Apple's revenue and profit edge up despite slowing economy

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In this Jan. 3, 2019, file photo the Apple logo is displayed at the Apple store in the Brooklyn borough of New York. Apple Inc. reports quarterly financial results after the market close, Thursday, Oct. 27, 2022.Credit: AP Photo/Mary Altaffer, File

Apple managed to boost both its sales and profit during a summertime quarter that depressed the fortunes of most other major tech companies, but that doesn't necessarily mean the iPhone maker will be immune to a potential recession.

Even though Apple fared reasonably well, the July-September results released Thursday signaled that the world's most valuable company is facing some of the same economic headwinds that hammered the profits of Microsoft and the corporate parents of both Google and Facebook.

Apple's fiscal fourth quarter revenue rose 8% from the same time last year to $90.1 billion. That was an improvement from the scant 2% uptick in revenue during its April-June quarter when supply problems caused by pandemic-related factory shutdowns dinged its sales.

The Cupertino, California, company's profit for the most recent quarter totaled $20.72 billion, or $1.29 per share, up by less than 1% from the same time last year.

Both the revenue and earnings per share were slightly above analyst estimates. But on the downside, sales of Apple's most popular product, the iPhone, and another big moneymaker, and the services division, were both lower than analysts had been anticipating—a sign consumers may be cutting back amid the highest inflation in 40 years.

Apple is facing "increasingly difficult economic conditions," CEO Tim Cook acknowledged during a Thursday conference call with analysts. "A lot of people in a lot of places are struggling."

Those challenges are one of the reasons Apple expects its revenue growth to decelerate during the current October-December period, even though this year's quarter will include one more week than last year's, Apple's Chief Financial Officer Luca Maestri warned during conference call. The strong U.S. dollar, which has lowered Apple's reported sales internationally, is also contributing to the anticipated slowdown.

Investors initially reacted negatively after Maestri's made that forecast, driving down Apple's shares by about 3% in extended trading, but seemed to be feeling more optimistic about the company's prospects by the time management concluded the conference call. Apple's shares were up by more than 1% late Thursday. Mirroring other once high-flying stocks in tech, Apple's stock still has dropped almost 20% so far in 2022.

The iPhone—still Apple's marquee product 15 years after its debut—accounted for most of its success during the past quarter, even though the company didn't sell quite as many of the devices as analysts had hoped. Boosted by the release of four new models in late September, iPhones sales climbed 10% from the same time last year to $42.63 billion.

But industry analysts are starting to fret over how much longer consumers will splurge on new phones as they feel the pinch of the past year's stubbornly high inflation rates. If those financial pressures persist, it could cause more households to curtail their spending during the holiday shopping season, especially on the kind of pricey gadgets that are Apple's cornerstone.

That's one of the primary reasons the research firm International Data Corp. is now expecting worldwide smartphone shipments this year to fall 6.5% from 2021, a downward revision of three full percentage points—translating into about 150 million fewer devices being sold—from an earlier forecast made in May.

Apple won't suffer as much as the makers of phones running on Google's Android operating system, IDC predicted, but it still will result in a significant slowdown. IDC projects iPhone shipments will edge up by less 0.5%, with the average selling price of the device hovering around

$950. Through the first nine months of this year, iPhone sales are up 6% from last year.

"We knew Apple's iPhone business was slowing down, but we're also starting to see that trickle into their services segment which will be one cause for concern," said Investing.com analyst Jesse Cohen.

Maestri told analysts that weaker sales of advertising and gaming were the biggest drag on the services division during the most recent quarter.

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