

Semico Bumps Up Market Recovery to September

Online staff -- 2/15/2005

Electronic News

<http://www.reed-electronics.com/electronicnews/article/CA504123.html>

Updating its forecast based on the latest data, the Inflection Point Indicator (IPI) from Phoenix, Ariz.-based market research firm Semico Research Corp. rose sharply this month, indicating market recovery could occur late in Q3.

Last month, the firm said it expected market recovery to begin in Q4.

Semico's December IPI reading of 15.56 was up 10 percent from the November IPI of 14.14, marking the greatest percentage increase in five and a half years, when the June 1998 IPI increased by 19.6 percent.

Since the IPI is designed to forecast the semiconductor market 8 to 9 months in advance, Semico believes this is a predictor of the market conditions for the August/September timeframe. The firm has long predicted 2005 would be a downturn.

A quarter-by-quarter look at Semico's IPI indicates that in Q1, since the worldwide semiconductor market peaked in November 2004, January, February and March revenue shipments are forecast to decline, as high inventory levels remain an issue. December inventories for non-defense communications reached the highest point for all of 2004. Additionally, inventory levels for computers and related products, electromedical, and electronic components remained at elevated levels.

In Q2, Semico believes the downturn will continue, as the drop in aggregate ASPs extends. The firm expects weak monthly revenues and a decline for Q2.

Going into Q3, Semico predicts the market will continue to be weak, with the forecast to be the lowest point of the year. The doldrums in the market are predicted to continue into July and August, however, inventory problems should be resolved and capacity utilization to be on the rise as OEMs begin replenishing inventories. The industry's overcapacity situation will improve throughout Q3, the firm believes, and with the latest reading, it now appears that the industry recovery will begin in September.

Looking at the year as a whole, a weaker economy, coupled with an overcapacity situation is expected to cause this year to be a down year for the worldwide semiconductor industry, with worldwide semiconductor revenue shipments falling nearly 5 percent, Semico noted.