

IC market hits 'bump in the road' due to inventory glut

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09/09/2004, 3:14 PM ET

SAN JOSE, Calif. — The semiconductor industry has hit a "bump in the road" as the business is heading towards negative territory in 2005, according to an analyst with Semico Research Corp. on Thursday (Sept. 9).

During a presentation here, entitled "A Bump in the Road," Jim Feldhan, president of the Phoenix-based research firm, said that the semiconductor industry would grow by a healthy 31.5 percent in 2004, but the market is projected to decline 5.5 percent in 2005.

"We expect a healthy year in 2004," Feldhan said, "but we've seen some instances that the end-user markets are softening. Inventory is also building."

Indeed, the lull in the semiconductor sector prompted research firms on Tuesday (Sept. 7) to lower their third-quarter forecasts for TI, Linear Technology Inc. and Integrated Silicon Solution Inc. (ISSI).

Freescale Semiconductor Inc., the chip spin-off of Motorola Inc., also said it would have lackluster results in its mid-quarter update. TriQuint Semiconductor Inc. made a similar announcement. And last week, Altera, Cypress, Intel, IDT and other chip makers lowered their forecasts amid a slight slowdown in ICs (see Sept. 7 story).

By year's end, however, the chip business is projected to rebound, following a seasonal demand for traditional products, such as camera phones, cellular phones, DVDs, PCs, and other products, Feldhan said. "We expect a strong holiday season," he said.

There are some troubling signs going into 2005, including a projected slowdown in the worldwide economy, high oil prices, and other factors, he said. "You will begin to see some excess capacity in 2005," he said. "Total unit volumes [for chips] will still grow, but ASPs will be down."