Moody's Considers GM Credit Rating Upgrade

DETROIT (AP) — Moody's Investors Service is considering upgrading General Motors Co.'s credit ratings based on improvements in its finances and the expected ratification of a new contract with the United Auto Workers union.

GM currently has a Ba2 corporate family rating and a Baa3 secured credit rating from Moody's. Both are several notches below investment grade. GM lost its investment-grade ratings in 2005, when it was losing billions of dollars.

GM and the UAW reached a tentative agreement on a new contract last week. Workers are expected to finish voting on it by next Thursday.

Moody's said that after an initial review, it expects the contract would let GM remain competitive in North America. The deal would pay workers a $5,000 ratification bonus and profit-sharing checks, but it helps GM lower costs by not giving annual raises to most workers and offering buyouts to clear out older, more expensive workers.

"A critical issue in our review is whether the new contract will preserve's GM's new-found competitiveness and support its ability to contend with increasing volatility in the global economy," said Bruce Clark, a senior vice president at Moody's.

Moody's review also will consider GM's long-term commitment to the discipline it has adopted since its 2009 government bailout and bankruptcy. Moody's said it will look at whether GM will continue to limit production and incentives, improve quality and limit acquisitions and shareholder returns in order to strengthen liquidity.

GM's stock fell 72 cents, or 3.4 percent, to $20.56 during a broader-market selloff. The Standard & Poor's 500 was down 3 percent in late morning trading.

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