

EE Times: Semi News
Second-half preview: IC-equipment down

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SAN JOSE, Calif. — It's not as bad as the last downturn, but the semiconductor-equipment market is headed towards a slow — and possibly painful — down cycle for the second half of 2005. Chip makers are still digesting the plethora of fab tools they procured in the last up cycle and are hesitate to make a new round of capacity buys until business conditions improve.

And so the forecasts continue to fall. VLSI Research Inc. has recently lowered its overall forecast for semiconductor equipment to 2 percent growth in 2005, down from 4 percent in the original forecast.

"Business is lousy," said G. Dan Hutcheson, president of VLSI Research (Santa Clara, Calif.). "It's a hand-to-mouth industry. People are only buying what they need."

"We expect equipment bookings in the second half to be weaker than the first half," added analyst Avinash Kant, who watches the fab-tool industry for investment banking firm Adams Harkness Inc. (Boston).

Indeed, the chip-equipment industry is expected to remain in the doldrums despite a slight improvement in the book-to-bill ratio and positive capital-spending outlooks from Intel, Samsung, and a few others. In contrast, after flat-to-down growth in the first half of 2005, the semiconductor industry is projected to wake up from its lingering lull in the second part of this year (see June 30 story).

Despite a few bright signs, the overall capital spending picture looks especially weak. "Starting in the third quarter, we will see capacity utilization increasing," said Jim Feldhan, president of Semicore Research Corp. (Phoenix). "But as for capital spending, we believe that capex will be minus 4 percent for 2005."

Others see a slightly better picture. Overall, capital spending will be down 1 percent compared with 2004, said Bill McClean, president of IC Insights (Scottsdale, Ariz.).

Fab-tool vendors remain upbeat despite the warning signs. Technology buys, such as lithography equipment, remain relatively robust. Capacity buys, on the other hand, are shaky, according to analysts.

"For us, the market is fairly steady," said Bernie Wood, director of marketing for Nikon Corp.'s U.S. sales arm, Nikon Precision Inc. (Belmont, Calif.). Nikon makes lithography tools and other equipment.

"The market is generally softer in the second half, but I don't think the market is falling apart," concluded Jerry Cutini, president and chief executive of fab-tool maker Aviza Technology Inc. (Scotts Valley, Calif.).