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The Technology Network

## Semico cuts IC forecast, sees flat growth

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SAN JOSE, Calif. — Semico Research Corp. Thursday (April 5) lowered its semiconductor forecast for the second time in recent weeks, saying that the IC market will grow a mere 1.8 percent this year.

The current and lackluster business climate could prompt the research firm to lower this IC forecast even further. "There is some downward risk to this forecast," said Jim Feldhan, president of Semico (Phoenix).

"Unit growth is still strong," he said. "But we've started the year with horrible pricing."

Overall IC unit growth is projected to jump by 8 percent in 2007, but average selling prices (ASPs) are expected to fall by 4-to-5 percent this year, he said. In Semico's original projection, ASPs were only supposed to fall by only 1 percent.

So, the overall IC market is projected to grow only 1.8 percent in 2007, compared to a 9.2 percent increase in sales for 2006, according to the research firm.

This represents the second time that Semico has lowered its forecast this year. Last fall, Semico had raised its '07 outlook to a 7 percent growth rate. Then, in March, Semico lowered its IC forecast to 5.8 percent, due to falling capacity utilization and bloated inventories.

The first quarter was terrible. In the first quarter of 2007, Semico projected that the IC market would fall by 4 percent, due to seasonal factors.

But now, the first quarter is projected to fall by some 7 percent, according to the firm. There are several issues at play, such as rising oil prices and a slow housing market. "Inventories are still a problem," he said. "There is still an excess of NAND."

One of the bigger concerns are falling ASPs, due to a weakness in the handset market. This, in turn, has triggered falling prices for application-specific analog, digital signal processors (DSPs), discretes, [LCD](#) drivers for mobile handsets and other products.

Another issue is capacity utilization, especially for leading-edge, 90-nm processes. "The capacity [for 90-nm] has fallen below 90 percent," he said.

Other forecasts appear to be more optimistic, but have also cut their projections. But in 2008, Semico maintains that the IC industry will grow by 15 percent. Semico 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.

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