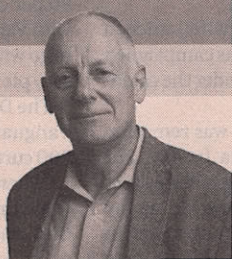


# Big Tech keeps scaling new heights, despite political headwinds

## INSIDE BUSINESS

### TECHNOLOGY

Richard Waters



Last year's pandemic rally looked like a one-off that lifted Big Tech to a new level. But nearly halfway through 2021, it is starting to seem as though that was only the start.

The leading tech companies are having an even better year on Wall Street than they did in 2020, and new records keep being set. Microsoft's stock market value hit \$2tn for the first time this week. Facebook, the only one of the leading companies that has yet to reach \$1tn, is within a whisker of that mark.

These two, along with Apple, Amazon and Alphabet, have added \$1.3tn in stock market value this year. That is \$51bn a week, even more than the \$47bn a week they gained throughout 2020 — a period that had seemed destined for the record books.

If 2020 was the year that the Covid-19 crisis highlighted the central part that the tech platforms had come to play in modern life, 2021 is turning out to be the year that Wall Street grapples with the sheer scale of the digital boom that lies beyond the pandemic.

True, financial conditions have continued to be unusually favourable for stock prices in general. But Big Tech's 17.4 per cent advance so far this year tops the 15 per cent gain in the S&P 500, pointing to yet another year when US stock market value becomes even more

concentrated among a small handful of companies.

What makes the latest gains particularly notable is that they come against increasing political headwinds. It is less than two weeks since the Democratic-controlled House of Representatives published a barrage of bills to restrain Big Tech, with a degree of Republican backing.

Wall Street is betting that politicians will do little to unpick the business practices that the tech companies have used to cement their positions. And even if some of their ways of doing business are outlawed, the digital giants have become so entrenched that it may be hard to break open their markets.

The assumption on Wall Street is that Washington will not want to mess too much with an American business success story that marks a contrast with China, where the close alignment between the Chinese Communist party and a handful of national tech champions no longer looks so unshakeable.

Since China blocked the initial public offering of Ant Financial last November, Alibaba's stock has slumped by 30 per cent. Four years ago, the ecommerce company's market value briefly topped that of Amazon on hopes of China's internet sector leading the world. Now, at less than \$600bn, Alibaba is worth a third as much as its US counterpart.

One argument American tech companies have long made in Washington is that heavy-handed attempts to rein them in will only strengthen the position of their Chinese counterparts. As they emerge from the pandemic looking stronger than ever, that argument rings

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increasingly hollow. A second headwind comes from the more overt rivalry between the tech giants themselves. Some of this may amount to political theatre, as the leading companies try to show that they are not part of a comfortable oligopoly.

But Amazon's encroachment into digital advertising counts among its most striking recent successes, and Apple's latest iPhone privacy push looks like a direct assault on Facebook's business model as it seeks to build up its own advertising operations. None of this, though, has done much to dent the outlook. Facebook's value has jumped by 27 per cent this year, even though the ugly fight with Apple has intensified.

With the second quarter drawing to a close, the tech giants are also enjoying strong business momentum as they emerge from the worst of the pandemic.

That guarantees another round of breathless headlines in the coming weeks as their businesses scale heights that would once have seemed unimaginable for such large companies.

Between them, Google and Facebook are expected to report \$27bn more in revenue than they did the year before, representing a leap of almost 50 per cent. Even with this kind of jump, it will still be hard to match this year's stunning first-quarter performance, when Apple's business surged on the back of the iPhone 12. But Wall Street is still expecting revenue for the five companies to grow \$72bn from a year before, a gain of 30 per cent.

The growth comparisons will get harder as the year wears on. But as long as Wall Street keeps its inflation worries in check, 2021 is already well on the way to becoming another year for Big Tech's record books.

*richard.waters@ft.com*