Earlier-than-Expected Market Turnaround is Driving Demand and Pressing Suppliers

Buoyed by improved market demand and a brightening macroeconomic environment, revenue in 2010 for NOR flash memory is projected to rise in a continuing assertion of the technology's strength and staying power, according to iSuppli Corporation.

Reversing the market's slump of the past year from the worldwide economic downturn, revenue for NOR flash memory is projected to climb a modest but encouraging 4.2 percent, rising to $4.8 billion this year from $4.6 billion in 2009.

Of the 2010 revenue amount, roughly 57 percent will come from the NOR used in mobile handsets — a principal product category in which the flash memory type is traditionally used. The rest of NOR flash revenue — 43 percent, or $2.0 billion — will derive from embedded NOR uses, the particular segment of NOR memory that has found extensive application in a wide range of consumer electronic products other than mobile handsets.

Within the embedded NOR segment, the PC market—including the motherboard, disk drive and networking sectors — will constitute more than 50 percent of units. Given that more than five NOR pieces are needed for every computer system, and in light of projections showing the PC market expanding 16 percent this year, the NOR flash market can expect upgraded prospects in 2010 compared to generally depressed results last year, iSuppli believes.

Aside from the PC market, the other non-mobile categories anticipated to enjoy heightened activity in 2010 — and benefitting the NOR market in the process — include set-top boxes, automotive infotainment, computer monitors and televisions.

Sudden Good Fortune Catches NOR Suppliers Unprepared While iSuppli's NOR revenue forecast is in line with previous projections showing a healthier 2010, the earlier-than-expected upturn of the market has caught flash companies off-guard.

Following the recession, companies cautiously started carrying leaner inventories to minimize bloated stock. Nonetheless, the sudden, early upsurge in NOR demand—an expansion that started in the second half of 2009 and has continued since then—has left suppliers scrambling to fulfill orders. And despite capacity increases and close-to-maximum fab utilization levels among NOR suppliers, lead times have ballooned for clients awaiting product. The net effect of such developments has been to prolong the strength of chip pricing, with average selling prices projected to hold steady for the rest of the year.

The NOR market is also aware of a double-edged sword, given the heavy reliance of the industry on PC product shipments for growth. But thanks to its utility, low unit

pricing and specific advantages in functionality, NOR seems assured of remaining as a key segment in the flash industry for years to come, iSuppli believes.

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