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## 2006 Signals Start of Next Growth Cycle (Semico Research)

Phoenix, AZ -- Sept. 16, 2005 -- Semico's Inflection Point Indicator (IPI) has shown strength for the last three months, triggering Semico's projection for a healthy 2006 forecast, and the start of the next growth cycle. The upturn in the IPI began in May, when the IPI rose 4.6%. In June, the IPI registered a hefty increase of 6.6%, and remained elevated this month at 15.8.

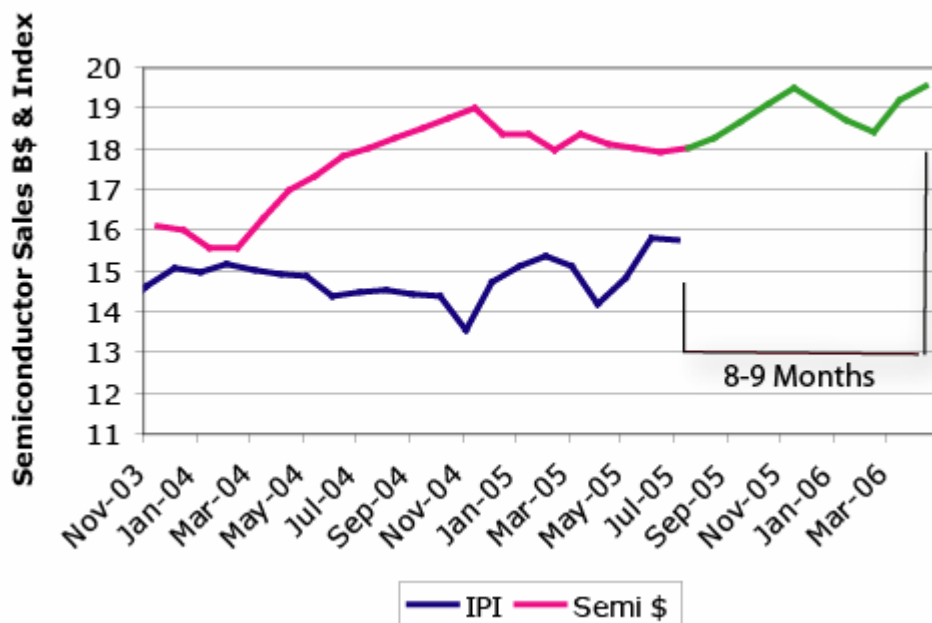
Since Semico's IPI has proven to accurately forecast the market 8 to 9 months in advance, the current trend points to the February-April 2006 timeframe. This strength in the IPI signals seasonal growth greater than what we would typically expect next year; worldwide semiconductor revenue shipments are forecast to increase a robust 18.3% in 2006, reaching \$262.1 billion.

This growth cycle is expected to continue into 1H08, before moderating in 2H08. The next downturn will start in the second half of 2008 and continue into 2009, with the industry declining 2.6%. Technological shifts in the industry are creating new applications, boosting semiconductor sales, and driving the current semiconductor growth cycle. Digital content continues to flood the market in the form of audio, video, and high-speed data. Digital connectivity and portability are emerging as desirable features, creating the need for new platforms in the home, office, and automobile.

Momentum is already building in 3Q05, with revenue projections hitting 3.1%, followed by continued growth in the fourth quarter. Final worldwide semiconductor revenue shipment data just released by the SIA showed total revenue shipments in July were \$16.8 billion. July's weekly revenue run rate matched that of the previous month, at \$4.1 billion. Year-over-year, July 2005 revenue shipments were up 1.9% over July 2004.

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.

## SEMICO IPI



Source: Semico Research Corp.

Semico Research developed the Inflection Point Indicator to assist in forecasting semiconductor revenues approximately two quarters in advance. IPI—combined with our bill-of-materials, end-market analysis and primary research—has helped Semico Research accurately forecast the industry ahead of all the other prognosticators.

#### About Semico

Semico Research Corp is a marketing and consulting research company located in Phoenix, Arizona. Semico was founded in 1994 by a group of semiconductor industry experts. We have improved the validity of semiconductor product forecasts via technology roadmaps in end-use markets. Semico offers custom consulting, portfolio packages, individual market research studies and premier industry conferences.

#### Contact Semico Research

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