GM sees $9.3-billion hit from labor deals, outlines $10-billion buyback

GENERAL Motors (GM) said on Wednesday its new labor deals after a lengthy US strike will cost it $9.3 billion even as it outlined $10 billion in share buybacks, a 33% dividend increase and "substantially lower" spending at its robotaxi unit Cruise.

The buyback is the equivalent at Tuesday's closing price to nearly a quarter of GM's common stock. Its shares were down about 14% this year before rising 9.8% to $31.71 on Wednesday. The stock is still below the $33.66 price it closed at just ahead of the UAW strike's start on Sept. 15.

Shares in Ford and Chrysler parent Stellantis, which also were hit by the UAW strike, were up 4.3% and 4.8%, respectively.

GM lowered 2023 profit expectations after the US strike by the United Auto Workers (UAW).

The Detroit automaker has struggled to boost its stock price as it dealt with the strike and with problems at its Cruise self-driving vehicle unit and rollout of its new electric vehicles.

"Finally some good news for GM and this was strong outlook and comments from Barra & Co post the UAW debacle," Wedbush Securities analyst Daniel Ives said in an email. "Now it's about getting the train back on the tracks and this a great start."

The $9.3 billion in additional costs through 2028 is for agreements with the UAWand Canadian union Unifor, and translates to about $575 per vehicle over the life of the deals.

General Motors' new guidance reduced expected net income attributable to stockholders for 2023 to a range of $9.1 billion to $9.7 billion, compared to the previous outlook of $9.3 billion to $10.7 billion.

That includes an estimated $1.1 billion EBIT-adjusted impact from the UAW strike, which lasted just over six weeks, primarily from lost production. The total impact in 2023 is $1.3 billion including the higher wages and benefits in the deal. "Now that we have a ratified contract and a clear path forward that includes greater operating investment efficiencies, we can resume returning capital to shareholders per our plan," GM CEO Mary Barra said on an investor conference call.

However, she also acknowledged GM's stock price was "disappointing to everyone," pointing to how shares at about $28 were 15% below GM's 2010 initial public offering price.

GM shares currently trade 4.4 times forward profit estimates, below 6.3 for Ford, 8.8 for Toyota and 66.1 for electric vehicle market leader Tesla. However, Volkswagen and Stellantis' share price multiples are even lower at 3.5 each.

GM said earlier this year it would cut fixed costs by $2 billion by the end of 2024 and then followed up in July with plans for another $1 billion in cost reductions. In April, GM said about 5,000 salaried workers had taken buyouts.

GM said it would cut costs at Cruise, which has suspended all US testing after a crash in California last month prompted that state's regulators to bar the company from testing driverless vehicles. Cruise, which is cutting jobs, lost more than $700 million in the third quarter and more than $8 billion since 2016. — ***Reuters***

World's largest retailer Walmart shifts to India, cuts China imports

LONDON/NEW YORK — Walmart is importing more goods to the United States from India and reducing its reliance upon China as it looks to cut costs and diversify its supply chain, data seen by Reuters shows.

The world's largest retailer shipped one quarter of its US imports from India between January and August this year, according to bill of lading figures shared with Reuters by data firm Import Yeti. That compared with just 2% in 2018.

The data shows that only 60% of its shipments came from China during the same period, down from 80% in 2018. To be sure, China is still Walmart's biggest country for importing goods.

The shift illustrates how the rising cost of importing from China and escalating political tensions between Washington and Beijing are encouraging large US companies to import more from countries including India, Thailand and Vietnam.

In the US, shoppers face higher interest rates and high food prices, eroding household savings and prompting Walmart and other retailers to become cautious in their outlook for consumer spending.

"We want the best prices," Andrea Albright, Walmart's executive vice president of sourcing said in an interview. "That means I need resiliency in our supply chains. I can't be reliant on any one supplier or geography for my product because we're constantly managing things from hurricanes and earthquakes to shortages in raw materials."

In a statement, Walmart said the bill of lading data painted a partial picture of what it sourced and that creating redundancy "does not necessarily mean" it was reducing reliance on any of its sourcing markets. "We're a growth business and are working to source more manufacturing capacity," Walmart said.

India has emerged as a key component of Walmart's efforts to build that manufacturing capacity, Ms. Albright said.

Walmart has been accelerating growth in India since 2018, when it bought a 77% stake in Indian e-commerce firm Flipkart. Two years later, it committed to import $10 billion of goods from India each year by 2027. That is a target it remains on track to hit, Ms. Albright said. It is currently importing around $3 billion worth of goods from India each year.

WORKFORCE, TECHNOLOGY ARE KEY DRAWS

Walmart is importing goods ranging from toys and electronics to bicycles and pharmaceuticals from India to the US, Ms. Albright said. Packaged food, dry grains and pasta are also popular imports from India, she added.

India, whose stock market has risen to record highs this year, is viewed as the country best equipped to outperform China in low-cost, large-scale manufacturing. Its rapidly growing workforce and technological advancement were a draw for Walmart, Ms. Albright said. China on the other hand reported its first decline in population in six decades last year.

