Semico's IC index changes, points to Q3 recovery
Mark LaPedus
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SAN JOSE, Calif. — There has been a new and dramatic change in Semico Research Corp.'s semiconductor index. The research firm's Inflection Point Indicator (IPI) rose sharply this month, indicating that market recovery could occur late in the third quarter, according to Semico (Phoenix).

Last month, Semico said the IPI showed a dramatic dip in November of 2004. At the time, the indicator pointed to an increased risk of weakness in the third quarter of 2005, a delayed market recovery, and a possible reduced IC forecast for the year, according to market research firm Semico (see Jan. 17 story).

Since the IPI is designed to forecast the semiconductor market 8-to-9 months in advance, this is a predictor of the market conditions for the August/September timeframe. Semico has long predicted 2005 would be a downturn; the market is expected to decline nearly 5 percent.

But now, the outlook seems better for ICs. The December IPI reading of 15.56 was up 10.0 percent from the November IPI of 14.14. This was the greatest percentage increase in five and a half years, when the June 1998 IPI increased by 19.6 percent.

"January, February, and March revenue shipments are forecast to decline, as high inventory levels remain an issue," according to Semico. "The downturn will continue, as the drop in aggregate ASPs extends into the second quarter. We expect weak monthly revenues and a decline for the second quarter."

The third-quarter will continue to be weak. "The doldrums in the market will continue into July and August," according to Semico. "However, inventory problems should be behind us and capacity utilization on the rise as OEMs begin replenishing inventories. The industry's overcapacity situation will improve throughout Q3. With the latest reading, it now appears that the recovery will begin in September."