

Surge in NAND usage signals sea change for memory market

By Colleen Taylor, Contributing Editor -- 10/18/2007

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Analysts with **Semico Research Corp.** have identified a major sea change in the way the memory market works: According to a Semico report released this week, DRAM demand, and not DRAM capacity, now determines how much memory will be shipped during any given quarter, while the growing popularity of NAND flash due to its inclusion in products like Apple's iPhone is having a direct impact on that demand.

The firm said that the strongest evidence of this shift is in **the price collapse** seen in the first half of the year. According to Semico, even if DRAM capacity remains exactly flat for the remainder of 2007, DRAM bit growth will still achieve the highest growth rate in a whopping seven years; quarter-to-quarter bit growth has seen 20 percent boosts during the past two quarters, the firm said. The fact that the industry suffered a major pricing decline regardless of this upped capacity indicates that OEM demand determines the memory's bottom line: how much gets shipped, and for how much it gets purchased.

Another sign of the memory market's changing face is the ascent of NAND as a high volume commodity memory product, Semico said. "Because of the manufacturing similarities between NAND and DRAM, some memory manufacturers have the option of shifting enough resources between the two products to impact the total production," the firm reported.

"The second half of 2007 clearly establishes that the analysis of DRAM supply and demand can no longer be separated from a coordinated and linked analysis of NAND conditions," Bob Merritt, VP of DRAM at Semico, said in a statement. "The demand and production ramp for **NAND in iPhones** is now directly linked to the DRAM cost and availability for Vista."

One impact from the new environment can be seen immediately: According to Semico, DRAM capacity is building in the supply channels now in anticipation of tighter DRAM supply in Q4. Another impact is the adjustment of foundry's capital expenditures, which now have to consider the growth rate of both DRAM and NAND applications.

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