Walmart started its sourcing operations in Bangalore in 2002. Now, the company employs more than 100,000 people, including temporary workers, in the country spread across several offices under its Walmart Global Tech India unit, Flipkart Group, PhonePe and sourcing operations.

Walmart chief executive officer Doug McMillon met Indian Prime Minister Narendra Modi in May this year, a meeting that Modi termed "a fruitful one."

"Happy to see India emerge as an attractive destination for investment," Mr. Modi wrote on X, formerly known as Twitter, on May 14. McMillon said Walmart would "continue to support the country's manufacturing growth and create opportunity."

Walmart rival Amazon said this month it is targeting merchandise exports worth $20 billion from India by 2025.

Freewill Sports, a small Indian supplier of soccer balls, is one company that has benefited, its Chief Executive Rajesh Kharabanda said in an interview.

The rising cost of shipping goods from China has also contributed to the switch to India, supply chain experts say.

"Sourcing from mainland China has become less competitive because of rising labor costs versus other manufacturing centers," said Chris Rogers, research analyst at S&P Global Market Intelligence's supply chain analysis group Panjiva.

China's minimum wage changes from province to province and sometimes even from city to city, with a range between 1,420 yuan per month and 2,690 yuan per month ($198.52 — $376.08). Meanwhile, average wages for unskilled and semi-skilled workers in India range from about 9,000 Indian rupees to 15,000 Indian rupees a month ($108.04 — $180.06), according to central bank estimates.

SUPPLY CHAIN SNAGS

The COVID-19 pandemic exposed weaknesses in global supply chains, showing US importers to be over-reliant on a small number of markets.

"Planning for a geopolitical event is like planning for a hurricane," said Ms. Albright. "What I can control is where my product is coming from and how do I make sure that Christmas still happens if something happens in our supply chain."

Pakistan and Bangladesh have also benefited from Walmart's strategy, expanding as suppliers of home and apparel products, Ms. Albright said.

Last year, at least eight Freewill shipments sailed to Walmart warehouses from Mundra Port in Gujarat, the largest private port in India, according to US import data.

"There is a newfound confidence in the Indian manufacturing industry and also the availability of factory infrastructure," Freewill's Chief Executive Rajesh Kharabanda said in an interview.

India's central bank forecasts that the country's economy will expand 6.5% this fiscal year. China is expected to grow around 5% this year.

"In the last 12 to 18 months there has certainly been a bigger impact," said Shekhar Gupta, whose family business Devgiri has been selling floor rugs to Walmart for about a decade. "That's when Walmart started putting a true strategy behind how they wanted India at the center of their growth." — ***Reuters***

Chinese factories slip deeper into contraction; more policy support likely

BEIJING — China's manufacturing activity contracted for a second straight month in November and at a quicker pace, suggesting more stimulus will be needed to shore up economic growth and restore confidence that the authorities can ably support industry.

Better-than-expected data for the third quarter led many banks to upgrade their growth forecasts for the world's second-largest economy, but despite a flurry of policy support measures negative sentiment among factory managers appears to have become entrenched in the face of weak demand both at home and abroad.

The official purchasing managers' index (PMI) fell to 49.4 in November from 49.5 in October, staying below the 50-point level demarcating contraction from expansion, data from the National Bureau of Statistics showed on Thursday. It missed a forecast of 49.7, and only Goldman Sachs and Standard Chartered predicted it would come in so low out of 31 respondents.

The new orders sub index contracted for a second consecutive month, while the new export orders component extended its decline for a ninth month.

China's economy has struggled this year to mount a strong post-pandemic recovery, held back by a deepening crisis in the property market, local government debt risks, slow global growth and geopolitical tensions.

Factory PMI has contracted for seven out of the past eight months — rising above the 50-point mark only in September. The last time the indicator was negative for more than three consecutive months was in the six months to October 2019, before the COVID-19 pandemic.

The patchy recovery has prompted many analysts to warn that China may decline into Japanese-style stagnation later this decade unless policymakers take steps to reorientate the economy towards household consumption and market-allocation of resources. — ***Reuters***

Competitiveness,
from S1/1

To improve its adaptability, the Philippines should focus on the development of its knowledge infrastructure.

"This is assessed through talent availability, training and education, and scientific concentration," he said. "Strengthening aspects of talent development and education could enable greater overall digital adaptability."

In its report, IMD said among the major weaknesses of the Philippines is the number of Filipino women with degrees, its regulatory framework for starting a business and enforcement of contracts.

Its strengths include its female researchers, investment in telecommunications, high-tech exports and attitude toward globalization and public-private partnerships.

CYBERSECURITY FOCUS

Arturo Bris, director of IMD's World Competitiveness Center, said the findings of this year's World Digital Competitiveness Ranking provided a glimpse of how countries are approaching digital transformation in the age of artificial intelligence.

"While we measure no specific AI indicators, the technology sits silently at the core of several of the subfactors that we quantify — talent, regulatory and technological frameworks and adaptive attitudes and business agility," he said in a separate statement.

There was an increased focus on cybersecurity, with only 5% of 4,000 executives saying that they had not implemented new cybersecurity measures in the past year.

