

Apple still thriving as economy slows, despite 3Q profit dip

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The logo of Apple is illuminated at a store in the city center in Munich, Germany, Wednesday, Dec. 16, 2020. Apple's profit slipped during the past quarter of 2022, but the world's largest technology company fared better than many of its peers. Credit: AP Photo/Matthias Schrader, File

Apple's profit slipped during the past quarter, but the world's largest technology company is holding up better than many of its peers as the economy teeters on the edge of a recession.

While grappling with manufacturing headaches and inflation pressures that have vexed a wide range of businesses, Apple saw its profit for the April-June period decline by 10% while revenue edged up 2%. Both figures were better than analysts projected.

The results announced Thursday for Apple's fiscal third quarter weren't a shock. That's because Apple [had already warned](#) that its revenue would be depressed by as much as \$8 billion because of supply chain problems that have been compounded by pandemic-related shutdowns in Chinese factories that make iPhones and other Apple products.

That scenario played out as expected in Apple's fiscal third quarter. Earnings fell to \$19.4 billion, or \$1.20 per share, while revenue edged up to nearly \$83 billion.

The positive surprise helped boost Apple's stock price by 3% in extended trading after the numbers came out.

"The quarter shows that amid all this volatility in tech, Apple remains a fortress," said Edward Jones analyst Logan Purk.

As usual, Apple's results were propelled by the iPhone, which posted a 3% gain in sales from the same time last year. Analysts had been bracing investors for a slight decline because of supply chain issues and the upcoming release of a new model this fall. It marked the seventh consecutive quarter that iPhone sales have increased.

The ongoing demand for iPhones underscores the enduring appeal of a device that has helped establish Apple as the world's most powerful tech company during the past 15 years. The device's sales climbed, despite inflation hovering [at its highest rate](#) in more than 40 years, a development that caused consumers to rein in their spending on a variety of discretionary items such as clothing and other home goods that enjoyed an uptick in demand during the pandemic.

The troubles emerging in corporate earnings reports over the past two weeks—combined with other sobering data—have heightened worries that the Federal Reserve Bank's inflation-fighting increase in interest rates will shove the economy into a recession. That would weigh on corporate profits and already drooping stock prices.

Apple CEO Tim Cook acknowledged that the Cupertino, California, company isn't immune to the current economic turbulence squeezing consumer budgets, but maintained a mostly upbeat tone

during a Thursday conference call.

"When you think about the number of challenges in the quarter, we feel really good about the growth that we put up," Cook said.

So far, Cook said, inflation seems to be affecting Apple's sales of wearable technology—a segment that includes the Apple Watch—more than those of the iPhone. In the past quarter, revenue in Apple's wearables division fell 8% to \$8.1 billion.

On the upside, Apple expects supply-chain issues to ease during the current July-September quarter. If history is any guide, the release of its next iPhone model later this year could spur another flurry of upgrades. Apple expects its year-over-year revenue growth in the current quarter to exceed the past quarter's 2% uptick, according to Luca Maestri, Apple's chief financial officer.

Tech stocks have been particularly hard hit by market jitters. The Nasdaq composite index, which is tethered to the tech industry's fortunes, has fallen by 22% so far this year. Apple had held up far better than most of its tech peers, with its stock price declining 11% this year before Thursday's rally in extended trading..

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