

“Wafer fab capacity showed a surprise decrease in Q4 2008,” comments Future Horizons’ Malcolm Penn

London, UK. DATE 2009. Overall MOS wafer fab capacity showed a surprise decrease of 1.7 percent in Q4-08 versus Q3-08, from 2,145k 200mm equivalent wafer starts per week to 2,108k, in Future Horizons’ March report. The decreases were highest in 200mm and below wafer sizes and 150nm and tighter feature sizes. The decrease compares with the 1.3 percent increase experienced this time last year and fundamentally adds to the ongoing slowdown in capital expenditure that began mid-2007. “Given the continuing slowdown in 2009 cap ex, low levels of capacity expansion – possibly further declines – will continue throughout 2009,” said Malcolm Penn, Chairman and CEO of Future Horizons.

Despite the slight Q4 capacity decrease, utilisation rates fell significantly in Q4-08 to 69.5 percent from 87.5 percent in Q3-08. The comparable utilisation figure for Q4-07 was 90.7 percent. Advanced IC capacity, i.e. 0.08 micron and below, also fell to 84.7 percent whilst 300mm and 200mm wafers checked in at 83.8 percent (Q3 = 96.5 percent) and 57.3 percent (Q3 = 84.3 percent) respectively.

“Utilisation rates always tend to fall in Q4, due to the fact Q1 sales (Q4’s wafers) are seasonally lower than Q4 (Q3’s wafers), yet the capacity is in place to build the higher Q3 run-rate,” said Penn. “However the precipitous Q4-08 fall was the result of the massive order cancellations and demand collapse triggered by the September 2008 Lehman Bros collapse.”

“Thankfully cap ex has been cutback significantly since mid-2007, meaning the demand slowdown is against a backdrop of contracting new capacity; typically the cutbacks come as a consequence of the downturn,” he continued. “This will accelerate the supply-side recovery by at least four quarters.”

“Given the abrupt reduction in demand, near-term excess capacity throughout the first half of 2009 is inevitable but this time around utilisation rates are probably already at or near their bottom,” he warned. “With only a minimal net new capacity until Q3-2010 at the earliest, the current excess capacity will be quickly absorbed once the current de-stocking abates and new orders reflect real demand. If demand starts to accelerate, in line with an economic recovery, capacity will simply not

be able to keep pace. 2009's Cap Ex, at an estimated \$20 billion, is barely one third its 2000 \$60 billion peak. This is a fab shortage waiting to happen.”

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Report Details

Future Horizons monthly analysis of the Worldwide & European Electronics and Semiconductor Industry can be found in 'The Monthly Global Semiconductor Update Report'. The Monthly Report is emailed to subscribers at the beginning of each month. One years subscription (12 issues) is priced at €2,300. The report is also available under a multi-user corporate site licence for €3,370. For further information on Future Horizons visit www.futurehorizons.com or e-mail info@futurehorizons.com

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