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NAND Market: Ramping Up or Dampening Down?

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Despite a Q1 price collapse, the NAND market is set to break all revenue records in 2006, according to analysis firm Semico Research Corp.'s newly released NAND forecast. Analysis from rival research firm DRAMeXchange, however, adopts a more humble outlook on the NAND market's future.

Even though prices plummeted more than 50 percent in Q1, Semico said the market will support a full 44 percent growth over 2005's sales to record-breaking revenues of more than \$16 billion.

"Although many have used the Q1 price fall as an excuse to trim their forecasts to relatively modest growth rates, our data shows that the balance of 2006 will experience very strong growth," Jim Handy, director of nonvolatile memory services at Semico Research Corp., said in a statement.

Semico added that the NAND market has enormous price elasticity: As prices drop, more new applications adopt the technology.

"This not only affects existing suppliers -- Samsung, Toshiba, SanDisk, Renesas and Msystems -- but also the emerging suppliers, companies like Hynix, STMicroelectronics, Micron Technology and Qimonda, Infineon's memory spin-off," Handy added in the statement.

The firm said it hopes this latest report will ease any anxiety that card suppliers like Lexar Media and Kingston, camera companies like Nikon and Canon, and MP3 player companies like Apple and Creative have been experiencing through the disorder in the NAND market.

Meanwhile, market research firm DRAMeXchange said spot prices of NAND flash continued to dampen through the final weeks of July due to a swell of inventory. Prices fell amid the stock releases from Samsung and Hynix and the month-end inventory clearance pressure among industry players, the firm specified. Chips in 16Gb, 8Gb and 1Gb densities lead the fall, reporting an average of more than 10 percent sequential drop on a week-on-week basis.

"The price fall of the listed chips in July was far higher than the rate we reported in June," DRAMeXchange said in its statement.

Looking ahead, DRAMeXchange believes the lack of clear demand growth catalyst over the coming two weeks does not offer any ingredients for price growth. Prices will only stabilize if suppliers adopt a cautious measure on stock releasing strategy to avoid future over-supply, according to the U.K.-based researcher. Furthermore, meaningful NAND flash spot price growth will only emerge if a "killer application" arrives on the market, the firm said.