

China Driving Toward Automotive Opportunities

The rise in China's automotive semiconductor supply will change the competitive landscape

By Marijana Vukicevic, iSuppli Corporation

China's vehicle market is small but with huge potential for growth has companies flocking to get a piece of the market. China's vehicle production is forecast to surpass Japan's by 2010 to become the world's second largest automobile manufacturer, however, China's automotive semiconductor market remains relatively small at the moment. But the potential for growth during the next several years is tremendous as the country becomes one of the leading automotive centers in the world.

In 2006, China's total automotive semiconductor consumption for domestic electronic systems is estimated to reach \$1.5 billion. Only 45 percent of this is sourced within China. Furthermore, only about 40 percent of this figure is generated from domestic designs—the rest using foreign designs.

However, China's share of design activities will improve quickly sometime in 2008. This turnaround is being encour-



aged by favorable Chinese government policies on capital investment as well as tax incentives.

Domestic designs will spread from automotive entertainment to navigation, body and security systems, and finally to other control systems. iSuppli Corp. forecasts that China's domestic automotive electronic equipment design activities will reach 6.1 billion in 2011

train, chassis and safety systems will experience the largest growth rates. The opportunities for the domestic design work are in automotive audio and video. Navigation, body electronics, airbags, Anti-lock Braking Systems (ABS) and Engine Control Units (ECUs) will also be a source of much of this automotive design activity.

iSuppli predicts that China's light vehicle electronic content will rise from \$1,059 on average per vehicle in 2006 to \$1,359 in 2011. Electronic content for cars will increase from \$1,243 to \$1,488 over the same period. The Top 5 automotive electronic systems by value are: airbags, Transmission Control Units (TCUs), engine control units, electric HVAC and ABS systems.

Domestic demand fluctuations greatly impact automotive electronic systems manufacturing and design in China—especially in the face of the future market potential. The five electronic systems listed previously generate the largest demand and will likely attract more manufacturer and designer involvement. This is good news for foreign design companies who are looking to penetrate the Chinese market with power semiconductors. The most likely effect on the market will be price erosion for some of these semiconductor products driving down the costs of the overall systems Figure 1 shows iSuppli's light vehicle production forecast for China from 2001 to 2011.

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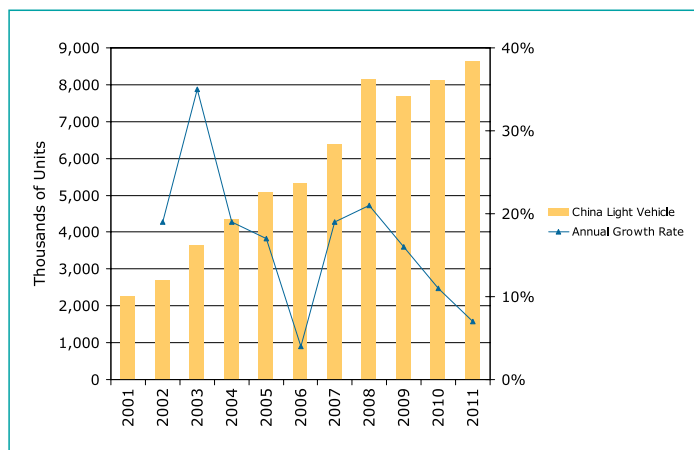


Figure 1. China's light vehicle production forecast from 2006 to 2011.

or 33 percent of China's total production value in 2006. This is up from \$2.45 billion or only 24 percent of total production value in 2006. In 2006, China's domestic entertainment designs will account for more than 60 percent of total production value. Power