Infineon lowers outlook as hit by global slowdown

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(Reuters) - German chipmaker Infineon lowered its sales and margin outlook on Tuesday, highlighting the technology sector's vulnerability to a weakening business cycle.

The group, which caters to the car and engineering industries, said it now expected a slight decline in revenues in the March-to-June quarter compared with the previous quarter and an operating margin of around 12 percent, down from a previous outlook of about 14.6 percent.

Sales and margin would not improve in the three months through September, it added.

The shares plunged 13 percent to 5.29 euros as of 11.20 a.m. EDT, their lowest since last October.

"The current global economic uncertainties led to a softer than expected development in the company's operating business," the microchip maker said in a statement.

Infineon had previously expected its third-quarter revenue and operating margin to be broadly flat versus the second quarter, when it reported turnover of 986 million euros ($1.23 billion) and a margin of 14.6 percent.

Infineon said it would provide more details along with the release of fiscal third-quarter results on July 31.

The chip sector, which is burdened with price swings because plants have to keep running regardless of demand swings, has shown signs of weakness.

Earlier this month U.S. peer Lattice Semiconductor cut its second-quarter revenue and margin outlook, prompted mainly by a shaky semiconductor market in Europe.

Chip-equipment maker FSI said customers were delaying near-term spending amid a global economic slowdown.

Infineon's customers include Korean carmaker Hyundai, software maker Microsoft and the U.S. Government Printing Office.

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