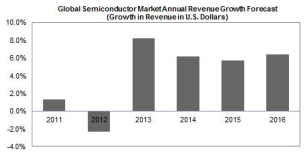
EL SEGUNDO, CA -- Research firm **IHS iSuppli** cut this year's forecast for global semiconductor sales citing
increasingly weak economic conditions that are depressing consumer and business spending on electronics.

Overall semiconductor revenue is expected to decline 2.3% this year to $303 billion, down from $310 billion in 2011, according to the firm's preliminary results.

That's down from the firm's previous estimate of a 0.1% drop as forecast in August, and a 1.7% decline as forecast in September. The prognosis remains the same, the firm said: "This will mark the first annual decline for the global semiconductor industry since 2009.

Still, the company holds out hope for a better 2013, indicating that its preliminary forecast predicts semiconductor revenue will expand 8.2% in 2013 if the small improvement in worldwide GDP growth forecast for 2013 holds up.

The current downturn has been broad-based, IHS said, with drops in almost every end-market. “Five out of the six major application markets for semiconductors—including the key computer segment—are expected to contract in 2012, pulling down the overall performance of the chip market,” said Dale Ford, senior director, electronics and semiconductor research for IHS. “An extremely weak global economy resulted in poor demand for electronics. As a result, the semiconductor industry slipped from stagnation in the first half of 2012 to a slump in the second half. Still, one of the few silver linings is that the fourth quarter is expected to bring a mild recovery in year-over-year growth, setting the stage for a market rebound in 2013.”



Source: IHS iSuppli Research, December 2012

Computer Crash

Among the various semiconductor application markets, the data processing, consumer electronics, industrial, wired communications and automotive segments all are expected to deteriorate in 2012, with only the hot wireless segment set to expand.

The PC-dominated data processing segment—the largest semiconductor application market—is on track to plunge 7.8% this year. Global PC shipments will shrink in 2012 for the first time in 11 years, due to a combination of economic factors and competition with new platforms, including media tablets.

On the other hand, wireless semiconductors will be the only application market to grow this year.

“The surge in popularity of smartphones and media tablets is driving healthy growth in the overall wireless semiconductor market segment in 2012 with a projected 7.7% expansion,” Ford said. “However, all of the other end markets for semiconductors will see revenues fall in 2012, negating all the positive effects of the wireless segment.”

Quarter Pounding

Both the sequential and year-over-year quarterly increases throughout 2012 have been very disappointing, with sequential second- and third-quarter growth amounting to 2.7% and 3.1%, respectively. Only the fourth quarter of 2012 is expected to show year-over-year improvement, with a 1.9% uptick compared to the fourth quarter of 2011.

Nonetheless, this slender growth in the fourth quarter could set the stage for a return to a consistent pattern of expansion in 2013.

One year ago IHS predicted that, “Any type of meaningful rebound in revenue growth is not expected to take place until 2013.” The IHS iSuppli preliminary forecast predicts semiconductor revenue will expand 8.2% in 2013 if the small improvement in worldwide GDP growth forecast for 2013 holds up.

Three out of the four worldwide regions are on course to suffer a retreat in semiconductor revenue this year. Europe, Middle East and Africa (EMEA) will drop by the greatest margin of all regions, with a 9.3% fall. Japan will contract at a 4.7% rate, while the Americas will decline 4.6%. Shipments of semiconductors to the Asia-Pacific region will grow barely, up 0.3%.

Part Problems

Illustrating how widespread semiconductor weakness is this year, every chip-component segment is set to suffer a revenue decrease in 2012— with only four exceptions: CMOS image sensors, light-emitting diodes (LEDs), application-specific logic integrated circuits (ICs) and sensors.

CMOS image sensor revenues are forecast to deliver extremely strong results, with 31.8% annual growth. Also, LEDs will deliver double-digit revenue increases at 17.5%. IHS likewise estimates that application-specific logic ICs and sensors will see solid expansion of 5.6% and 4.1%, respectively.

Once again, memory markets are exerting a significant drag on the semiconductor market with a combined forecast decline of 10.7%. Even the typically hot NAND flash memory market will witness a revenue decline in 2012.

Discrete component revenues will fare equally as bad as memory, with revenue falling 10.6%.

Digital signal processors (DSPs) are expected to suffer the most dramatic reduction, as revenue in this category plunges 30.9%. This is driven primarily by the withdrawal of Texas Instruments Inc. from the wireless baseband market.

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