Recovering Economies Driving Growth in the Industrial Semiconductor Market, IHS Says

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ENGLEWOOD, Colo. (March 16, 2014) – The industrial semiconductor market will post a 9.7 percent compound annual growth rate (CAGR) over the next several years as revenue rises from $34.8 billion in 2013 to $55.2 billion in 2018, according to IHS (NYSE: IHS), the leading global source of critical information and insight. Increased capital spending by companies and continued economic growth, especially in the United States and China, and will help spur demand and drive sales growth for industrial semiconductors.

Based on the latest information from the Q4 2014 Industrial Semi Market Report from IHS Semiconductors and Components Service, factory automation, building and home control and commercial aircraft are driving demand for industrial semiconductors. In fact, industrial semiconductor sales posted 4.7 percent growth in the third quarter (Q3) of 2014 alone compared to the previous quarter. By the end of 2014 the market grew an estimated 16.8 percent over the previous year. Demand was especially strong for optical LEDs, which grew 23.4 percent, rising from $6.3 billion to $7.7 billion. Discrete power transistors and thyristors posted 13.4 percent growth, rising from $5.5 billion in 2013 to $6.3 billion in 2014.

**Global Industrial Semiconductor Market Forecast (Millions of US Dollars)**


Industrial OEM factory revenues were expected to grow 8.3 percent in 2014 on increased sales in the building and home-control market. High-growth categories include LED lighting and IP cameras and other digital video surveillance products.

“Because of strong growth in the industrial segment, semiconductor companies are paying more attention to this market as more chips are being used in applications that did not previously use semiconductors,” said Robbie Galoso, principal analyst for IHS. “Growth in the industrial segment has also been buoyed by a gradual acceleration in the global economy, which continues to boost industrial equipment demand, especially from the United States and China.”

The global economy was strong in 2014 and, led by the United States, it is expected to flourish through 2018. U.S. economic growth is broad-based than in other regions, with a more stabilized housing market, improved consumer finances and credit, and increased capital spending. U.S. real gross domestic product (GDP) growth is expected to reach 2.4 percent in 2014, 3.1 percent in 2015 and 2.7 percent in 2016.

The United States accounted for 30.5 percent of all semiconductors used in industrial applications in 2013. China is the second largest
industrial chip buyer, purchasing about 14 percent of all industrial semiconductors. Its economy will grow 7.3 percent in 2014, 6.5 percent in 2015 and 6.7 percent in 2016.

“Stronger economic growth and increased capital spending in the United States and China is good news for industrial semiconductor manufacturers because they are the leading purchasers of industrial semiconductors,” Galoso said. “A solid economy and robust industrial equipment demand will further boost sales of optical semiconductors, analog chips and discretes, which are the three largest industrial semiconductor product segments.”

LED demand shines

Revenue from optical chips for industrial applications will grow from $8.6 billion in 2013 to $15.9 billion in 2018. The optical chip segment includes LEDs for general lighting, which represented 72 percent of the optical category in 2013, and will reach 78.4 percent in 2018. Optocouplers used in motor drives in factory automation and energy distribution, conversion and storage, is the second biggest product category within optical integrated circuits (ICs).

Analog semiconductor revenue will increase from $6.7 billion 2013 to $9.9 billion in 2018, while discretes increase from $6.4 billion to $8.6 billion. The analog semiconductor segment includes voltage regulators and reference, data converters, amplifiers and comparators, and interface ICs, which are used in factory automation, motor drives, and energy conversion and storage.

Image sensors are the smallest category in the optical chip segment. These sensors are currently transitioning from charge-coupled-device (CCD) image sensors to complementary metal-oxide-semiconductor (CMOS) image sensors that are widely used in security cameras, medical imaging equipment and military devices.

Industrial semiconductors with the strongest compound annual growth rates from 2013 through 2018 will include logic semiconductors at 13.4 percent, optical semiconductors at 13 percent and sensors and actuators at 10.8 percent.

Logic ICs are widely used in automation, including programmable logic controllers, digital control systems and communication and networking that extend across various markets, machine vision, and military applications.

Growth drivers

“The robust growth in demand for industrial semiconductors over the next three years will be driven by a wide range of products and segments,” Galoso said. “These products include 3D printers, factory automation products, commercial aircraft, LED lighting, digital IP cameras, climate control devices, renewable energy products, medical electronics and wireless application-specific testers.

Industrial 3D printers is a high growth category that will help drive industrial semiconductor usage in the coming years. It includes equipment used to manufacture objects through an additive process of laying down successive layers of material, until the entire object is created.

Avionics will continue to lead growth in the industrial segment. The commercial aircraft market offset the military aircraft market in the third quarter 2014. Total avionics revenue was expected to finish 2014 with 16.9 percent growth.

Led by China and the United States, the factory automation segment has grown over the past five quarters. The segment is forecast to reach 5.9 percent growth in 2014.

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