



At ISS, analysts to disagree over IC outlook for '05

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HALF MOON BAY, Calif. — At the Industry Strategy Symposium (ISS) here this week, Gartner, IC Insights, Semico, VLSI Research and other market researchers are expected to revise their IC forecasts for 2005 — and there are plenty of disagreements among the industry pundits.

IC Insights Inc. and Semico Research Corp. separately project that the IC industry will decline in 2005 over 2004, while Gartner Inc., Smith Barney, and VLSI Research Inc. expect positive figures this year.

There are some similarities among the research houses. For example, excess chip inventories, which have plagued the industry, are expected to "burn off" in the early part of 2005. And much to the chagrin of the industry, many believe that the boom-to-bust (and bust-to-boom) IC cycles are becoming shorter.

There are also signs that forecasting is an inexact science. In a presentation at ISS, Jim Feldhan, president of Semico Research, is expected to project that the semiconductor industry will decline by 4.7 percent in 2005 over 2004. In 2004, the IC industry grew by 28 percent, Feldhan said.

Semico, in effect, has revised its forecast. In October, the analyst said the semiconductor industry would grow by a healthy 31.5 percent in 2004, but then would decline by 5.5 percent in 2005 (see Sept. 9, 2004 story).

Capital spending is projected to fall by 8 percent in 2005 over 2004, but overall foundry wafer demand is expected to jump 10 percent this year, according to Semico.

In 2006, the IC industry is expected to rebound and grow 14.6 percent, according to the research firm. Capital spending is projected to grow by 18 percent in 2006, while foundry wafer demand will jump by 24 percent, according to the firm.

Meanwhile, in a separate presentation, Bill McClean, president of IC Insights Inc., is also expected to tweak his forecast, in which the semiconductor industry will decline by 2 percent in 2005 over 2004. In 2004, the market grew by 27 percent, according to McClean.

In September, IC Insights predicated that the worldwide semiconductor business would peak and grow by 27 percent in 2004 over 2003. At the time, McClean projected that the IC industry would move into a downturn mode and show a 5 percent decline in 2005 (see Sept. 23, 2004 story).

The bulls

On the positive side of the equation, Klaus Rinnen, an analyst with Gartner Inc., in a presentation at ISS is expected to show that the IC industry will grow by 5 percent in 2005 over 2004. Worldwide semiconductor capital equipment spending is on pace to increase 61 percent in 2004, but the spending in 2005 is projected to decline 15 percent in 2005, according to Gartner (see Dec. 16, 2004 story).

At ISS, Timothy Arcuri, an analyst with Smith Barney, is also expected to have a mixed forecast. The IC industry is expected to grow by 7 percent in 2005, but capital spending will fall 10 percent this year, according to Arcuri.

VLSI Research has recently updated its forecasts for semiconductors and chip-equipment, saying it does not see a downturn in 2005.

VLSI Research predicts IC revenues will hit \$196 billion in 2005, up 8.8 percent from \$180.2 billion in 2004. The chip-equipment industry is projected to reach \$53 billion in 2005, up 3.8 percent from \$51 billion in 2004, according to the market research firm.

Most recently, the firm projected 8 percent growth for ICs and a flat market for the chip-equipment industry (see Jan. 8 story).

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