

Spot and Contract Prices Split Ways, with Contract Prices Plunging by Over 10% in July, Says TrendForce

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DRAMeXchange, a division of [TrendForce](#), finds that although spot prices have increased by 24% on average since the start of July, the scale of the spot market is too small to relieve suppliers of their high inventory levels by any noticeable amount. Furthermore, end demand for memory products saw no improvement entering peak-season, putting contract prices on the slide yet again. Contract prices for market mainstream DDR4 8GB products have come to US\$25.5, a 10.5% decline MoM from US\$28.5.

TrendForce explains that quotes for contract prices were driven by the dynamics of supply and demand rather than news of recent events circulating in the market. Demand forecasts give that the total annual PC shipments (including NB) will drop by 4.8%, the total annual smartphone production volume will drop by about 5%, and the total annual server shipments will register flat growth (a downward correction from a YoY growth of 3.9%). On the supply side, some DRAM manufacturers have announced plans to scale back production, but the actual size of these cuts are fairly limited, and mainly involving phase-outs of legacy processes or wafer reductions accompanying the adoption of more advanced processes. Manufacturers are carrying about 3-5 months of inventories up to now. An unresolved oversupply conjoined with the fact that the contract market forms over 90% of the whole DRAM market means that contract prices are still on the decline this month.

Looking at DRAM price trends in 3Q, we see that it will be worth observing whether Japan will actually allow material exports after a 90-day hold-up, but judging from suppliers' willingness to drive sales by lowering prices in July, this won't pose too big of a problem for production and shipments to come. Even though Japan announced the removal of South Korea from its list of 'white countries,' it is merely removing South Korea's status as a most-favored nation (MFN) and does not constitute a sanction or restriction, placing South Korea alongside Taiwan and other countries, whose exports of sensitive commodities must go through meticulous reviewing. However, suppliers still hope to leverage this issue to keep prices up somewhat and raise the difficulty in gauging the movements of contract prices for 3Q19.

Circulating News Bringing Up Spot Prices, with a Real Reversal to Depend on Supply and Demand

TrendForce points out that the recent leap in spot prices were originally the result of the controls placed by Japan on exports of three kinds of semiconductor materials, especially since the price falls in the last two years caused inventories for market channels to become low. The addition of market anxieties and worries over future supply caused spot prices to leap large in the short term, but no actual transactions are taking place in spot markets, and no transactions means a very high probability for prices to plunge after peaking. Past experiences show that the spot market often forms an indicator forecasting the rise and fall of the DRAM industry, but whether the industry will fluctuate by a large degree depends on the actual increases or decreases to inventory. Yet the perceived rise in DRAM spot prices remain mere news, and are unlikely to constitute an official bounce in prices in the short term with suppliers holding large inventory levels, unless the Japan-South Korea dispute worsens.

Japan Tightens Export Controls, with Actual Extent of Impacts to Manifest in 3Q

Japan has announced a tightening of South Korea-bound export controls on July 1, with three materials with potential military uses listed among the items requiring close scrutiny. But TrendForce's investigations show that among the three restricted items: photoresists, hydrogen fluoride and fluorinated polyimides, only hydrogen fluoride is used in DRAM/NAND production. Although Japan holds a 60-70% share in the global market for hydrogen fluoride, semiconductor manufacturers may still acquire the material from other regions or countries. And since Samsung and SK Hynix hold stockpiles that will last them for around 2.5 months, the short term impacts won't present much of a problem. According to sources, Korean DRAM suppliers have already sent documents to be reviewed by the Japanese government immediately after the materials incident, with most

documents rejected due to missing required documents, if any were rejected at all. The reviews will last 90 days at most, and we should see things start to clear up a bit in 3Q. If the first batch of controlled items may be successfully exported to South Korea, then the Japan-South Korea problem over controlled materials may be considered subsided for now.

About TrendForce

TrendForce is a global provider of the latest development, insight, and analysis of the technology industry. Having served businesses for over a decade, the company has built up a strong base membership base of 435,000 subscribers. TrendForce has established a reputation as an organization that offers insightful and accurate analysis of the technology industry through five major research divisions: DRAMXchange, WitsView, LEDinside, EnergyTrend and Topology. Founded in Taipei, Taiwan in 2000, TrendForce has extended its presence in China since 2004 with offices in Shenzhen and Beijing. For more details about TrendForce, please visit www.trendforce.com

Major research divisions:

DRAMeXchange focuses on memory, storage and the consumer electronics industry including PC DRAM, Mobile DRAM, Server DRAM, NAND Flash, SSD and smartphone.

WitsView offers comprehensive coverage of the display industry from upstream components, midstream panels/touch modules to downstream system integrators, brands and channels.

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