Assessment 4: Macroeconomics Effects of the Business Cycle
The company that seems to be doing fairly well in spite of the current economic situation that is going on around us is Wal-Mart. Wal-Mart is a retail discount store that sells everything from clothing to automotive repairs. Wal-Mart has over 4,100 stores and clubs in the U.S., and a total of nearly 7,300 units worldwide. It seems that this company is not pulling back in opening new stores since the recession. Just earlier this year in Garner, North Carolina a new Super Wal-Mart opened which has hurt business for the Super Kmart that is next door. Now the Super Kmart has shut down its deli, meat, produce and dairy section competition was tough to keep up with.
The real gross domestic product the output of goods and services produced by labor and property decreased at an annual rate of 5.7 percent in the first quarter of 2009, that is the fourth quarter to the first quarter. In the fourth quarter real GDP decreased 6.3 percent. The smaller decrease in real GDP in the first quarter reflected a larger decrease in imports, an upturn in PCE durable goods, and a smaller decrease in PCE for nondurable goods that were partly offset by larger decreases in private inventory investment and in and a downturn in federal government spending (U.S. Bureau of Economic Analysis).
According to

the U.S. Bureau of Labor Statistics the unemployment rate the following months were:
|Dec 08       |Jan 09     |Feb 09       |Mar 09       |Apr 09       |
|7.2         |7.6         |8.1         |8.5           |8.9         |

      A recent article in the The News and Observer newspaper written by a reporter from Bloomberg News with the headline “Wal-Mart to add more than 22,000 jobs”. Wal-Mart, the largest U.S. private employer, plans to add more than 22,000 jobs this year, spurred by store openings and expansions. The company made a statement that they will hire store managers, pharmacists, cashiers and other positions for the 142 to 157 Wal-Mart outlets it plans to open or expand in the 12 months through Jan. 31. Wal-Mart employs more than 1.4 million U.S. workers (p. 7B).
      With Wal-Mart stating it will employ more people the short-term impact for their growth and sales do not seem to affect them much. They seem to be holding on to their current customers and gaining new ones. The company has reduced prices on groceries, medicines and suntan lotion to lure shoppers who are now unemployed to shop in the stores.
      Chuck Bartels of the Associated Press Forbes, quoted Wal-Mart Chief Executive Mike Duke who said” that the company has gained market share. The company has held to its message of value and low prices”. “Consumers are changing

their thinking and behavior. It’s a virtue to be thrifty,” Duke said (Forbes Associated Press).
      What is going to happen to key inputs costs and usage for Wal-Mart based upon what their statement of hiring more employees it will increase for them and it will also help many people who are out of work right now, and it will change that unemployment rate for the United States. Even though it is one company that is making this statement it will make a small difference and when many more companies begin to hire this combined with Wal-Mart’s move will change that percentage.
      A New York Times article wrote that “during a recorded conference call Eduardo Castro-Wright, vice president of Wal-Mart’s United States operations, said that about 17 percent of Wal-Mart’s customer traffic came from new customers and that spent 40 percent more on a shopping trip than Wal-Mart’s average – evidence that shoppers were trading down (New York Times). What Wal-Mart has done during the recession that it has changed its prices and products to cater to the consumers needs and what that they have available to spend. In spite of what is going on with the economy Wal-Mart is making a profit and this writer believes that even once the economy begins to turn around.
      The macroeconomic conditions today are affecting the way Wal-Mart is operating

their company. They know they must comply with the every changing economic condition in doing so they are employing more people who in turn spend the income they make on the products that Wal-Mart sells; which gives them a more positive outlook to open more stores because of the profit they are making. Their shares are now $50.87 a share which is not a low price, even at this price those people who believe that the economy will begin to turn around soon, will buy stock in Wal-Mart increasing their stability even more.

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