

Industry on Track for Robust 2006, Semico Reports

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Prompting sighs of relief to be heard through the industry, Semico Research Corp. today all but upgraded its forecast for a much more robust 2006, thanks to June's Inflection Point Indicator (IPI) of 16.5, the highest on record since 1984.

June's IPI represents an improvement of 6.7 percent from the May IPI, and marked the second consecutive month the IPI increased, up from 14.9 in April and 15.5 in May.

Semico's IPI is designed to forecast the market 8 to 9 months in advance, therefore, the current IPI points to the February-March 2006 timeframe. With this nearly unprecedented jump in the IPI pointing to Q1 2006, Semico said it raised its optimism immensely.

"If such strength in the IPI continues for another month or two, it will make a persuasive case for a much more robust 2006," the firm said in a statement.

Current expectations are for a moderate upswing in 2006. If the positive trend continues, an upward revision to the 2006 forecast would be warranted, most likely with growth reaching into the upper teens. In turn, a strong 2006 start would accelerate new plant and equipment expansion by 6 months, from 2007 to the second half of 2006.

In that case, the market would ramp in 2007, continuing into the first half of 2008.

With the upturn occurring approximately 6 months sooner, the downturn—which is currently forecast for 2009—would also occur 6 months earlier in the second half of 2008.

Semico noted one caveat: the three month rolling average for semiconductor sales is down a slight 0.5 percent, from \$18.1 billion to \$18 billion, triggering the possibility that sales could flatten out for the remainder of the year.

Semico will present its next IPI update at its annual forecast conference to be held next month.

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