

EE Times: Semi News
Commentary: No laptop under the tree this Christmas?

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(12/02/2005 5:31 PM EST)
URL: <http://www.eetimes.com/showArticle.jhtml?articleID=174900314>

MANHASSET, N.Y. — On the surface, things would appear to be looking up for the electronics industry one week into the holiday shopping season.

Retail sales of electronics goods have been robust, both at traditional brick-and-retail outlets as well as on online shopping sites. One prime example is sales of notebook computers, where unit sales increased 48.6 percent during Black Friday week and outsold desktops, according to market research firm Current Analysis.

Market research firms are getting into a festive mood as well. The Semiconductor Industry Association (SIA) noted that the three-month average of semiconductor sales reached a record \$20.05 billion in October, largely on the strength of strong consumer electronic sales.

Semico Research, noting robust end-market and semiconductor demand, is projecting sales growth of 17.5 percent in 2006. And, iSuppli Corp. raised its 2005 global chip revenue forecast for 4.4 rather than 2.4 percent growth from 2004.

But there's a dark cloud gathering over the industry that may rain on Christmas for many.

A shortage of Intel peripheral chips, which has been ongoing for some time, has limited semiconductor industry growth according to analyst Bruce Diesen of Handelsbanken Capital Markets.

Diesen said October average sales of \$20.05 billion fell below the firm's previous expectations of sales of \$20.3 billion.

The inability to produce enough peripheral logic chips eventually limits the manufacture of notebook computers and affects the industry's processor revenues as well.

Supply-chain issues, of course, have long plagued the electronics industry—remember the rampant component shortages five years ago? With the industry increasingly looking to consumer electronics as a key market, impatient consumers are not likely to buy the excuse of supply-chain deficiencies as they take their buying loyalties and wallets elsewhere.

Dell Computer has been offering hefty discounts to those ordering PCs online, and with discounting likely the rule for other PC makers, heavy consumer demand could deplete existing inventories and lengthen waiting time for PCs to be built and shipped.

The bottom line is no PC under the tree at Christmas. We all better hustle if we want that laptop.....