

Honda: Profits To Fall 63.5 Percent Amid Shortages

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TOKYO (AP) — Honda's profit for the fiscal year through March 2012 is expected to plunge 63.5 percent as vehicles sales slipped amid a parts shortage caused by the quake and tsunami in northeastern Japan.

Honda Motor Co. gave the forecast Tuesday, more than a month later than usual. Like other Japanese automakers, the maker of the Odyssey minivan and the Fit compact needed more time to assess the aftermath of the March 11 disaster.

But Honda said vehicle production in Japan is expected to be back at nearly normal levels by later this month, and production in regions outside of Japan is expected to be back up to pre-disaster levels in August or September.

Honda said it will try to make up for lost time and deliver more vehicles, but it is expecting its global vehicle sales for the fiscal year through March 2012 to drop 6 percent on year to 3.3 million vehicles. Honda had sold 3.51 million vehicles worldwide the previous fiscal year.

Given the devastation from the March 11 9.0 magnitude earthquake and the tsunami that it unleashed, analysts say the recovery at Japanese automakers has been remarkable.

Still, all the automakers are suffering, and the damage has continued because key auto parts suppliers were located in the northeastern region.

Koji Endo, auto analyst with Advanced Research Japan Co. in Tokyo, said the disaster had hit Honda harder than Japanese rivals, such as Toyota Motor Corp. and Nissan Motor Co., partly because it was such a lean company it didn't have much inventory when the disaster-related parts shortages came.

"Honda was deeply hurt, and its strength of having little inventory is going to make its recovery take longer," he said, noting that Honda's auto business was likely in the red for the fiscal year and the results were being made up its motorcycle division. "This is going to take a while."

Honda acknowledged that a shortage of parts for certain models will continue for some time.

Honda is projecting a profit of 195 billion yen (\$2.4 billion) for the current fiscal year, down sharply from 534 billion yen recorded the previous fiscal year.

The Tokyo-based automaker put the blame on the disaster, citing the decline in

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sales and the cost of fixing damaged property and equipment.

It also said higher raw material costs and research expenses related to future products, especially environmental technology, also hurt its bottom line.

Honda is now expecting sales to slip 7.1 percent on year to 8.3 trillion yen (\$104 billion) for the current fiscal year, it said in a statement.

Honda also cited an unfavorable exchange rate as chiseling away at its profitability. A strong yen diminishes the value of overseas earnings of exporters like Honda.

Honda said the dollar had dropped to about 80 yen recently from 86 yen the previous year, while the euro went to 110 yen from 114 yen.

Last week, Toyota, the world's No. 1 automaker, said its annual profit for the fiscal year through March 2012 will dive 31 percent, also citing the production disruptions from parts shortages.

Toyota forecast a 280 billion yen (\$3.5 billion) profit for the fiscal year through March 2012, down from 408 billion yen for the previous fiscal year.

Nissan, Japan's No. 2 automaker, which is allied with Renault SA of France, has not yet given its earnings outlook, but is promising it before its June 29 shareholders' meeting.

Another problem the Japanese automakers are facing is an electricity shortage after the quake and tsunami destroyed a nuclear power plant. Another plant is being shut down because of growing fears about the safety of nuclear power.

Japanese automakers are being asked to reduce electricity use by 15 percent in July through September. They are having workers produce vehicles on weekends instead of Thursdays and Fridays to avoid electricity blackouts during peak demand periods.

Honda stock edged up 0.7 percent to close at 2,931 yen (\$37) in Tokyo shortly before the outlook was released.

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