

# Thai flooding disrupting hard drive supplies

October 29 2011, by Chris Lefkow

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This aerial image shows partially-submerged factories in floodwaters in Pathum Thani, outskirts of Bangkok, on October 20. The massive flooding is disrupting supplies of hard disk drives (HDDs) for the world's personal computer makers, according to companies and market intelligence firms.

The massive flooding in Thailand is disrupting supplies of hard disk drives (HDDs) for the world's personal computer makers, according to companies and market intelligence firms.

Around 40 percent of all hard disk drives worldwide are produced in Thailand, making it the second-largest exporter of HDDs after China.

John Rydning, research vice president for hard disk drives at technology consultant IDC, estimated that [factories](#) in Thailand currently affected by flooding account for some 25 percent of worldwide HDD production.

"There's definitely going to be an impact on HDD customers this quarter

and next quarter," Rydning told AFP on Friday. "It's going to take several months for the HDD industry to recover."

Apple chief executive [Tim Cook](#) told [financial analysts](#) last week he was "virtually certain" that the flooding in Thailand would lead to an overall industry shortage of [hard disk](#) drives.

"Like many others, we source many components from Thailand," Cook said during the [quarterly earnings](#) call for the manufacturer of the [Macintosh computer](#) line.

"There are several factories that are currently not operable and the recovery timeline for these factories is not known at this point," he said.

"It is something that I'm concerned about," Cook said. "How it affects Apple, I'm not sure."

Fang Zhang, an analyst for [storage systems](#) at market intelligence and technology consultant IHS [iSuppli Corp.](#), said the flooding could cause a 30 percent drop in HDD production in the fourth quarter of the year.

Fang said in a statement that the floods could potentially lead to an HDD supply shortage this quarter that may last into the first quarter of next year.

Before the disaster, IHS iSuppli had forecast production of 176.2 million hard drives during the fourth quarter.

IDC's Rydning stressed that not all of the HDD production in Thailand is being affected by the flooding and said the impact "is mitigated somewhat by HDD inventory that existed entering the flood period.

"Those inventories will help to satisfy some of the HDD requirements of

major customers," he said. "But we expect that any inventory available will be depleted, probably in the month of November."

The three-month crisis triggered by unusually heavy monsoon rains has left at least 377 people dead and damaged millions of homes and livelihoods, mostly in northern and central Thailand. Floodwaters are now approaching Bangkok.

Rydning noted that the flooding in Thailand was the second major natural disaster to hit the HDD industry this year, coming on the heels of the earthquake and tsunami in Japan in March.

"But it's a very resilient industry," he said. "It really came out of the third quarter in pretty good shape, not only in terms of meeting demand but having inventories back at levels they were at prior to the earthquake and tsunami."

Apple is just one of the world's computer manufacturers expected to be affected by the tightening of supply of hard drives.

"Amongst all of the PC vendors the pain is going to be felt by everyone -- more so by some of the smaller PC vendors than the bigger ones," Rydning said.

Major PC manufacturers will be better able to weather the crisis because of their access to inventory and their ability to negotiate more strategic supply agreements, he said.

Rydning said the two HDD assembly companies the most heavily impacted by the flooding are Western Digital and Toshiba.

"They're the two companies that have assembly factories in the [flood](#) zone," he said.

More than a dozen HDD component suppliers were also affected because "they're congregated and clustered in that same region," he said.

"But it's important to realize that these component suppliers are extremely nimble," he said. "They have factories in other countries as well, in China and the Philippines and Malaysia.

"As quickly as they can they'll transfer production to those factories and try to make up any capacity that's lost due to flooding in Thailand," he said. "They will be very helpful to the HDD vendors to help them recover."

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