

EARNINGS

Weak Dollar Boosting Quarterly Earnings

By CHANA R. SCHOENBERGER

A weakened U.S. dollar, languishing near its lowest levels since July 2008, is bolstering first-quarter corporate earnings by making big U.S. exporters' goods more competitive abroad.

THE UPSHOT

"For a lot of companies, it is putting more money in their pockets as [foreign] companies find American pricing to be more attractive," said Howard Silverblatt, senior index analyst at debt rating agency Standard & Poor's.

"The second half of the year is set to make an all-time record as far as earnings go, and the dollar is helping that," Mr.

Silverblatt said.

Hurt by worries about America's budget deficit, the dollar index, which measures the U.S. currency against a basket of major rivals, has fallen about 6.5% year-to-date. The index traded on Tuesday at 72.965, approaching its lowest-ever closing of 71.459 on March 17, 2008.

Exporters that make goods in the U.S. and send them abroad benefit from a weak dollar. **Caterpillar Inc.** said currency impacts added \$94 million to its first-quarter revenue. The weaker dollar contributed to a 71% jump in sales of excavators and other construction equipment compared to the first quarter of 2010, it

said on Friday.

Coca-Cola Co. said last week its quarterly operating income got a boost of 3% in the first quarter as a result of the dollar. The Atlanta-based beverage giant's full year operating profit will see a currency benefit in the low- to mid-single-digit percentage over a year ago.

"The broadly weaker U.S. dollar since...the end of 2010 augurs well for translation impact in 2011" for Coke, Barclays Capital beverage analyst Michael J. Branca wrote in a research note.

3M Co. also reported that currency raised its first quarter sales by 3%. In its presentation to analysts, the com-

pany said that "broad-based dollar weakness" will add between 2% and 3% to sales for 2011, up from its January estimate of a 1% to 2% benefit.

Johnson & Johnson on April 19 reported that first-quarter sales grew by 3.5%, with half of that gain attributed to favorable currency effects. The company also boosted its forecasts for the full year, anticipating that foreign exchange will represent 16 cents a share in additional earnings for 2011. The company gets slightly more than half its sales from abroad.

The weakening dollar is, to some extent, offset by rising oil and other commodity prices, a global trend that is

making raw materials more expensive for manufacturers. Higher oil prices also means that shipping is pricier.

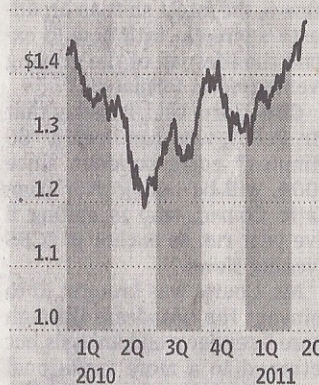
Package shipper **United Parcel Services Inc.** said last month that it took a \$30 million hit in its first quarter for currency hedges. The company expects a similar, \$40 million hit in the current quarter.

Larger companies tend to do better in a weak-dollar environment than smaller competitors, S&P's Mr. Silverblatt noted. "Smaller caps have a tendency to import parts from abroad and they don't hedge the dollar, so their costs are a little bit higher," he said.

The Upshot comments on corporate earnings trends.

Stronger Euro

How many U.S. dollars one euro buys



Source: WSJ Market Data Group