Wal-Mart Sees Slow U.S. Recovery, Looks To China

Eileen Ng, Associated Press Writer

KUALA LUMPUR, Malaysia (AP) — The chairman of Wal-Mart Stores Inc. warned Wednesday the global economic recovery will likely be lethargic, even as the retailing behemoth sees great growth potential in China and India.

"The world recovery is going to be led by Asia although it's going to be very challenging. I think this recovery is going to be a slow one," Robson Walton told a global CEO business conference here.

Walton said "sales have been tough" for Wal-Mart, the world's biggest retailer, even though it was benefiting from the economic downturn as more people shop at discounters for bargains including over-the-counter drugs and eat-at-home food.

The Wal Mart chief's comments echoed remarks Tuesday in Singapore by General Electric Co. chief executive Jeffrey Immelt. He warned that high unemployment and slower lending will drag on U.S. economic growth, likely resulting in the weakest recovery in decades.

Walton said international operations accounted for one-third of Wal-Mart's global sales, and the proportion was expected to increase as the group focuses on larger markets in Asia.

"China is a big opportunity for us. We are just getting started in India, where there's great opportunity for us," he said.

"There is change and opportunity in the crisis. If we want to be successful, we got to change. We are working very hard to get our cost down and developing high-efficiency smaller stores to go into urban areas," he said.

He didn't elaborate and couldn't be reached for further comments.

Wal-Mart has more than 250 stores in China but only ventured into India in May to tap the country's $430 billion retail market.

Bharti Wal-Mart Private Ltd., a joint venture between India's Bharti Enterprises and Wal-Mart, opened its first wholesale outlet called "Best Price Modern Wholesale" in Amritsar in India's northern state of Punjab

The company has plans to invest $100 million over the next three years to open 10 to 15 more wholesale outlets, which would employ 5,000 people across India.

But for now, it can only sell its 6,000 food and nonfood items to other businesses

because Indian law prohibits foreign companies from selling direct to customers in multi-brand retail outlets to protect smaller domestic retailers.

Wal-Mart has benefited from shoppers focusing on necessities during the recession and it has drawn more affluent shoppers away from rivals with its new focus on better brands, better service and cleaner stores.

The chain has tightened its inventory controls and improved its earnings in the second quarter. However, the key barometer of same-stores sales in the U.S. — or sales at stores open at least a year — slipped 1.2 percent during the period — a worrisome confirmation of broad weakness in consumer spending.

It has said the U.S. economy will remain challenging in coming months and force shoppers to keep seeking low prices and small packages.

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