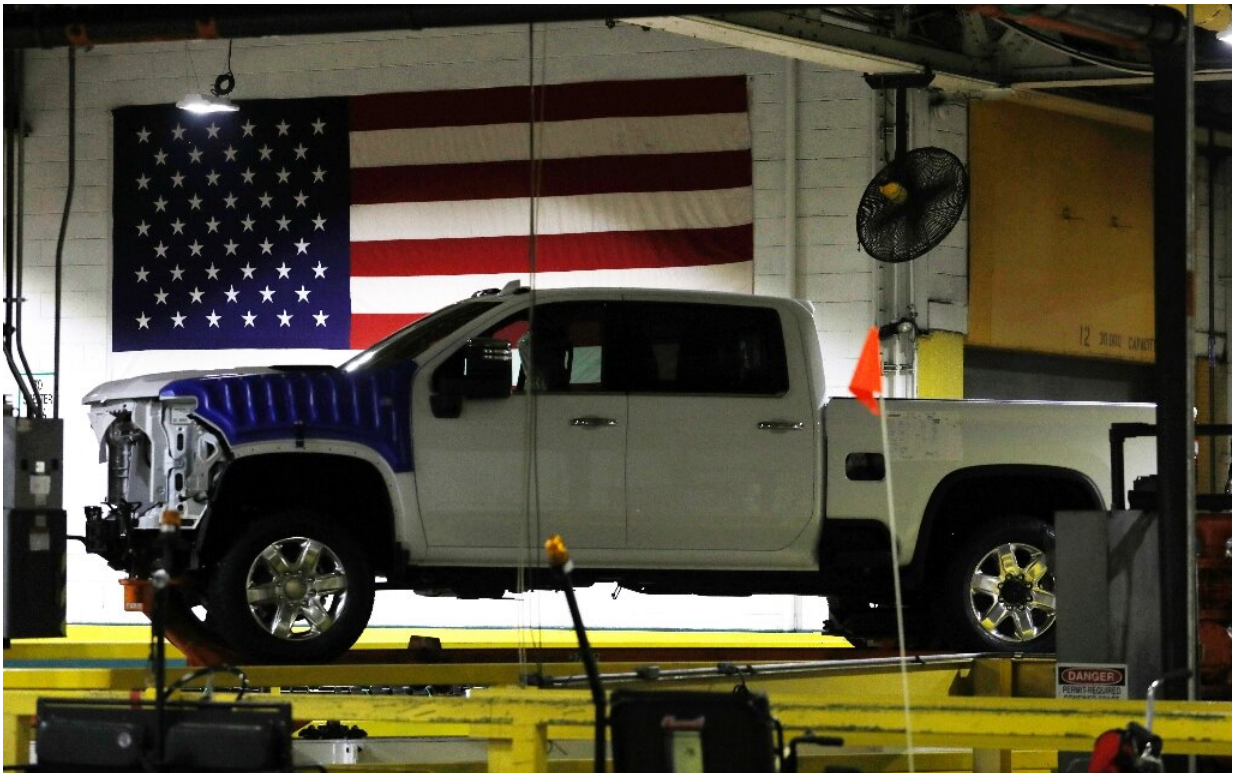


Pricey truck sales boost GM earnings despite lower volumes

August 1 2019, by John Biers



General Motors reported higher second-quarter profits, with sales of pricey pickup trucks in North America making up for lower overall volumes

Strong demand for pricey, high-end trucks in North America boosted General Motors' earnings, offsetting lower car sales, especially in China, the company announced Thursday.

The biggest US carmaker reported slightly higher second-quarter profits, and highlighted the launch of upgraded pickup truck models aimed at the American market, where the economy is strong and demand has held up.

The result was a record average price of \$37,126 in North America in the quarter, boosting operating income in the region even as the number of vehicles sold in the quarter fell there and in other markets.

GM has also cited lower costs following a reorganization announced in late 2018 that cut thousands of jobs and closed factories, drawing criticism from politicians from across the political spectrum.

"We're really starting to see the earnings potential of the truck enterprise," said GM Chief Financial Officer Dhivya Suryadevara.

The results came as Moody's lowered its outlook to "negative" on the global automotive market, projecting lower sales in 2019 and 2020 and citing "further weakening in demand in Western Europe and in China, which was affected by the ongoing US-Chinese trade talks."

Will higher prices hold?

Net income rose to \$2.4 billion, up 1.2 percent from the year-ago period.

But revenues fell 1.9 percent to \$36.1 billion, as global [vehicle](#) sales dropped 6.1 percent, a decline of more than 125,000 cars.

In North America, GM vehicle sales fell four percent, clipped in part by lower inventories of some trucks as the company rolls out the updated models.

Suryadevara described the launches as "cadenced," aimed first at the

light-duty pickup market where vehicles endowed with state-of-the-art connectivity and other features command prices of \$45,000 and higher. GM's [market share](#) in this segment rose during the quarter.

The carmaker plans to unveil heavier pickup truck models through the rest of 2019 and into 2020, as well as make available more light pickups at lower prices.



General Motors CEO Mary Barra said the company plans a marketing campaign for San Francisco, where its Cruise unit plans self-driving taxis

Suryadevara shrugged off analyst concerns that truck launches by Fiat Chrysler and other automakers will dent these profits, pointing to the

strong US economy and the age of the fleet being replaced.

"We think the fundamentals remain strong, especially in the truck market," Suryadevara told reporters on a conference call.

The company suffered a 12.2 percent drop in vehicle sales in China, where demand was dampened by the slowing economy and pricing pressure. GM, which had previously projected flat auto sales this year in China, now projects a decline.

Suryadevara said the company reduced vehicle inventory by about 10 percent in China and took other measures to reduce costs.

The company plans a series of vehicle launches in China in the second half of the year that should sell well, but Suryadevara said macro conditions remained challenging.

More time for autonomous

GM's autonomous vehicle division, Cruise, last month pushed back the timeframe for commercial deployment of self-driving taxis, which had originally been targeted for 2019.

Chief Executive Mary Barra said she is "very pleased" with the venture's progress but that it needs more time to work on the technology, address regulator questions and build public support for the enterprise.

GM plans to launch a publicity campaign to explain the project in San Francisco, where the cabs will launch.

"You're going to see us have a marketing campaign to engage the city so they know what's coming," she said on a conference call with analysts.

"I wouldn't say there's impediments. There's just work that needs to be done."

GM confirmed its full-year profit forecast following the results, which topped expectations.

The automaker's share price rose three percent to \$41.53 in late-morning trading.

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