"Cybersecurity becomes a clear example of the need to assess AI's trade-offs and to take a very deliberate approach towards using it optimally," Mr. Bris said. "Countries cannot do this in isolation but need to lean on regional if not global institutions to do so."

Ronald Gustilo, national campaigner at Digital Pinoys, cited the need to improve the government's response rate against cybercrimes.

"As many Filipinos fall victim to online scams and other cybercrimes, the government's response rate and the implementation of programs that will equip the public against these schemes fall short," he said in a Viber message.

Mr. Gustilo said the country's dismal performance in the index could be attributed to Filipinos' low level of understanding of the internet.

"The government should implement programs that will enrich the public's knowledge of the internet. There is a compelling need to institutionalize digital literacy in basic and secondary education," he added.

The Philippines was 62nd in training and education, which is under knowledge and measures a country's employee training, education spending, higher education achievements and pupil-teacher ratio in tertiary education.

The three-notch drop in the country's ranking might be partly attributed to rising prices, increased the cost of living and production costs, said Michael L. Ricafort, chief economist at Rizal Commercial Banking Corp.

"Due to higher interest rates since last year, the increased financing and borrowing costs weighed on investments and the creation of new jobs," he said in a Viber message.

He said the government should address the concerns of foreign investors to boost foreign direct investments (FDI). These include high electricity prices, the sanctity of contracts and effective dispute resolution mechanisms, ease of doing business, infrastructure and institutions.

"FDIs facilitate the transfer of new and improved technology to the country, on top of creating more jobs and other business and economic opportunities," he said.

Borrowing,
from S1/1

The government sees no need to borrow more given the approaching Christmas holiday, Michael L. Ricafort, chief economist at Rizal Commercial Banking Corp., said in a Viber message.

Yields would probably decline further if global crude prices and inflation continue to ease, he added.

In October, inflation eased to 4.9% from 6.1% in September and 7.7% a year earlier. This was below the Philippine central bank's 5.1-5.9% forecast for the month.

October inflation was the slowest in three months but marked the 19th straight month that it breached the central bank's 2-4% target. Year to date, inflation stood at 6.4%.

"The lower borrowing plan could also suggest that the government had already reached its target for the year," Robert Dan J. Roces, chief economist at Security Bank Corp., said in a Viber message. "It is also able to fund its spending needs on the back of good revenue, notably during the holiday season."

The gross domestic borrowing program this year is set at P1.654 trillion, composed of P54.1 billion in T-bills and P1.6 trillion in fixed-rate T-bonds.

The government borrows from local and external sources to help fund a budget deficit capped at 6.1% of the gross domestic product this year.

Standard Chartered Bank Philippines appoints new CEO

Standard Chartered Bank has announced the appointment of Mike Samson as the new Chief Executive Officer of its Philippines franchise, effective Dec. 1, 2023, subject to regulatory approval. Concurrently, he is also Standard Chartered Bank's Head of Client Coverage for Philippines and the ASEAN.

'GLO-CAL' TALENT

Mr. Samson is the second Filipino CEO of Standard Chartered Bank Philippines succeeding Lynette Ortiz. This demonstrates the bank's recognition of another local talent that is truly global in quality and competency. His extensive banking experience, deep knowledge of the ASEAN markets and strong client relationships will further deepen the bank's corporate and institutional business in the Philippines.

"Philippines is a strategic part of the bank's ASEAN network with immense opportunities. My key focus is to drive our strategic agenda and leverage on our strong ASEAN presence to deliver sustainable growth and value for all our stakeholders," said Mr. Samson.

EXPERIENCED BANKER

Mr. Samson is a highly regarded banker and has held leadership roles since he joined the bank in 2009. Prior to this appointment, he was the CEO of Standard Chartered Bank Australia, in which he successfully helped strengthen the franchise and drive income growth. He was previously the ASEAN and South Asia Corporate Finance Head for Standard Chartered Bank (Singapore) Limited and the ASEAN Regional Head for Leveraged and Structured Solutions.

Mike Samson

Over his 28-year career, Mr. Samson has deep experience working with clients across a broad base of industries, such as insurance, power, infrastructure, oil and gas, telecommunications, media, technology, mining, transportation, airlines, real estate, logistics, consumer goods, and healthcare.

Mr. Samson graduated from the Ateneo de Manila University with a BA degree (Honours) in Management Economics, and an MBA degree in Finance and Strategic Management from the Wharton School of Business at the University of Pennsylvania. He is an alumnus of the Asian Financial Leaders Programme of the Singapore Management University.

An art enthusiast, he is active in the Singapore arts community and is on the Board of the Singapore Art Museum, and the Governing Council of the NTU Centre for Contemporary Art.

Standard Chartered has been present in the Philippines for over 151 years and is the oldest international bank in the country. The bank has played a key role in helping fuel the Philippines' trade, economy, and markets, participating in the country's public-private partnership projects, as one of the bookrunners in the Republic's sovereign bond issuances, developing and growing capital markets, acting as a Sovereign Ratings Advisor and supporting corporate clients' growth into international markets.