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2007 outlook dims, forecaster says

[Brian Fuller](#)

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SCOTTSDALE, Ariz. — Capacity utilization falling because of bloated inventories has prompted Semco Research to lower its forecast for semiconductor growth in 2007, its president said Monday (March 12).

Jim Feldhan, kicking off his company's annual Semco Summit here, said he sees a 4 percent drop in capital equipment spending for 2007 and capacity utilization falling to below 85 percent. Factoring in the data points, Feldhan revised his company's outlook on semiconductor growth down to 5.8 percent for 2007. Last fall, Semco had raised its '07 outlook to a [7 percent growth rate](#). Sales in 2006 rose 9.2 percent.

Semco Research uses a proprietary [algorithm](#) to assess a metric it calls the Inflection Point Indicator, which Feldhan says is generally a reliable predictor of sales trends. He said the IPI suggests the 5.8 percent increase in semiconductor sales could in fact be bullish.

In January, another forecaster iSuppli Inc. (El Segundo, Calif.) reported that total excess [chip](#) inventory swelled to \$4.3 billion in the fourth quarter, up 4.9 percent from \$4.1 billion at the end of the third quarter.

"Other forecasters say 2007 is going to [be a] peak year. We don't believe," Feldhan told an audience of about 200. "We think this year is a mild correction year."

Feldhan said that average prices should fall about 1.4 percent, and that unit volume should increase by up to 8 percent.

On an up note, Feldhan said 2008 should be a strong year with about 15 percent revenue growth and a possible upside of as much as a 20 percent. He added that 2009 is also expected to be a good year with the next slow year expected in 2010.

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