

EE Times: Latest News
Semico raises IC forecast for 2005, 2006

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SAN JOSE, Calif. — The bears at Semico Research Corp. have suddenly turned into bulls, as the market research firm raised its semiconductor forecast for the next two years. The research firm not only sees growth in traditional markets but also in so-called media hubs for the digital domain. 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.

Semico, however, reduced its previous forecast for 2007 and 2008. Originally, it projected growth of 19.8 percent in 2007 and 18.1 percent in 2008.

In its new forecast, the IC market is projected to hit \$308.7 billion in 2007, up 17.8 percent from 2006, according to Semico. The IC market is projected to reach \$356.3 billion in 2008, up 15.4 percent from 2007, according to Semico.

Jim Feldhan, president of Semico, sees a downturn coming in the second half of 2008. The IC market, in turn, will hit \$346.3 billion in 2009, down 2.8 percent over 2008.

In the short term, Feldhan is bullish for this year and next. "We're upbeat," he said in an interview at the Semico Outlook Conference on Thursday (September 15).

"We're not going to mimic what everyone else says," he said. "We still see a lot of innovations."

Feldhan was referring to the growing number of pessimistic forecasts from other, undisclosed research houses. Gartner, iSuppli and others have published relatively bearish forecasts for semiconductors.

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).

Even Semico remains cautious to some degree. "While we are optimistic heading into 2006, there are two factors that could curb this growth trend and potentially translate into a loss of discretionary income and lower consumer-confidence soaring gas prices and hurricane Katrina," according to a newsletter from Semico.

On the other hand, the PC and cellular phone markets remain robust. "The traditional markets will drive the peaks and valley in this industry," Feldhan said. Technologies like Bluetooth, RFID, WiFi and others will drive growth as well, he said.

Silicon foundry wafer demand is expected to show disappointing growth in 2005, but the sector is projected to rebound in 2006, according to Semico (see Sept. 14 story).

There are other market drivers. Morry Marshall, an analyst with Semico, said the media hub could be the next killer application. The media hub is a device that captures digital content from different platforms and transcodes the content into a variety of playback formats. It can have wired and/or wireless networking connectivity and data storage capability.

According to Semico, there are three major types of media hubs. This includes the PC-centric media hub, which positions the PC as the center for home entertainment; a stand-alone media hub, which is a platform that was specifically developed to store and play back digital content throughout the home; and the CE-platform media hub, set top box or video game console, according to Semico.

In an interview, National Semiconductor CEO Brian Halla was also bullish about the fourth quarter, saying a "huge diversification of demand" in the form of consumer electronics would propel strong chips sales through the Christmas shopping season.

As for 2006, Halla added, "We'll see what happens."

Some remain bearish, however. "On the demand side, PCs and cell-phone unit shipment growth is slowing," said David Motozo Rubenstein, an analyst with Japaninvest, an investment banking firm in Japan. "I don't see other digital appliance chips as a significant catalyst for semi growth."

There are other concerns in the marketplace. "Regarding Katrina, I see it as a non-factor. You'll have some reconstruction spending, which should mitigate some of the losses by stimulating the economy. I guess the oil price hikes and job losses impacts are still a question mark," he said.

"What concerns me is high production and shipments for chip makers, but weak sales at the retail level," he said. "If consumers conserve spending, there could be a huge buildup of inventory this fall."

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