

Foundry Watch: overcapacity, slowdown seen in '05

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SAN JOSE, Calif. — Following a major ramp of 300-mm fabs in the marketplace, the silicon foundry business is expected to experience overcapacity and a slowdown in 2005, according to an analyst from Semico Research Corp.

The overall silicon foundry market is expected to grow by 33 percent in terms of wafer demand in 2004, but the business is projected to increase by only 10 percent next year, said Joanne Itow, an analyst at Semico, based in Phoenix. Itow is expected to release the data at the research firm's conference here on Thursday (Sep. 9).

Total semiconductor wafer demand is forecast to grow at a 12 percent compound annual growth rate (CAGR) over the next five years, she said. A driver for the foundry industry is MOS logic, which includes graphics chips, programmable logic, and standard cell designs. In total, MOS logic wafer demand is projected to grow by 17 percent over a number of years, she said.

"On the capacity side, Semico continues to forecast an over-capacity situation in 2005, primarily caused by the ramp up of 300-mm fabs and yield improvements from existing fabs," Itow said. "But once again, the foundry market is not expected to be as severely impacted by the 2005 cycle. The largest dedicated foundries are expanding at a much more controlled rate."

Itow does not expect foundry supply and demand to tilt too far out of balance in 2005. She pointed out that foundry wafer pricing should remain relatively stable as long as the foundry suppliers don't try to gain market share through predatory pricing.