



By Michael Wayland
Saturday, February 16, 2013

Detroit Three earn \$12.3 billion in 2012; analysts expect profits to continue



David Kudla

DETROIT- Following a profitable year, the overall performances of the Detroit automakers are only expected to get better in 2013, according to officials.

In 2012, the Detroit Three collectively earned about \$12.3 billion in 2012, including Ford Motor Co. reporting a \$5.7 billion profit; General Motors Co. earning \$4.9 billion; and Chrysler coming in at a \$1.7 billion profit.

And profits, no matter what your opinion of the domestic auto industry, equate to helping the U.S. economy. ...

...“There’s a very good environment for all three to sell cars domestically,” said David Kudla, Mainstay Capital Management LLC founder, CEO and chief investment strategist. “All Three will do well, they’ll see continued good profits, and we think some earnings

growth.”

The Grand-Blanc firm expects each of the Detroit automakers to experience share price appreciation to increase 15-25 percent.

The gains, according to Kudla, will be led by new products globally; pent-up demand, as the average age of vehicles on the road continues to be at record levels; a growing market, which is expected to be around 15.5 million vehicles in the U.S.; and bank lending increasing. ...

...In 2012, the average incentive spending per unit for 2012 was at its lowest levels since 2002 when auto sales were at 16.8 million.

Automakers reported strong year-end sales that totaled 14.5 million vehicles sold in 2012, a 13 percent increase from 2011.

Industry sales, according to analysts and automakers, should come in between 15-15.5 million vehicles sold in the U.S. in 2013.

“We’re expecting a fairly steady continuation of the momentum we’ve seen in both the economy and in vehicle sales,” said GM chief economist G. Mustafa Mohatarem during a conference call last month to discuss year-end sales. “The economy and industry have good underlying momentum that we expect to continue.”

The U.S. auto industry started 2013 off with a strong start that's expected to continue through this year, officials say.

The majority of automakers, including the Detroit Three, reported January sales of double-digit gains from the same time in 2012, combining for overall auto sales topping 1 million last month, up about 14 percent from a year ago.