Power Management Semiconductor Suppliers Struggle to Keep up with Demand Amid Rising Sales

A strong resurgence in power semiconductor revenue in the first half of 2010 has caught suppliers off-guard, likely causing pricing to rise in the near term, according to iSuppli Corp.

Revenue for power management semiconductors reached $6.9 billion in the first quarter of 2010, up 2.9 percent from $6.7 billion in the fourth quarter of 2009. The growth of the first quarter reflects a continuation of the expansion that started during the last three months of 2009, after the market stalled briefly in the third quarter last year.

Growth is expected to continue in the second quarter this year, when revenue is set to rise another 7.2 percent to hit $7.4 billion. And although a bigger upward movement occurred during the same time last year — when power management ascended 18.2 percent from $4.4 billion to $5.2 billion — the second quarter in 2010 will deliver the most robust growth for the industry this year.

The expansion in the first quarter of 2010 took place because of the industry's move to fulfill order ebacklogs and to satisfy limited demand, both of which shrank in the wake of the economic slowdown last year. In contrast, growth in the second quarter will be fueled by increased activity in a number of areas utilizing power management semiconductors, including consumer electronics, wireless and data processing, iSuppli research shows.

Suppliers now are suffering from a shortage of power semiconductors, mainly because a recovery in demand—which started in the fourth of quarter of last year—has proven to be of a greater magnitude than current operational capacity can handle. Even with the rehiring of workers and the reopening of fab lines, suppliers have been caught off-guard by the resurgent demand and are unable to keep up, iSuppli's findings show.

Furthermore, inventory levels at distributors decreased by 1.5 days in the fourth quarter of 2009 amid strong sales—a development that induced even more demand, especially for the analog and discrete components of the market that already were in a state of shortage. The decline in inventory not only will contribute to big delays at the back end, particularly for analog suppliers, but also will serve to increase pricing, iSuppli believes.

And while prices are expected to stabilize in the second half of 2010, the shortage of commodity devices is likely to drive up Average Selling Prices (ASPs) in the first half, affecting buyers in the short term. Essentially, the price increases will persist until supply catches up with demand, iSuppli projections indicate.

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