

## Market disruption takes toll at GE



Jeffrey Immelt, chairman and chief executive of General Electric, at a news conference last year. (Fred Prouser/Reuters )

General Electric reported an unexpected drop in first-quarter profit Friday, as the slumping U.S. economy and credit crunch hit its financial, industrial and health care units.

The company said profit from continuing operations dropped to \$4.36 billion, or 44 cents a share, from \$4.93 billion, or 48 cents, a year ago, trailing the average analyst estimate of 51 cents. GE shares declined in Germany.

The company is seen as a bellwether of the health of the U.S. and global economies. It also has media and finance arms. GE gets more than half its sales from outside the U.S.

"These results confirm that the slowdown is widespread and beginning to impact capex and longer-cycle businesses," said Stephen Surpless, senior analyst at Cantor Fitzgerald in London, referring to capital expenditure.

"While the credit crisis might be nearer to the end than the beginning, according to some, the impact on the real economy is taking place and is unlikely to abate in 2008," he added.

GE missed its own forecasts for its commercial and consumer finance units because of an inability to complete planned asset sales and higher mark-to-market losses, the company said in its statement.

"We knew the first quarter was going to be challenging, but the extraordinary disruption in the capital markets in March affected our ability to complete asset sales and resulted in higher mark-to-market losses and impairments," the chief executive, Jeff Immelt, said.

Revenue rose 8 percent to \$42.2 billion.

The company cut its full-year profit forecast from continuing earnings to a range of \$2.20 to \$2.30 per share.

The new full-year earnings forecast, which calls for profit to be flat to up 5 percent, compares with an earlier view of "at least" 10 percent. Many on Wall Street had viewed that as a conservative forecast.

"The extraordinary disruption in the capital markets in March affected our ability to complete asset sales and resulted in higher mark-to-market losses and impairments," said Jeff Immelt, chairman and chief executive, in a statement.

So far this year, GE shares are down less than 1 percent, less of a drop than the 5 percent slide in the Dow Jones industrial average, of which GE is a component.

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