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Is the sky falling on fab-tool industry?

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(01/14/2008 7:42 PM EST)

URL: <http://www.eetimes.com/showArticle.jhtml?articleID=205604782>

HALF MOON BAY, Calif. -- Is the sky falling on the semiconductor equipment industry?

Hardly, according to fab-tool vendors at the Industry Strategy Symposium (ISS) here. One official from Nikon Corp. projects that the market will be flat for the supplier of lithography gear.

Jerry Cutini, president and chief executive of Aviza Technology Inc., pointed out that chip makers are still buying equipment despite the lull in the industry. Chip makers continue to look for technology and capacity buys despite the doom-and-gloom forecasts in the market, he added.

Overall, it's a mixed picture in the market. "The demand for integrated circuits has never been better," said Bill McClean, president for IC Insights Inc., at ISS.

But equipment orders are cooling, said Aida Jebens, senior economist for VLSI Research Inc. "It will be very challenging for the equipment makers."

The chip-equipment market is projected to fall 2.8 percent in 2008. But on the other hand, the display-equipment market is expected to jump 18.9 percent, she said.

Stanley Myers, president and CEO for SEMI, projects that capital spending will be down in the "low single digits." In a worse case scenario, capital spending could fall 10 percent or greater, he added.

Jim Feldhan, president of Semico Research Corp., believes that capital spending will fall by 8 percent in 2008, but fab-utilization rates will move towards the 90 percent level this year.

But if a recession were to rear its ugly head in 2008, the wafer fab equipment market could fall by 17 percent this year, warned Dean Freeman, an analyst with Gartner Inc. "Capex would probably drop in the 15 percent range" if a recession hit the business, he said.

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