

SK Hynix sinks to loss on oversupply, weak demand

July 26 2012, by YOUKYUNG LEE

(AP) — SK Hynix Co., which supplies mobile chips to Apple Inc., sank to a quarterly loss as oversupply battered mobile chip prices while demand for personal computers weakened.

SK Hynix said Thursday its net loss totaled 53 billion won (\$46 million) in the April-June period on revenue of 2.6 trillion won.

The South Korean chipmaker posted a small operating profit for the first time in one year but its 23 billion won operating income was just 5 percent of 447 billion won operating income a year earlier.

The quarterly results reflect the challenges facing Asian chipmakers. Global demand for smartphones has not been as strong as chipmakers' overly upbeat estimates and a slowing global economy has clouded the outlook for the personal computer market.

Hynix blamed a steep drop in prices of NAND [flash memory](#), which goes into smartphones and tablet computers.

As global chipmakers raced to increase output of flash memory, prices of NAND flash chips tumbled nearly 20 percent in the second quarter. Japan's Toshiba Corp. said earlier this week it would slash output of flash memory to better cope with oversupply and the price plunge.

The decline in flash memory prices offset a marginal price recovery in memory chips used in personal computers, which have remained at a

rock bottom for more than a year.

Analysts have recently downgraded their outlook for Hynix after industry bellwether Intel Corp. cut its revenue forecast, signaling weak PC sales for the rest of the year.

Hynix, which is the world's second-largest memory chipmaker after Samsung Electronics Co., gets around 40 percent of its dynamic random access memory chip revenue from global PC makers including Dell Inc. and Hewlett-Packard Co.

Even as worries persist that the weak global economy will weigh down consumer and corporate spending on technology products, Hynix said memory chip market conditions will likely improve over the rest of the year as chipmakers reduce output and demand picks up.

Upcoming launches of new laptop computers, timed for the release of Google's new Nexus 7 operating system, other tablet PC launches and new smartphones such as Apple's next iPhone could lift demand, according to Hynix and market analysts.

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