

fastFT General Motors Co

General Motors raises profit outlook for 2018

US automaker also sees higher earnings in 2019 despite weak sales in US and China



© Getty

Patti Waldmeir YESTERDAY

[General Motors](#) forecast higher than expected 2018 profits and said earnings will rise further in 2019, despite flat or declining car sales in both the US and China, its two primary profit drivers.

The Detroit automaker expects adjusted earnings per share for 2018 to exceed the guidance given in October of \$5.80 to \$6.20, and 2019 EPS to rise to \$6.50 to \$7.00 per share, above market expectations. It gave no exact figure for the new 2018 profit forecast.

The automaker's decision in November to [cut 11,000 jobs and idle five plants](#) in North America will contribute to the higher profits, GM chief financial officer Dhivya Suryadevara told a media briefing ahead of an investor day in New York on Friday.

Profits "will benefit from the restructuring to the tune of \$2bn to 2.5bn in 2019", she said. GM said total cash savings from the restructuring will be \$6bn by the end of 2020. Asked whether there will be further plant closings, chief executive Mary Barra said "We've made all the announcements we need to make".

General Motors shares were up more than 8 per cent after the announcement.

GM's news came on the heels of rival Ford's announcement on Thursday that it would [cut thousands of jobs](#) in Europe and slim its product line up, as the US carmaker pushes ahead with a \$14bn global cost-saving plan. The cuts are meant to prepare the 115-year-old company founded by Henry Ford to compete in a world of electric, shared, driverless cars.

GM forecast the overall US auto market to "remain strong" in 2019, projecting total sales "in the low 17m range", compared with last year's 17.3m. In China, GM expects retail sales to be "in line with 2018 levels of nearly 27m". Continuing China market weakness will hit GM profits from the world's largest car market, Ms Barra said. "Expect a moderate decline in equity income but we have factored that into our outlook," she said.

Concerns about [slowing economic growth](#) in China have hit world stock markets in recent weeks.

But Ms Barra sounded a positive note about US-China trade talks and the impact that could have on the China auto market.

“With constructive trade talks and the conversation with the NDRC related to durable goods stimulus, there are a lot of factors that would allow us to achieve appropriate profits (in China) this year,” she said. “It’s a very good sign that (the talks) were constructive and that both sides are signalling that”.

“GM’s discipline proved successful with 2018 results exceeding forecasts, leading the automaker to provide guidance for another good year in 2019,” said auto analyst Michelle Krebs at Autotrader.com.

In South America, the automaker announced that it had lowered its break-even point by 40 per cent but is “continuing to look for way to improve business performance”. Ms Barra said profits in South America will be up this year over last year.

The Detroit automaker also announced a significant shift in its electric vehicle strategy, with luxury brand Cadillac to become its lead electric vehicle brand rather than the mass market Chevy Bolt, which has been its focus. Making Cadillac its lead electric car brand would put it in direct competition with Tesla to serve the luxury electric vehicle market.

General Motors also reiterated its goal of putting fleets of self-driving taxis on US roads by the end of this year, which could make it the first traditional carmaker to deploy autonomous vehicles at scale in the real world. “We made a lot of progress in 2018 . . . we still have a lot of work ahead of us,” said Dan Ammann, chief executive of GM Cruise, the carmaker’s self-driving car unit.

Colin Langan, auto analyst at UBS, wrote in a note on the new electric vehicle strategy: “We view this as a smart strategic play as it will allow pricing flexibility at the higher-end, which should help scale technology down to its other lines”.

The US auto market [defied expectations](#) that sales would fall in 2018, ending the year up from 17.2m in 2017 to 17.3m last year. Most analysts expect sales to fall below 17m in 2019.

[Get alerts on General Motors Co when a new story is published](#)

[Get alerts](#)

[Copyright](#) The Financial Times Limited 2019. All rights reserved.

Latest on General Motors Co

Comments have not been enabled for this article.

Follow the topics in this article

US & Canadian companies

Automobiles

General Motors Co

US

fastFT