

Semiconductor Equipment Industry Leaders and Forecasters Gather at Annual Strategy Symposium to Forecast the Coming Year

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Despite the recent slowdown in sales of personal computers, or PCs, the market is alive and well, and growing at a healthy clip. In fact, sales should recover in the second half of the year, then hitting \$41 billion in 2002 compared to \$30 billion in 2000. That was the prediction of Hector Ruiz, president and COO of AMD, keynote speaker at the annual Industry Strategy Symposium underway here today through Wednesday.

The 350-plus participants, most high-level industry executives, are taking a look at what's ahead in the year 2001 for the \$65 billion capital equipment industry, a key segment of the U.S. technology-based economy.

Ruiz was particularly upbeat about future PC sales growth not only for his own company, but also for the entire industry. This is considered positive for the companies that make and sell the equipment used to manufacture semiconductors, or what are more commonly known as chips.

"Despite the current downturn in PC sales, I believe reports of the demise of the personal computer have been greatly exaggerated, and I expect recovery in demand no later than the second half of the year," said Ruiz.

Meanwhile, Ruiz predicted that sales of flash memory chips, which are quickly becoming a key component of everything from automotive systems to cell phones to video cameras, should double between 2000 to 2002, to \$21 billion in 2002 from \$10 billion in 2000.

"Demand for flash memory products ... has been growing at a compound annual rate of approximately 100 percent since the mid-1990s. Despite an aggressive capacity expansion program, flash memory producers have been unable to keep up with demand, and we believe the supply-demand imbalance will continue the next several years."

Based on that forecast, Ruiz said AMD and his competitors will invest heavily in capacity addition, a positive sign for SEMI's members who supply the machines used to make those and other kinds of chips.

On the immediate horizon, he said AMD would invest, either on its own or through partners, in two 300-millimeter production facilities, one for flash memory production and another for advanced logic products. That, too, was an optimistic sign for the 350-plus participants from the capital equipment companies attending ISS.

Ruiz was referring to the diameter of the silicon wafers used in the manufacturing of microprocessors, or chips. Currently, the industry is slower moving to the larger wafer sizes, because the larger wafers yield more chips at a lower cost than the 200 mm wafers now widely used in chip manufacturing.

Meanwhile, Adailio Sanchez, general manager for manufacturing operations and business transformation at IBM Corp.'s Personal Systems Group, addressed the trend towards wireless communications, and the impact of PCs.

Sanchez noted that the number of subscribers to wireless data services will explode to 1.3 billion in 2004 from 170 million today. In fact, he said more than half of those on the Internet will use a wireless device by 2004, and two-thirds of all transactions will take place on a wireless network.

"The fixed, wired PC -- connected to stable, reliable broadband networks -- will become richer in functionality," he noted. And he said unit sales growth of the fixed, wired PCs will remain healthy -- growing in the mid-teens over the next several years.

"The mobile PC will grow faster -- probably in the mid-20 percent range -- especially as higher-speed wireless technologies come on line. Mobile PCs will also morph into a host of new device categories all across the end-user spectrum," he said.

Sanchez said he expected to see numerous advances in the deployment and use of personal and local-area networks -- PANs and LANs. These include the new wireless standard Bluetooth, with an operating range of about 30 feet between similarly-enabled devices. He pointed out that Bluetooth supports data rates 80 times faster than what's now available to a wireless handheld device.

"Wireless is no longer a novelty, but a way to do business," emphasized Sanchez.

Sanchez said PC and device makers should start deploying Bluetooth products in volume this year. But he told attendees that the chips used to power these devices must become more energy efficient because they consume up to 30 percent of a laptop's battery power.

Other first-day speakers included veteran economist John Skeen, managing director at Bank of America in San Francisco, who forecast that the downturn in the

technology related stocks might continue through at least the first quarter of 2001, and possibly into the second quarter of the year.

About SEMI

Based in San Jose, Calif., SEMI is an international trade association serving more than 2,400 companies participating in the semiconductor and flat panel display equipment and materials markets. SEMI maintains offices in Austin, Beijing, Boston, Brussels, Hsinchu, Moscow, Seoul, Singapore, Tokyo and Washington, D.C. For more information, visit SEMI on the Internet at <http://www.semi.org/>.

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Contact: Jonathan Davis of SEMI, 408-943-6937, or jdavis@semi.org; or Daniel Danzig of Ispr.interactive, 925-284-7004, or cell, 925-216-8153, or Dan@prwebsite.com, for SEMI

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