

## **GE takes hit as US consumers fail to pay off debts**

*Francesco Guerrera and Justin Baer*

General Electric yesterday painted a bleak picture of US consumers' financial health, saying that rising defaults on credit cards and other loans would force it to set aside up to \$1bn to cover losses this year.

GE, which in recent weeks issued a profit warning and raised \$15bn from investors, including Warren Buffett, said that the crisis would curb earnings at GE Capital, its financial arm, well into next year.

The locomotives-to-movies conglomerate said GE Capital, which accounts for about half of its earnings, would suffer pre-tax losses of up to \$6.6bn this year and up to \$9bn in 2009, largely because of consumers' ailing financial conditions.

In the US, credit loss provisions would rise to between \$800m and \$1bn from previous estimates of \$600m-\$800m, it said.

The downbeat outlook from GE - a bellwether of US and global economic conditions - will deepen investor fears that the financial crisis is quickly spreading from Wall Street to Main Street.

"We are going to see higher delinquencies and as we see them we are going to put up more provisions," Keith Sherin, chief financial officer, told analysts. He said GE was also experiencing weakness in its consumer portfolio outside the US.

In the UK, one in six mortgages held by GE Capital is delinquent - meaning that customers are 30 days or more behind with payments.

The comments came as GE reported its third consecutive drop in quarterly profit, as GE Capital earnings fell by 33 per cent in the third quarter.

However, investors were relieved that GE met a forecast it had lowered a fortnight ago and said it would meet its profit estimate for 2008 after adjusting for the dilution of its \$15bn equity offering.

GE shares were slightly higher at midday in New York despite a widespread rout in the rest of the market.

Jeffrey Immelt, chief executive, once again sought to reassure investors that GE had enough liquidity and access to capital markets to weather the storm without endangering its top notch triple A credit rating.

"We thought it was smart to have suspenders on suspenders on suspenders in this environment."

GE executives welcomed the Federal Reserve's unprecedented move to lend directly to companies through the commercial paper market.

In the three months to September, GE's net earnings fell 22 per cent to \$4.3bn.

GE's energy-infrastructure business posted a 31 per cent jump in earnings on surging orders from throughout the world, while the windfall produced by this summer's Beijing Olympics helped lift NBC Universal, the company's media division, to a 10 per cent gain.

**Fonte: Financial Times, London, October 11 e 12 2008, Primeiro Caderno, p. 11.**