

NAND Flash Quarterly Insights Q1/09 - Abstract**Report No. FI-NFL-NQI-Q109**

With weak macro-economic fundamentals and consumer confidence at a record low, NAND flash vendors have responded to the falloff in consumer demand by phasing out of production of 200mm wafer manufacturing and cutting fab utilization to an industry-wide average of 70% in Q1/09. As a consequence, NAND flash ASP's have rebounded from a low price point of ~80¢/GB in Q4/08 and are currently close to covering cash costs. Capital expenditures will fall 69% in 2009 and is primarily directed at technology migration.

The capacity cuts will moderate price declines in 2009 and 2010 but could also cap upward price movements if vendors turn on idle capacity to take advantage of price spikes or temporary supply shortages. Even with these moderate price declines, vendors are unlikely to return to profitability raising the prospect of further capacity cuts.

Supply side reductions and weak demand combine to result in record low bit growth in 2009. As the technology migration becomes more challenging with each new process generation, 2008 may have been the last year of triple-digit bit growth for the NAND flash industry.