

GM reports strong profits, lifting shares

October 31 2018, by John Biers



Chevy's Silverado continues to sell well for GM, 30% above forecasts

General Motors profits eclipsed expectations in the latest quarter, despite the impact of tariffs and slipping sales volume, as the company unveiled a plan on Wednesday to cut jobs and reduce costs.

The company reported better-than-expected third-quarter earnings,

despite selling fewer vehicles in both North America and China.

Strong pricing in those markets allowed the company to offset the hit from trade tariffs and the burden of the strong dollar in South American markets and report profits that eclipsed Wall Street forecasts by a wide margin.

Earnings for the quarter ending September 30 were \$2.5 billion, up from a loss of \$3 billion in the year-ago period when results were hit by a one-time accounting charge, and boosted the company's share price.

That translated into \$1.87 per share, compared with Wall Street expectations for \$1.25 per share.

Revenues rose 6.4 percent to \$35.8 billion.

"Our results demonstrate our commitments to execute our plans amid industry headwinds," Chief Executive Mary Barra said on a conference call with analysts.

The [strong sales](#) came as the US and China are embroiled in a contentious trade dispute.

Executives said they were hopeful a deal could be negotiated and that there has been no hit to GM-branded products in the market as a result of the conflict.



GM CEO Mary Barra said the company is continuing to adapt to the market including investing in 'mobility.'

GM said it experienced \$400 million in higher costs due to US tariffs on steel and aluminum, but that strong pricing and cost cuts offset the hit.

To keep a lid on costs, GM plans a "voluntary severance" program in North America and 18,000 of the 50,000 salaried employees in the region are eligible, a company spokesman said.

"Even with the positive progress we've made, we are taking proactive steps to get ahead of the curve by accelerating our efforts to address

overall business performance. We are doing this while our company and economy are strong," a GM spokesman said.

GM has no target for job cuts, but if the process doesn't yield sufficient savings, "we will evaluate the need to implement a subsequent involuntary program," the spokesman added.

Cadillac strong in China

The plan is the latest evidence of how GM has sought to reposition itself to focus more on profitability and less on market share compared with years past, a drive that has also led it to exit unprofitable markets while steering funds to new technologies, including its Cruise autonomous driving initiative.

GM sold fewer cars in North America than in the comparable period in the prior year, falling nearly 10 percent to 833,712 units, but benefitted from a higher pricing following a number of truck and sport utility vehicle launches.



GM's Cadillac is selling well in China

The Silverado pickup truck is currently selling more than 30 percent above forecast, Barra said, adding that the company will have several new truck trims in dealerships within two weeks.

Sales volumes also declined in China, falling by 14.9 percent to 835,934 vehicles compared with the prior year. But again, strong pricing boosted results, permitting GM to score record equity profits from China during the quarter.

GM has benefited especially from strong sales of its Cadillac brand, which is up 20 percent amid robust demand in luxury and premium

segments.

Executives said recent economic weakness has dented sales in smaller "Tier 3-5" Chinese markets.

These smaller cities "tend to be our less profitable part of the market," Chief Financial Officer Dhivya Surgadevara said. In contrast, larger markets saw less of a drop and the luxury [market](#) "is actually up year over year."

GM shares shot up 7.8 percent to \$36.16 in midday trading.

© 2018 AFP

Citation: GM reports strong profits, lifting shares (2018, October 31) retrieved 20 April 2024 from <https://phys.org/news/2018-10-gm-strong-profits.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.