

Apple leads Big Tech on Q3 earnings as economy perks up

Article

The news: Apple is ending October on a high note for tech with its Q3 earnings results.

- Setting a Q3 record, the Mac-maker's revenue grew 8% YoY, reaching \$90.1 billion, which exceeded the forecast \$88.9 billion, per [CNBC](#).

- **Apple's topline performance was buoyed by Mac, wearables, and "other product" categories, which exceeded expectations.**
- Another high point included a double-digit increase in customers switching to iPhones. However, its **iPhone, iPad**, and services sales revenue still came in lower than anticipated.
- Nearly half of Mac buyers were new to the device, over half of iPad buyers were first-timers, and two-thirds of **Apple Watch** buyers were new to the wearable.

Leader of the pack: Apple's strong performance stands out among other Big Tech companies whose Q3 numbers weren't as favorable.

- **Apple's shares jumped 8.1%** Friday, with the company potentially gaining over **\$152 billion** in market value. Conversely, **Microsoft, Alphabet, Amazon, and Meta** shares stumbled, and **\$477 billion** evaporated from their combined value, per **Bloomberg**.
- **Apple is facing the same economic headwinds as rivals, but has successfully stuck to a decades-long marketing strategy**, pushing its products as must-haves for consumers who aspire to stylish and cutting-edge techie personas.
- Its iPhone revenue target miss can in part be attributed to supply chain issues, which it could overcome with its **production shift to India**.
- Apple's services revenue slump appears concerning given its greater focus in that area. But its recent **price hike** for music and streaming could help bolster profits, backed by consumers who've shown an appetite for paying Apple's premiums.

The elusive recession: The resounding refrain is that the economy is declining and we're heading toward a recession, but Apple's rally is one of several signs that a downward spiral isn't inevitable.

- The US economy may be getting a bad rap. In Q3, it grew by **2.6%**, with a consumer spending uptick of **1.4%**, per **Fortune**.
- Despite fallout from a strong dollar, inflation, and higher interest rates, the **US tech industry could benefit from the economy's strong export demand, higher consumer spending, and healthy job market.**
- There's also hope that Q3's slower price index gains could cause the Federal Reserve to decelerate interest rate hikes, which might bring opportunities for revenue growth.

The economy's surprisingly positive performance shines a spotlight on Big Tech's current shortcomings. **As these companies brace for a tough Q4, Apple's results offer strategy lessons.**

- Relying too heavily on **digital ad revenue** isn't a sustainable business model.
- Instead, companies could offer exciting products and services that customers trust to boost brand loyalty and help weather economic volatility.

Factors That Have the Greatest Influence on the Decision to Purchase a Luxury Product According to US Adults, June 2022

% of respondents



Source: "The Insider Intelligence Luxury Goods Flash Survey" conducted by Bizrate Insights, June 30, 2022

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