Apple sales decline points to faultlines in global economy

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28 April 2016

Apple Inc., the world leader in market capitalization, reported on Tuesday its first quarterly sales decline in 13 years. The fall in both revenue and profits was worse than analysts had predicted and was led by the first quarterly decline in sales of the company's top-selling product, the iPhone, since its introduction in 2007.

Apple shares, already down 20 percent on the year, fell another 6.26 percent on Wednesday, dragging the Nasdaq down half a percent for the day.

The sharp reversal of the company's growth trajectory was a reflection not only of stagnation and slump in the real economy, behind the giddy heights on world stock markets, but a warning that vastly inflated asset values are unsustainable and will inevitably come crashing down.

Financial analyst John Shinal, writing in *USA Today*, summed up the implications of the company's quarterly report by saying, "Put it all together and you get a recipe for a coming bear stampede out of Apple shares."

Perhaps more than any other firm, Apple exemplifies the colossal and historically unprecedented inflation of prices assigned by the market to stocks and other financial assets since the Wall Street crash of September 2008. Driven upward by multitrillion-dollar bank bailouts and an orgy of money printing and debt expansion promoted by the world's central banks, stock prices have tripled since the low point of the post-Wall Street crash recession, further enriching the world's financial oligarchs and widening the chasm between the rich and super-rich and the rest of the planet.

This process is starkly illustrated by one statistic: In 2003, when Apple last suffered a quarterly sales decline, its market capitalization (the value of its shares) was $5 billion. Today, even with the recent drop in Apple stock, the company's market value is well over $500 billion—*more than a hundred-fold increase.*

The massive and irrational inflation of stock values is an expression of the growth of financial parasitism. In the feverish pursuit of profit, capital is going not into productive investment—on the contrary, the social infrastructure is being left to rot and the living standards of the working masses are being driven down—but instead into increasingly risky, exotic and fraudulent forms of speculation.

The real economy is deteriorating. As the International Monetary Fund (IMF) warned in its "World Economic Outlook" released earlier this month, the rate of growth of trade, productivity and investment is slowing. The IMF downgraded its projection for world economic growth for the fourth consecutive time over the past year, and revised downward its estimates for every major part of the global economy, from the US, Europe and Japan, to Latin America, Africa, Japan and China. It warned of the "threat of a synchronized slowdown."

The inability of world capitalism to return to normal rates of growth, despite the recourse by central banks to zero and even negative interest rates and "quantitative easing" money-printing operations on a vast scale, is reflected in slumping demand and depressed prices for commodities such as oil. The imposition of ever more brutal austerity on the working classes of North America, Europe and, increasingly, the rest of the world only deepens the slump.

In recent months, the US has seen a wave of store closures by retail chains as the destruction of decent-paying and secure jobs undermines sales to working class customers. Last week, Sears/Kmart announced scores of new closures, following the shutdown of hundreds of stores by Walmart and Macy's.

The slowdown in the Chinese economy, the main source of world economic growth in the aftermath of the 2008 crash, is wreaking havoc on countries that export both commodities and industrialized goods, and on the revenue and profits of major corporations. At the same time, private and public debt are spiraling out of control, leading to a new and even more disastrous financial crisis.

Over the weekend, the *Financial Times* reported that China's debt had risen to a record 237 percent of the country's gross domestic product, prompting warnings that the second biggest economy in the world could be heading for a Lehman Brothers-style collapse or a period of protracted low growth, such as in Japan.

This is the context in which Apple reported a 13 percent decline in overall sales and a 22 percent decline in profits for the first quarter of 2016. Sales of iPhones fell by more than 16 percent. Sales of the company's other products also fell, with iPads falling 19 percent, Mac computers dropping 12 percent, and the "other products" segment, which includes the Apple Watch, plummeting 50 percent.

Sales to Greater China, which includes Hong Kong and Taiwan, fell faster than anywhere else. They declined 26 percent, compared to the same quarter of 2015 when they rose 71 percent.

Although the Chinese market accounts for only 25 percent of Apple's total sales, it was responsible for 60 percent of the firm's revenue decline in the first quarter. An analyst in Shanghai with the research group Canalys was cited by the *New York Times* as saying he expected the Chinese smartphone market to grow only 4.7 percent in 2016, as compared to 50 percent annual growth as recently as 2013.

For the current quarter, Apple predicted an even worse performance, with estimated revenues of $41 billion to $43 billion, at least $7 billion below the first quarter.

Apple was not the only major US company jolted Wednesday by the impact of the global economic crisis. Twitter shares plunged after the social media company released financial results showing weaker than expected revenue and a second-quarter projection that disappointed market expectations.

In response to the turmoil in the energy sector from the collapse in oil prices, Standard & Poor's stripped Exxon Mobil of its top credit rating for the first time since the Great Depression.

The decline in Apple's sales is one more indication that an entire period of economic and geo-political development, spanning a quarter century, is coming to an end, ushering in a new and violent period of economic conflict, nationalism and militarism between major powers, together with an upsurge in the class struggle.

In October 1987, Wall Street suffered the biggest one-day fall in the Dow Jones Industrial Average in history. This signaled the collapse of the reactionary nostrums of the Reagan-Thatcher years.

The Tiananmen Square massacre of 1989 and dissolution of the Soviet Union two years later opened up new markets and new sources of raw materials and cheap labor for the US and the other imperialist powers, giving world capitalism a temporary boost. But the expansion of the 1990s was fueled above all by cheap credit provided by the Federal Reserve, the further deregulation of the banks, and the benefits for the ruling class from the collapse of the old labor movements.

This credit-fueled bubble came crashing down by the end of the decade, with the crisis of the so-called "Asian Tigers," the collapse of Long-Term Capital Management, and the Russian default. Next came the dot.com bubble, which imploded in 2000-2001. It was followed by the sub-prime housing bubble, which burst in 2008, producing the biggest financial and economic crisis since the Great Depression.

The current bubble is greater and more pervasive than any of the previous ones, involving at its center a massive accumulation of debt by the central banks themselves. And the gaping contradiction between the "recovery" for the stock markets and the bank accounts of the rich and the deepening social crisis facing the working class is sparking growing social opposition and a profound political radicalization.

The systemic crisis of world capitalism is, as in the years leading up to World War II, driving the ruling classes ever more violently to seek a way out of their impasse through nationalism, war and dictatorship. At the same time, it provides the impulse for socialist revolution, the only alternative to world war. The crucial question that must be resolved is the building of a new political and revolutionary leadership for the coming struggles of the working class.