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Semico: Good times are here for ICs

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SAN JOSE, Calif.—"Believe it or not, the good times are here!"

That's the message delivered by Jim Feldhan, president of Semico Research Corp., who predicts a two-year growth cycle for ICs.

During its conference here, Semico also raised its IC forecast. The IC market is expected to jump 24 percent in 2010 and grow by another 11.5 percent in 2011, according to Feldhan. Semiconductor revenue slipped to \$223 billion in 2009, a 10.2 percent decrease compared to 2008.

In January, Semico predicted that the IC market would fall by 8-to-9 percent in 2009, but the sector would grow by 22 percent in 2010.

In other words, the downturn is over and the IC industry is back on track. "Technically, the recession ended in Q3 '09," Feldhan said, adding that world GDP is expected to jump 5 percent in 2010.

There are other good signs. IC demand has rebounded. Fab capacity utilization is expected to be 90 percent plus by year's end. And capital expenditures continue to be behind the growth curve, he said.

What will drive IC growth for this year and next? According to Feldhan, here's the top six reasons:

1. Past conservative capex and plant closures have tightened capacity;
2. Increasing demand creating capacity shortages;
3. Aggregate ASP increases due to mix changes and tight supply;
4. End products have richer semiconductor content;
5. "Smart" inventory magnifies demand;
6. Consumer continues to spend especially on electronics;
7. Government spending will continue to stimulate economy.

According to Semico, here are the top 10 markets in terms of semiconductor revenue:

1. Notebook PCs
2. Desktop PCs
3. Mid-range/high-end servers
4. Mid-range cell phones
5. High-end cell phones
6. Video game consoles
7. Entry-level servers
8. DTV
9. DVD video recorders
10. Digital cameras

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A new era