



- Improve process yield and corrosion resistance.
- Save process time and money.
- Improve customer satisfaction!



[« Back](#) | [Print](#)

NAND Market Faces Oversupply, Weak Demand

While DRAM prices are showing some strength, the NAND flash market is having a relatively tough year, analysts said. "Oversupply and weak demand" are facing the NAND vendors, Gartner reported, while Semico Research said NAND revenue growth is being impacted by "low consumer confidence."

David Lammers, News Editor -- Semiconductor International, 7/1/2008 8:52:00 AM

The memory market continues to experience challenging times, analysts said, with NAND revenue growth roughly half that of last year's performance.

Semico Research Corp. (Phoenix) President Jim Feldhan said high gas prices, the housing slump and the resultant drop in consumer confidence have had a dampening effect on consumer electronics sales. That caused Semico Research to reduce its forecast for NAND revenue growth this year to 13% compared with 25% in 2007. NAND unit growth will be 35% this year, increasing to 3.53 billion units in 2008.

"The NAND market has not experienced the 'Apple effect' seen in previous years, despite the upcoming 3G iPhone [with up to 16 GB of storage] and the solid-state drive option for the MacBook Air," Feldhan said.

While today's NAND market is driven by consumer applications, NAND growth through 2012 will be driven by the computing segment — USB drives, hybrid drives and solid-state drives (SSDs) going into notebooks, ultramobile PCs (UMPCs), servers, storage and data centers. "These markets will drive high-gigabyte growth," Feldhan said. As a result, the major NAND manufacturers are moving to 40 nm processes to reduce costs.

Gartner Inc. (Stamford, Conn.) issued a bearish report on NAND prices, saying that NAND flash contract pricing in June declined because of oversupply and weak demand. Mainstream multilevel cell (MLC) 8 and 16 Gb parts saw the biggest decline — 9.6% and 16.7%, respectively, Gartner reported. By contrast, global DRAM contract pricing increased in June, with mainstream 1 Gb DDR2 prices rebounding by 5.6% to \$2.27 caused by seasonal restocking by the PC vendors.

The Gartner memory analysts warned of weak fundamentals in the NAND market. "Aggressive capacity expansion, spurred by irrational market share posturing, has caused even the revenue-leading companies to lose money. The industry has witnessed some spending and capacity pullbacks, which will help to drive an expected price recovery in the third quarter. However, given the demand environment, the industry needs to pull back even more to avoid a turbulent fourth quarter and start to 2009," the Gartner analysts said.

For the memory-centric vendors, long-term hopes ride in part on SSDs for thin notebook computers. **Micron Technology Inc.** (Boise, Idaho) recently announced its fiscal third quarter of 2008, and Gartner analyst Joseph Unsworth said the company "highlighted a difficult NAND environment."

For Micron's fiscal quarter ending in May, NAND prices fell 20%, with prospects for an equally large drop in June. Unsworth said, "A bright spot for Micron was its cost reductions of 25%, which outpaced NAND price erosion. And cost reductions are expected to accelerate as Micron approaches a planned 50% of its capacity at 34 nm process geometry. This will be an impressive feat if the schedule can be maintained."

With cell phones and microSD cards driving NAND this year, the market for SSDs could escalate late next year. In the SSD business, Unsworth said Micron, "along with a deluge of other vendors, is sampling single-level cell enterprise-class SSDs, and will begin sampling multi-level cell SSDs targeted at PCs later in the year. Both areas have considerable competition, so the impact from their SSD business will weigh in only during late 2009 if their solutions are considerably better than most of their competition, which is migrating to second-generation products."

Also, Micron faces financial pressures, he said. The company needs to build a new memory fab to come online after its **Singapore fab**. "This presents a challenging endeavor, given the lack of profitability over the last few years and again in 2008."



Micron Technology's newest memory fab is in Singapore.

Future Horizons (Kent, UK) analyst Malcolm Penn took an optimistic view of the overall semiconductor industry's prospects, despite a 7.5% revenue decline in April. In the June issue of the market research firms' Global Semiconductor Monthly Report, Penn said the chip industry is experiencing declining capital investments, with foundries and other companies determined to earn profits by resisting the trend of declining average selling prices (ASPs). With a stronger-than-expected demand for chips, Penn said "the forecast tea leaves all seem to be pointing in the same positive direction" with an impact on the market that he said "will be seismic and dramatic."

[« Back](#) | [Print](#)

© 2008, Reed Business Information, a division of Reed Elsevier Inc. All Rights Reserved.

Advertisement

5 Tips for Managing a Seasonal Workforce

Expert Business Source Real Tips. Right Now.