

# Nissan forecasts \$6.4 bn annual net loss as virus bites

28 July 2020, by Shingo Ito



The virus is the latest crisis for Nissan to navigate including weak demand and the fallout from the arrest of former boss Carlos Ghosn

Crisis-hit Japanese automaker Nissan warned on Tuesday of a massive \$6.4 billion net loss for the current fiscal year as it reels from the impact of the coronavirus pandemic.

Nissan, which had delayed an annual forecast because of ongoing uncertainty, issued the warning as it reported a first-quarter net loss of 285.6 billion yen (\$2.7 billion) on plunging sales.

"These results... reflect a full quarter of COVID-19 disruption that we knew would undermine our performance in key markets," chief operating officer Ashwani Gupta said announcing the results.

"As you can see, the pandemic had a severe impact on our operations," he added.

Nissan said the value of global sales plunged 50.5 percent, with falls across markets including Japan, China and the United States.

And it warned the woes would continue,

forecasting annual sales will plunge 21 percent to 7.8 trillion yen following a 15 percent drop the previous year.

"As a result of the impact of the coronavirus pandemic worldwide, the overall demand dropped to about half in this first quarter compared to last year," chief operating officer Makoto Uchida told reporters.

"Plants in the world were forced to stop their production. At plants that continued running, the ratio of production largely declined as sales dropped. This caused a very severe business environment and impacted financial results," he added.

The forecast annual net loss of 670 billion yen would put Nissan in the red for a second straight year after it reported 671 billion yen annual losses in May, announcing it would shut its Barcelona plant and slash production in an attempt to get back on track.

Nissan was already battling weak demand as well as the fallout from the arrest of former boss Carlos Ghosn, currently an international fugitive after jumping bail and fleeing Japan, before the coronavirus pandemic hit.

But the unprecedented global health crisis has hit the auto industry hard, with lockdowns keeping people indoors and economic woes dampening demand.

"This Q1 result in 2020 and the full-year outlook is a very challenging one," Uchida acknowledged, saying it was nonetheless "within our expectations."

## 'Crucial stage'

The entire industry is struggling, said Satoru Takada, an auto analyst at Tokyo-based research and consulting firm TIW.

"The new coronavirus has hit both supply and demand hard. Production is recovering but consumer appetite remains stagnant," he told AFP before Nissan announced its results.

"This remains the right plan at the right time to address our challenges," Gupta said.

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"The outlook remains unclear amid concerns over a second wave or a third wave of the pandemic. The end of the tunnel is not yet in sight," he warned.

The impact of the coronavirus pandemic compounds a series of existing problems for Nissan.

The automaker was already dealing with weak demand when the Ghosn scandal erupted in 2018 with the arrest of the former auto titan on allegations of financial misconduct, which he denies.

The saga, with Ghosn arrested and bailed before finally fleeing Japan for Lebanon, saw Nissan itself face charges, as well as the unceremonious departure of its former CEO and internal investigations into the conduct of other executives.

The Ghosn drama also served to underscore longstanding tensions in Nissan's alliance with Mitsubishi Motors and France's Renault. Ghosn has claimed that his arrest was orchestrated by Nissan executives opposed to his plans to more closely integrate the Japanese firm with its French partner.

After a rocky period, the alliance partners agreed earlier this year to a joint transformation plan, with each member taking the lead in a specific market.

But the partnership remains fragile, and Takada said Nissan still faced significant headwinds.

"Nissan's performance remains in low gear, trailing its disastrous results for the previous fiscal year," he said.

"We can't see a clear sign of its full recovery... It remains at a crucial stage."

Nissan executives put a brave face on the results, citing recovery in sales in China and their commitment to the so-called Nissan Next transformation plan.

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