Dow Chemical To Slash 2,400 Jobs, Close 20 Plants

The Associated Press

MIDLAND, Mich. (AP) — The Dow Chemical Co. will eliminate about 2,400 jobs and close roughly 20 manufacturing facilities as part of a restructuring plan aimed at coping with slowing economic growth in Europe and elsewhere.

The manufacturing giant said Tuesday that the job cuts amount to 5 percent of the company's workforce worldwide.

Dow expects the strategy will result in roughly $500 million in annual cost savings by the end of 2014.

The company also plans to slash capital spending and investments. It expects that will save an additional $500 million.

All told, Dow anticipates it will save $2.5 billion, including other cost-cutting measures.

Dow produces materials used in nearly every business sector and region of the world, leaving it exposed to shifts in global economic growth.

Late Tuesday, the company issued its third-quarter earnings report that had been expected to come out Thursday morning.

It reported a nearly 40 percent drop in net income to $497 million, or 42 cents a share, from $815 million, or 69 cents a share, in the same quarter last year.

It said revenue dropped 10 percent, to $13.64 billion, led by a 10 percent decline in Europe.

Analysts had been expecting the company to earn 37 cents a share on $14.18 billion in revenue, according to FactSet.

The company's business has been hurt by Europe's debt crisis and slower growth in China. Manufacturers, construction businesses and some transportation customers have reduced demand for Dow products. The company's coatings and materials for electronic devices also have been weak.

"The reality is we are operating in a slow-growth environment in the near-term and, while these actions are difficult, they demonstrate our resolve to tightly manage operations particularly in Europe and mitigate the impact of current market dynamics," Andrew Liveris, Dow's chairman and CEO, said in a statement.

Rival DuPont Co. on Tuesday reported a big drop in quarterly profit and missed Wall Street expectations. The company announced a restructuring that includes 1,500 layoffs.

Over the next two years, Dow plans to close certain manufacturing facilities in the U.S., Belgium, The Netherlands, Spain, the United Kingdom and Japan.

The company projects it will book between 50 and 60 cents per share in charges related to the restructuring in the fourth quarter of this year. That includes a write-down of assets related to its Dow Kokam LLC joint venture — a move the company is making due to weak global demand for lithium-ion batteries.

Despite the sweeping cost reductions, Dow plans to continue to invest in areas where it believes that it can clearly expand its profit margins. Those include Dow AgroSciences, Dow Electronic Materials and its Sadara and U.S. Gulf Coast investments.

"Taken on the whole, Dow's strategy remains intact, and our long-term growth fundamentals are strong," Liveris said.

Dow shares ended regular trading down $1.19, or 4 percent, at $28.55 amid a broad market decline. The stock slipped another 24 cents to $28.31 in extended trading.

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