

Amazon's sales growth slows as pandemic shopping surge eases

July 30 2021, by Anne D'innocenzio



This April 16, 2020 shows the Amazon logo in Douai, northern France. Amazon on Thursday, July 29, 2021 turned in a mixed bag of results for its fiscal second quarter, coming up short of Wall Street expectations in revenue but beating on profits. Credit: AP Photo/Michel Spingler, File

The world's return to almost normalcy is slowing down Amazon's

pandemic-induced sales surge.

The online behemoth on Thursday posted better-than-expected second-quarter profits. But it delivered sales results that came in short of expectations and offered a disappointing outlook for the current quarter.

Amazon said that revenue will be in the range of \$106 billion to \$112 billion for the third quarter. Analysts were looking for \$119.3 billion.

Shares in Seattle-based Amazon.com Inc. fell more than 7% in after-market trading following.

Amazon is one of the few retailers that has prospered during the pandemic. As physical stores selling non-essential goods like clothing temporarily or permanently closed, people stuck at home turned to Amazon for everything from groceries to cleaning supplies.

Chief Financial Officer Brian Olsavsky said the slowdown in sales growth is a result of the company lapping against last year's huge pandemic-induced COVID-19 shopping binges. The slowdown also reflects that people, particularly in Europe and the U.S., are more mobile and are doing other things besides shopping online, he added.

When the pandemic hit and lockdowns began in March 2020, it took some time for Amazon to add more workers and expand its capacity to meet a surge in shopping. By May 2020, the company's revenue growth rate jumped in the 35% to 40% range from what had been a 20% to 21% range during the pre-pandemic days. It remained at that level through the first quarter of this year, when its revenue growth hit 41%.

Excluding its annual Prime Day event, held in June this year, Amazon's year-over-year percentage growth rate has dropped into the mid-teens. Its revenue guidance for the current quarter now forecasts a range of

10% to 16% growth. Amazon executives say a more accurate way of assessing its growth rate is on a two-year compounded annual rate, which remains at a hefty 25% to 30%.

Olsavsky told reporters that rising coronavirus infections linked to the delta variant are pushing the company to get more workers vaccinated. It's also working with local authorities on safety measures. He said that could mean requiring workers to wear masks in some areas, even if vaccinated.

"The bigger goal is to stamp this out and get people vaccinated and have a successful return to life," Olsavsky said.

During the three-month period ended June 30, the company reported a profit of \$7.78 billion, or \$15.12 per share, compared with \$5.24 billion, or \$10.30 a share, during the year-ago period. Revenue jumped 27% to \$113.08 billion.

Analysts surveyed by FactSet on average expected \$115.42 billion in quarterly revenue and per-share earnings of \$12.28.

Besides online shopping, Amazon's other businesses expanded, too. Sales at its cloud-computing business, which helps power the online operations of Netflix, McDonald's and other companies, grew 37% in the quarter. And at its unit that includes its advertising business, where brands pay to get their products to show up first when shoppers search on the site, sales rose 87%.

Amazon held its Prime Day from June 21 to June 22, the earliest it had ever held the sales event, because it didn't want any distractions from the Tokyo Olympics. Last year, Amazon postponed Prime Day to October because of the pandemic and used it to kick off holiday shopping early.

The quarter that ended June 30 was the company's last with founder Jeff Bezos as CEO. [He stepped down](#) to become executive chairman in early July. Andrew Jassy, who headed its cloud-computing unit, Amazon Web Services, succeeded him.

Amazon continues to add more businesses to its empire even as regulators around the world scrutinize the company's business practices.

In May, Amazon [announced it was buying MGM](#), the movie and TV studio behind James Bond, "Legally Blonde" and "Shark Tank," with the goal of filling its video streaming service with more material to watch.

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