

Chips' year-over-year sales fall 18 percent in July, SIA says

August 31 2009, By Benjamin Pimentel

Global chip sales fell a little more than 18 percent in July from the year-earlier period, but in a sign of improving demand, semiconductor revenue rose on a month-to-month basis for the fifth time in a row, an industry group said Monday.

July's sales of chips totaled \$18.2 billion and moved up 5.3 percent from June, according to the Semiconductor Industry Association.

Chip sales for the month were down 18.2 percent from July 2008, but the year-on-year decline was lower than the average of roughly 25 percent for the first six months of 2009, the San Jose, Calif.-based SIA's data showed.

"The fifth-consecutive month of sequential increases in [semiconductor sales](#) reflects improving demand in the consumer sector," SIA President George Scalise said in a statement.

He added, "Sales of consumer products such as netbook PCs and cell phones are supporting the modest recovery in demand that is now under way."

However, the corporate tech sector remained shaky, he said, noting that purchases of information-technology products in the enterprise sector "continue to be tempered by caution and longer replacement cycles."

Some analysts remain cautiously optimistic on the direction of the chip

market, however, and the SIA's latest report comes shortly after [Intel Corp. \(INTC\)](#) raised its third-quarter revenue outlook, citing stronger-than-expected demand for personal-computer chips.

Chip companies are often seen as indicators, as they must build their products ahead of any upswing in demand for end-customer goods.

Many of them have seen sequential gains in sales recently due mainly to what analysts say was an inventory correction following the [economic downturn](#) as manufacturers scaled back chip supplies to levels below real demand.

A pair of analysts offered differing takes on the meaning behind the SIA's July figures.

"We remain cautiously optimistic on semis following the release of strong July SIA data and believe we remain within the confines of a healthy cyclical recovery, but reiterate our view of a 'square root' shaped recovery as investors wait for a clear read on demand," Wedbush Securities analyst Patrick Wang said in a note.

The demand picture remains blurry, J.P. Morgan analyst Christopher Danely said.

"We believe normal demand, that is, a normal back-to-school season, is needed to avoid inventory buildup and an inevitable correction," he wrote in a research brief. "We maintain our belief in poor demand, so we expect an end to inventory re-stocking in the fourth quarter of 2009 following a below-seasonal back to school."

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