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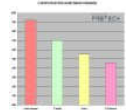
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Measured optimism for semiconductor industry in 2007

Jan 09, 2007 at 01:54 PM



Four of the leading market research firms - Semico, IC Insights, VLSI Research & Gartner, though no iSuppli - gave their prognoses on the semiconductor industry for 2007 in a press conference at SEMI's ISS conference being held in Half Moon Bay, CA, yesterday. There were no bulls or bears in attendance as a consensus seems to have developed that 2007 will bring modest IC revenue growth over 2006, with growth predicted to be within a range of 5 percent to 9 percent for the year.

Capital expenditure projections did, however, come in on a wider spread, which ranged from a negative growth figure of -4 percent from Semico's Jim Feldhan, to IC Insights' 5 percent growth for 2007.

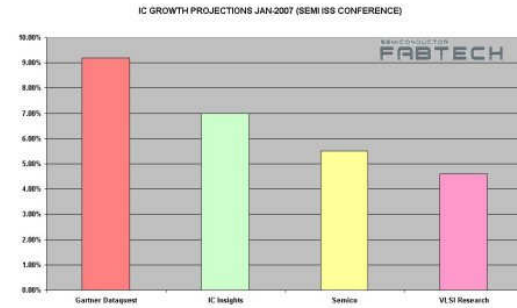
IC Insights' Bill McClean noted that the memory manufacturers would dominate spending, yet there was little concern over actual over-investment due to continued unit sales growth of both DRAM & NAND memory expected in 2007. McClean also noted that over the last 5 years IC ASPs have been relatively flat, while unit growth has been strong.

Gartner's Klaus Rinnen was more cautious about the memory sector, noting that there was a delicate supply & demand ratio at play this year. This was due to Gartner's belief that Vista OS would not have the impact on DRAM demand that the manufacturers have been citing, as the adoption of Vista will be gradual over the next 5 years.

Feldhan felt that capital spending would be "measured" in 2007 with most of the spending in 2H07, but he sees it as still dominated by memory manufacturers (55 percent). However, Feldhan felt there were more downside than upside factors at play about his forecast, as he saw further pressures involved over IC ASPs.

VLSI Research's Risto Puhakka may have given the lowest IC sales growth projection of only 4.6 percent for 2007. However, there seemed nothing in the data he highlighted that was a cause for concern. Fab utilization rates may be falling to below 90 percent but he expects these to rise above that level by year-end. Capital spending will take a breather, but investment trends are still not bad! Inventory to billings are very much in check according to Puhakka with the industry as a whole in very good health.

With the industry sensitive to falling IC ASPs, the forecasters gave their projections, which were all conservative. Semico sees ASPs decline 1.7 percent in 2007, IC Insights a 2 percent decline, VLSI Research put the figure at 4 percent and Gartner reckons it will be a 3 percent fall over 2006.



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