

Worldwide Semiconductor Revenue Shipments to Reach \$262.1 Billion in 2006, Says Semico
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Semico's Inflection Point Indicator (IPI) for the semiconductor industry 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 percent. In June, the IPI registered a hefty increase of 6.6 percent, 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 Semico analysts are optimistic heading into 2006, they point to 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.