

22:20 27Nov2007 Reuters Insight-STMicro sees steep fall in NAND prices by year-end, Q1 '08

By Jennifer Tan

SINGAPORE, Nov 27 (Reuters Insight) - Prices for NAND flash memory chips, widely used in digital cameras and MP3 music players, are likely to fall 10-15 percent by year-end, and another 35 percent in the first quarter of 2008, driven by the post-holiday seasonal decline and oversupply, said an STMicroelectronics <STM.PA> executive in a conference call for Reuters Insight clients.

This conference call is part of a continuing series of calls that Reuters Insight hosts between its clients and various industry experts.

A supply glut is building, due in part to South Korea's Samsung Electronics Co. Ltd. <005930.KS> which has been shifting production capacity to NAND from dynamic random access memory (DRAM) chips - used mostly in personal computers - and Japanese chipmaker Toshiba Corp. <6502.T>, which has also expanded its NAND flash output.

The global average selling price for a 512Mbit-equivalent NAND flash chip is seen falling to \$0.46 in the fourth quarter from \$0.60 in the third quarter, market research firm iSuppli said.

One pocket of strength in the market is the slight shortage in high-density single-level cell (SLC) flash, used in high-end applications such as mobile handsets and computer hard drives, the official from the Franco-Italian chipmaker told investors in a conference call hosted by Reuters Insight, a Reuters business that tracks industry trends for institutional investors.

But multi-level cell (MLC) flash, which accounts for about 90 percent of the total NAND market and used mostly in storage cards, is in oversupply through most of 2008, he added.

"For SLC, we could see stable prices, maybe with a 5-10 percent maximum drop, but the MLC product is on dangerous ground because of capacity increases from new technology adoption - so at least 10-15 percent drop, until the end of the year," the executive said.

For the January-March quarter, the normal seasonal slowdown could be exacerbated by increased NAND flash output from suppliers like Samsung and the Toshiba-SanDisk Corp. <SNDK.O> partnership, particularly on advanced technology nodes, thanks to improving production yield rates.

"Q1 could be a very dangerous quarter next year. Historical data shows that Q1 is a weak season with a 20 percent price drop, but in Q1 '08, we could expect maybe a 35 percent price drop or even more," he added.

Meanwhile, new applications such as solid-state drives, hybrid disk drives and NAND multi-chip package memory products used in high-end handsets are not expected to contribute significantly to overall NAND flash demand until the second half of next year, the executive said.

Solid-state drives use flash memory, and in some cases, synchronous DRAM (SDRAM), in place of hard disk drives to store data, while hybrid drives - which incorporate both flash memory and mechanical hard drive parts - offer benefits of speed and higher performance.

Multi-chip package memory products, which combine NAND flash and low-power SDRAM chips in a single solution, are used by multimedia applications in portable devices like third-generation (3G) handsets, where memory requirements are high and space and power are limited.

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"Solid-state drives are still limited to niche, high-end notebooks due to poor cost-performance ratio, which would not improve till second-half '08, while there are no clear plans for mass adoption of hybrid drives, mainly due to its immature system solution," the executive said.

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