In this file photo, a woman leaves a Walgreens pharmacy that is enforcing social distancing rules by allowing only a certain numbers of people in as customers line up on the sidewalk outside the store in New York. (AP)

Walgreens lost $1.7 bn in Q3 as global pandemic tightened grip

The coronavirus pandemic pushed Walgreens to a $1.7 billion loss it the most recent quarter with customers staying home or limiting shopping to essential supplies from grocery stores.

The drugstore chain said Thursday that the rapidly spreading virus took a bite of between $700 million and $750 million from sales, with much of the damage coming from outside the United States.

More companies of all sizes will begin releasing details about their financial performances over the past three months as COVID-19 seized economies in Europe, as well as North and South America. Walgreen's quarter ended May 31, encapsulating a three-month period in which consumer activity came to a screeching halt.

Walgreens furloughed more than 16,000 employees at the peak of the pandemic in the United Kingdom. Sales at its Boots stores there dropped nearly 28% on a constant currency basis. April foot traffic plunged 85%.

While stores remained open to provide pharmacy services, Boots' profitable beauty and fragrance counters were closed.

Industry analysts expected a substantial hit to profits, but the size of the loss exceeded those expectations. Shares of Walgreens Boots Alliance Inc slumped 9%, close to a new low for the year.

Walgreens booked non-cash impairment charges of $2 billion in the quarter due to its Boots UK operating loss and continued uncertainty about how long the pandemic will go on.

The charge illustrated "a remarkable deterioration in asset value," said Neil Saunders, managing director for GlobalData Retail, in a research note.

Prospects for Walgreens' business the the UK "are now significantly gloomier than they were at the start of the year," Saunders wrote. (AP)

Business Plus

Economy likely to weaken further without more govt aid, economists say

As Congress fights, analysts warn economy needs help now

US House Speaker Nancy Pelosi of California, accompanied by Rep Dan Kildee, D-Michigan (left), and Rep Danny Davis, D-Illinois (right), speaks at a news conference on Capitol Hill in Washington on the extension of federal unemployment benefits. (AP)

'This is the last lifeboat leaving, and if you don't get on it, you're toast'

By Christopher Rugaber

As Congress and the White House resume their efforts to agree on a new economic aid package, evidence is growing that the US economy is faltering. And so is concern that the government may not take the steps needed to support hiring and growth.

"We're in a pretty fragile state again," warned Nancy Vanden Houten, lead economist at Oxford Economics, a consulting firm. "The economy needs another shot in the arm."

With unemployment still at a high 11.1% and hiring potentially slowing in July, the economy is likely to weaken further without more government aid, economists say. Few agree with White House economic adviser Larry Kudlow's assertion on Sunday that the nation is on a V-shaped recovery path, in which the sharp recession that began in February would be followed by a quick rebound.

What's needed, most economists say, is continued extra aid for tens of millions of unemployed Americans, along with more funding for state and local governments and more grants for struggling small companies, many of which could go out of business.

Yet even with the viral outbreak intensifying and nearly half of Americans whose families have endured a layoff saying they fear those jobs are lost forever, Congress isn't anywhere close to agreeing on the outlines of a package even as a $600-a-week federal payment to the unemployed has expired.

The debate coincides with worrisome signs about the job market and the economy. The number of laid-off workers who have applied for unemployment benefits has topped 1 million every week for 18 straight weeks. Before the pandemic, that figure never exceeded 700,000. Real-time data shows that Americans' visits to shops and restaurants have leveled off after having grown in May and June. Air travel fell last week compared with the week before.

As Congress struggles to reach a compromise on a new financial rescue plan, the main sticking point is the supplemental federal unemployment aid, which provides $600 a week on top of whatever benefit each state provides.

The White House wants to replace the enhanced benefit with a payment that would vary by state but would combine with a state unemployment benefit to replace 70% of recipients' previous income, likely with some cap for high-income earners. On average, state benefits are equivalent to 45% of workers' former incomes.

Senate Republicans favor reducing the $600 to a flat payment of $200, possibly as a bridge to a 70% replacement system. The flat payment had been adopted in March because most states' unemployment systems use antiquated software that cannot adjust individual payments using a percentage formula.

The Democratic-led House has already approved legislation that would extend the $600 through January. Research has shown that, counting the $600 a week in federal aid, roughly two-thirds of those out of work are receiving more money from their jobless benefits than they earned at their previous jobs. That conclusion has fueled Republican concerns that the extra aid has discouraged some of the unemployed from returning to work, potentially slowing the recovery.

Many small businesses have said the $600 weekly federal benefit has made it harder for them to fill jobs. But some unemployed people are reluctant to return to work because they fear becoming infected. And others have tried and failed to find any work.

One new finding suggests that the federal jobless benefit hasn't broadly kept people from going back to work. In a paper released Monday, a group of economists and doctoral students at Yale University found that unemployed people with larger percentage gains in their benefits were no less likely to return to work than those with smaller increases.

When the unemployment rate is as high as it is now, economists generally worry less about disincentives, because so few jobs are available. It's when unemployment is low and people who are out of work know that jobs are widely available that the disincentive to work would more likely apply.

William Spriggs, chief economist at the AFL-CIO, argued that the 7.5 million jobs that the economy added in May and June suggest that most of the unemployed will take a job offer when unemployment is high, because they know another opportunity may be hard to find.

"This is the last lifeboat leaving, and if you don't get on it, you're toast," Spriggs said. Most workers also prefer the security of a job over a temporary, if generous, benefit, he said.

