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## Led by Intel, Chip Makers Cut Outlook

By [ASHLEE VANCE](#)

[Intel](#), the world's largest producer of computer chips, warned on Wednesday that its sales could fall as much as 19 percent in the fourth quarter. Other major players in the chip industry, including [Applied Materials](#) and [National Semiconductor](#), offered their own bleak outlooks.

Together, the gloomy forecasts suggest that the technology industry is about to enter a slump that will rival or possibly exceed the dot-com bust of 2001. "It is really a complete shutdown of consumer and corporate business," said John Dryden, an analyst with Charter Equity Research. "Things have gotten worse every week of October and even worse in November."

Underscoring how rapidly the decline has occurred, Intel's revised forecast came less than a month after it first handed Wall Street guidance for the quarter. Intel said it now expected fourth-quarter revenue of \$8.7 billion to \$9.3 billion, down from the earlier projection of \$10.1 billion to \$10.9 billion. Last year, Intel posted fourth-quarter revenue of \$10.7 billion.

"There was a very rapid decline in business across all segments and geographies," said Tom Beermann, a spokesman for the company, which is based in Santa Clara, Calif.

Intel is a bellwether of the tech industry because its chips run hundreds of millions of personal computers and servers used by consumers and businesses.

Its warning echoes the sentiments of [Cisco Systems](#), the leading maker of network equipment, which said last week that a "completely different environment" had taken hold in October as the financial crisis spread from Wall Street and across the globe. Cisco's sales could drop 10 percent in the second quarter, the company said.

Intel issued its new forecast after the stock market closed on Wednesday, accompanying grim news from two other leading companies in the semiconductor industry.

Applied Materials, which produces equipment used by semiconductor makers, reported a 45 percent drop in fourth-quarter profit to \$231 million, down from \$422 million in the period last year. Sales tumbled 14 percent, to \$2.04 billion from \$2.37 billion.

Applied, based in Santa Clara, Calif., said it planned to cut 1,800 jobs — or close to 12 percent of its staff — over the next year. It expects to save about \$400 million a year from the staff cuts.

Mimicking Intel, National Semiconductor lowered its sales forecast for the current quarter by more than 10 percent. It had expected revenue of \$470 million to \$480 million for the period ending Nov. 23, but is now looking for revenue of \$420 million to \$425 million. National Semiconductor is also based in Santa Clara.

Last week, [Advanced Micro Devices](#), Intel's main rival, revealed plans to lay off 500 people, or close to 3 percent of its work force. In addition, mobile semiconductor supplier [Qualcomm](#) has pulled back on hiring and research projects while complaining of a sudden reduction in orders from mobile device customers.

The recent downturn in sales further depresses a semiconductor market that had been suffering from a glut of memory chips and intense competition on price.

Shares of Intel dropped nearly 3 percent, to \$13.52, in trading on Wednesday. After the release of the fourth-quarter forecast, Intel's shares fell more than 7 percent in after-hours trading.

On Oct. 14, Intel's chief executive, [Paul S. Otellini](#), was vaguely cautious in his outlook, saying only that "some customers" were feeling pressure as a result of the financial crisis, while others were unaffected.

Intel tried to accommodate this uncertainty by providing a wider-than-usual range in its fourth-quarter revenue forecast. But chip sales dropped so precipitously that the company was forced to revise the numbers before a planned midquarter update.

If Intel's fourth-quarter revenue comes in at the low end of its forecast, the 19 percent drop in sales would be the biggest since the fourth quarter of 2001, when sales dropped 20 percent.

The warnings from the large semiconductor players mean that consumer electronics and computer companies will probably have a difficult holiday season. [Best Buy](#), the leading electronics retailer, offered its own bleak forecast Wednesday, and its rival, Circuit City Stores, filed for bankruptcy protection Monday.

"People don't have any money left to buy cool gadgets," said Trip Chowdhry, an analyst at Global Equities Research, adding that the housing debacle has drained consumer budgets.

In the next few months, Mr. Chowdhry expects a spate of job cuts in Silicon Valley.

"It will be almost across the board in the region," he said. "Three percent to 10 percent of the people will get laid off."

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