

SWITZERLAND: Strong currency hits Nestle sales

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Global food group Nestlé reported a slowdown in sales growth for the first quarter hurt by the strength of the Swiss franc, but reiterated its full-year target.



Total sales slipped 2.1% to CHF25.2bn (US\$21.53bn) as the strong Swiss currency had a negative impact of 5.2%.

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Despite this, Nestlé said it still expects 2009 organic sales growth of "at least approaching 5%" compared to its long-term target of 5-6%.

Organic sales growth, which strips out currency effects and acquisitions, was 3.8% in the first quarter, the company said on Wednesday.

Nestlé achieved organic growth of 3.8%, including 0.3% real internal growth for the quarter.

CEO Paul Bulcke said the group achieved "positive" organic growth in the first quarter, despite "tough comparisons" with Nestlé's near 10% organic growth over the same period last year.

"Our response to the challenging economic environment in 2009 has been to seize new opportunities, accelerating key initiatives in areas such as product affordability, innovation and renovation, as well as cost efficiencies," Bulcke said.

Confectionery experienced 4.3% organic growth with sales of CHF2.7bn. The emerging markets in Asia, Africa and the Middle East continued to enjoy strong growth. The UK also performed well, particularly KitKat, which achieved double-digit growth.

In Nestlé's Americas region sales reached CHF7.5bn, achieving 7.1% organic growth and 2% real internal growth. In North America, the company said frozen food and ambient dairy performed well.

"Some observers may be concerned about the weaker-than-expected volume growth but this would be hair-splitting given the tough comparison and the seasonal headwinds (i.e. late Easter)," said James Amoroso of consultancy Amoroso. "A relatively weak picture in Europe was to have been expected and is a usual occurrence, but it was pleasing to hear that recession-hit North America showed growth even at the RIG level."

In Europe sales reached CHF5.2bn, achieving 0.5% organic growth, although real internal growth slipped 1.3%. Consumer demand was subdued in western Europe, while Nestle's performance was impacted by the late start to the ice cream season.

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