

Moderate Industry Upturn Predicted for Q3, Semico Says

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While the semiconductor industry is expected to be weaker in Q2 than Q1, with a temperate downturn occurring as the industry continues to burn off excessive inventories, a moderate upturn should occur in Q3 as OEMs begin to place orders to refill the pipeline, Semico Research Corp. reported Tuesday.

In the U.S., inventory levels for electronic computers fell 0.3 percent in March from February, but are at the highest level since April 2003.

At the same time inventories for electronic components rose 1.1 percent in March -- also at the highest level since April 2003. Unfortunately, these high inventory levels will have a negative effect on orders in Q2, Semico believes.

The overall market recovery will be restrained, featuring slight upturns and downturns, and notably lacking a decisive turnaround point in the market.

These findings are based on Semico's Inflection Point Indicator (IPI), which was developed to assist in forecasting semiconductor revenues approximately two quarters in advance.

In March, the Phoenix, Ariz.-based firm's IPI registered 15.5, down from 16 in February, following three consecutive months that the IPI had risen. Although the IPI gave back some of the ground it gained, the overall trend for Q3 and Q4 remains positive.

Fluctuations in the IPI indicate positive and negative factors working to moderate the current cycle with end market demand showing an increase, partially offset by a decline in aggregate ASPs for individual components, Semico concluded.

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