

Ikea and Carrefour warn on outlook



A warehouse of the IKEA store near Wiesbaden, Germany. The company warned Wednesday about slowing sales. (Alex Grimm/Reuters)

Two European retail giants, Ikea and Carrefour, gave warnings Wednesday about the fragile retail environment, citing slowing growth in the West and rising costs everywhere.

The chief executive of Ikea, Anders Dahlvig, warned that the world's largest home-furnishings retailer was expanding at a "much lower" pace as a global economic slowdown erodes sales.

Ikea of Sweden, which is privately held and has stores in 37 countries, is being affected "quite a lot" by slowing economies, Dahlvig said in a presentation at a retail conference in Barcelona.

Capital investment in coming years will be mainly in emerging markets like Croatia, Slovenia and Ukraine, Dahlvig said. Spending power is ebbing in Europe and the United States as inflation rises and higher energy and food bills sap incomes, while sliding stock markets weigh on consumer confidence.

"I definitely see big challenges in the Western world and opportunities in emerging markets," Dahlvig said.

"When you are short on money you will not look at home improvement," Greg Hodge, non-food research manager at Planet Retail in London, said by phone. "People are starting to get concerned. Consumer confidence is low and a lot of people will scale down on spending. 2008 will be a difficult year."

At the Barcelona event, the chief executive of the French retailer Carrefour, José Luis Duran, said the sector was facing its "most significant challenge in a generation."

"Costs are growing faster than prices for structural rather than cyclical reasons," he added.

After the remarks, Carrefour shares fell, prompting the company to issue a statement saying that it was sticking to its previously announced financial outlook. . The shares closed down €1.4, or 2.8 percent, at €48.07 in Paris.

Carrefour is the world's No.2 retailer behind Walmart Stores.

Duran said the company would wait until next year to consider a stock market listing of its property unit because of volatile market conditions. Before that, it is opting for a private placement of 20 percent of Carrefour Property in the fourth quarter of 2008.

Duran said he was expecting another delay in the company's plans to gain a foothold in India because of the time needed to figure out the "completely different model" needed to access the fast-growing market.

Indian regulation bans multi-brand retailers except in joint-venture franchise partnerships.

"I am going to take as much time as possible to get an agreement," Duran said. India "is more than interesting for the long term, but very challenging in the short to medium term."

The retailer also aims to open two stores in Russia by the end of this year, and five new stores there in 2009, Duran said.

Ikea, which has about 260 outlets worldwide, will open more than 20 stores this year and next year, mainly in emerging markets, Dahlvig told Bloomberg News after the presentation.

Sales climbed 14 percent to €19.8 billion, or \$31.3 billion, in the fiscal year through August. Germany was the retailer's biggest market, generating 16 percent of revenue, followed by the United States, France and Britain.

"In totality, sales are slowing," he said, because of weaker growth in Europe and the United States.

Increased labor costs in China and higher transportation costs have led to a shift towards local sourcing, he said.

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