



## Semico's index points to delayed IC recovery in '05

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SAN JOSE, Calif. — Semico Research Corp.'s Inflection Point Indicator (IPI) showed a dramatic dip in November of 2004. The indicator points 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 (Phoenix).

The IPI index was 14.23 in November of 2004, down 5.8 percent from 15.12 in October, according to Semico. This was the largest percentage drop in over three years, when it fell 8 percent in August of 2001, according to the research firm.

The IPI is designed to forecast the semiconductor market 8-to-9 months in advance, Semico said. The current index is a predictor of the market conditions for the July/August timeframe.

"The significant drop in the IPI brings to question the length and depth of the 2005 downturn," according to Semico. "With this latest reading, it now appears that 3Q05 will be weaker than originally expected. This would indicate a delayed market recovery, pushing the start of the recovery out one quarter -- from 3Q05 to 4Q05."

The Semico IPI peaked in March 2004 at 15.83. With the exception of July, the IPI has been on a steady decline. "If this trend continues, our overall 2005 revenue forecast of minus 4.7 percent may too optimistic," according to Semico.

Semico revised its IC forecast for 2005 (see [Jan.9 story](#)). In 2004, the firm projects that 2004 will finish with a respectable revenue growth of 28.9 percent, with revenues topping \$214.6 billion.

The firm reiterated that the market faces an overcapacity situation in 2005. There also appears to be some inventory remaining in the channel.

The economy and an overcapacity situation will curtail the IC growth in 2005. "Continued decline in hardware sales and a sharp weakness in the PCB industry have impacted the semiconductor industry," Semico said. "Notably, in November 2004, the North American PCB book-to-bill ratio, which includes both rigid PCB and flexible circuits, was 0.96. This was the first month it has been below 1.00 since April 2003."