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Gartner Says Worldwide Wafer Fab Equipment Spending to Decline 9.7 Per Cent in 2013

Investment Growth Not Expected to Return Until 2014

STAMFORD, Conn., 18 December, 2012 — Worldwide wafer fab equipment (WFE) spending is forecast to total \$27 billion in 2013, a 9.7 per cent decline from 2012, according to Gartner, Inc. In 2012, WFE spending is on pace to reach \$29.9 billion, a decrease of 17.4 per cent from 2011 spending. The market is projected to return to growth in 2014.

Gartner said that the outlook for semiconductor equipment markets has softened due to macroeconomic weakness and that capital investment is expected to remain flat over the forecast period as memory and logic segments invest countercyclically to each other.

"In 2012, wafer fab equipment started off the year strong, as foundries and other logic manufacturers ramped up sub-30-nanometer production. The need for new equipment was stronger than originally anticipated, because strengthening demand for leading-edge devices required higher production volumes as yields had yet to reach mature levels," said Bob Johnson, research vice president at Gartner.

"However, demand for new equipment for logic production will soften as yields improve, leading to declining shipment volumes as the industry heads into 2013."

Gartner predicts that wafer fab manufacturing capacity utilisation will decline below 80 per cent by the end of 2012 before slowly increasing to about 85 per cent by the end of 2013. Leading-edge utilisation declined to the mid-80-per cent range by the second half of 2012 and will move into the low-90-per cent range by the end of 2013, providing for a somewhat positive capital investment environment. Memory will continue to be weak through 2013, with maintenance-level investments for DRAM and a slightly down NAND market until supply and demand are in balance. 2014 begins a WFE growth cycle that is expected to last through 2016.

"Although a period of inventory correction that led to lowered production levels in the first half of 2012 appears to be over, inventories remain at critical levels. High inventories, combined with overall market weakness, will continue to depress utilisation rates into the first half of 2013," said Mr Johnson.

"While demand from smartphones and media tablets is producing leading-edge demand for logic production, it is not enough to bring total utilisation levels up to desired levels," Mr Johnson said.

"Utilisation rates will begin to climb upward again in the second quarter of 2013, as demand for chip production returns and capital spending restraints in the second half of 2012 and first half of 2013 slow new capacity additions. Overall utilisation rates will return to normal levels by the end of 2013, providing continued impetus for capital investment."

The capital spending outlook has softened significantly since earlier forecasts as the rapidly decelerating macroeconomy has taken its toll on consumer spending and the resulting trickle-down effect has impacted capital spending. Gartner now expects 2012 capital spending to decline 10.7 per cent, compared with a 9.3 per cent drop forecast in the third quarter of 2012. Capital spending is expected to drop an additional 14.7 per cent in 2013 as semiconductor manufacturers deal with excess capacity and a slow macroeconomy.

The foundry segment will see an increase in spending of about 7.4 per cent next year, as both integrated device manufacturers (IDMs) and semiconductor assembly and test services (SATS) providers realise significant spending declines. Beyond 2013, memory and logic spending are expected to align, with substantial increases in 2014 followed by a flat to slightly positive 2015.

Driven by the increase in mobile devices, logic spending is the only positive driver for capital investment in 2012, increasing about 3 per cent over 2011. This is driven by aggressive investment of the few top players, which are ramping up production at the sub-30-nanometer nodes.

Additional data is available in the Gartner report, "Forecast: Wafer Fab Capacity Picture for Top Capital Spenders, Worldwide, 4Q12 Update." The report is available on Gartner's website at <http://www.gartner.com/resId=2276415>.

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