

Nissan triples profit forecast despite chip crunch

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Nissan has upgraded its full-year net profit forecast.

Nissan tripled its full-year net profit forecast on Tuesday as it rebounded from the impact of the pandemic with a strong quarterly performance, saying it expected to withstand challenges including the chip crunch and rising raw material prices.

The Japanese auto giant has faced a series of trials in recent years, from weak demand to the fallout from the arrest of former boss Carlos Ghosn, and its annual earnings were last in the black in 2018-19.

But despite lower-than-expected sales volume so far this fiscal year, mainly due to the microchip shortage, "the quality of sales in each market continued to improve, resulting in higher profit per unit," Nissan said.

The crisis-hit company now projects 180 billion yen (\$1.6 billion) in net profit for the year to March 2022, up from an earlier estimate of 60 billion yen.

But it revised down its full-year sales forecast to 8.8 trillion yen from 9.75 trillion yen.

"The semiconductor shortage continues to be a challenge for the automotive industry," Chief Operating Officer Ashwani Gupta told reporters.

But "we anticipate that our sales performance efforts... will more than offset the reduction in the sales volume resulting from these challenges."

A shortage of semiconductors—a key component in modern cars—has held back global car production, with automakers' troubles compounded by supply chain issues in pandemic-hit Southeast Asia.

"What this crisis has taught us is resilience and agility. We should not expect that this crisis will be over and the new crisis will not be there. Something new will happen," Gupta added.

Nissan logged a 54.1 billion yen net profit for the three months to September, reversing a 44.4 billion yen net loss for the same period last year, when virus lockdowns battered the firm and its rivals.

"Our strong results are the outcome of diligent financial management, improved quality of sales and continuing product offensive. This has helped us withstand several headwinds," said CEO Makoto Uchida.

'On track for recovery'

Analysts said that despite the challenges, Nissan stood a good chance of meeting its goals.

"Nissan is on track for recovery," said Satoru Takada, an auto analyst at Tokyo-based research and consulting firm TIW.

"Returning to the black is likely, and it is a target Nissan must achieve no matter what following two years of net loss," Takada told AFP ahead of the earnings release.

"But headwinds, including production cuts, remain

strong," he added.

Nissan's French partner Renault said last month it expects to manufacture around 500,000 fewer vehicles than anticipated this year due to the global shortage of electronic components, particularly semiconductors.

Last week, rival auto firm Honda logged a drop in net profit in the second quarter, revising its annual profit forecast downwards also due to the chip shortage.

But Toyota, the world's top-selling automaker, upgraded its full-year profit forecast after a strong quarter that saw it weather production cuts.

Even before the COVID crisis, Nissan was struggling with increasing sales costs and the ongoing saga surrounding its former chief Ghosn.

The one-time auto tycoon was detained in Japan in 2018, accused of financial misconduct charges that he denies, but jumped bail and fled to Lebanon the following year.

He remains at large, but his one-time associate Greg Kelly and Nissan itself are facing court proceedings in Japan.

Last month Kelly told a court that he was "not guilty of any crime", with prosecutors seeking a two-year prison sentence for him.

The verdict will be delivered on March 3.

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