

Japan's Automakers Scale Back Production in China as Sales Drop

BEIJING — Japanese automakers, including Toyota and Nissan, are cutting back production in China after anti-Japan protests that closed dealerships and darkened the sales outlook in the Chinese car market, one of the world's largest. Production slowdowns are a normal feature of the auto industry in mature markets like the United States and Japan, where inventories are kept from ballooning, keeping pressure off automakers that would push them into offering discounts, at a cost in profitability. But steps by the Japanese automakers to cut output in China are an anomaly in a market that has driven the industry's global growth over the past decade and where most automakers had been adding capacity until China's economic slowdown in recent months. The slowdown caused production to outpace sales, resulting in larger-than-normal inventories for many car dealers. "For the time being I think you're going to see Japanese automakers' sales in China down by 20 to 30 percent," said Koji Endo, auto analyst at Advanced Research Japan, a firm dealing in investment information. "The last time we had protests like this, in 2010, the effects only lasted about a month, but I think this time is going to be different. This is going to have a serious impact." Nissan, one of the top Japanese automakers in China, said that it would halt production at a joint venture in China starting Thursday, three days earlier than planned, and would extend the halt through the national holiday period next week. Toyota plants in Tianjin and Guangzhou will also suspend production, from Wednesday through the holiday, a Tokyo-based spokeswoman, Shino Yamada, said. That closing will be a few days earlier than planned. Production at factories in China may be curtailed further, depending on market conditions, she said. A senior Toyota executive in Beijing said that as a result, the company probably would not be able to meet its goal of selling one million cars in China this year. Toyota and its local Chinese partners sold about 900,000 cars in the country last year. "It's very difficult to sell cars right now, but that's true with every Japanese brand. Not just us," said the executive, speaking on condition of anonymity because he was not authorized to speak to the news media. In addition to Toyota and Nissan, Mazda has decided to halt production in China on Friday and Saturday, giving workers two extra days off in an extension of the production shutdown for the national holiday. Suzuki Motor said that it also had stopped one of two shifts that it runs in China. Anti-Japan sentiment in China intensified earlier this month after Japan said that it would buy a group of disputed islands in the East China Sea, called Diaoyu in China and Senkaku in Japan, from a private owner. Tension between the Asian neighbors have smoldered since the end of World War II. In protests across China, angry demonstrators vandalized the properties of Japanese companies, including a Toyota outlet in the eastern city of Qingdao that was burned. The latest production adjustments follow cutbacks that Japanese automakers had been making before the protests to cope with slower-than-anticipated sales in China this year. In the second quarter, the Chinese economy grew at the slowest pace in more than three years. In the Chinese auto sector, Japanese automakers had a share of about 19 percent of the passenger car market in August before the protests. That was down from 20 percent in July, according to the

China Association of Automobile Manufacturers. An analyst at Bank of America Merrill Lynch, Bin Wang, said that Japanese auto dealers in Guangdong province had seen sales fall about 60 percent since the protests, adding that the slowdown had bolstered sales for German, American and Korean brands. Mr. Endo of Advanced Research Japan said that he expected Japanese automakers to continue to adjust production if sales remained weak and would take measures like cutting shifts or slowing production speed to keep inventory from building. As a result, he said, parts suppliers in both China and Japan would have to cut output as well.