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IDC Lowers Outlook for Hard Disk Drive and PC Shipments Based On Disruptions Due To Flooding In Thailand

Singapore and Hong Kong, November 11, 2011 – Widespread flooding is bringing unprecedented devastation to the people and economy of Thailand. With operations disrupted at more than a dozen hard disk drive (HDD) factories, damage to the HDD industry is significant. And this will have a direct impact on worldwide PC shipments through the first half of 2012, according to a new International Data Corporation ([IDC](#)) report.

In the first half of 2011, Thailand accounted for 40-45% of worldwide HDD production. As of early November, nearly half of this capacity was directly impacted by the flooding. In addition to assembly and component facilities being inundated with water, the industry faces work stoppages due to poor access and power outages. The full extent of the damage to HDD industry factories will not be known until the floodwaters recede, although it's already clear that there will be HDD supply shortages into the first quarter of 2012.

The severity of HDD shortages in the coming months largely depends on the industry's ability to recover lost production capacity in Thailand. While IDC believes HDD industry participants will recover and restore HDD production capacity relatively quickly, HDD supply will remain constrained for an extended period of time. As a result, PC vendors should plan for and expect the following:

- Significant HDD shortages by mid-November 2011 that will continue into 1Q 2012.
- A large part of PC production for Q4 2011 shipment has already taken place or can be completed with existing HDD inventories, limiting the impact on Q4 PC shipments to less than 10%. But in a worst-case scenario, total PC shipments could be depressed by more than 20% in Q1 2012 vs. previous forecasts as a result of the HDD shortage.
- Higher HDD prices as demand exceeds supply and manufacturers face increased costs for components, expedited shipments, and shifting of production to new locations.
- The HDD industry begins to recover in 1Q 2012, and HDD pricing stabilizes by June, with the industry running close to normal in the second half of 2012.
- Opportunities for larger PC vendors to capture enterprise accounts from smaller competitors and accelerate industry consolidation, particularly in faster growth markets.

"In response to the crisis, priority will be given to the large PC manufacturers that drive HDD shipment volumes as well as to the high-margin products used in enterprise servers and storage," said [John Rydning](#), research vice president, Hard Disk Drives and Semiconductors. "But the HDD vendors can't neglect their smaller customers, whose business will continue to be important once capacity is fully restored. Some interesting production and partnering arrangements with customers can be expected as HDD vendors scramble to bring production back up while simultaneously angling for a strategic advantage."

"The Asia/Pacific (excluding Japan) region's PC market could feel a more pronounced impact than other regions given the large number of whitebox PCs sold in the region, although larger PC vendors that get their hands on HDD supplies could have an opportunity to gain more market share in the process," said [Bryan Ma](#), Associate Vice President of Client Devices Research at IDC Asia/Pacific. "Local PC consumption in Thailand has

another set of challenges, ranging from logistics and distribution to government budgets, but the market there has also shown an ability to rebound quickly, which can hopefully happen by the second half of next year."

The IDC study, ***The PC Market Is Disrupted By HDD Shortages: The Severity, Resulting Opportunities, And Expected PC Market Reactions*** (forthcoming), assesses the impact of hard disk drive shortages caused by widespread flooding in Thailand on the PC market in calendar Q4 2011 and the first half of 2012. Assumptions about the recovery period for the HDD industry, as well as the timing for restoration of HDD inventories are factored into determining the impact on the PC market. Expectations for HDD pricing over this period are also addressed.

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