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## Four positive, negative signs for the IC recovery

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SAN JOSE, Calif. -- The IC market is recovering.

But will there be a sustained uptick or another dip, especially in the fourth quarter of 2009? At present, there are mixed signals in the market.

"The second quarter growth was the highest in at least 15 years and all indications point to a third quarter that will also be booming and looks like it will surpass our forecast," said Jim Feldhan, president of Semico Research Corp. "We talked a number of weeks ago about a minus 12 percent year (in terms of an IC forecast for 2009). It is now looking like minus 10 percent is in the cards."

In this article, I list two negative data points and two positive ones.

Here's two negative data points:

### 1. Gartner Inc. has raised its forecast for silicon wafer demand in 2009, but the fourth quarter looks soft.

In total, silicon wafer demand will decrease by 23 percent in 2009 over 2008, according to Gartner. This compares to the previous forecast, which called for a 30 percent drop, according to the firm.

"Silicon wafer demand for semiconductor production, which showed a significant 79 percent rebound in the second quarter of 2009, will undergo some softening in the fourth quarter due to the resurgence of moderate production cutbacks," according to the firm.

"We believe that wafer demand after the third quarter will be driven largely by actual demand that comes from device production recovery," according to the firm. "However, wafer demand in the third quarter will maintain growth of about 12-to-13 percent because seasonal demand will continue in the device industry. In the fourth quarter, however, some softening will be seen due to production cutbacks caused by the end of this seasonal demand. In particular, there is concern about the decline in demand from Taiwanese foundries, which have led this year's recovery."

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### 2. Wafer production at Qualcomm Inc. worsened in the past month at two of the firm's major foundries, according to FBR.

"While Qualcomm's 3Q production checks improved and we believe are set to grow by (plus) 13 percent quarter-over-quarter (better than our month-ago checks of plus 10 percent quarter-over-quarter), we believe the firm's 4Q production checks worsened and are now set to decline by 18 percent quarter-over-quarter (worse than our month-ago checks of minus 10 percent)," according to FBR.

"We note two caveats: (1) the steeper production decline occurred at Qualcomm's smaller foundry located in China, and (2) Qualcomm initially cut production builds earlier in 3Q before ultimately raising them later in the quarter," according to the firm.

Here are the positive data points:

### 1. Asia-Pacific IC market is looking up.

"Asia/Pacific's semiconductor market is forecast to reach \$122.9 billion in 2009, a 14.8 percent decline from 2008 revenue,"

according to Gartner.

"Our latest forecast is better than our second-quarter projection, in which we predicted that Asia/Pacific's semiconductor revenue would decline 20.8 percent," according to the firm. "In the latest forecast, worldwide PC unit growth in 2009 looks to be less negative than we first thought. The industry also benefited from China's stimulus package, driven by the Chinese government early in the year, which worked well to boost the short-term demand."

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## 2. Foundry/ODM demand is picking up steam.

There is "increasing confidence at TSMC and Quanta," according to HSBC, referring to the foundry and contract manufacturing vendor in Taiwan. "TSMC expecting 4Q09 revenue to increase quarter-over-quarter (verses our forecast of a slight decline.) Quanta now expecting 3Q and 4Q notebook shipments ahead of our expectations. 3Q expected to increase 30 percent quarter-over-quarter and 4Q09 (up)17 percent quarter-over-quarter, compared with our forecasts of 27 percent and 17 percent respectively."

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