

# Walmart reports jump in profit, warns on tariffs

May 17 2019, by John Biers

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Walmart reported a jump in first-quarter profits, due in part to a strong performance at US stores

Walmart reported a jump in first-quarter earnings on Thursday on increased US store sales and e-commerce growth but warned that higher

US tariffs could hit its business.

The world's biggest retailer, which has been unveiling new "omnichannel" retail ventures including a just-announced next-day delivery service in many US markets, pointed to increased US sales as evidence the strategy was working.

But executives joined a chorus of retailers who have warned about tariffs in the wake of the Trump administration's latest moves in the long-running US-China dispute.

President Donald Trump has started a process to impose new duties on about \$300 billion worth of additional Chinese merchandise, covering virtually everything China sells to the United States and encompassing [household items](#) such as clothing and appliances.

"We're going to continue to do everything we can to keep prices low. It's who we are," Chief Financial Officer Brett Biggs said on a conference call with reporters. "However increased tariffs will lead to increased prices for our customers."

Biggs said it was impossible to generalize about the effects of the potential [tariff](#) hikes, saying that the effect of levies varies by good. He declined to comment on specific item categories for competitive reasons.

Earnings for the first quarter came in at \$3.8 billion, an increase of 80 percent from the year-ago period when results were dented by a one-time earnings hit following US tax reform.

Revenues climbed one percent to \$123.9 billion.

Comparable sales at US stores—a key retail-sector benchmark closely-

watched by Wall Street—jumped 3.4 percent, marking the company's best performance in nine years, the company said.

Chief Executive Doug McMillon highlighted the strong US figures, which come as the company ramps up programs to allow customers to pick up groceries that are ordered online and provide more direct delivery of goods.

New ventures include voice ordering for groceries and free next-day delivery of frequently purchased items for orders of \$35 or more in the United States.

Walmart shares rose 1.4 percent to \$101.31.

## **International sales weaker**

The strong domestic results offset a decline in international sales and profits.

The company highlighted a hit from the strong dollar, as well as political headwinds in some Latin American markets that weakened results.

International results have also been dented by increased investment in Flipkart, an Indian grocery chain acquired by Walmart last year.

Moody's analyst Charlie O'Shea praised the results overall.

"Price investments are continuing, though improved efficiencies are serving to protect margins," O'Shea said in written comments.

"On the international front, results are negatively impacted by losses at Flipkart, which we continue to believe is a very sound long-term investment in a compelling market."

O'Shea said the effect of tariffs on Walmart would be "limited" because of the extent of its food business and because the company "has the wherewithal both financially and via its vendor relationships to minimize the impact on both itself and its shopping base."

Leading retailers have amplified warnings about the latest Trump threats on China.

The latest tariff list is "far too great a gamble for the US economy," National Retail Federation President Matthew Shay said this week. "Taxing Americans on everyday products like clothes and shoes is not the answer for holding China accountable."

Macy's also signaled increased anxiety about tariffs in its earnings conference call Wednesday. Chief Executive Jeffrey Gennette said the retailer has largely managed the initial rounds of tariffs in the US-China dispute.

But the latest round being discussed is "the big one," and if it goes into effect, it will "affect a lot of the apparel and accessory categories that are coming in," Gennette said.

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