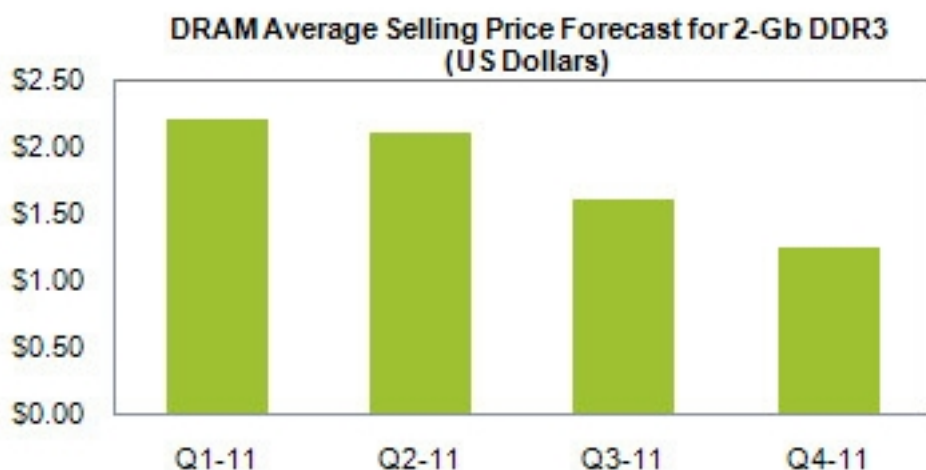


Memory Prices Heading Downwards

Written by Marco Attard
31 August 2011

IHS iSuppli reports global Q2 2011 DRAM prices continue freefalling further-- and will continue doing so throughout Q3 and Q4.

Suppliers will also face a "dramatic oversupply" in a "turbulent" H2 2011.



Source: IHS iSuppli Research, August 2011

The average DDR3 DRAM (in 2GB density) price will drop from \$2.10 (Q2 2011) to \$1.60 (Q3 2011)-- a Q-o-Q decrease of -24%, the biggest in 2011. In Q3 2010, the average DRAM price was around \$4.70.

iSuppli also predicts Q4 2011 prices will drop by -22% Q-o-Q, reaching the average price of \$1.25 (dangerously close to cash costs for manufacturers).

Q2 2011 saw "relatively flat, unchanged DRAM pricing compared to the first quarter" iSuppli says-- but companies failed to take advantage of healthy pricing levels by not increasing Q2 2011 shipments.

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This results in bloated inventories at a time of transition to new process technologies.

However (if past trends are any indication) DRAM companies should rapidly shift inventory in H2 2011 as they move up the yield curve, iSuppli says. The analyst expects 15.9% growth in Q3 2011 DRAM shipments, together with prices decreasing further.

Such a weakening DRAM market should encourage manufacturers to optimise their product mix-- while buyers take advantage of really good prices for the rest of the year.

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