

NAND flash memory prices take a dive on weaker than expected demand, new supply

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ARLINGTON, Va. -- NAND flash memory spot market prices plunged 6% to 12% last week and were down as much as 36% in the last month, according to the latest report from memory trader and market watcher DRAMeXchange.

Spot prices for lower density NOR parts were also 1% to 6% lower in the week, although higher densities were stable, according to a Smith Barney report released today.

DRAMeXchange said 2-Gbit NAND chips were selling today at \$16.82, down 11.5% from a week ago and down 32% from a month ago. Spot prices for 1-Gbit NAND were \$8.52, falling 6% from last week and 31% from last week, with 512-Mbit NAND at \$4.62, off 12% from last week and down 36% from a month ago. For 256-Mbit NAND parts, priced averaged \$4.66 today, even with spot prices one week ago and down 13% from a month ago.

Jim Handy, nonvolatile memory analyst for Semico Research Corp., attributed the plummeting NAND prices to an oversupply due in part to a surprising slower growth rate in demand. "NAND demand in 2003 was on an absolute tear, shooting up about 250% over the previous year. Then it suddenly tapered down to a 30% growth in 2Q04 over the previous quarter. Yet vendors had geared up capacity for another booming year and that production is now swamping the market."

New entrants in the NAND market have also added to the glut. Glenn Yeung, San Francisco-based analyst for Smith Barney, said "Infineon 512-Mbit NAND parts have begun hitting the spot market in large quantities with aggressive pricing. Last week our checks showed Hynix is lowering pricing on 512-Mbit parts." He added that Samsung is working down its three-week inventory build, which also depressed the spot market.

"We expect September [NAND] pricing to decline," Yeung said. "Given the structurally oversupplied market in the second half of '04, we expect at least one meaningful cut to Q3 contract prices in the weeks ahead."

The Smith Barney report also said that lower-density NOR flash spot prices declined for the eighth consecutive week. "The declines were across all brands, including Intel, AMD [Spansion], STMicro, and Atmel brands. Distributors and brokers both noted that Intel is getting more aggressive and NOR parts are becoming increasingly available on the spot market."

The report listed spot prices last Friday on 16-Mbit NOR at \$3.28, 3-2bit NOR at \$6.65, 64-Mbit NOR at \$10.13, and 128-Mbit at \$7.38. Spot-market prices for higher-density NOR parts were said to be stable over the last week.