages at the leading edge for logic, but that is not enough to bring total utilization levels up to desired levels. In the memory segment, some suppliers are even cutting production in an attempt to shore up weak market fundamentals."

Gartner said that memory will continue to be weak through 2012, with strong declines in DRAM investments and a virtually flat NAND market. Looking beyond 2012, analysts foresee a modest growth pattern, with normal, but relatively benign, cyclical fluctuations as the industry returns to mid-single-digit growth in device revenue, and capital investment responds accordingly.

Foundry capital spending has been revised downward for 2012 and 2013 due to an earlier yield improvement on 28 nm technology achieved by some foundries and a higher downside risk of wafer demand in the fourth quarter of 2012 and first quarter of 2013. However, foundry capital expenditure (capex) is revised upward for future years due to the more aggressive development schedule of extreme ultraviolet (EUV) and 450 nm.

Foundries will likely tighten their short-term capex when they experience a more than 10 per cent reduction of the fab utilisation rate later in 2012. Wafer demand will drop for several quarters due to the revised downward semiconductor device outlook and the earlier success on yield improvement of 28 nm low-

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power polysilicon silicon oxynitride (SiON) technology achieved by some key foundries, although the yield of 28 nm high-k metal gate (HKMG) remains below normal.

Additional information is available in the Gartner report, "Forecast Analysis: Semiconductor Wafer Fab Manufacturing Equipment, Worldwide, 3Q12 Update." The report is available on Gartner's web site at <http://www.gartner.com/resId=2175019>.

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