

**“The chip industry marches on, but not for much longer,” comments  
Future Horizons’ Malcolm Penn**

**London, UK. 30 October 2008. August’s WSTS results showed the chip industry marching on and continuing to grow, but this trend will not last says Malcolm Penn, CEO and Chairman of Industry analyst house, Future Horizons.**

**“There were absolutely no surprises in the August data, with IC units up 9.3 percent on August 2007 (3.8 percent on July 2008) and ASPs down 9.0 percent versus this time last year, but up 2.2 percent on last month,” said Penn. “At the total semiconductor level the results were even stronger. In short the YTD chip market has kept trucking along - not for much longer though. Were it not for the now disastrous economic big picture, our chip forecast message would still be positive and strong. Unfortunately it is not. Once again the long awaited industry recovery has had the rug pulled out from under its feet,” he warned.**

**“The last four weeks have seen unprecedented events in the global economy,” said Penn. “Not only has the industry had to contend with all the ‘normal’ chip market challenges, the over-riding question on everyone’s mind is “What in the hell is happening to the economy”?”**

**Penn is however quick to point out that the economy is not the sole factor in the future of the chip industry. “Whilst obviously a slowing world economy is bad news, the coupling is not as strong as one might be lulled into intuitively believing,” he says. “There have been seven instances in the last 22 years where the chip market has grown in value**

during a period of slowing economic growth, and two occasions when the market has declined in a period of GDP growth. IC units have exhibited three periods when they grew in the face of a GDP decline, and five occasions when the units declined despite growth in the world GDP. The economy is thus not quite king; inventory, excess capacity and ASPs also play a role.”

“Aside from the economy, the underlying other industry trends are good. Inventories do not seem to be seriously bloated, wafer fab capacity utilisation levels are running high, capital expenditure is very low and has been now for several quarters and ASPs are in the midst of a long-term structural recovery phase. All of these factors will help cushion the economic slowdown,” he said.

“The Wall Street financial meltdown has finally hit Main Street. As such, our January (and July) forecast assumptions - and chip market forecasts - are no longer valid,” said Penn. “We have not yet had the chance to fully crunch the numbers, but 2008 now looks set to come in at between 4 and 5 percent, with 2009 in the 4-6 percent range. There’s clearly going to be blood on the chip market road ahead.”

To obtain a complimentary copy of the latest Future Horizons Global Semiconductor Monthly Report, which has further predictions and analysis, please email [mail@futurehorizons.com](mailto:mail@futurehorizons.com).

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## **About Future Horizons**

**Established in April 1989, Future Horizons provides market research and business support services for use in opportunity analysis, business planning and new market development. Its industry information seminars and forums are widely considered to be the best of their kind. Emphasis is placed on the world-wide semiconductor and electronics industry and associated markets.**

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