

# Asia's IT parts makers struggle with demand boom

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A man takes a photo with a mobile phone at an exhibition in Santiago, Chile. Wrong-footed by rocketing consumer demand, Asian technology suppliers are scrambling to expand capacity before inventories run dry of everything from smart phones to flat-panel screens.

Wrong-footed by rocketing consumer demand, Asian technology suppliers are scrambling to expand capacity before inventories run dry of everything from semiconductors to flat-panel screens.

Asian components makers, betting on a much longer [economic downturn](#), last year ran down their stockpiles to "very unhealthy levels", according to Nancy Liu, an analyst at Taiwan's Industrial Technology Research Institute.

But demand worldwide for gadgetry ranging from computers to

smartphones and [liquid-crystal displays](#) is zooming ahead, even if the West's retail sales as a whole are still sluggish. And China is a boom market all by itself.

Jin Sung-Hye, an analyst with South Korea's Shinhan Investment Corp., said Asian component makers were now rushing to ramp up production after failing to forecast the consumer recovery.

"However, higher component prices will not lead to a drastic increase in PC prices, as makers are under pressure to produce upgraded models," she said.

Makers of computers and consumer electronics could instead see their profit margins squeezed, given cut-throat industry competition with consumers used to ever-falling prices on the high street.

And consumers themselves might have to get used to delays in procuring the latest must-have gadgets, a problem that has afflicted Apple's [iPhone](#) as Taiwanese chip suppliers struggle to keep up.

Component shortages will linger, with analysts saying it typically takes 15 months from the time a manufacturer decides to boost capacity until production actually picks up.

"Shortages are expected to continue throughout this year and possibly into early next year if the [global economy](#) maintains the current pace of recovery," Jin said.

US giant Intel, the world's biggest chipmaker, last week reported its net profit soared nearly nine-fold to 2.3 billion dollars in the last quarter of 2009.

Its booming sales came as industry tracker IDC reported that US

computer shipments topped 20 million in the fourth quarter, a record figure, while global PC shipments jumped 15.2 percent year-on-year.

IDC identified two key factors -- abundant deals on low-priced netbook computers, and pent-up demand as consumers upgraded their PCs after the financial crisis.

Industry shortages mean the semiconductors needed for an average computer are likely to be 2.8 percent more expensive this year than last, marking the first rise since 2004, according to analyst firm Gartner.

The average selling price for one gigabyte of DRAM, or computer memory, will still decline by eight percent this year. But that compares with much steeper falls of 27 percent in 2009 and 53 percent in 2008, Gartner said.

"If we look at how bad it was in the first quarter of last year, no one could have predicted that the economy would recover this fast," Taiwan-based Gartner analyst Ben Lee said.

"There was financial turbulence, and companies went bankrupt," he said.

"This has changed with government stimulus plans plus a loose monetary situation. Money is flooding into the market. Everyone can borrow."

The Chinese government implemented a stimulus spree worth 586 billion dollars, and consumers in the world's third-largest economy have played a major role in stoking demand, according to observers.

"The fast recovery in the Chinese market appears to be the main reason" for the global technology boom, said Shinhan Investment's Jin.

Taiwan's Innolux Display Corp. is one technology company being forced

into a drastic reappraisal of its plans as it battles to keep up with the demand.

The firm recently announced a merger with rival Chi Mei Optoelectronics Corp. as it vies to take on the big Japanese and South Korean suppliers of flat-panel displays.

The deal was originally expected to be completed in May, but has now been hastily brought forward to March.

"Innolux hopes to integrate the two companies' capacity and ensure a steady supply of panels as soon as possible," said Nancy Liu.

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