Jeremiah Spelts is among those who would like to find new work. Spelts, 41, earned more money from his diesel mechanic job, which he lost in June, than on unemployment. He worked in the oil fields in Wyoming until his employer of two years ran through their Paycheck Protection loan from the government and oil prices fell.

Still, the extra $600 has made it possible for him to cover all his bills.

If that goes away, "I would literally start losing things," he said. "The first to go would be my apartment and utilities."

On other issues, Senate Republicans have indicated that they oppose further aid to state and local governments, though they support more money for schools. The House Democrats' bill provides $1 trillion for state and local governments. Both parties support additional funding for small businesses, but Senate Republicans are considering limiting new grants to businesses whose revenue has shrunk at least 50%.

Michael Strain, an economist at the right-leaning American Enterprise Institute, says he supports reducing the extra benefit to roughly $200 a week. But says that the money saved from that cut should be pumped back into the economy. He favors more aid for state and local governments to prevent them from making any further layoffs, and more funds for small businesses.

"The goal is to support the economy and support consumer spending, without disrupting work incentives," Strain said.

But Scott Shane, an economics professor at Case Western Reserve University, said he thinks aid should focus more on the unemployed than on small businesses, because many companies may not survive, particularly those involved in in-person services such as restaurants, bars and hotels.

The benefit of keeping a restaurant open, for example, is limited, even if it pays all its employees, Shane said. It won't order food or new equipment from its suppliers, which, in turn, have to cut jobs. And there's no way to know at this point when restaurants and other in-person businesses will reopen.

In fact, the potentially open-ended nature of government aid keeps Shane up at night. Congress approved a $2 trillion package in March. The aid Congress is considering now will likely top $1 trillion.

"Are we going to do this twice more every six months going forward?" he asked. "You can't just borrow forever." (AP)

Can you trust your mobile payment app?

'Because if there is a weak point in these kinds of services, it is that your behavior may make it less secure'

By Liz Weston
NerdWallet

Money transfer apps including Venmo, Cash App and PayPal have surged in popularity during the pandemic as people seek safe, contactless ways to send and receive money. Unfortunately, many people don't understand the limitations of these payment platforms or how they can put someone's finances at risk.

Like over-the-counter medicines, payment apps can be safe when used as directed - but people often don't read the directions, says James E. Lee, chief operating officer for the Identity Theft Resource Center, a nonprofit that provides victim assistance and public education about identity theft.

"You've got to make sure that you're doing the right things," Lee says. "Because if there is a weak point in these kinds of services, it is that your behavior may make it less secure."

Mobile payment apps allow people to transfer money to others quickly, often for free. They may be downloaded to a phone or other mobile device or accessed online.

This file photo provided by NerdWallet shows Liz Weston, a columnist for personal finance website NerdWallet.com. (AP)

Some payment systems are available via social media, email accounts or other apps.

Apps such as Venmo and Cash App are known as "peer-to-peer" platforms because they're designed to facilitate transfers among friends and family. People can search for each other using email addresses, phone numbers or user names, and money is usually transferred within one to three days. Some let users choose an instant transfer for a small fee.

Other systems, including Samsung Pay, are meant for business transactions, such as paying a merchant online or at a register. A few options, including Apple Pay, Google Pay and PayPal, can be used for both personal and business transactions.

Even before the pandemic, 79% of US adults used mobile payment apps, according to a NerdWallet survey conducted in January. Since stay-at-home orders hit, use of the apps has soared as more commerce shifted online and people needed to send money to friends and family they couldn't see in person, says Adam Blacker, vice president of insights and global alliances for Apptopia, which tracks mobile application trends.

Installations of the most popular payment apps, which averaged about 14 million per month before the pandemic, rose to 17 million in April and more than 20 million in May and June, Blacker says. Users launched the apps about 1.8 billion times this June, compared to 1.3 billion times in June 2019.

Many people assume their payment apps offer protections similar to those of credit or debit cards, but that may not be the case, says Kathy Stokes, director of fraud prevention programs for AARP.

For example, about half of US adults incorrectly believe that they could reverse a payment made through a peer-to-peer platform, according to an AARP survey conducted in November. If you change your mind, have a problem or make a mistake – input the wrong email address or phone number, for instance – you're usually at the mercy of the recipient.

"The only thing I can do is plead for that person to be ethical and send the money back to me," Stokes says.

Payment apps usually protect you against unauthorized transactions, but not necessarily against other fraud - and that can be true even if you link to a debit or credit card that otherwise would offer such protections. Many peer-to-peer systems specifically warn people not to pay individuals or businesses they don't know, Stokes says.

"If you use (a peer-to-peer app) to buy those great-priced tickets off of Craigslist, and you never get those tickets, you're out the money," Stokes says.

If you're doing business with a merchant you don't know, use a payment app built for such transactions, such as PayPal, which offers dispute resolution and purchase protection.

Lee recommends reviewing an app's security, fraud and privacy policies before installing. He also recommends using unique, complex passwords, and turning on features, such as facial recognition and passcodes, that could prevent others from accessing your phone. Enable your phone's "find my device" feature, which lets you erase its data if the phone is lost or stolen.

With proper precautions, though, feel free to use mobile payment apps, Lee says. In many ways, they're more secure than traditional payment methods because your financial information isn't exposed during the transaction. Your bank account or credit or debit card numbers can't be intercepted by criminals or stored in a merchant database where they could be accessed by hackers.

"The mainstream products and services are very secure," Lee says. "And particularly today, there are a lot of advantages to contactless payments in one form or another." (AP)