

Walmart downgrade reflects depth of social crisis facing US workers

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Walmart, the world's biggest retailer by revenue, stunned Wall Street investors and analysts Wednesday by reporting that its full-year sales would be flat this year and its earnings per share would fall by 6-12 percent in the next fiscal year.

The firm's top officers issued the gloomy projection at Walmart's annual investor day in New York. Earlier in the year, the firm had predicted a 1-2 percent sales increase, and Wall Street analysts had forecast a 4 percent rise in earnings per share for the upcoming fiscal year.

The news prompted a near-panic selloff of Walmart shares. By the close of trading, Walmart stock had plunged 10 percent, the company's worst-ever one-day price decline. The collapse erased some \$20 billion from the firm's market capitalization, bringing the fall in the market value of the company so far this year to 30 percent—the equivalent of \$79 billion.

Walmart's debacle cut some 40 points from the Dow Jones industrial average, which ended the day with a loss of 157 points, down 0.92 percent.

Walmart CEO Doug McMillon attributed the negative projections to an investment program costing several billion dollars to raise the base wage of new hires to \$10 and develop the company's e-commerce capabilities, as well as the impact of the stronger US dollar on overseas profits.

Company officials sought to reassure the financial markets by asserting that sales would rise over the next three years by 3-4 percent annually and earnings per share would grow by 5-10 percent by fiscal 2019, bringing profits back above their current level. They also announced a \$20 billion stock buyback program over the next two years.

These assurances, however, failed to allay doubts about the profitability going forward of the company,

which employs 1.4 million people in the US alone.

Walmart's financial problems are above all a reflection of the devastating impact of years of wage-cutting and austerity on its largely working class clientele. Behind the orgy of profit-making and stock speculation sustained by the policies of the Obama administration and the Federal Reserve, broad masses of the American people remain in the grip of the deepest social crisis since the Great Depression.

In his remarks to the investors, CEO McMillon indirectly pointed to the decline in the purchasing power of large numbers of American workers. He made a point of describing the company's efforts to attract wealthier customers, saying Walmart would focus on "appealing to a blend of income levels," including middle- and upper-middle-income households.

The underlying crisis and stagnation in the US economy reflected in Walmart's negative results were seen as well in other economic data released this week. On Wednesday, the Commerce Department reported that retail sales in September, on an annually adjusted basis, rose a mere 0.1 percent from August. Economists had expected an increase of 0.2 percent.

Excluding motor vehicles and parts, sales at other retailers actually fell 0.3 percent last month. At the same time, overall sales for August were revised downward to unchanged from the previous estimate of a 0.2 percent increase.

In a further sign of mounting deflationary pressures in the US and internationally, the Labor Department reported Wednesday that US producer prices in September recorded their biggest decline in eight months, falling by 0.5 percent. In the 12 months through September, the producer price index fell 1.1 percent.

The September jobs report released at the beginning

of October showed a sharp decline in US job creation, with only 142,000 new jobs recorded, well below the forecast of 201,000 and 40 percent lower than the average monthly increase for the previous year.

Major layoffs continue to be announced across various sectors of the economy. On Monday, the Philadelphia-based chemical company FMC announced it would eliminate 800 to 850 jobs, more than 10 percent of its 7,000-strong workforce. On Tuesday, Twitter said it planned to lay off about 8 percent of its workforce, affecting as many as 336 workers.



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