

Double dose of bad news for GM

Posted by Rick Haglund
August 01, 2008

DETROIT -- General Motors Corp. unloaded a double dose of bad news Friday, announcing a second-quarter loss of \$15.5 billion and a 26.1 percent plunge in July sales from the same month last year.

The loss in the April-to-June period was the third-largest quarterly loss in the automaker's 100-year history. And GM's sales decline came during a month that was the worst for the U.S. auto industry in 16 years.

"There are a lot of difficulties weighing on the consumer and the auto industry," GM's chief sales analyst Mike DiGiovanni said Friday in a conference call.

July sales ran at an annualized rate of 12.55 million vehicles, according to Autodata Corp., of Woodcliff Lake, N.J. That is the lowest monthly rate since August 1992.

Five of the six largest automakers selling vehicles in the United States posted lower sales in July. Ford Motor Co. said its sales dropped 14.9 percent while Chrysler LLC's sales fell 28.8 percent.

Toyota Motor Corp.'s sales plunged 11.9 percent while Honda Motor Co.'s sales dipped 1.6 percent. Nissan Motor Co. posted an 8.5 percent sales increase, which some analysts attributed steep sales incentives offered by Nissan in July. GM reported July sales and its second-quarter earnings were hurt by a poor economy and rising gasoline prices.

Consumers either delayed vehicle purchases or moved in droves from buying trucks to purchasing cars.

"We've seen a sea change right in front of us in

the second quarter," GM President Fritz Henderson said.

General Motors Corp. saw North American sales revenue fall a staggering 33 percent in the second quarter of this year compared to a year ago, from \$29.7 billion last year to \$19.8 billion this year.

GM lost \$4.4 billion on its North American automaking operations.

Also in GM's \$15.5 billion net loss were \$9.1 billion in one-time write-offs for restructuring and strike-related costs.

"Certainly we were concerned about a loss that was much larger than expected by anyone on Wall Street," said David Kudla, chief executive officer of Grand Blanc investment management firm Mainstay Capital Management, LLC.

The automaker's U.S. market share fell 2.4 percentage points to 20.4 percent compared to the last year's second quarter.

GM also burned through \$3.6 billion in cash during the quarter, a figure of concern to analysts.

The automaker reported several weeks ago it planned to raise \$15 billion in new liquidity through cost cutting and asset sales.

Henderson said GM's top priority is regaining sales in North America by rapidly shifting production from trucks to cars.

It's pretty clear this is a game of rebuilding our retail revenue business," he said.

GM's stock closed Friday at \$10.23 per share, down 84 cents -- or 7.59 percent -- from Thursday's closing price on the New York Stock Exchange.