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Upturn Still Expected in Q3, Semico Maintains
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Based on its internal metric called the Inflection Point Indicator (IPI), Semico Research Corp. Thursday maintained its prediction for an upturn in the market in the Q3 timeframe.

In February, the IPI registered 16, up from 15.7 in January, marking the third consecutive month of rise.

Notably, based on the IPI, Semico believes the upturn this year will not follow historical trends, typically a bell-shaped curve in which a deep downturn is followed by a decisive upturn. Instead, the firm forecasts a moderate downturn occurring in Q1 and Q2, followed by a similarly moderate upturn beginning in Q3.

This moderation in the current cycle is a result of continued end-use market growth and a better job of managing inventory levels, Semico explained.

And while end markets are exhibiting weakness, they are not declining as both the PC and handset markets continue to grow, albeit at single digit rates.

Also, inventory levels have been a definite factor in this year's downturn, but the imbalance has not been as excessive as in prior years, the firm said.

Coupled with the IPI's prediction of a downward trend in February and March, this will moderate Q1, resulting in relatively flat revenues. Inventory levels for electronic computers, non-defense communications and electronic components each rose from January to February, Semico said.

However, inventory levels for each of these categories fell from February to March, indicating inventories are slowly being reduced.

The trend in Q2 is expected to be very similar to Q1 as the IPI indicates that in Q2 the semiconductor industry will be weak, with the last of the excess inventories burned off and as OEMs begin to place orders to refill the pipeline. Higher oil prices are expected to spur concerns over inflation as well.

Finally, Q3 should mark the start of the recovery, as orders placed in Q2 begin to ship resulting in increased capacity utilization, Semico concluded.