

“Doom and gloom clouds an underlying ASP recovery,” comments Future Horizons’ Malcolm Penn

London, UK. DATE 2009. January’s IC sales saw IC ASPs increase by 4.4 percent versus January 2008 and 3.9 percent on December 2008, according to the March report from Future Horizons. “This is exceptional given that ASPs in the first month of any quarter are always lower than the third month of the previous quarter – the ‘making the quarterly number phenomenon,’” said Malcolm Penn, Chairman and CEO of Future Horizons.

“There have only been four previous occasions when January’s ASPs have been higher than December, namely 1979, 1980, 1987 and 1992, all during a period of industry boom,” he continued. “January’s ASP growth happened in the middle of a massive semiconductor meltdown. That’s unprecedented.”

Individual chip costs are subject to the ‘30 percent per annum transistor cost learning curve’, ASPs are a combination of this, offset by the introduction of more complex devices with added features and functionality at higher selling prices.

“This trend cannot continue forever, either the effects that caused the declines eventually abate or some firms go bankrupt (Qimonda) or throw in the towel, in either case leaving behind a less competitive market place for those players remaining in the game” Penn concluded.

Future Horizons believes that the 130nm and 300mm effects have now run their course and that the memory price wars are fading fast, now the one-off excess capacity of the 300mm transition has been worked through and current fab investment has been slowed due to lack of profitability. Eventually the MPU price war will also fade away, as will the price pressures caused by excess capacity, given the under-investment in wafer fab capacity, ongoing since mid 2007.

“The overall effect will be to reverse the past 4-year declining IC ASP trend, a reversal we believe that has already started to gain traction” said Penn. “The effect of the current downturn will be only to delay the timing of these counter-trends - it cannot reverse them. In fact it is likely to exaggerate their impact once they kick in, the tighter the spring, the stronger the rebound.”

As a final word of warning, the Report concludes that there is a structural pent-up period of supply-side restrictions possibly starting as early as later this year that will push up IC device ASPs.

“Either due to higher wafer prices from foundries or opportunist IDM device price increases, this is something the industry has not seen for a while,” said Penn.

Ends

Report Details

Future Horizons monthly analysis of the Worldwide & European Electronics and Semiconductor Industry can be found in ‘The Monthly Global Semiconductor Update Report’. The Monthly Report is emailed to subscribers at the beginning of each month. One years subscription (12 issues) is priced at €2,300. The report is also available under a multi-user corporate site licence for €3,370. For further information on Future Horizons visit www.futurehorizons.com or e-mail info@futurehorizons.com

About Future Horizons

Established in April 1989, Future Horizons provides market research and business support services for use in opportunity analysis, business planning and new market development. Its industry information seminars and forums are widely considered to be the best of their kind. Emphasis is placed on the worldwide semiconductor and electronics industry and associated markets.

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