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## Shaking Off Recession Fears, Analysts See Chip Industry Growth

David Lammers, News Editor -- *Semiconductor International*, 1/14/2008 2:04:00 PM

With fears of an economic recession on many people's minds, a panel of semiconductor industry analysts took a surprisingly rosy view of the chip industry's prospects for this year during a panel discussion Monday that kicked off the 2008 [Industry Strategy Symposium](#) (ISS) in Half Moon Bay, Calif.

Although most of the analysts predicted single-digit growth for the chip industry and moderate declines in capital investments, Jim Feldhan, president of [Semico Research](#) (Phoenix), said chip revenues could jump by as much as 12% in 2008, driven by strong unit shipments that will grow by 15% this year.

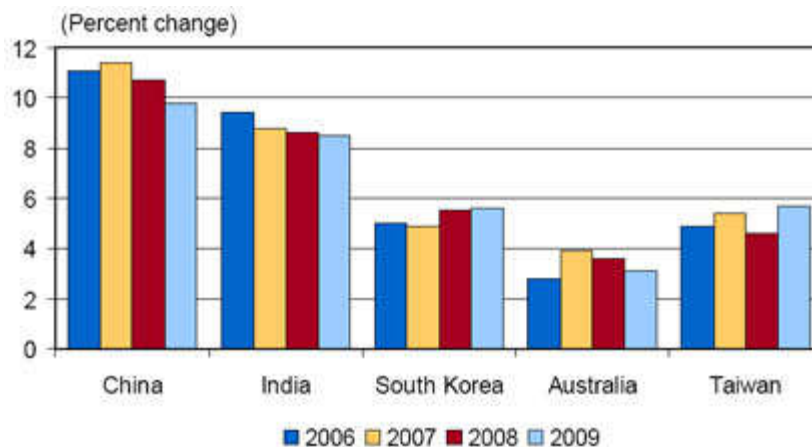
"I think we will skirt a recession this year," Feldhan said. With 2008 being a U.S. election year, the risk of a full-blown recession is reduced. Strong sales of notebook computers, digital televisions and other consumer goods also will boost the chip industry, he said, even as the housing and credit market problems crimp consumer pocketbooks.

Consumers are "enamored" with electronics-based entertainment goods, Feldhan said, so much so that he believes they will "continue to shift discretionary spending to electronics." As a result, 2008 "will be a good year for chip sales."

### McClellan: Collision Course Set

Bill McClellan, president of [IC Insights](#) (Scottsdale, Ariz.), said that capital equipment budgets tightened by foundries and other semiconductor vendors, combined with the asset-lite strategies of companies such as [Sony](#), [STMicroelectronics](#) and [Texas Instruments](#), may put the industry on a "collision course" resulting in IC production capacity shortages.

Double-digit growth in unit shipments will continue in 2008, making this year the seventh year in a row for double-digit IC unit growth. At the same time, foundries have cut capex budgets to historical lows to stem the falling price of processed wafers. [Taiwan Semiconductor Manufacturing Co. Ltd.](#) (TSMC, Hsinchu, Taiwan), for example, saw its wafer prices drop to an average of \$1200 last year, down from \$1500 in previous years.



**Although China's economy could be headed for a post-Olympics bust, Asian economies continue to lead global economic growth, according to Global Insight's chief economist Nariman Behravesh, who spoke Monday at the Industry Strategy Symposium. (Source: Global Insight Inc.)**

Although the efforts by chipmakers to increase their average selling prices (ASPs) and the foundry industry's goal of boosting its revenue per

wafer “might be at the expense of the equipment guys,” McClean said the goal of higher ASPs may boost chip revenues over the near term. That would lead to a healthier semiconductor industry overall.

Aida Jebens, chief economist at [VLSI Research Inc.](#) (Santa Clara, Calif.), said IC equipment revenues are expected to decline by 5.2% this year, following a 7% increase in 2007. The makers of capital equipment sold to the flat panel display industry will grow by 18.9% in 2008, reversing two years of underinvestments by the flat panel makers.

Jebens warned that the “credit crunch may impact the ability of some companies to borrow dollars for capacity growth,” particularly in the memory sector. With IC inventories under control and unit shipments strong, Jebens characterized 2008 as a “so-so year” for the industry overall, with displays as the bright spot.

Dean Freeman, research vice president for the manufacturing group at [Gartner Dataquest](#) (San Jose), said his company’s analysts are becoming more cautionary, as “each month the number of economic forecasts calling for a recession grows.”

Freeman also said the equipment industry faces problems in the memory sector, with a 16% decline in memory capex expected this year. A significant market share war could break out among the memory manufacturers, he warned. The bottom line: 2008 will be “a mixed year in what should have been a strong year of growth.”

Dan Tracy, a senior director at [SEMI’s](#) market tracking group, said 2008 is likely to be the year that 300 mm wafers surpass 200 mm wafers, in terms of the total square inches of processed silicon.

Also, he said the strength in IC unit shipments is supporting a strong 2008 for fab materials, with particularly strong gains for makers of wafers, gases and CMP materials. Packaging materials, for example, will grow by 9% this year to \$18.44B, Tracy said.

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