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Apple Faces Tariff Pressure and AI Competition Ahead of Earnings Report

July 30, 2025

— Categories: Finance



Apple Inc. is preparing to release its quarterly earnings report on Thursday, but investor confidence is wavering as the company faces multiple challenges. With rising geopolitical tensions, looming tariffs on its global supply chain, and increased scrutiny over its cautious entry into artificial intelligence, the tech giant's typically strong financial momentum appears under strain.

According to projections, Apple's revenue for the April to June quarter is expected to rise by 4.2% year-on-year, reaching approximately \$89.34 billion. While this suggests modest

growth, the broader conversation on Wall Street centers not on past performance, but on how Apple plans to stay competitive in an increasingly volatile global environment.

Tariff Troubles

Apple's longstanding dependence on overseas manufacturing, once seen as an efficient and reliable strategy, is now drawing political backlash. The administration of President Donald Trump previously called out the company's reliance on foreign production, threatening to impose 25% tariffs on imported iPhones. In response, Apple began shifting more of its production to India, particularly for units destined for the U.S. market.

That pivot appears to be paying off. Research firm Canalys reported a 240% increase in India-based smartphone production during the second quarter, largely driven by Apple's changes to its supply chain. This shift could soften the impact of new tariffs, potentially limiting Apple's estimated exposure to under \$900 million, a significant decrease from earlier forecasts made in May.

However, the iPhone's prominence still leaves Apple vulnerable to trade disputes. As D.A. Davidson analyst Gil Luria pointed out, "iPhones are a very high-profile product that both the Chinese and the U.S. governments understand they have a lever over. So until the tariff rates get settled, Apple is very much at risk of being impacted by the current trade dispute."

Despite these risks, some analysts believe Apple and other multinational firms overprojected the cost impact of tariffs to give themselves a better chance of surpassing earnings expectations. Jamie Meyers, senior analyst at Laffer Tengler Investments, said, "Most companies we follow have made conservative assumptions by overestimating tariff costs as the goal of management is generally to beat its own guidance."

Apple's sales in China, its third-largest market, are expected to have improved slightly during the quarter. Estimates compiled by London Stock Exchange Group (LSEG) suggest iPhone sales rose by 2.2% year-on-year, following a 1.9% uptick in the previous quarter. According to Counterpoint Research, the recent growth has been driven by strong demand during the 618 shopping festival, generous trade-in offers backed by the government, and promotions around the high-end iPhone 16 Pro.

This uptick in iPhone sales offers a positive note in an otherwise cautious environment, especially as Apple continues to compete with local brands such as Honor, which are

rapidly integrating artificial intelligence (AI) features into their devices.

Apple's slow adoption of AI technology has become a key concern among both analysts and shareholders. While competitors are racing ahead with smartphones that include built-in AI tools such as generative photo editing, Apple has taken a far more measured approach.

The company's recently announced "Apple Intelligence" suite, including integration with OpenAI's ChatGPT, has yet to be fully rolled out. A broader update to Siri, its voice assistant, is now delayed until next year. This has raised fears that Apple may be missing a crucial growth wave, as AI becomes a defining feature in consumer technology.

While Apple's core hardware business remains strong, its services segment, which includes App Store sales, iCloud, and subscriptions, is expected to grow by 10.7% this quarter. That figure is slightly down from the 11.6% growth reported in the previous quarter but still reflects the company's shift toward recurring revenue sources.