

Hyundai Motor Co

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Hyundai forecasts ‘V-shaped’ recovery in its US car sales

Slowing Chinese vehicle market remains a concern for the South Korean manufacturer



Hyundai reported a 23 per cent increase in second-quarter net profit, exceeding analysts' estimates © Bloomberg

Song Jung-a in Seoul July 22, 2019

Hyundai Motor has forecast a “V-shaped” recovery in its US car sales on the back of new sport utility vehicles and the weaker local currency while it is struggling to prop up sales in China.

The optimistic outlook for the US, the world’s second-largest market, came on Monday after the South Korean carmaker posted its biggest quarterly profit growth in more than seven years.

“This year will mark a turning point in the US market and we will pursue a V-shaped recovery there,” Hyundai said.

The carmaker reported a 23 per cent increase in second-quarter net profit to Won999.3bn (\$849m), exceeding analysts’ estimates compiled by Reuters, driven by improving sales at home and in the US.

Sales rose 9 per cent in the same period to Won26tn, defying the slowing global auto market and the trade disputes between the US and China.

Hyundai, which together with affiliate Kia Motors forms the world's fifth-largest automaker, became one of the few major South Korean exporters to report higher earnings for the April to June period.

Its US performance was helped by a 5.5 per cent fall in the value of the Korean won against the dollar this year, the steepest decline among Asian currencies.

However, slowing demand in China remains a big concern for Hyundai, which is grappling with overcapacity in the world's biggest market as it is squeezed between premium western brands and lower-cost Chinese rivals amid an economic slowdown.

Hyundai expects a gradual recovery in Chinese sales as it aims to sell about 860,000 cars in China this year, compared with about 790,000 last year, by reducing overcapacity and introducing more environmentally friendly cars.

Chinese car sales contracted last year for the first time in decades and Hyundai, which has five plants in China, was forced to suspend production at its oldest plant in Beijing.

Hyundai is a latecomer to the eco-friendly car market but is seeing fast growth in the segment and aims to sell 1m green cars, which come in 26 models, globally by 2025.

The momentum from the second quarter looks set to continue as Hyundai introduced a new compact SUV earlier this month and plans to launch its first SUV model under its Genesis premium brand in the second half.

Domestic sales rose 8.4 per cent on the growing popularity of its new Sonata sedan and Palisade large SUV. The company began selling the Palisade in the US this month.

But concern over labour disputes is weighing on Hyundai's performance in the third quarter after its trade union walked out of annual wage talks last week. It will vote next week on whether to go on strike.

Shares in Hyundai closed down 1.1 per cent at Won133,000 on Monday. The stock is up about 12 per cent so far this year on the earnings recovery.