

# PC sales to grow 12.7 percent; revenue to be flat

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Global sales of personal computers are reportedly expected to jump 12.7 percent this year, but revenues will rise just 0.5 percent because of price cuts.

Worldwide PC unit shipments are projected to total 206.6 million in 2005, with revenues pegged at 202.7 billion dollars, market research firm Gartner, Inc. said in its preliminary outlook for the year.

In 2006, worldwide PC unit sales are expected to grow 10.5 percent, but revenue will decline 0.4 percent, Gartner said, citing consistently lower average selling prices of PCs.

"The quest for growth is forcing vendors to test the limits of PC price elasticity," said George Shiffler, a Gartner analyst. "The whole dynamic is compounded by the fact that buyers have increasingly come to expect sharp price declines."

Even for the increasingly popular mobile or laptop PCs -- seen to grow 31 percent this year -- prices have been falling, said Gartner's Mikako Kitagawa.

"PC vendors have succeeded in increasing the unit share of higher-margin mobile PCs, but this has resulted in a significant sacrifice of desk-based revenue as vendors struggle to maintain the value proposition of desktops at the low end of the market," said Kitagawa.

Overall, manufacturers are facing pressures to cut prices despite a rise in the cost of many materials.

"As recent earnings announcements illustrate, vendors are facing strong competitive pressures," Shiffler said. "These pressures are only likely to intensify if unit growth slows. Vendors may have little choice other than to cut prices or offer more lower-cost, de-featured machines."

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