Wal-Mart reports currency losses and falling sales, profits

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Wal-Mart Stores, the largest US retailer, reported that losses due to shifting currency values, particularly the rising US dollar, had wiped out its entire revenue growth in 2015 and contributed to a continued slowdown in profits.

CEO Doug McMillon, in a conference call with investors Thursday, announced that the currency shifts had a $17.2 billion impact on annual revenues, more than offsetting what would have been $13.7 billion in sales growth.

Most of the impact from the strengthening US dollar came on Wal-Mart's Latin American operations, particularly in Brazil, where the company recently announced the closure of one-tenth of its retail outlets. The Brazilian economy is in a deep slump triggered by the collapse of the country's exports of raw materials like iron ore to China.

Last month Wal-Mart announced the biggest program of store closings in its history, with 269 stores to be closed, including 154 in the United States, 58 in Brazil and 55 elsewhere in Latin America. The majority of the US closures came from the complete shutdown of Wal-Mart Express, which operated 102 smaller convenience stores.

McMillon said that sales for the three-month period ending January 31 rose by 0.6 percent, significantly below the 1.0 percent forecast by analysts. This quarter includes the entire Thanksgiving to Christmas shopping period, as well as post-Christmas sales.

The company said that sales for the current fiscal year would be "relatively flat," a sharp downgrade from its October prediction of annual sales growth of between 3 percent and 4 percent. Wal-Mart said the downgrade was the result of currency fluctuations and the store shutdowns announced in January. Sales at existing stores were still expected to rise by 3 to 4 percent, the company said.

Total revenue in the quarter declined 1.4 percent to $129.7 billion while operating profit plunged 16.4 percent to $4.57 billion.

Since the company is both the biggest employer of low-wage labor and the biggest retailer of low-cost consumer goods, Wal-Mart's finances provide a virtual x-ray into the crisis of working class family budgets.

Wal-Mart raised its minimum US hourly wage to $9 last year, and will raise it again to $10 an hour this weekend. In the investor call, CEO McMillon blamed the ongoing profit decline on $2.7 billion in increased costs for employee wages and benefits.

At the same time, analysts noted that the stagnation in Wal-Mart sales was itself a reflection of the lack of buying power for low-income consumers, afflicted by wage-cutting, cuts in federal and state social programs and continuing mass unemployment and underemployment.

The projection of flat sales in 2016 is the first ever in the history of the company, which has come to dominate grocery and general sales in much of the United States.

Wall Street analysts gave generally poor reviews to the company's financial results, singling out two factors: the well-publicized wage increases, and Wal-Mart's failing efforts in online selling, where it lags badly behind industry leader Amazon.com. For the 12 months ending December 31, Amazon.com saw a 25 percent increase in North American sales, to $63.7 billion, nearly five times the $13.7 billion Wal-Mart generated from e-commerce.

One of most scathing commentaries came from Jeff Reeves of MarketWatch, who dismissed the across-the-board raises for employees making just above the minimum wage as "wasting money on wages." His comments dripped with the contempt for the working class that is typical in this privileged social layer:

"Higher wages haven't paid off yet: Now let's dig deeper, specifically into Wal-Mart's 2015 wage increases that have dragged down profits significantly. The idea was that if Wal-Mart treated its employees better, it would see less turnover and better results. It was a bet worth taking, considering some rather shocking numbers—chief among them, a Bloomberg estimate in 2015 that pegged annual theft losses at $7 billion. And considering that the top cause of theft in the U.S. is actually from employees and not shoplifters, part of the thinking was that happier associates would be more likely to protect their employer. But a year in, it's easy to see the costs and hard to see the benefits."

So Wal-Mart workers are thieves and parasites—terms that would apply better to the grossly overpaid corporate executives, the Wall Street financiers who give them their marching orders, and the media apologists who glorify both.