

Japanese vehicle output slides 9.7% y/y during April.

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Exports down 2.8% y/y

Overall Japanese vehicle output, comprising passenger cars, trucks and buses, reached 643,901 units during April, according to the figures released by the Japan Automobile Manufacturers' Association (JAMA). This is a 9.7% year-on-year (y/y) decline from 713,240 units sold in April 2015. As the largest category, passenger car output reached 546,397 units, down 7.7% y/y, followed by production of trucks and buses, which reached 88,342 units (down 18.95 y/y) and 9,162 units (down 24.2% y/y), respectively. Within the passenger car category, output of vehicles with an engine displacement in excess of 2.0 litres decreased by 3.9% y/y to 345,528 units, while output of small vehicles declined 2.6% y/y. Similarly, output of minivehicles decreased 28.1% y/y to 130,639 units.



Vehicle exports during the month totalled 369,131 units, sliding 2.8% y/y. Of the total, shipments to North America, the biggest destination for Japanese-made vehicles, decreased 2.6% y/y to reach 147,612 units, followed by Europe, to which exports grew 18.4% y/y to 62,978 units. Shipments to Asia were up 10.9% y/y (43,999 units) during the month, followed by the Middle East with 37,684 units (down 33.3% y/y). Deliveries to Oceania increased 14% y/y to 37,193 units, while they decreased to Latin America, Africa, and Others by 11.7% y/y, 17% y/y, and 55% y/y, respectively.

Japanese automakers' production, April 2016

	Japanese output	Y/Y % change	Exports	Y/Y % change
Toyota	200,675	-17.3	126,724	-14.5
Mazda	79,910	17.2	70,517	18.6
Suzuki	68,942	-18.5	9,412	-12.9
Nissan	60,086	-5.1	37,726	-17.1
Fuji Heavy	59,562	11.6	55,699	14.8
Honda	51,581	-0.7	10,649	674%
Daihatsu	46,739	-11.7	-	-
Mitsubishi	38,713	-16.7	33,986	-4.0

Source: Automakers' websites.

Market leader Toyota's domestic production reached 200,675 units during the month, a decrease of 17.3% y/y. The decline can be mainly attributed to the production halt announced by the automaker after two earthquakes struck the Kyushu Island, forcing the automaker to suspend 26 domestic assembly lines due to parts shortages. Toyota Group was among the worst affected by the event as its key supplier Aisin Seiki suspended production at two of its plants. As of 6 May, Toyota had resumed assembly operations at all of its domestic production line. Mazda took the second spot and produced 79,910 units, up 17.2% y/y, thanks to greater output of passenger cars. Mazda was followed by Suzuki and Nissan, which produced 68,942 and 60,086 units, respectively. In the fifth spot, Fuji Heavy's output reached 59,562 units, up 11.6% y/y. During the month, Mitsubishi suspended production and sales of four minivehicle models (the eK Wagon and eK Space, and the Nissan-badged versions of those models, the Dayz and Dayz Roox) after it admitted to using non-compliant fuel-efficiency tests. Its production volume declined 16.7% y/y during the month to reach 38,713 units. The scandal-hit automaker is expected to continue suspended minivehicle production at its Mizushima plant until the end of June.

Outlook and implications

After witnessing positive growth results in March following three consecutive months of decline, Japanese output fell again during April. The country's output has been suffering because of stagnant domestic demand, particularly for minivehicles since 2015. Furthermore, during April, production disruptions caused by twin earthquakes and Mitsubishi's fuel economy scandal further dented consumer demand resulting in lower output volumes in the country .

According to IHS Automotive production data, Japanese vehicle output will grow in 2016 to reach around 9.3 million vehicles, up 2.2% y/y. The delay in another increase in consumption tax to 10% from the current 8% until April 2017 (originally scheduled for October 2015) is forecasted to support the Japanese market between the fourth quarter of

2016 and the first quarter of 2017. By segment, production of passenger cars will rise 2.6% y/y to over 7.9 million vehicles in 2016, output of medium to heavy commercial vehicles (MHCVs) will be up 1.7% y/y to 341,772 units, whereas production of light commercial vehicles (LCVs) will decline by 1.1% y/y to 995,367 units. Following the Kyushu earthquakes, IHS issued forecasts of the time required for the lost production volume to be recovered. According to IHS Automotive forecasting, the aftermath of the Kyushu earthquake is dragging on and the time needed to recover lost production is extending as suppliers and OEMs struggle to find extra working days to make up for the lost time. According to our latest May forecast scenario, lost volumes will expand to 100,000 units in June without any recovery, and production will only start recovering from July.

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