

Trump tariffs could hit the iPhone

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iPhone 8 and iPhone 8 Plus. Credit: Apple

Would you spend an extra \$100 for a new iPhone?

President Donald Trump on Thursday proposed new tariffs on products made in China, which includes the best-selling consumer device, the Apple iPhone. Consumers would have to fork over \$75-\$100 extra dollars to buy the latest models, predicts Daniel Ives, an analyst with Wedbush Securities.

"Consumers would get a gut punch," he says. "Apple won't absorb the tariff just to be nice."

The latest entry-level iPhone, the XR, starts at \$749, while the top-of-the-line iPhone XS is \$999 and XS Max is \$1,099.

The iPhone debuted in 2007 and went on to become the most popular consumer device sold in America and changed the fortunes of Apple, which has seen the majority of revenues coming from the iPhone, over sales of computers, iPads and accessories.

That changed in 2019, as consumers began to resist the growing price of iPhones. In January, CEO Tim Cook warned Wall Street of declining sales for the first time. And in [quarterly earnings](#) announced this week, Apple's iPhone revenue declined 12% to \$26 billion from \$29 billion in the year-ago quarter.

Apple has hitched its wagon to "Services," selling consumers recurring monthly software subscriptions, in the form of iCloud backup, Apple

Music, Apple Care support and iTunes movies and video rentals.

The Services division, which isn't subject to tariffs, brought in \$11.4 billion in the recent quarter, compared to \$10.1 billion in the year-ago quarter.

Apple is expected to release three new editions of the iPhone in September, models with extra power and improved battery performance.

Ives doesn't see Apple pulling back on pricing, even with the threat of tariffs looming.

"They bet the farm on higher pricing, and they're not turning back," he says. Still, he says Apple could lose sales of between 6 million to 8 million iPhones because of the tariffs, if they go through.

While the chatter about tariffs has been ongoing, no official policy has been set in stone. Gene Munster, an analyst and investor with Loup Ventures, doesn't believe they will come to pass. "I just don't think it will happen," he says. "There's a lot of posturing going on."

Tim Bajarin, an analyst with Creative Strategies, is also doubtful, and says the bottom line for Apple is that die-hard fans will continue to pay the premium pricing. "Early adopters will still want the top of the line phones," he says.

He questions that Apple would pass on the [tariff](#) completely, thinking it more likely that it absorb half of the cost, and pass the rest to consumers.

Angelo Zino, an analyst with CFRA Research, predicts a 10% to 15% hit for Apple, which wouldn't be welcome at a company that he says will see

iPhone sales declining 15% in the current fiscal year.

"The bigger question is what happens in China?" he says. "Will there be retaliation? ... That wouldn't be good."

Apple had no comment.

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