

## **Toyota poised to cut global production**

*Michiyo Nakamoto*

*Toyota is poised to slash production by as much as 580,000 vehicles – nearly 6 per cent of global capacity – in an effort to stem losses amid the sharp downturn in vehicle sales.*

The world's largest carmaker, which is forecasting its second consecutive net loss this year, said it would shut a production line in western Japan from next spring through to the second half of 2011, reducing output by 220,000 vehicles.

The Japanese company is also looking to pull out of Nummi, its manufacturing joint venture with General Motors in California, where it produced 359,000 vehicles last year.

"While nothing has been decided, we are in discussions [with GM's administrator] with a view to pulling out of Nummi," said a Toyota representative.

Japanese media have been reporting that the carmaker is also looking at cutting production in the UK, where it makes the Auris, along with other lines in Japan.

If this was the case, Toyota would bring the total of production cuts to nearly 1m vehicles, or 10 per cent of its global production capacity.

This is the first time Toyota has planned to cut production on such a large scale and comes as the group's global sales have been battered by the recession.

Toyota is expected to produce about 7.2m vehicles globally this year, compared with 9.7m in 2007, said Masatoshi Nishimoto, analyst at CSM Worldwide, the market research group.

In its home market, Toyota is expected to see production fall to 3.3m vehicles this year compared with 4.9m in 2007, Mr Nishimoto said.

But it is in the US – where plunging sales forced Toyota to halt building a new plant in Mississippi – that the group has suffered the most from the dramatic drop in demand for vehicles. Sales in North America fell 34 per cent in the period from January to July this year, to 945,000, Toyota said. The drop was noticeably larger than the 23 per cent drop in Japan and the 27 per cent decline in Europe.

Akio Toyoda, the founding family scion who took over in June, is on a mission to cut costs and bring the company back to profitability next fiscal year.

Mr Nishimoto at CSM believes Toyota would have to wait until 2011 to return to its pre-crisis levels of production.

He added that it would be relatively easy for Toyota to pull out of the Nummi facility by shifting production of the popular Corolla model it makes there to another plant in the US.

Demand for cars has plummeted around the world as a result of the global recession, which forced both General Motors and Chrysler into bankruptcy.

**Financial Times, London, Aug. 26<sup>th</sup> 2009, Companies, online.**