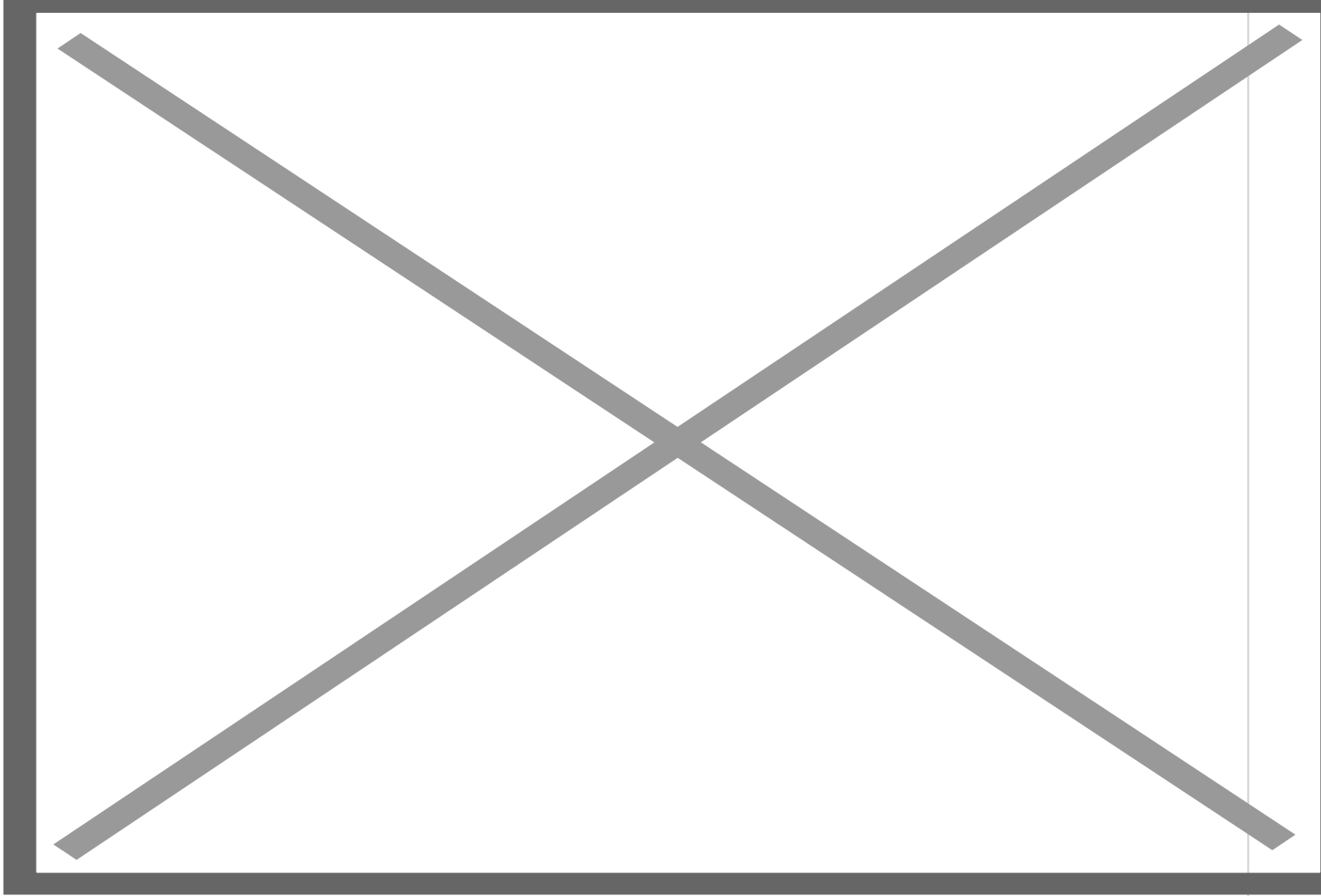


Largest U.S. retailer Walmart warns of price hikes because of tariffs

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Walmart has warned that it will not be able to absorb all the tariffs' costs and consumers will see a rise in prices [File: Kamil Krzaczynski/Reuters]

Walmart is a bellwether of U.S. consumer health and its statement is a signpost of the impact of

the trade war.

