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'Apple effect' not seen in NAND market

Posted: 02 Jul 2008

What happened to the "Apple effect" that is supposed to ignite the worldwide [NAND flash-memory](#) market?

For years, Apple Computer Inc.'s new product introductions have jumpstarted the NAND flash-memory market. The so-called "Apple effect" would boost the fortunes—and bottom lines—of Hynix, Samsung, Toshiba and other NAND vendors, which sell product to Apple.

But "so far in 2008, the NAND market has not experienced the 'Apple effect' seen in previous years, despite the upcoming [3G iPhone](#) and the SSD option for the MacBook Air," according to a new report from Semico Research Corp.

The research firm was referring to new and upcoming products from Apple, one of the world's largest buyers of NAND flash. NAND is used for storage applications in the iPod and iPhone line of products.

"Consumer confidence is low due to the repercussions of the U.S. subprime mortgage crisis and consumer disposable income is hampered by rising prices at the gas pumps," according to Semico. "These factors are having a dampening effect on consumer electronics sales."

Still, NAND unit shipments are expected to reach 3,528.5 million units in 2008 compared to 2,508.6 in 2007. NAND revenues will grow 13 per cent in 2008 compared to 25 per cent in 2007, according to the research firm.

Despite the growth, there are some bad signs for NAND. "Although the data points indicate that there are about a million fewer 3G iPhones built in the June quarter (which is well documented and known), we believe that the difference has been pushed out into the September quarter," according to a report from FBR.

"And thus, on aggregate, we still expect 11 million 3G iPhones to be shipped in the time span of the June and September quarters," according to the report. "However, due to weaker-than-expected handset/consumer electronics end markets, we still expect NAND prices to continue to weaken into 3Q."

For example, Micron Technology Inc.'s "NAND outlook is mixed," said Daniel Amir, an analyst at Lazard Capital Markets. Last week, Micron posted a loss, due in part to the NAND downturn.

"NAND remains challenging, as inventory levels in the industry are relatively high," Amir said. "For August, we expect ASPs to decline 22 per cent with bit growth of 20 per cent."

On the brighter side, Micron "expects to have 50 per cent of its production at 34nm by year-end, which could position the company as a cost leader," he said. "Smartphone shipments ramping in the 2H should benefit MU, especially due to its high market share in the embedded NAND segment."

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EE Times

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