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Be cautious of non-quantitative 2008 forecasts, market researchers say

Semiconductor market research company Advanced Forecasting is warning that forecasting models that are not purely quantitative have a terrible track record for predicting turning points in the industry.

By Ann Steffora Mutschler, Senior Editor

Sales of worldwide wafer processing equipment for January through November 2007 were 13% above the same time period in 2006, according to Saratoga, Calif.-based market research company [Advanced Forecasting Inc.](#)

The company pointed out that since equipment bookings have been deteriorating continuously, it expects the final growth number for 2007 to be close to 10%.

Also, the company said it predicted in December 2006 that 2007 would bring 8.9% growth in comparison to 2006, which at the time was twice as high as the most optimistic forecaster speaking at the 2007 ISS, where forecasts ranged from 0.6% to 5%.

In June 2007, [the company warned of faulty forecasts](#), and said the SIA's downgrade of its 2007 global semiconductors revenue growth forecast from 10 to 1.8 percent was a drastic change that may easily regress into negative growth, and questions if similar revisions will impact 2008.

Then in July, the firm bucked the trend of other industry analysts and [maintained its original forecast](#) from February 2007 in which it predicted a "significant downward turning-point" in underlying demand for ICs in mid-2007.

Dr. Moshe Handelsman, founder of Advanced Forecasting, warned that decision-makers should be cautious if relying on some of the optimistic 2008 forecasts that have been circulating the industry recently.

"Forecasting models that are not purely quantitative have a terrible track record for predicting turning points. Any time you incorporate opinions in a forecast, you introduce extrapolations. Extrapolation can not predict a change in direction," Handelsman concluded.