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Tech's not out of the woods yet, but the worst may be over

Article

The trend: After precipitous growth in 2021, the tech industry has fallen off its pedestal with scores of layoffs, budget cuts, and tumbling valuations.

- According to Crunchbase, over **85,000** US tech workers had been laid off in 2022, as of the end of November.

- However, that number could be over **150,000** employees cut from over **900** US tech companies as of this writing, according to Layoffs.fyi, which includes data from small companies.

Here are some of the biggest tech layoffs of 2022:

- **Twitter** cut about **3,700 of its staff** globally—roughly half of its employees, in addition to scores of contract workers.
- **Amazon** had planned **10,000 layoffs** before announcing that as many as **20,000 employees could be cut**.
- **Meta** cut more than **11,000 jobs**, or **13%** of the company's staff, and froze hiring.
- Other notable companies conducting layoffs include **Lyft**, **Stripe**, **Microsoft**, **Netflix**, **Roku**, **Cisco**, **Salesforce**, **Coinbase**, **HP**, and **Oracle**.
- Additionally, **Apple** announced a year-long hiring freeze in November, and **Alphabet** plans to cut **10,000** employees through a stricter performance review process.

Collectively Apple, Microsoft, Amazon, Alphabet, and Meta have lost over **$3 trillion** in market value this year, per Bloomberg.

How we got here: The war in Ukraine exacerbated inflation and supply chain disruptions after the industry's explosive growth during the pandemic, leading to a revenue slowdown. At the same time, the US **Federal Reserve**'s interest rate hikes to battle inflation have dried up access to capital and hurt valuations.

- Blaming major tech companies for **$7.4 trillion** in losses on Nasdaq over the past year, per CNBC, activist investors have pushed companies to cut their workforce headcounts.
- They've also pressured Big Tech to spend less on moonshot projects like the metaverse and focus on more secure paths to securing revenue.
- Despite the losses, the average tech company makes **$182** in profit per second, according to a Tipalti study, per CNBC. **Meta** generates **$924** in profits per second, **Alphabet** earns **$1,277**, **Microsoft**, **$1,404**, and **Apple $1,820**.

The 2023 outlook: With inflation at **7.1%**, per The New York Times—far above the Fed's **2%** goal—more, albeit smaller, interest rate hikes might be on the horizon. That means we could see more layoffs in Q1 and Q2.

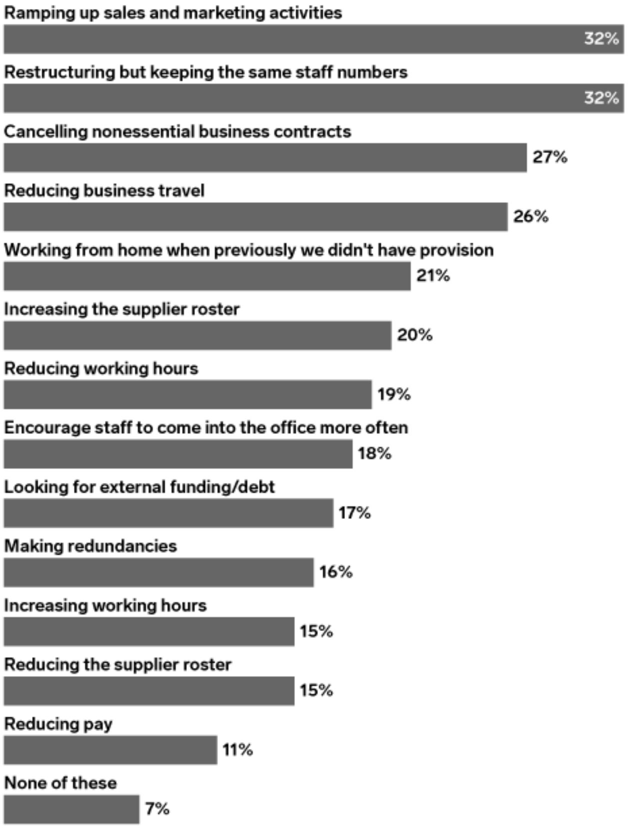
- Tech's plight has given other industries and the federal government an opportunity to pounce on laid-off workers, hiring them to help modernize organizations.
- But with the labor market expected to cool in early 2023**, the hiring trend may wane until economists foresee market fundamentals regaining stability**, likely at the end of the year.
- While the skills deficit means there will always be some level of demand for those with uncommon technical expertise, some techies may face a tough job outlook during the first half of next year.
- But with generous severance packages the tech industry norm, **we might see some of these workers wait for conditions to improve before seeking out their next role**.

Our take: Barring unexpected complicating factors on the global scale, a short and mild recession could lift well before the end of 2023, but the tech industry might approach the recovery cautiously.

This would stand in contrast to the bullish hiring sprees and real estate expansions during the pandemic, which in hindsight was the wrong strategy for companies. We'll likely see continued investment in automation technologies shake up the tech workforce and beyond.

Mitigating Factors Their Business May Put in Place to Cope With a Recession According to Business Decision-Makers Worldwide*, June 2022

% of respondents



*Note: in the next six months; *UK, Germany, Japan, and the US*
Source: Sapio Research, "International Business Barometer, Wave 6: Preparing for a Recession?" July 6, 2022

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