

Slowing IT Spending Causes DRAM Sales Drop, Semico Says

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Since corporations base next year's IT spending budgets on current economic conditions, one would think that 2005 would be a better year than 2004 based on the strong growth last year. Not so, says Semico Research Corp.

The upward trend seen in 2004 was sparked by corporate IT spending and PC replacements breaking the economic chains that bound them. Unlike 2003 when corporate IT professionals eked out the last bit of life remaining in the much-maligned installed corporate PC base, new PC sales were up in 2004. With the improved economic conditions, IT spending grew significantly in 2004.

However, because many computers were upgraded last year with new DRAM memory, and many new systems were sold, given the dependence of the DRAM industry on corporate IT spending, Semico predicts a 3 percent drop in DRAM revenue this year. As a result, combined with the cyclical nature of the industry DRAM demand will not be as strong this year, the Phoenix, Ariz.-based market research firm reported.

As the DRAM industry stabilizes, Semico envisions growth similar to 2004, with 2006 picking up about 2.6 percent, followed by a sustained revenue compound annual growth rate of 6.3 percent from 2005 to 2009.

Computing continues to be the market with the most impact on the DRAM segment, especially DRAM modules with new technology drivers from the server and high-end communication segment such as registered DIMMs with higher density capacity, the firm said.

While computers were the main consumers of modules ringing in over 80 percent of the megabits in 2004, the increasing need to transmit larger packets of data has upped memory requirements. Semico expects more applications to incorporate modules such as arcade machines, kiosks and gambling machines.

"In 2004, the module market had a great year," noted Sherry Garber, senior VP at Semico, in a statement. "As more electronic devices that use DRAM are put into production, the consumer purchaser will be an even larger contributor, and the DRAM industry is also destined for more diversification.

"With close to 90 percent of the DRAM megabits implemented in modules, the health of the module market remains tied to the overall health of the DRAM industry," Garber concluded.

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