Honda To Cut U.S., Canada Production By Half

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DETROIT (AP) — Parts shortages from three months of catastrophic flooding in Thailand have forced Honda to cut U.S. and Canadian factory production by 50 percent for the second time this year, the automaker said Monday.

The cuts, which come just as Honda was recovering from the March 11 earthquake and tsunami in Japan, will run from Wednesday at least through Nov. 10 as Honda tries to find alternate sources for microprocessors that are made in Thailand.

The flooding, which began in July and has forced many auto parts plants to close, also affected Toyota Motor Co., which cut overtime for production in North America through the end of this week.

Honda Motor Co.'s announcement comes the same day the Japanese automaker announced that its quarterly profit tumbled 56 percent, battered by the strong yen and production disruptions from the March tsunami disaster.

The automaker, which makes the Accord and Civic sedans, said Monday that net profit for the July-September fiscal second quarter fell to 60.4 billion yen ($788 million).

Quarterly sales sank 16.3 percent from a year earlier to 1.885 trillion yen ($24.6 billion), with sales in North America falling the most — 22.3 percent.

Flooding in Thailand, where Honda has parts suppliers and assembly lines, made it too difficult to forecast earnings for the full fiscal year through March 2012. A projection will be announced when it becomes available, the company said.

Honda also said it will stop all production in the U.S. and Canada for one day on Nov. 11, and all Saturday overtime work will be canceled through November. Spokesman Ed Miller said it's too early to tell if there will be a repeat of model shortages that occurred during the summer and early fall due to parts shortages from the earthquake and tsunami.

The company said in a statement that the December sale date for the 2012 version of the popular CR-V crossover vehicle could be delayed by several weeks. Honda says it will announce the sale date in the near future.

Last year, 87 percent of the Honda and Acura luxury vehicles sold in the U.S. were made in North America, the company said. Most of the parts are produced here, but a few critical electronic parts such as engine control modules come from Thailand and other countries, Honda said.

Miller said the company is trying to find other sources for the parts made in

Thailand, but production of newer models such as the Civic compact and CR-V will be most affected by the parts shortages.

Honda said it will not lay off any workers at its U.S. and Canadian auto plants. The company has 21,000 U.S. factory workers and 10 U.S. and Canadian auto factories in Ohio, Alabama, Georgia, Indiana and Alliston, Ontario.

Other major automakers also were affected by the flooding in Thailand, but only Honda and Toyota reported factory disruptions in North America. Nissan Motor Co. said its plant in Thailand would be down until Friday because of parts shortages, while Ford Motor Co. said production had ceased at plants in Thailand and South Africa. General Motors Co. reported no production problems but said it was monitoring the situation.

The Thai floods are the latest blow to Japanese manufacturers as they struggle to recover from the tsunami while also being pummeled by the yen's record surge.

Earlier Monday, Japanese authorities intervened in the currency market to weaken the yen against the dollar and ease pressure on Japanese exporters. That caused the dollar to jump nearly 5 percent to above 79 yen after earlier touching a post World War II-low of 75.32 yen — a level that is excruciating for exporters such as Toyota and Nintendo Co.

Honda said revenue from nearly all regions declined. Domestic sales were down 13.2 percent, revenue from Europe sank 10.4 percent, and in Asia outside Japan, sales fell 10 percent. Sales to South America, Africa and the Mideast inched up 0.8 percent from a year earlier, the company said.

The Thailand floods began in late July and were fed by unusually heavy monsoon rains and a string of tropical storms. They have killed 381 people and affected more than a third of the country's provinces. The water has destroyed millions of acres (hectares) of crops and forced thousands of factories to close.

Officials said Monday they hoped seven submerged industrial estates would be running again in about three months. The parks house the factories of global companies including Honda, Toshiba and Western Digital.

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