New York, May 16 (RHC)-- Walmart, the world's largest retailer, will have to start raising prices later this month due to the high cost of tariffs, executives have warned in a clear signal that United States President Donald Trump's trade war is filtering through to the U.S. economy.

As a bellwether of U.S. consumer health, Walmart's explicit statement on Thursday is also a signpost for how the trade war is affecting companies as Walmart is noted for its ability to manage costs more aggressively than other companies to keep prices low.

Walmart's shares fell 2.3 percent in morning trading after it also declined to provide a profit forecast for the second quarter, even as the company's U.S. comparable sales surpassed expectations in the first quarter.

Net sales rose 2.5 percent to \$165.6 billion, a hair shy of estimates, while same-store sales were up 4.5 percent. Walmart's quarterly adjusted profit was 61 cents per share, ahead of the analyst consensus for 58 cents per share.

Many U.S. companies have either slashed or pulled their full-year expectations in the wake of the trade war, as consumers stretch their budgets to buy everything from groceries to essentials at cheaper prices. But Walmart's statement will resonate nationwide, as roughly 255 million people shop in its stores and online weekly around the world, and 90 percent of the U.S. population lives within 10 miles of a Walmart.

U.S. shoppers will start to see prices rise at the end of May and certainly in June, Walmart's Chief Financial Officer John David Rainey said in a CNBC interview. On a post-earnings call with analysts, he said the retailer would also have to cut back on orders as it considers price elasticity.

As the largest importer of container goods in the US, Walmart is heavily exposed to tariffs, and even though the U.S. and China reached a truce that lowered levies for imports on Chinese goods to 30 percent, that's still a high cost to bear, executives said.

"We're very pleased and appreciative of the progress that has been made by the administration to bring tariffs down ... but let me emphasise we still think that's too high," Rainey said on the call, referring to the tariff cuts negotiated over the weekend.

"There are certain items, certain categories of merchandise that we're dependent upon to import from other countries and the prices of those things are likely going to go up, and that's not good for consumers," he added.

Other retailers also said they would be boosting prices. German sandal maker Birkenstock on Thursday said it plans to raise prices globally to fully offset the impact of the US tariff of 10 percent on European Union-made goods.

U.S. consumer sentiment ebbed for a fourth straight month in April, signaling watchful purchasing, while the country's gross domestic product (GDP) contracted for the first time in three years during the first quarter, fanning worries of a recession.

Walmart's CEO Doug McMillon said the retailer would not be able to absorb all the tariffs' costs because of narrow retail margins, but was committed to ensuring that tariff-related costs on general merchandise – which primarily come from China – do not drive food prices higher.

To mitigate the impact, Walmart is working with suppliers to substitute tariff-affected components, such as replacing aluminium with fibreglass, which is not subject to tariffs.

Despite these efforts, McMillon noted that adjusting costs is more challenging in cases where Walmart imports food items like bananas, avocados, coffee, and roses from countries such as Costa Rica, Peru, and Colombia.

Analysts said Walmart was better positioned than rivals, as its scale enables it to lean on its suppliers and squeeze out efficiencies to shield customers from tariffs, but only so much. “There will likely be some demand destruction from tariffs; a complete wreck is unlikely,” said Brian Jacobsen, chief economist at Annex Wealth Management.

Walmart on Thursday kept its annual sales and profit forecast intact for fiscal 2026, but withheld second-quarter operating income growth and earnings per share forecasts, citing a “fluid operating environment ... [which] makes the very near term exceedingly difficult to forecast at the level and speed at which tariffs could go up.”

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