

## **Apple Cuts Revenue Forecast Over Slowing Chinese Economy**

As the year 2019 starts, stock markets have been hit hard after the tech-giant Apple lowered its estimated revenue for the first quarter of 2019, reflecting a pessimistic view of the world economy during the year.

Following the announcement, Apple shares dropped sharply by 7.67% with market value around \$750 billion, while S&P 500 futures fell 1.5%.

The world's most valuable company attributed the less than expected revenues to the lower than anticipated iPhone revenue, primarily in Greater China.

The emerging market -represents around 15% of Apple's revenues globally- accounts for revenue shortfall to its guidance, as over 100% of the company's year-over-year worldwide revenue decline occurred in Greater China across iPhone, Mac and iPad.

Apple expects revenue worth \$84 billion compared to previous forecast between \$89 billion to \$93 billion, with gross margin of approximately 38% and operating expenses of \$8.7 billion.

"Based on these estimates, our revenue will be lower than our original guidance for the quarter, with other items remaining broadly in line with our guidance", said Apple Chief Executive Officer Tim Cook in a letter to shareholders.

As per the letter, Apple did not foresee the magnitude of the economic deceleration. Moreover the tech-giant named other factors that impacted iPhone performance, including consumers adapting to a world with fewer carrier subsidies, US dollar strength-related price increases, and some customers taking advantage of significantly reduced pricing for iPhone battery replacements.

China's economy began to slow in the second half of 2018. The government-reported GDP growth during the September quarter was the second lowest in the last 25 years.

The Chinese economy was hit hard by the rising trade tensions with the United States. "As the climate of mounting uncertainty weighed on financial markets, the effects appeared to reach consumers as well, with traffic to our retail stores and our channel partners in China declining as the quarter progressed", indicated Apple.

Meanwhile, the company said that its business in China has a bright future, with the iOS developer community in China is among the most innovative, creative and vibrant in the world.

According to Cook, categories outside of iPhone (Services, Mac, iPad, Wearables/Home/Accessories) combined to grow almost 19% year-over-year.

Furthermore, Apple expects to exit the quarter with approximately \$130 billion in net cash.

"We can't change macroeconomic conditions, but we are undertaking and accelerating other initiatives to improve our results", concluded Cook.

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