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China continues to dominate Asia/Pac semi industry growth, but India, Vietnam gaining

As Gartner lowers its forecast for Asia/Pacific semiconductor growth, it notes the China/Hong Kong market is expected to continue to experience sustained lower growth, as compared to emerging markets like India and Vietnam.

By Suzanne Deffree, Managing Editor, News -- Electronic News, 10/6/2008

The worsening global macroeconomic environment, further eroded consumer confidence, and cloudy visibility in the second half of the year have forced **Gartner Inc** to lower its forecast for 2008 revenue growth in Asia/Pacific's semiconductor market.

The research company in its Semiconductor DQ Monday Report this morning decreased its estimate for the region from 6.4% to 5.2% growth on an annual basis.

"In the coming months, we expect to see signs of a widespread slowdown in the electronics sector, which in turn will have a direct negative impact on semiconductor sales," Philip Koh and Chang-Soo Kim, Gartner analysts, wrote in the weekly report. "Total semiconductor revenue in the region reached \$149.3 billion in 2007, and we expect this total to increase to \$157.1 billion in 2008."

Studying a period from 2007 through 2012, the two analysts said that the China/Hong Kong market is expected to continue to experience sustained lower growth, as compared to emerging markets like India and Vietnam (which Gartner reports on as part of its "Other Asia/Pacific" category).

Specifically Gartner's data projects the CAGR (compound annual growth rate) of the China/Hong Kong semiconductor market from 2007 through 2012 will be 7.1%. China/Hong Kong will continue to dominate the semiconductor industry in the Asia/Pacific, accounting for around 61.1% of the total semiconductor market in 2008, the research company said.

Meanwhile, Gartner said it expects that India and the Other Asia/Pacific category are forecast to achieve higher CAGRs of 19.1% and 18.7%, respectively. (See Table 1 below.)

"India is expected to continue to attract investment from global electronic manufacturers, which will drive significant revenue growth in semiconductor consumption. As electronic equipment manufacturing continues to shift out to lower-cost destinations to stay competitive, major markets like South Korea, Taiwan, and Singapore are forecast to see continued falls in their semiconductor consumption revenue," the analysts wrote in the report.

"The growth in the Other Asia/Pacific category is being driven primarily by emerging markets, such as Vietnam," Koh and Kim continued. "This country has become increasingly attractive to global electronic equipment manufacturers and semiconductor vendors, and looks likely to emerge as the next major market in the region's electronics industry."

Reporting on mid-term estimates, Gartner said it expects Asia/Pacific semiconductor revenue will grow by 8.4% in 2010, ahead of a cyclical downturn in 2011, when growth will drop to a 2.5%, before returning to growth of 7.2% in 2012. A CAGR of 6.3% is forecast for Asia/Pacific from 2007 through 2012, the research company reported.

Table 1: Major country-level semiconductor forecast, Asia/Pacific, 2007-2012 (billions of dollars)

	2007	2008	2009	2010	2011	2012	CAGR (%) 2007-2012
China/Hong Kong	89	96	105.1	114.4	117.5	125.2	7.1
India	4	5	6.2	7.4	8.2	9.5	19.1

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South Korea	19	17.4	16.7	16.8	16	16.1	-3.2
Malaysia	9.9	10	10.6	11.2	11.3	12.1	4.1
Singapore	3.7	3.3	3.1	2.9	2.7	2.5	-7.7
Taiwan	11.6	10.8	10.4	9.9	8.9	8.6	-5.9
Other Asia/Pacific	12.2	14.6	18.1	21.7	24.6	28.7	18.7
Total Asia/Pacific	149.3	157.1	170.1	184.3	189	202.7	6.3

Source: Gartner, October 2008

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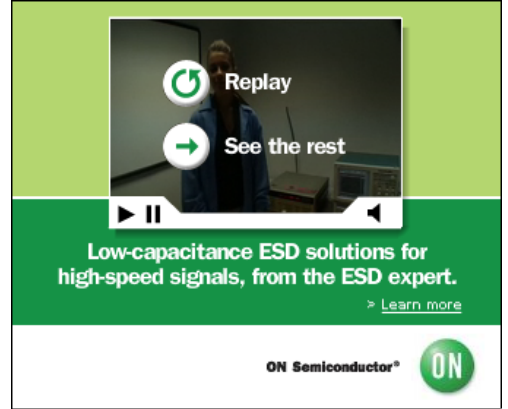
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