

EE Times: Semi News
Second-half preview: IC market wakes up

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SAN JOSE, Calif. — 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. The consensus among industry experts is that the second half of 2005 will be better than the listless first half. But there are disagreements over the percentage growth, timing and dynamics of what is expected to be a slight-to-modest upturn in the period.

Gartner, IC Insights, Semico, SIA, and the WSTS recently raised their respective chip forecasts for 2005, due in part to an anticipated pickup in demand for the second half of the year.

Future Horizons and iSuppli have not changed their forecasts. In fact, Future Horizons has one of the more bullish predictions, claiming the IC industry will grow 15 percent in 2005 over 2004.

But going against the grain, VLSI Research Inc. (Santa Clara, Calif.) has quietly lowered its IC forecast to 6 percent growth in 2005, down from its original projection of 8 percent.

"I think the outlook is reasonably good in the second half," explained G. Dan Hutcheson, president of VLSI Research. "What's happening is that everyone is converging on the 6 percent growth number."

Some — but not all — agree. A surprising boost in the economy and other factors prompted IC Insights Inc. in May to raise its worldwide semiconductor forecast from minus 2 percent to plus 4 percent in 2005 (see May 26 story).

"Overall, the market seems to be fluctuating around the flat level, with no big changes up or down," said Bill McClean, president of IC Insights (Scottsdale, Ariz.).

On a percentage basis, though, the second half could be a roller coaster ride. Breaking down the numbers, the IC industry is projected to hit \$112.5 billion in terms of revenues in the second half of 2005, up 3.6 percent over \$108.6 billion in the first half, according to IC Insights.

"For total semiconductors, 1Q '05 came in flat with 4Q '04," McClean said. "2Q '05 is forecast to be down 3 percent, 3Q '05 is forecast to be up 5 percent, and 4Q '05 is forecast to be flat with 3Q '05."

In a slightly different viewpoint, Semico Research Corp. predicted that the semiconductor market would decline quarter-on-quarter through 2005 until the fourth quarter, but nonetheless raised its forecast for annual growth to 2.0 percent.

This implies a semiconductor market size in 2005 of \$217.3 billion but the 2.0 percent growth figure leaves Semico as one of the more bearish of the market prognosticators (see June 21 story).

"Our analysis shows an improving second half," said Jim Feldhan, president of Semico (Phoenix). "The prime drivers still fall into the consumer markets, handsets and notebook computers."

There are other factors in play. "Inventories are expected to become too low and OEMs will need to replenish them," he said. "In addition, market conditions will improve and seasonal market demand will kick in. As these improvements occur, ASPs will stabilize."

And in the most bullish forecast, Future Horizons (Sevenoaks, England) originally forecast 28 percent growth for 2005 but reduced its prediction as signs of an inventory correction built in the second-half of 2004. The research firm recently said the semiconductor market is still on track for 15 per cent growth over the year, and that Q2 will see mild growth followed by a strong second half rebound.

"A glass half empty mentality continues to dog confidence in the semiconductor market. But the current momentum is simply too strong for anything other than growth, barring any unforeseen serious market disruption," said Malcolm Penn, chief executive officer of Future Horizons (see June 23 story).

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