

GE EXPECTS MORE CREDIT LOSSES, SHOWS 44% PROFIT LOSS IN 4TH QUARTER



"Overall, we expect both the commercial and the consumer delinquencies to continue to get worse in 2009," CFO Keith Sherin said. In December the credit giant predicted a write off of \$9 billion in bad loans for 2009, but that number is now expected to be at least \$10 billion. This comes on the heels of a 2008 that saw GE post \$7.5 billion in credit losses and their 4th quarter profits drop 44%. In trading, shares of GE sank to \$12.03, down almost 11%. Its stock has lost 40% since September when the collapse of Lehman Brothers helped send the global economy into a downward spiral. In moves made to bolster confidence and viability, GE has tripled its cash reserves up to \$48 billion and reduced its overall costs via layoffs, reorganization, and cuts to its spending. "Deflation is accelerating and we have got fewer people and less spending. We prepared for a really tough environment." Chief Executive Officer Jeff Immelt said. Immelt defended the companies dividend, but would not go so far as to promise that it would not be cut. "I won't even go there." He responded, during an interview on CNBC, when questioned about analysts' speculation that the dividend would be cut in order to save GE's AAA credit rating. Moody's Investors Service, on January 13th, lowered it's GE outlook from "stable" to "negative". This followed a similar December downgrade by Standard & Poor's. Robert Auwaeter of Vanguard Investment made no bones about it when he stated on Fox's Business Network that "The credit rating is wrong." He said that the performance of it's stock suggests a high B rating, rather than it's current AAA. A credit downgrade would lead to higher debt related costs. According to most speculators, avoiding the downgrade seems like it would be the company's top priority and the only way that seems to be possible is through the slashing of its dividend. But, considering it's impact on investors, that kind of a move would most likely not be announced until it moves beyond the options stage.