

Longer-Range View of Industry Needed, Semico Believes

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Based on its estimates, Semico Research Corp. said an upturn could occur in late Q3 to early Q4, which seems to contradict worldwide semiconductor shipment data released by the SIA that showed January sales were better than expected.

However, Semico cautioned that those results could lead to the general perception that this year will experience modest growth.

Although January sales fell 12.7 percent from December, the January weekly revenue run rate of \$4.2 billion was an increase of 8.8 percent over December's run rate of \$3.9 billion. In addition, January shipments were 22.8 percent higher than January 2004, Semico noted in a recent report.

While Semico acknowledges the level of January semiconductor shipments is good news for the industry, the market research firm believes a broader view of the market should be taken that accounts for other data points including hardware sales, inventory levels, and PCB bookings and billings.

Semico estimates continue to predict a downturn in the first half of the year, with the industry picking up in late Q3.

The illusory strength of January shipments can be attributed to backlog in Q3 and Q4 2004 that were shipped in January and apparently, some of the actual reported sales were semiconductor inventory pushed into the distribution channel, the firm pointed out.

Semico forecasts worldwide semiconductor revenue shipments will fall 3.6 percent this year.

Weaker end markets, revised guidance resulting in lower forecasts from leading semiconductor companies, a downward trend in ASPs (down 2.8 percent in January) and a focus on inventory burn-off all contribute to a weak first half, Semico mentioned.

As OEMs begin rebuilding inventories in the second half, the market is expected to turn around, the firm concluded.