

PricewaterhouseCoopers Analysis: Chinese Manufacturing Accounts for 90 Percent of Annual Growth in Worldwide Semiconductor Market

Review of the industry statistics shows manufacturer demand for chips in China contributed to nearly all of the growth in the worldwide semiconductor market in 2005

SAN JOSE, Calif. – Feb. 7 (SEND2PRESS NEWSWIRE) – Electronic systems manufactured in China were the driving factor behind 90 percent of growth in worldwide semiconductor consumption in 2005, continuing a trend first observed beginning in 2003, according to a comprehensive analysis by PricewaterhouseCoopers of Chinese and other published statistics on the subject.



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"China's Impact on the Semiconductor Industry: 2006 Update" states that for the first time, the China market alone was larger than that of Japan, the Americas, Europe, and the rest of the world in 2005, the most recent year for which data are available. *(Photo Caption: Cover of 'China's Impact on the

Semiconductor Industry: 2006 Update')

By 2010, fully one-third of the worldwide market for semiconductors could be in China. A substantial percentage of this demand is now the result of electronic goods produced by Chinese original equipment manufacturers (OEMs). The report estimates that 26 percent of Chinese demand in 2005 was from domestic OEMs compared with 20 percent in 2004.

Growth in electronic systems built in China for export accounted for a substantial portion of semiconductors consumed in China. Almost two thirds of the semiconductors consumed in 2005 were for products exported out of the country, up from 60% in 2004.

Despite China's substantial demand for chips, China continues to rely on multinational suppliers for semiconductors. No Chinese-branded companies ranked in the top 70 chip suppliers to China in 2005. Each of the top 10 suppliers to China exceeded \$1 billion in sales in 2005. By contrast, the top Chinese semiconductor company in 2005 had less than \$200 million in sales.

The report also highlighted the opportunity for semiconductor companies to further expand their share of the Chinese market. About half of the top 70 chip suppliers to China had noticeably less than average participation in the Chinese market.

"Semiconductor companies need to sharpen their focus on China to fully leverage the vast potential offered by the Chinese market," explains Raman Chitkara, Global Managing Partner of Semiconductor Industry Services at PricewaterhouseCoopers. "Enhanced local presence and business development efforts may be needed for semiconductor suppliers to achieve long term success in China."

China's Impact on the Semiconductor Industry: 2006 Update evaluates the current status of the semiconductor industry in China, assesses geographical and product category demand, reviews shifts in the semiconductor value chain, and concludes with a consideration of the three different IC production growth scenarios. To accomplish this, the report reconciles data from different, incomplete, and often contradictory reports from various sources. The report is intended to fill in gaps in previously published material and reveal information that was not apparent in the original sources.

To obtain a copy of the complimentary 72-page report, visit www.pwc.com/techcenter.

The global Semiconductor practice of PricewaterhouseCoopers (www.pwc.com/tech) enables its clients to weather the industry's cycles by assisting them in improving time to market, managing global distribution, and optimizing channel management.

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