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**Food inflation eating into Walmart's gross sales**

Walmart revised its outlook for profit for the Q2 and full-year, primarily due to price reductions aimed to improve inventory levels.

The company said operating income for the second quarter and full year is expected to decline 13-14 percent and 11-13 percent, respectively. Comp sales for Walmart U.S., excluding fuel, are expected to be about 6 percent for the second quarter. This is higher than previously expected with a heavier mix of food and consumables, which is negatively affecting gross margin rate.

"Customers are choosing Walmart to save money during this inflationary period, and this is reflected in the company's continued market share gains in grocery," the company said in a statement.

Food inflation is double digits and higher than at the end of Q1. This is affecting customers' ability to spend on general merchandise categories and requiring more markdowns to move through the inventory, particularly apparel.

During the quarter, the company made progress reducing inventory, managing prices to reflect certain supply chain costs and inflation, and reducing storage costs associated with a backlog of shipping containers.

"The increasing levels of food and fuel inflation are affecting how customers spend, and while we've made good progress clearing hardline categories, apparel in Walmart U.S. is requiring more markdown dollars. We're now anticipating more pressure on general merchandise in the back half; however, we're encouraged by the start we're seeing on school supplies in Walmart U.S.," said Doug McMillon, Walmart Inc. president and CEO.

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