

## How iPhone 5 Sales Could Prop Up the Entire U.S. Economy

By Peter Coy on September 10, 2012

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We know the release of the iPhone 5 is a big deal, but *this* big? Economist Michael Feroli of JPMorgan Chase ([JPM](#)) estimated Monday that sales of the new phone, expected to start later this month, “could potentially add” from one-quarter to one-half of a percentage point to the growth rate of U.S. gross domestic product in the final quarter of the year.



Here’s Feroli’s math: Assume sales of previous-generation iPhones continue “at a solid pace,” while the new model from Apple ([AAPL](#)) sells about 8 million units in the last three months of 2012. Assume the average selling price for the new models is about \$600. (True, people who get the new phone as part of a calling plan pay less than the sticker price, but the sale gets reported to the government for what it would have cost on a stand-alone basis.)

Out of that \$600, about \$200 is the imported cost, leaving \$400 as the value captured in the U.S. Multiply \$400 times 8 million and you get a pop of \$3.2 billion, which is enough to boost the annualized growth rate of the economy by one-third of a percentage point. Feroli, the bank’s chief U.S. economist, expects the U.S. economy to grow at an annual rate of about 2 percent in the fourth quarter, and says the iPhone will “limit the downside risk” to that projection.

“This estimate seems fairly large, and for that reason should be treated skeptically,” writes Feroli in a research note titled “Can one little phone impact GDP?” But he says the projection fits with what happened when the iPhone 4S, a less ballyhooed product, was released last October. “Overall retail sales that month significantly outperformed expectations,” he writes, and “online sales and computer and software sales ... had their largest monthly increase on record.”

**Assignment:** As you’re reading along place an exclamation point (!) next to two things in the article that surprise you. Also mark two things that you have questions about with a question mark (?).

**Journal 1:** Once you’ve completed the reading write a minimum two sentence explanation of how one product is able to make an impact on the economy use information about the iPhone 5 from the article as an example.

## **Teacher Discussion Points –**

- International Sales
- Cost of accessories
- Reasons why iPhone is so successful
- How could the product potentially have a negative impact on the economy
- How will companies like Nokia, and samsung respond
  - o What type of impact would that have on Apple
    - On the US Economy?