

**AUGUST 26, 2009**

## **Strong Bit Demand, Weak Capex Spending to Favor Flash Suppliers**

*Classic set up for strong market growth through 2012*

The flash memory market is setting up for a dramatic shift in the supply-demand balance—one that will greatly favor NAND flash memory suppliers in the next several years, according to IC Insights' recently released *Mid-Year Update* to the *McClean Report*. Unit shipments and bit volume demand continue to increase. At the same time, however, there has been a severe reduction in flash memory capital spending. Combined, these two factors will put upward pressure on average selling prices through 2012.

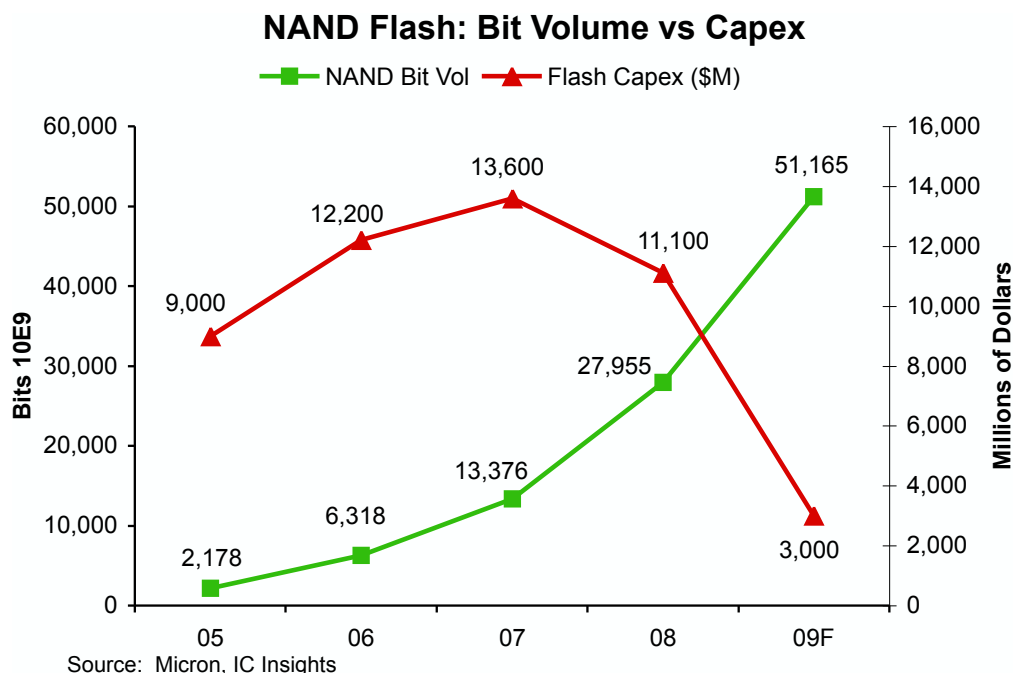
### **MORE INFORMATION CONTACT**

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NAND flash memory unit shipments have declined only one year (2001) since IC Insights started tracking this market in 1993. Moreover, flash units are not forecast to decline through 2013 and that includes 2009 with all of its economic challenges. Unit growth has resulted in very strong flash bit volume growth as well. Driven by handheld and wireless consumer, computer, and communications devices, flash bit volume increased by triple-digit figures between 2005 and 2008. As difficult as the global economy has been in 2009, NAND flash bit volume is still forecast to increase 83%! Samsung, Micron, and other flash manufacturers show no signs of slowing flash bit volume growth in their forecasts. In fact, their roadmaps suggest that bit volume will continue to roughly double each year through 2013.

While unit and bit-volume demand are forecast to escalate, industry-wide capital spending for NAND flash memory has been severely curtailed. Figure 1 shows NAND bit volume increasing through 2009 yet total industry-wide capital spending for NAND flash memory is forecast to decline 73% in 2009 to only \$3.0 billion (NAND accounts for 99% of total flash bit volume). Moreover, no significant expansion or capex spending plans have been announced for 2010, according to the *Mid-Year Update*.

With unit demand increasing and a minimal amount of new facilities and upgrades planned, conditions are setting up for average selling prices to move higher through the balance of 2009 and into 2010. In fact, the rise in ASPs could last well into 2012 since it will take some time before new capacity expansions are brought online. This trend, though a potential burden to OEMs, could be a significant blessing for flash suppliers who have seen only steep price declines for their products over the past several years.



**Figure 1**

## Report Details

IC Insights' *2009 Mid-Year Update* is a part of its new "Half-Year" *McClean Report* service. The *2009 "Half-Year" McClean Report* subscription includes the 200+ page *Mid-Year Update* (released July 31, 2009), the August, September, October, and November *Monthly Updates*, as well as access to *The McClean Report* subscriber-only Webcasts in August and November. The new *2009 Half-Year McClean Report* subscription is **value priced at only \$1,890**.

Note: Current *2009 McClean Report* subscribers will receive the products/services described above as part of their full-year subscription.

To review additional information about IC Insights' new and existing market research products and services please visit our web site: [www.icinsights.com](http://www.icinsights.com)

## Announcements

With several indicators pointing to improving business conditions, the time is right to reassess the IC market for the balance of 2009 and the next several years. IC Insights will provide this opportunity when it examines current and developing economic and IC market trends at its 6th annual *Fall Forecast Seminar* to be held from 9:00am to 12:00pm on September 17, 2009 at the Sheraton Sunnyvale Hotel in Sunnyvale, California. Visit [www.icinsights.com](http://www.icinsights.com) for more information.

### About IC Insights

IC Insights, Inc., based in Scottsdale, Arizona USA, is dedicated to providing high-quality, cost-effective market research for the semiconductor industry. Founded in 1997, IC Insights offers coverage of global economic trends, the semiconductor market forecast, capital spending and fab capacity trends, product market details, and technology trends, as well as complete IC company profiles and evaluations of end-use applications driving demand for ICs.

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