

Ask The Analyst

Question 7:

A recent report from SEMI indicates fab spending is expected to grow 64 percent in 2010, is this going to head off any impending capacity shortage and trigger the next phase of industry overinvestment?

Answer:

In a word, 'No', it is too little too late. First a 64 percent expenditure growth does not even get the industry back to 2008's level of expenditure and second the three quarter delay between capacity spend and IC units out means any capacity impact will not be felt until the second half of 2010 at the very earliest, depending on the exact profile of the expenditure increase. The so-called "ambitious investment plans of the Fantastic Six" (namely TSMC, GlobalFoundries, Toshiba, Samsung, Intel, and Inotera) are actually quite the opposite. In all practical terms they are timid and cautionary – the bare minimum they can get away with to stay abreast of their technological needs. These spending plans, as welcome as they are, represent capacity upgrades and not capacity expansion. As such there will be zero impact on overall impact on IC unit production, I is a straight one for one swap.