# Facebook reports drop in revenue for the first time



Facebook’s decade-long streak of nonstop revenue growth has come to end.

The social network reported its first-ever yearly decline in revenue for the second quarter, announcing a 1 percent drop to $28.8 billion, and predicted that growth in the third quarter could fall even more. The overall profit for its parent company, Meta, fell 36 percent to $6.7 billion. The Reality Labs division responsible for building Mark Zuckerberg’s metaverse dreams lost $2.8 billion in the quarter.

While the first-ever drop in revenue growth was expected on Wall Street going into Wednesday’s earnings report, it solidifies how challenged Meta’s business has quickly become on all fronts. Apple’s “Ask app not to track” prompt on iPhones has made its ads much less effective, costing Meta $10 billion in ad revenue last year alone. And now a rapidly slowing economy has caused advertisers to pull back on their spending.

Meanwhile, in its effort to compete with TikTok, Meta is rearchitecting Facebook and Instagram to place an emphasis on short videos and posts that its system recommends to people. On a call with analysts, Zuckerberg said that the percentage of content people see in Facebook and Instagram that comes from accounts they don't follow will more than double next year. Building the AI needed to make that happen is a costly investment, he said.

Even though Meta's revenue is declining, it managed to grow Facebook's daily users by 3 percent to 1.97 billion, reversing a worrisome decline in users it observed a couple of quarters ago. Meta reported that 2.88 billion now use its suite of social apps – Facebook, Messenger, Instagram, and WhatsApp – every day, an increase of 4 percent from a year ago.

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Zuckerberg said the company had seen "engagement trends" that were "stronger than we anticipated" on Facebook, thanks largely to an increase in the consumption of videos. He said that Reels, the company's short-form video format aimed at TikTok, is monetizing faster than Stories did after the company copied that format from Snapchat several years ago. In the long run, the company expects Reels to be a revenue driver, but for now the company is prioritizing Reels and not making much money from them.

"This is a period that demands more intensity, and I expect us to get more done with fewer resources," Zuckerberg said on the earnings call with analysts, echoing comments he recently made to employees about trimming costs. "I think we're going to come through this period as a stronger and more disciplined organization."

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