

Alarm Bells Sound As World's Second Largest Appliance Company Reports Demand Plunge

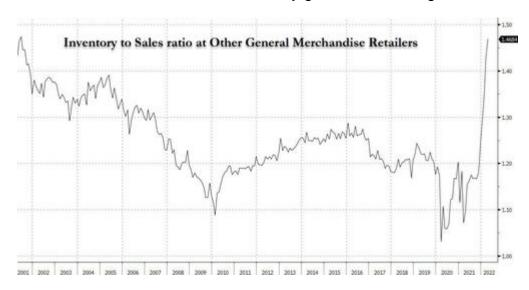
Description

Swedish appliance maker Electrolux AB announced a cost reduction program after reporting a plunge in demand for its home appliances across Europe and the US.

The world's second-largest home appliances manufacturer after Whirlpool said, "market demand for core appliances in Europe and the US so far in the third quarter is estimated to have decreased at a significantly accelerated pace compared with the second quarter, driven by the impact of high inflation on consumer durables purchases and low consumer confidence."

It noted: "High retailer inventory levels have amplified the impact of the slowdown in consumer demand."

Remember, there's a massive inventory glut of consumer goods at retailers.



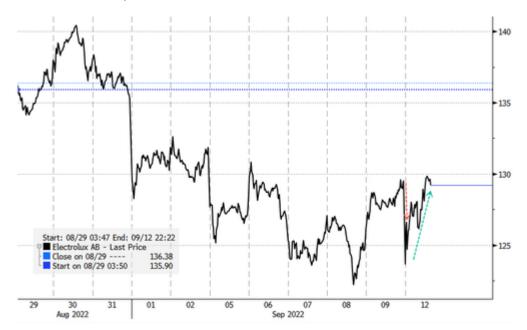
Electrolux warned a combination of snarled supply chains had pressured the company, which is expected to report an even more significant operating loss in the third quarter.

"In combination with supply chain imbalances resulting in significant production inefficiencies and increased costs, the **third quarter earnings for the Group are expected to decline significantly** compared to the second quarter 2022 also excluding the one-time cost to exit the Russia market. This has been driven mainly by Europe and North America. Business Area North America is expected to report an operating loss in the third quarter exceeding the loss in the second quarter."

Waning consumer demand, retailer inventory building, and mounting losses for the Swedish company forced its board to "initiate a Group-wide cost reduction program addressing both variable and structural costs." Electrolux explained more about the cost reductions:

"The program, which **starts immediately**, will focus on reducing variable costs, with special attention to eliminating cost inefficiencies in our supply chain and production. The structural cost reductions will primarily take place in Europe and North America and include prioritization and efficiency measures leveraging recent organizational changes which took effect July 1. The measures include increasing productivity in operations as well as optimizing the R&D portfolio, administration, sales and marketing activities."

The souring outlook for Electrolux initially sent shares down 7% but have since recovered most losses late in the European session.



Electrolux's CEO Jonas Samuelson said **consumer confidence** is **expected to stay depressed in Europe**, adding, "I think people will hold on to their wallets quite hard." The same is likely true in the US — consumers have backed off buying durables goods and focused on purchasing staple products as the highest inflation in decades has sent wage growth deeply negative for more than a year.

Households on both sides of the Atlantic are struggling.

by Tyler Durden

Category

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