Intel raises sales forecast; shares jump 4 percent

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FILE - In this Jan. 7, 2009 file photo, Intel logos are shown at the International Consumer Electronics Show (CES) in Las Vegas. Intel Corp. raised its third-quarter revenue forecast above Wall Street's expectations Friday, Aug. 28, 2009, citing strong demand for its chips and giving another signal that business is improving for one of the world's biggest technology companies.(AP Photo/Jae C. Hong, file)

(AP) -- Intel Corp. raised its third-quarter revenue forecast above Wall Street's expectations Friday, citing strong demand for its chips and giving another signal that business is improving for one of the world's biggest technology companies. Intel shares rose 4 percent.

The leading maker of computer microprocessors now expects sales of

$8.8 billion to $9.2 billion. Its last guidance, which came July 14, was for revenue in the range of $8.1 billion to $8.9 billion.

Analysts polled by Thomson Reuters were expecting $8.55 billion in revenue before Friday.

Santa Clara, Calif.-based Intel also said it expects the quarter's gross profit margin to be in the upper half of the range it previously forecast.

Because it gets most of its revenue from selling chips that are the "brains" of personal computers, Intel is indicating that PC makers are loading up on new chips faster than even it expected. While that suggests PC makers believe demand for the computers they're building will be strong, it doesn't necessarily mean they're selling briskly yet.

Intel is benefiting from the fact that PC makers had burned through a lot of their inventory, instead of buying new chips, as the financial crisis worsened. Now they have to restock ahead of what they're hoping will be a healthy back-to-school and holiday season.

Consumer demand for PCs is stabilizing or improving slightly from deeply depressed levels, as shown in the latest quarterly results from the world's top two PC makers, Hewlett-Packard Co. and Dell Inc. But the PC industry is still ailing: It's on track for its worst year in nearly a decade, and some analysts say even Intel's better guidance doesn't mean the industry's in the clear.

Dell Inc., the world's No. 2 PC maker, said Thursday as it reported quarterly earnings it might not see a significant turnaround in spending by businesses until next year. By then, many companies will need to begin replacing older PCs that they've been hanging on to for longer than usual, and will have a new version of Windows available.

"Intel's news isn't exactly a surprise," said Ashok Kumar, an analyst with Collins Stewart. "All the ducks were lining up for a strong third quarter. Where the rubber meets the road is the December quarter."

Intel had already signaled in July that its business was on the mend after a difficult downturn. The company's second-quarter sales were well past Wall Street's expectations, and its guidance for the current quarter was better than what analysts were predicting at the time.

"Intel was clearly being more conservative than they needed to be," said Broadpoint AmTech analyst Doug Freedman of the company's earlier outlook.

Even with the raised forecast, Intel's sales would still fall from last year. The company's third-quarter revenue was $10.2 billion in 2008.

Intel shares rose 78 cents to $20.25 in afternoon trading. The stock has traded between $12.05 and $23.71 over the past year.

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