

Semiconductor industry growing fast

Ed Taylor, Tribune -- March 19, 2010



Microchip technicians work on the semiconductor wafer fabrication processes, inside of Microchip Technology, a Chandler-based company. **SUBMITTED PHOTO**

While most sectors of the economy continue to struggle, the semiconductor industry is showing some bounce in its step.

That's good news for the East Valley because semiconductor manufacturing makes up one of the largest segments of the local economy with major employers such as Intel, Freescale and Microchip Technology.

Some evidence of the turnaround:

Worldwide semiconductor sales were up 47 percent in January, the latest month that data are available, from an admittedly weak January 2009;

Intel Corp., the largest private-sector employer in the East Valley, enjoyed a 28 percent year-over-year revenue increase in the fourth quarter of 2009 and an 875 percent jump in profits;

Phoenix-based ON Semiconductor reported a 5 percent sequential increase in sales in the fourth quarter over the previous quarter and predicted an increase of another 3 to 5 percent in the first three months of this year.

But no one is more upbeat than Microchip Technology, the Chandler-based company that makes microcontrollers used in many consumer and industrial products. Chief Executive Steve Sanghi said the company is headed toward record bookings this quarter and is adding equipment and personnel in its factories to accommodate expected further growth.

After returning from a 10-day trip to China, where he met with distributors, Sanghi said demand for the company's products in Asia "continues to be very robust. Post-Lunar New Year we are seeing very strong activity in China."

He also said demand is strong in Europe. And because of the greater-than-expected growth, Microchip has increased its forecast for current-quarter sales and earnings.

Sanghi said the company has more than 130 job openings worldwide. In Arizona, Microchip has been hiring production workers at its Tempe fabrication plant and also has openings for design, information technology and product-test engineers.

The company, which employs nearly 1,500 people in Arizona, has been hiring since the first of this year, he said.

Sanghi attributed the company's good fortune to the fact that it sells worldwide, and economies in many parts of the world - especially Asia - are faring better than the United States. He added that stimulus packages around the world are creating additional demand for cars, appliances and other products that use Microchip's circuits.

Other semiconductor companies also are starting to report stronger demand, including Taiwan Semiconductor Manufacturing Corp. and Texas Instruments, said Brian Matas, vice president of IC Insights, a Scottsdale-based market research firm.

"Factories are running at 90 to 93 percent of capacity, which is a good sign for the industry," he said. "And there has not been a lot of capital spending to expand capacity. That will drive up prices for a while."

Companies that make analog chips such as Fairchild Semiconductor and Analog Devices also are taking more optimistic views of the future, he said.

"Some companies are more excited than others ... but I think we will hear more about (the strengthening of demand) going into the second quarter," he said.

With some companies improving their outlooks, IC Insights has bumped up its 2010 growth forecast for the industry from 15 percent at the start of the year to 27 percent now, he said.

Digital televisions, smart phones and other consumer devices such as Apple's iPad tablet computer are some of the end products spurring demand for semiconductors, he said.

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