

# AMD cuts 3Q guidance, blames weak consumer sales

September 23 2010, By JORDAN ROBERTSON , AP Technology Writer

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(AP) -- Advanced Micro Devices Inc. has lowered its third-quarter outlook, supplying fresh evidence that consumers' penny-pinching on personal computers has led to a painful back-to-school shopping season for some technology companies.

AMD is the world's No. 2 maker of PC microprocessors, the "brains" of those machines.

Its announcement Thursday reinforces a message the computer industry has been sending for the past month: stubborn unemployment and worries that the global [economic recovery](#) is sputtering have caused many consumers to close their wallets when it comes time to buy a new PC.

That's a reversal from the worst of the recession, when consumers' clamoring for "netbooks" and other inexpensive computers helped the industry tread water while corporations choked off spending on new technologies. The sides have now flipped: flush with sizable cash hoards, corporations have freed up their budgets and are spending again, while many consumers are girding for prolonged unemployment and are being more cautious about the technology they buy.

AMD said after the market closed that its revenue should fall 1 percent to 4 percent from the second quarter's \$1.65 billion. That translates to a range of \$1.58 billion to \$1.63 billion. Analysts expected \$1.71 billion,

on average, according to a survey by Thomson Reuters.

The company, based in Sunnyvale, Calif., blamed weaker-than-expected demand, particularly in consumer laptops in Western Europe and North America. Austerity measures that were implemented in response to Europe's debt crisis, and shaky economic signals out of the U.S., are two reasons why PC sales in those regions have been hit hardest.

AMD didn't provide further details. The company said in a statement that it would elaborate when it reports its full results for the quarter on Oct. 14.

AMD joins a chorus of other technology companies in cautioning about bumps in back-to-school shopping. The end-of-summer shopping season is one of the most important times of the year for consumer electronics companies and their suppliers, such as [AMD](#).

AMD's bigger rival, Intel Corp., which is the world's biggest computer chip maker, also cut its third-quarter guidance last month, saying its revenue would be \$10.8 billion to \$11.2 billion, versus its previous forecast of \$11.2 billion to \$12 billion.

AMD's and Intel's forecasts are significant because between the two of them, the companies supply essentially all of the processors inside modern PCs. Their numbers offer an early indication of where their customers - the world's biggest computer makers - expect PC demand to go.

Two leading PC makers - Hewlett-Packard Co. and Dell Inc. - have also raised red flags about what is normally a robust season for sales.

One benefit for consumers of slowing sales is that PC makers and retailers might cut prices to move product out the door.

Consumers aren't clamping down on all technology spending, however. Earlier this month, Best Buy Co., one of the world's biggest consumer electronics retailers, struck an optimistic tone about the holiday season and raised its guidance for the year. People aren't buying as many new TVs, but they are snapping up smart phones and Apple Inc.'s iPad tablet computer, showing that shoppers are being selective in the electronics they buy.

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