

This Is Not Your Grandfather's Wafer Market

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Foundry wafer pricing continued to fall in Q2, dropping 6.4 percent sequentially, according to the latest report from Semico Research Corp. The firm believes, however, that prices will begin to stabilize over the balance of 2005.

In short, this is not your grandfather's wafer market. Historically, during periods of soft demand, foundries reduced prices to accommodate potential customers and increase sales. While practical in theory, that produced a band-aid effect. During the recovery period, foundries could not return to pre-downturn pricing structures. Customers continued to shop and compare, which put pressure on prices leaving foundries. So what's different about the state of foundry wafer pricing today?

During the most recent downturn, companies responded to early-warning indicators of potential overcapacity quicker than during the last downturn, according to Semico. Inventory levels have improved, and are now only mildly out of kilter. Semico also cited more niche players who are customizing processes and services for their customers. That is all happening as the overall semiconductor industry shifts much of its focus to consumer-oriented products.

"We all know that just about any product geared toward the consumer experiences pricing pressures," said Joanne Itow, managing director of manufacturing for Semico, in a statement. "But quick time-to-market and trendy products also creates the potential for opportunistic pricing," she concluded.

According to the Semico report, prices are expected to drop by 3 percent in Q3 and only 2.3 percent in Q4.

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