

PC market still ailing despite gains in US, Europe (Update)

October 8 2014, by Michael Liedtke

The personal computer market is still ailing, despite showing some signs of recovery in several key markets.

PC sales in the third quarter rebounded in the U.S. and western Europe. But shipments continued to fall in China, Japan and other Asian countries, where more people with smartphones and tablets apparently see little reason to buy laptop and desktop machines.

The contrasts emerged in two separate reports released Wednesday by research firms International Data Corp. and Gartner Inc.

IDC estimates worldwide PC shipments during the three months ended in September totaled 78.5 million units, a 2 percent decline from last year. Gartner pegged the worldwide sales at 79.4 million units, a decrease of less than 1 percent.

This marks the ninth time in the past 10 quarters that worldwide PC shipments have dropped, a slump driven by the growing popularity of mobile devices for work, entertainment, information and communications.

The downturn has been easing now that most people who wanted a tablet computer and could afford to buy one have done so, particularly in the U.S. That phenomenon has been hurting Apple Inc., where iPad shipments fell 13 percent in the first half of the year.

"Consumers' attention is slowly going back to PC purchases," Gartner analyst Mikako Kitagawa said.

Many consumers and businesses have been replacing PCs running on the Windows XP operating system that Microsoft Corp. stopped supporting during the spring.

PC sales in the U.S. rose by 4 percent in the third quarter, according to IDC. Gartner estimated PC shipments surged by nearly 10 percent in a region anchored by Europe.

The situation is much different in China and other countries where people tend to have less money to spend than in the U.S. and western Europe. Consumers who don't already own a PC in Asia are more likely to buy a tablet or smartphone with a large screen to handle their computing tasks, Kitagawa said.

Even with those challenges, the PC market now appears to be in its best condition since 2011. IDC is projecting a "healthy" holiday shopping season for PCs, with another sales increase anticipated in the U.S. during the fourth quarter.

The PC industry remains on shaky ground, though, because much of the market demand is for less expensive laptops such as Google's Chromebook. Prices for those lightweight machines begin at less than \$200. The thin profit margins on low-priced PCs may discourage some manufacturers from remaining in the market, warns IDC analyst Jay Chou.

The challenges facing the industry contributed to Hewlett-Packard Co.'s recently announced decision to spin off its PC and printer business from the rest of the company.

HP's worldwide PC shipments increased 4 to 5 percent in the third quarter, leaving the company as the second-largest PC maker, according to IDC and Gartner. China's Lenovo Group remained the largest PC maker after its third-quarter shipments climbed by 11 percent, the research firms said.

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