

GM rides US love for trucks, SUVs to blowout 3Q profits

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General Motors reported a jump in third-quarter profits on strong sales of the Chevy Silverado and other large vehicles

America's love of big autos translated into blowout results Thursday for General Motors, which also benefited from recovering sales in China following a big hit amid the coronavirus pandemic.

The US auto giant, which recently launched new sport utility vehicles to accompany its fleet of revamped pickup trucks, enjoyed lofty profit margins in North America, fueled by strong vehicle pricing and tight auto inventory.

Executives spoke of "pricing power" in the US, partly thanks to the approximately two-month closure of two US auto plants this spring due to COVID-19. Production resumed in May under strict safety protocols.

"You really have this demand out there that we haven't seen in a long time, especially for full-sized pickups," chief executive Mary Barra said on CNBC. "We just keep seeing demand for trucks continuing to grow."

Barra said in an earlier briefing with reporters that she was confident that GM would be able to maintain auto production despite rising COVID-19 cases in the US.

"When the protocols are followed, we don't have facility spread (of COVID-19)," she said, adding that the company has brought on temporary workers at times in recent months.

GM scored a 72 percent increase in third-quarter profit to \$4 billion from the year-ago period. That translated into earnings of \$2.78 per share, more than twice the expected level.

Revenues of \$35.5 billion were roughly flat compared with last year's level.

Are profits sustainable?

The company announced it expects to reinstate a shareholder dividend in mid-2021, after the automaker suspended the payout in the spring at the height of COVID-19 shutdowns.

Profit margins were "so great" during the reporting period that they could prompt analysts to boost long-term forecasts for the auto giant, said a note from JPMorgan Chase.

The better-than-expected results showed GM's ability to "manage the business through a global economy under severe stress," the company said.

But Acting Chief Financial Officer John Stapleton cautioned that the company does not expect fourth-quarter profits to be quite as strong, noting that the third quarter has traditionally seen higher sales.

In 2021, GM expects increased spending on electric vehicle launches and potentially higher commodity costs to be headwinds for profits, offset by other factors, including a full year of production of popular SUV models.

Car sales in North America fell in the third quarter compared with the year-ago period, but GM said US sales increased sequentially throughout the quarter. Profits were boosted by cost-cutting efforts.

Global car sales fell compared with the year-ago period in most regions. An exception was China, which scored an 11.9 percent increase in car sales from the year-ago period to 771,425 autos.

Barra cited the eventual trajectory of the coronavirus epidemic in the United States as an essential factor in vehicle demand. Other key dynamics for sales could include whether Congress enacts another round of stimulus spending and the how the unresolved US presidential election shakes out.

"Hopefully in a short period of time we'll know who has won the presidential election and then we can get on and maybe even understand

what the new stimulus package will be," Barra said.

"All of those will be very positive for continuing this strong demand that we see in autos right now."

Shares jumped 5.4 percent to \$37.14.

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