

Toyota racing to record profit, but Asia flashing red signal

TOKYO: Toyota on Wednesday, 5 November, said it was on track for a record \$17.5bn full-year net profit, as Japan's major automakers wrapped up a bumper earnings season, but a slowdown in Asia, including China, could slam the brakes on growth.



Image source: www.toyotaofnaperville.com

The world's biggest automaker revised up its fiscal year profit forecast by 12.4% to 2.0tn yen, and said revenue would come in at 26.5tn yen, as it saw strong results in North America.

It also booked a 1.13tn yen net profit for the six months through September, from 1.00tn yen a year ago, while revenue rose 3.3% to 12.94tn yen.

The results came a day after rival Nissan said its half-year net profit rose 25% to 237bn yen and Honda last week reported a nearly 19% jump in its six-month net profit to 288.41bn yen.

The Japanese auto industry has benefited from the big-spending policies of Prime Minister Shinzo Abe, with huge monetary easing measures from the premier's hand-picked team at the Bank of Japan helping push down the yen since last year.

A weaker yen boosts the competitiveness of exporters and inflates their repatriated overseas profits, although analysts say the effect has been waning in recent months.

"The lower yen is undoubtedly a tailwind but factors other than that have not improved significantly from the first quarter," said Credit Suisse analyst Masahiro Akita.

"It is unclear how demand in China - a core market for Japanese automakers - will fare," he added.

Nissan and Honda both warned over slowing sales in China.

Toyota reported a nearly 7.0% increase in the huge market, but half-year results were down in some other key Asian markets including Indonesia and Thailand, which has been hammered by political unrest, with sales tumbling 26% from a year earlier.

Japanese automakers' sales in China fell off a cliff in late 2012 and into last year as a Tokyo-Beijing row over disputed islands sparked a consumer boycott of Japanese brands in the world's biggest vehicle market.

While demand has been recovering, rivals including General Motors and Volkswagen sought to capitalise on the diplomatic tussles by grabbing market share away from Japan's top three automakers.

There are also growing fears about the entire industry's prospects in China owing to concerns about the health of the world's number-two economy.

"I suppose there is still some of that (anti-Japanese sentiment), but they needed to justify their production cuts," said Christopher Richter, an auto analyst at brokerage CLSA in Tokyo, referring to Nissan.

"The other difficult spot has been Japan...(but) performance in the US has been good, so that's good news for US-oriented makers like Honda and Nissan."

Toyota's North American unit sales rose 7.5% to 1.39m and Europe saw a 1.78% increase to 414,217 vehicles.

But half-year vehicle sales in Japan were down 6.4% at 1.03 million units, after an April sales tax rise dented consumer spending.

A series of huge vehicle recalls have also pushed up costs.

US media have reported that embattled Japanese auto parts maker Takata is facing a US class-action lawsuit over an airbag defect that may have killed several drivers.

Takata is a major supplier to major global automakers and the problems have sparked the recall of million of vehicles.

"We are sorry for the serious concern and inconvenience imposed on our customers because of the recalls due to Takata's airbag," Toyota executive vice president Nobuyori Kodaira told a news briefing in Tokyo Wednesday.

"We are preparing to replace the part with something of better quality. I will not comment on what Toyota would do in terms of its relationship with Takata," he added.

Toyota trimmed its fiscal year vehicles sales estimate - to 9.05 million units from 9.1 million - but it left unchanged a forecast to sell 10.22 million vehicles in calendar year 2014.

Source: AFP