

DuPont to Cut 2,000 Additional Jobs to Reduce Costs

DuPont Co., the third-biggest U.S. chemical maker, plans to eliminate an additional 2,000 jobs, bringing total workforce reductions to 7.5 percent, as it reduces costs amid persistently weak demand.

The job cuts and related plant closings will save more than \$70 million this year and \$225 million a year by the end of 2010, Wilmington, Delaware-based DuPont said today in a statement. A pretax charge of \$340 million to \$390 million will be taken in the second quarter, with 60 percent in cash.

Chief Executive Officer Ellen Kullman said last month she plans to slash DuPont's fixed costs by \$1 billion, \$270 million more than the company's previous target. DuPont, which already has eliminated 2,500 employees and 10,000 contractors since late last year, said demand continues to decline in markets for autos, construction and industry.

"A refrain I'm hearing from a lot of companies is that April is very similar to March and there is very little confidence that there will be much of an uptick in fundamental demand by June," Laurence Alexander, a New York-based analyst at Jefferies & Co., said by telephone. "The underlying level of demand is soft and staying soft." He rates the shares "buy."

DuPont fell 85 cents, or 3 percent, to \$27.91 at 4:15 p.m. in New York Stock Exchange composite trading. The shares have risen 10 percent this year.

Chemical makers are slashing jobs amid falling global demand, with the U.S. economy enduring its worst recession in 50 years. DuPont expects the global economy to contract 2.5 percent this year. Dow Chemical Co., the largest U.S. chemical maker by sales, is eliminating 10,000 jobs, and BASF AG, the world's biggest chemical maker, is cutting 2,000 employees.

All Regions

DuPont, which operates in 70 countries, will be eliminating jobs in all regions, said Anthony Farina, a company spokesman. He declined to detail the cuts or plant closings. The job cuts will be in all units except agriculture, DuPont said in a regulatory filing.

Second-quarter charges include about \$225 million for severance and related benefits, \$145 million for asset write-offs and \$35 million for dismantling factories and accelerated depreciation, according to the filing. In subsequent periods, DuPont said it expects to spend about \$225 million for severance and \$25 million to dismantle plants.

DuPont's sales volumes fell 19 percent in the last quarter, with declines in all business segments except agriculture.

The demand decline is moderating and second-quarter sales will improve from the preceding period in most markets, including autos, U.S. housing, electronics, industrial chemicals, plastics, coatings and refrigerants, Kullman said April 21.

Auto Demand

Improved auto demand may not last, she said. DuPont's coatings unit is the world's biggest maker of automotive paint, and the performance-materials unit gets 40 percent of sales from auto products such as plastic parts.

Materials such as Kevlar and Nomex will drop sequentially in the current quarter because those markets are still using up inventories, and European housing demand will be unchanged from the first quarter, Kullman said last month.

The benefit of lower raw-material costs will begin to accrue in the second quarter and will be "most meaningful" in the second half, the company has said.

Source: Bloomberg.com, May 13, 2009