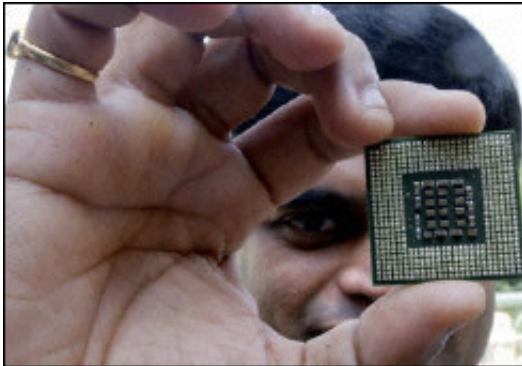


# Chipmakers shrug off economic worries

June 8 2006

---



Oil prices continue to go up, and there is growing concern about inflation putting a damper on economic growth across the globe. Yet while it may be easy enough to be wary of global growth prospects, the electronics industry remains upbeat about the future, at least for now.

Certainly, if demand for computer chips is any gauge for the prospect of consumer electronic goods moving forward, then 2006 is likely to be a strong year. According to the twice-annual report of semiconductor sales worldwide released by the San Jose, Calif.-based Semiconductor Industry Association Wednesday, global sales of semiconductors is likely to increase by 9.8 percent from a year ago to \$249.6 billion in 2006. The organization, which represents some of the biggest chip manufacturers in the United States, revised up its initial forecast for this year from \$245 billion which was forecast last November.

Moreover, the SIA is upbeat about coming years as well. The group anticipates sales to rise 11 percent in 2007, and expand by 12 percent in 2008, while in 2009, it projects sales to increase by 4 percent. If this scenario does indeed become a reality, then global chip sales will reach \$323 billion by 2009.

Such bullish projection may seem contrary to the somewhat gloomy outlook for the global economy that is currently expected. As a rule, a slump in growth means a decrease in income and consumer sentiment, which in turn would lead to a fall in demand for chip-laden electronic goods. Nevertheless, the SIA expects that whatever dip the global economy might face will not be strong enough to curtail customers' appetite for upgrading their mobile devices in particular.

"Despite sharply higher energy prices, consumer demand for a wide variety of electronic products continues to fuel growth of the semiconductor industry," said the association's president George Scalise. "Stronger than anticipated end-market demand, mainly in consumer product sectors, caused us to raise our forecast for semiconductor industry growth for 2006. The fastest-growing major end-market segment is cellular telephones - especially third-generation phones. We now believe approximately one billion cell phones will be sold worldwide in 2006. With an average semiconductor content of \$41 per unit, this segment is now second only to personal computers in terms of total chip consumption."

Framingham, Mass.-based information technology research group IDC backed up such findings, as it reported Thursday that there has been a record level of demand for multi-tasking mobile phones. IDC reported that converged mobile device shipments worldwide rose nearly 68 percent in the first quarter of 2006 compared to the same period a year ago. Ramon Llamas, an analyst at the group, pointed out that more manufacturers are producing mobile personal digital assistant phone, and

"the lure of new products combined with heightened competition among the vendors, should continue to drive the smartphone market to new heights."

Apart from mobile phones, other products that are likely to be traded up by consumers are personal computers, digital cameras, digital television, and MP3 players, all which require sophisticated semiconductors.

"Each of these end-markets will grow in double digits this year, and we expect growth through the current forecast period," SIA's Scalise added.

*Copyright 2006 by United Press International*

Citation: Chipmakers shrug off economic worries (2006, June 8) retrieved 3 July 2024 from <https://phys.org/news/2006-06-chipmakers-economic.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.