

# Apple cuts iPhone 13 production by 10M units —proving no company is safe from supply chain woes

Article

**The news:** **Apple** finally joined the list of companies forced to cut back on business because of the global semiconductor shortage, per Bloomberg.

- Apple's semiconductor stockpiles are drying up, forcing the company to slash iPhone 13 production targets for 2021 by 10 million units.

**How we got here:** Apple was an example of resilience and managed to dodge the chip and component shortage this year.

- Apple endured mostly because of its semiconductor stockpiles, its tight control of its supply chain, and strong relationships with various vendors.
- However, the component shortage has finally caught up with Apple and indicates multi-industry supply disruptions are worsening.
- Apple was expected to produce **90 million new iPhones** this year, but is cutting back because suppliers **Broadcom** and **Texas Instruments** are unable to deliver enough components.

**Zooming out:** The recent setback for Apple is an indicator that the supply-chain crisis is not easing up, and if a company with Apple's buying power can be stifled by shortages, smaller companies will likely have an even harder time accessing component supplies.

- The gap between ordering semiconductors and their delivery hit a record **21.7 weeks** this month, per Susquehanna International Group, a quantitative trading firm that tracks supply chain data.

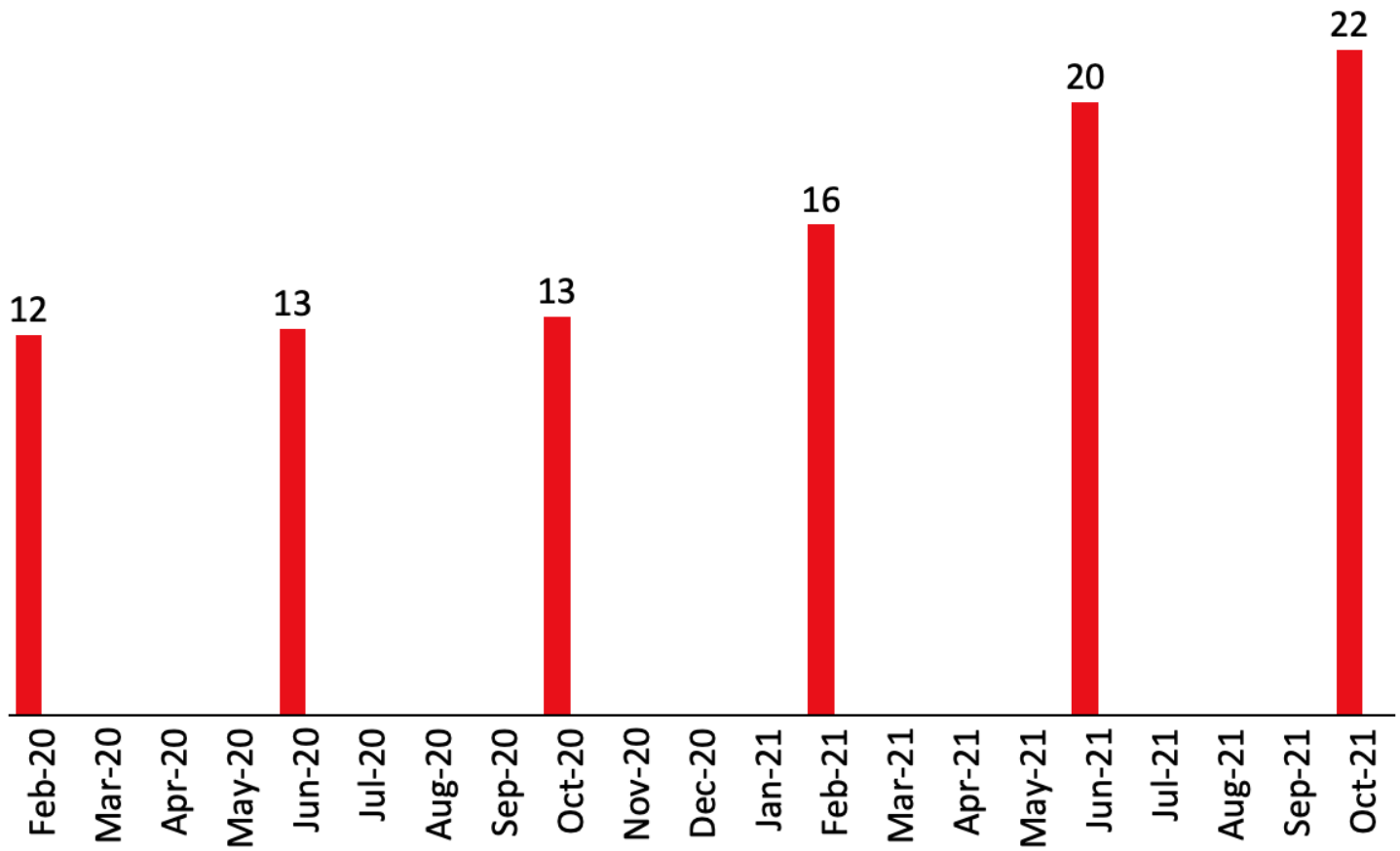
**What this means for Apple:** Apple's iPhone 13 cutbacks come just as it enters its busiest and most profitable season.

- Apple was expected to generate **\$120 billion in revenues** in the year-end quarter, up 7% YoY. Cutting production of its most popular and profitable product could hurt Apple's revenues for the key holiday quarter.
- The component shortages are also affecting Apple's other product lines. The Apple Watch Series 7 was delayed a month from the time it was launched, and most pre-orders are now slated to be delivered in mid-November.

**The bigger picture:** Major chip suppliers have warned that the demand will continue to outstrip supply throughout next year and beyond.

- Entire industries are taking losses. In context, the shortage cost the **global automotive industry is \$210 billion in lost sales** for 2021.
- A persistent component shortage creates product scarcity, which in turn will lead to higher prices that will inevitably be passed on to consumers.

## Gap in weeks between ordering a chip and delivery



Source: Susquehanna Financial Group

1055239798601

InsiderIntelligence.com