

# Thai floods expected to hit PC shipments into 2012

November 10 2011, by Paul Handley

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Thai flooding will significantly slow the global production of personal computers well into 2012, analysts said Thursday, as the country's huge hard disk drive industry struggles to its feet.

Supplies of hard disk drives (HDDs), the most critical component in personal computers, could tighten by 30 percent in the fourth quarter, forcing PC makers to tail back production, experts said.

According to industry specialist International Data Corporation (IDC), that could bring about, in the worst case scenario, a 20 percent cut in PC shipments in the first quarter next year.

Thailand's huge HDD industry, mostly located in industrial estates in the central plains, supplies about 40 percent of world market for the crucial memory components.

"The HDD shortage will affect smaller PC vendors and lower priced products most," like netbooks and the cheapest computers, said Loren Loverde of IDC.

"However, even the largest vendors are expected to face HDD shortages, particularly for portable PCs where the market is more consolidated," Loverde said.

Consultancy IHS iSuppli said the floods, which since July have inundated much of low-lying central Thailand, including the capital

Bangkok, would cut global HDD shipments by some 51 million units in the current quarter, to 125 million units.

"Prices for HDDs have already begun to move higher on the anticipation of shortages, and it is likely that prices will remain elevated, possibly by more than 10 percent, for several quarters to come," IHS said.

Key producers like Toshiba and Western Digital have shut down large parts of their Thai production capacity due to the floods, which have also forced Thai-based producers of HDD components to halt production as well.

Jefferies & Co analyst Peter Misek said in a new research note that major PC makers like Dell and Hewlett-Packard have the disk drive stocks on hand to handle any shortages for the rest of this year.

The shortage "could counterintuitively help Dell's and HP's January quarter PC business as retailers and distributors clamor for as much supply as possible," Misek said.

"However, we believe a significant shortfall could occur in the April quarter once PC and HDD inventories are depleted and HDD production is still undersupplied."

As Thailand moves into the dry season and the floods recede, HDD producers should be able to get back to work by the end of the year, and IDC forecasts that the market will be back to normal with stable prices by June.

But the HDD shortage could also hit another part of the industry -- already-oversupplied dynamic random-access memory (DRAM) components.

"A fall in PC sales in the first half of 2012 will further depress the DRAM market. Manufacturers will continue to idle capacity while suffering weak pricing," said IHS iSuppli analysts.

IHS iSuppli said earlier that the floods had shut down assembly and test operations that many semiconductor makers run in Thailand as well, causing problems in that sector.

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