

U.S.-based retail chain Walmart says it is disappointed that British regulators have blocked a merger between its U.K.-subsidiary, Asda, and rival Sainsbury's.

The proposed tie-up between the U.K.'s second and third-largest retailers - which would have created the country's largest supermarket chain - was halted by the U.K.'s competition watchdog on Thursday over fears it would raise prices for consumers.

The Competition and Markets Authority (CMA) also said it would raise prices at the supermarkets' petrol stations and lead to longer checkout queues.

On Friday, Walmart said that despite "the clear customer benefits of the proposed merger", as a result of the CMA's findings, Asda, its parent Walmart and Sainsbury's have mutually agreed to terminate the transaction.

"We have been clear from the beginning of the proposed merger about two things. Firstly, that retail is rapidly changing and standing still is not an option, and secondly that we will always ensure our international markets are strong local businesses powered by Walmart," said Judith McKenna, CEO of Walmart International.

"The UK remains one of the most competitive retail markets in the world and Asda's seven consecutive quarters of year-on-year growth show it is a strong business with a clear strategy and focused leadership.

"It was against that backdrop that we decided to explore the proposed merger with Sainsbury's - an opportunity which would have further strengthened the Asda business and delivered real benefits for UK customers.

"While we're disappointed by the CMA's final report and conclusions, our focus now is continuing to position Asda as a strong UK retailer delivering for customers. Walmart will ensure Asda has the resources it needs to achieve that."

Sainsbury's boss Mike Coupe said the regulator was "effectively taking £1bn out of customers' pockets".

The deal would have created the UK's biggest supermarket chain, accounting for £1 in every £3 spent on groceries. Sainsbury's and Asda had said the planned tie-up would have cut their costs, allowing them to lower prices for consumers across the U.K.

Analysts say that the proposed merger was part of the companies' strategy to better compete with discounters like Aldi and Lidl, which are increasing their share of the U.K.

retail market.