

**DATE:** 18 November, 2008

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- China is now the dominant consumer of semiconductors with total consumption estimated at \$88 billion in 2007.
- A growth of 23% last year.
- This is the third year that China's consumption has exceeded all other global markets.
- The growth in production of semiconductors in China is not keeping pace with consumption.

## **China Claims More Than One Third of Global Market in Semiconductor Consumption, according to PricewaterhouseCoopers**

*Exceeds Industry Expectations at Three to Five Times the Worldwide Growth Rate, While Production Continues to Lag Behind*

According to PricewaterhouseCoopers' annual review of the semiconductor industry in China, *China's Impact on the Semiconductor Industry: 2008 Update*, electronics manufacturers in the Chinese market consumed more than one-third of semiconductors produced globally for the first time ever. Driven largely by the growth in its electronics manufacturing, China has clearly become the dominant consumer of semiconductors with the total consumption estimated at \$88 billion in 2007. China reached the one third consumption milestone much faster than previously forecasted. In fact, the nation's consumption of semiconductors grew by 23 per cent last year. This is the third consecutive year that China's semiconductor consumption has exceeded all other global markets.

"Semiconductor consumption in the Chinese market is growing at a faster pace than what the industry anticipated, said Raman Chitkara, global semiconductor leader, PricewaterhouseCoopers. "However, growth in production of semiconductors in China is not keeping pace with consumption, resulting in a widening gap between consumption and production of semiconductors in that market. While the Chinese government is implementing initiatives in the hope of increasing local production, we predict that this disparity is likely to continue in the near future."

According to the report, growth in exports is the dominant driver of consumption of semiconductors in China. About 69 per cent of semiconductors consumed in China in 2007 were used in various electronics products manufactured for export, up from 64 per cent in 2005.

While the number and size of Chinese semiconductor companies is increasing, the Chinese semiconductor industry remains widely scattered with no dominant players. However, this is likely to change as the Chinese semiconductor industry further matures within the next five years with the likely emergence of a dominant player in the market.

The study noted that buying decisions for semiconductors consumed by the electronics manufacturing industry in China are often made outside the country with the majority of such purchasing taking place in Taiwan and Japan. PricewaterhouseCoopers predicts that as the Chinese industry matures, this business practice will diminish. Such a change will disproportionately benefit the companies with greater local presence in China.

The study also noted that while many of the largest semiconductor suppliers to the Chinese market are multinational companies, 32 of the top 70 global suppliers have below average market penetration in China, the fastest growing semiconductor market in the world.

"Over the near term, established multinational semiconductor companies may find an unparalleled market opportunity in China, but over the long term the widening gap between consumption and

production of semiconductors represents a domestic industry void that will inevitably be filled. What many people are anxious to find out is whether the gap between consumption and production will be filled by the transfer and expansion of multinational companies or the emergence and growth of significant Chinese semiconductor companies," Chitkara said.

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**Notes to Editor:**

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