

“Don’t write off 2008, the underlining semiconductor industry is in good shape”

comments Future Horizons’ Malcolm Penn

Rising ASPs will help chip market recover in 2008 or 2009

London, UK, 9th April 2008: Fear of a US recession combined with bad news in the financial markets is making the chip market jittery, according to Future Horizons’ CEO and chairman Malcolm Penn. But whilst these near-term uncertainties are clearly unsettling the market, Penn believes company balance sheets are strong and the underlying industry fundamentals have rarely been in better shape. “Rising ASPs will trigger a market recovery,” comments Penn. “If it does not occur in 2008 then it will be 2009, however, it is far too early to write off 2008.”

Despite the current turmoil, Penn is adamant that the market is not leading towards a major recession. IC unit growth continues to be strong at 12.9 percent year on year, January 2008 against January 2007 “making IC ASPs the sole cause of the current industry’s problems”, says Penn. However, doing more for less simply cannot continue forever, if only because eventually someone throws in the towel, thus reducing the competitive pressures bringing about an eventual turnaround in profits. Whilst it may take some time for this process to happen, happen it will in a free market environment.

In parallel, other companies – led by foundry giant TSMC – are choosing to force profitability to happen, by cutting back on investment and thereby taking supply out of the market. Once companies start to experience wafer ‘rationing’, prices will eventually stabilize, even rise. “Even flat pricing at their current low levels would have a dramatic impact on market growth; and if they were to notch, the leverage/scaling factor would trigger high double-digit growth.” says Penn.

Fundamentally Future Horizons believe that it is far too early in the 2008 cycle to start slashing forecasts. “Our forecast of 12 percent market growth is predicated on a 4 percent decline in the first quarter of 2008 versus the last quarter of 2007, followed by a flat second quarter and a strong second-half rebound. If Q1 is more negative, the 12 percent number will fall, but if the second half is stronger, 12 percent is in the bag. It is far too early to say which way the wind blows.”

The immediate future of the semiconductor industry is one of the topics for discussion at the forthcoming International Electronics Forum in Dubai from 7-9 May 2008. To find out more about the forum, please visit <http://www.futurehorizons.com/>. To obtain a complimentary copy of the latest Future Horizons Global Semiconductor Monthly Report, which has further predictions and analysis, please email mail@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 world-wide semiconductor and electronics industry and associated markets.

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