

EE Times: Latest News  
Future Horizons cuts 2005 chip forecast

Mark LaPedus  
(10/12/2005 7:27 PM EDT)  
URL: <http://www.eetimes.com/showArticle.jhtml?articleID=172300679>

SAN JOSE, Calif. — After making a bullish prediction for ICs this year, Future Horizons has suddenly lowered its semiconductor growth forecast from 15 percent to about 8-10 percent in 2005. Future Horizons, an electronics analysis company, was the most bullish forecaster by projecting 15 percent growth for the IC industry in 2005 over 2004. Future Horizons (Sevenoaks, England) originally forecasted 28 percent growth for 2005, but reduced its 2005 prediction due to signs of an inventory correction in the second half of 2004 (see June 23 story).

At the company's recent mid-year forecasting conference in July, Malcolm Penn, chief executive of Future Horizons, continued to pound the argument for 2005 as a 15 percent growth year for the global semiconductor market and argued that 2006 is likely to be even better, at more than 20 percent annual growth (see July 26 story).

Now, the market researcher sees 8-to-10 percent chip growth for 2005, but it did not elaborate on its forecast for 2006. "While we are not in the business of fine-tuning our forecast to eventually come up with the right year-end number, mathematically the '15 percent' forecast is now hard to achieve, but growth of circa 10 percent looks like a very safe bet indeed," Penn said in an e-mail newsletter distributed on Wednesday (October 12).

The chip market remains robust despite soaring oil prices and a jittery worldwide economy, Penn said. But one of the issues is that the semiconductor market experienced a relatively lackluster growth period in first half of 2005.

Future Horizons projects a "seasonal and structural rebound" in the second half, but it's unlikely that chip makers can make up the difference. The worldwide semiconductor market grew by a mere 0.6 percent in the first quarter of 2005, but fell by minus 2.8 percent in the second quarter, according to Future Horizons.

Seasonal demand is expected to cause the IC industry to grow by 8.2-to-10.1 percent in the third quarter, followed by 9 percent in the fourth quarter, according to the research firm. This, in turn, equates to 8-to-10 percent growth for the IC industry in 2005.

Still, Future Horizons remains one of the more bullish forecasters. For example, a rapid rise in energy prices coupled with a growing excess of manufacturing capacity has recently prompted iSuppli Corp. to trim its semiconductor industry forecast for 2005.

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).

All material on this site Copyright © 2005 CMP Media LLC. All rights reserved.