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SIA lowers IC forecast for 2006, 2007

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SAN JOSE, Calif. — Throwing some cold water on its annual gala event slated for Wednesday (Nov. 16) evening, the Semiconductor Industry Association (SIA) has slightly raised its semiconductor forecast for 2005, but lowered its outlook for 2006 and 2007. The new forecast calls for 2005 sales to increase by 6.8 percent to \$227.6 billion, followed by increases of 7.9 percent to \$245.5 billion in 2006, 10.5 percent to \$271.3 billion in 2007, and 13.9 percent to \$309.2 billion in 2008.

In June, the SIA painted a slightly different picture (see June 8 story). The previous forecast called for 2005 sales to increase by 6 percent to \$226 billion, followed by increases of 8.8 percent to \$246 billion in 2006, 11 percent to \$273 billion in 2007, and 13.2 percent to \$309 billion in 2008.

The new SIA forecast is somewhat similar to another outlook. After achieving 6.6 percent growth in 2005, the worldwide chip market is set to grow 8 percent in 2006 and 10.6 percent in 2007, according to the latest prediction from the World Semiconductor Trade Statistics (WSTS) group (see Oct. 27 story).

But then again, there is plenty of disagreement among others. For example, iSuppli (El Segundo, Calif.) now projects global semiconductor sales to reach \$232.7 billion in 2005, up 2.4 percent from \$227.2 billion in 2004. For 2006, sales are projected to rise 4.3 percent to \$242.8 billion. The firm previously projected a 5.9 percent sales increase in 2005, followed by a 3.9 percent increase in 2006 (see Sept. 8 story).

The bears at Semico Research Corp. have suddenly turned into bulls, as the market research firm recently raised its semiconductor forecast for the next two years.

Once one of the more pessimistic forecasters, Semico (Phoenix) now projects that the semiconductor industry will grow by 4 percent to \$221.6 billion in 2005 over 2004, up from its previous forecast of 2 percent for the year. In 2006, the research firm projects the semiconductor industry will grow a whopping 18.2 percent to \$262.1 billion, double its previous forecast of 8.1 percent (see Sept. 15 story).

Like Semico, the SIA remains upbeat. The trade group now projects a compound annual growth rate of nearly 10 percent for the forecast period, 2005 through 2008. Its new forecast projects that worldwide chip sales will reach \$309 billion in 2008 — an increase of 45 percent from the \$213 billion record level of 2004.

"While information technology products will continue to be the largest market sectors for semiconductors, consumer products will be the major growth-drivers in the years ahead," said SIA President George Scalise, in a statement. On Wednesday evening, the SIA will host its annual forecast dinner in San Jose.

Hot, cold markets

The SIA noted that the fastest-growing major end-markets in 2006 will be: personal computers with a forecasted unit growth of 10 percent; cellular telephones at 13 percent; digital cameras at 9 percent; digital televisions at 52 percent; and MP3 players at 52 percent.

The 2006 forecast projects that the microprocessor market will grow slightly faster than the PC market in 2006. Growth will be driven by a growing proportion of notebook computers, which use processors that have higher average selling prices than those used in desktop systems.

The 2006 forecast projects growth of 15.9 percent for flash memory, driven largely by strong growth (23.5 percent) in NAND flash, which is used in products such as MP3 players and digital cameras. NOR flash is growing more slowly (6.1 percent) as cell phone manufacturers are using other types of memory devices, such as DRAMs and NAND flash.

Digital signal processors (DSP) are projected to be the fastest-growing major segment of the semiconductor market with 17.2 percent growth in 2006. Strong growth in the cell phone market, the transition to 3G (third-generation) cell phones, and new uses for DSP chips in consumer products such as high-definition camcorders are the major drivers of increased demand.

The forecast projects a 10.1 percent decline in sales of DRAM devices. The SIA noted that the projected decline reflects a relatively mild cyclical decline.

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