

All in Moderation

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It may not be exciting, but it's stable. The semiconductor market, that is, according to Semico's Inflection Point Indicator (IPI).

IPI, a tool the organization uses to forecast the market eight to nine months in advance, recently registered 15.4 in May, up from a restated 14.9 in April, with the current IPI points to the January-February 2006 timeframe.

Prior results showed the IPI increasing in January and February, followed by declines in both March and April. The fluctuations in the IPI reflect various factors helping to balance the market, resulting in temperate conditions, Semico noted in a report today.

"Inventory levels have improved, and are now only mildly out of kilter. We continue to experience pricing pressures, combined with low capacity utilization. However, end-use market strength is sustaining, preventing prices from collapsing."

This stability is reflected in Semico's forecast of very moderate growth, with either single-digit growth or decline occurring in each of the remaining quarters this year, with no one quarter expected to fluctuate by more than 2 percentage points. With that, Semico described the the remainder of 2005 as "temperate."

"Historically, semiconductor growth generally falls within two categories -- sub-10 percent growth, or years in which growth exceeds 18 percent. This year, indications are the market will experience sub-10 percent growth," the researcher said, noting that it continues to forecast worldwide semiconductor revenue shipments will increase 2 percent this year to \$217.3 billion.

Looking ahead, the IPI shows early indications that 2006 will be another moderate year, with revenues increasing 8.1 percent to \$234.9 billion. Similar to 2005, Semico does not expect large fluctuations in quarterly revenue growth next year.

The following years, however, will show a stronger recovery, with 2007 and 2008 each projected to increase by more than 18 percent. 2007 revenues are expected to escalate 19.8 percent, followed by another relatively strong 18.1 percent growth in 2008, Semico said.

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