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Chipmakers' outlooks stoke economy concerns

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By Noel Randewich and Sinead Carew

SAN FRANCISCO/NEW YORK (Reuters) - Chip makers National Semiconductor and Texas Instruments Inc on Thursday issued quarterly financial targets that stoked investors' worries about a sluggish economy.

Both companies cited weak demand for personal computers and other devices that use microchips and National Semiconductor said consumers were not spending as much as expected.

"We'd all like to believe that consumer spending is onward and upward but I don't think it is," National Semiconductor Chief Executive Donald Macleod told Reuters.

National Semiconductor said sales in the current quarter could fall as much as 5 percent from the three months ended in August as the companies it supplies reduce inventories. While TI stuck with the midpoint of its revenue and earnings outlook range this was not enough to cheer up investors.

Shares of National Semiconductor, which makes chips for medical equipment, industrial power supplies and smartphones, fell 5.7 percent after its report.

Santa Clara, California-based National Semiconductor's guidance follows industry giant Intel Corp's warning in August that weaker-than-expected consumer demand for personal computers would limit its sales growth.

"You can see what's happening here between Intel, National Semiconductor and TI's report: demand has peaked and is starting to head down," said Charter Equity Research analyst Ed Snyder.

As U.S. unemployment remains high, investors have been impatient with sluggish economic growth and some fear a possible new downturn.

WEAKNESS IN PCs, TVs

While Texas Instruments kept the midpoint in its guidance range for revenue and earnings per share in line with analysts' expectations, its shares fell 1.4 percent because some investors were disappointed it did not raise its targets.

Ron Slaymaker, TI's head of investor relations, said that on top of weakening demand for personal computers and related storage products, consumers also appeared to be buying fewer televisions than expected this quarter.

Slaymaker attributed some of the weakness to a lack of consumer interest in TVs boasting 3D technology and the fact that the World Cup soccer tournament had boosted TV sales in the previous quarter.

He said TI was still seeing strong demand from industrial and wireless chip customers in the quarter.

While TI was bullish on smartphones, National Semiconductor said it expects the weak economy to limit sales growth for its chips that handle backlighting and camera flashes on smartphones, Macleod said.

Snyder noted that TI's guidance followed several quarters in which the company said it had trouble keeping up with customer orders because demand was so strong.

"In this environment when you're not raising guidance and other folks are indicating softness it's not going to be taken well," Snyder said.

National Semiconductor said its net profit in the first quarter was $89 million, or 36 cents per share, up from $30 million in the year-ago period. That was a little above analysts' average expectation of 34 cents per share, according to Thomson Reuters I/B/E/S.

Its revenue in the quarter was $412 million, a little less than the $415 million expected by analysts.

TI's new outlook range implied a midpoint of 69 cents and $3.70 billion, which was in line with the average analyst expectation for earnings of 69 cents a share on revenue of $3.689 billion according to Thomson Reuters I/B/E/S.

In July, TI had set earnings per share and revenue targets also with a mid-point of 69 cents and $3.70 billion.

Asked about fourth-quarter demand during a conference call, Slaymaker declined to give specific guidance except to note that TI's revenue typically falls in that period as the prior three months is boosted by sales of calculators to students going back to school in September.

He did say, however, that the company expects a growth spurt within the next year from the expansion of wireless services in India.

(Reporting by Noel Randewich in San Francisco and Sinead Carew in New York; Editing by Richard Chang)