

Honda's profits higher on weak yen

TOKYO, JAPAN: Honda said its net profit rose by 46.4% in the three months to September as Japan's third largest manufacturer benefited from a weaker yen and stronger North America sales.



Honda's EV-STER at the Paris Motor Show. Image:
Honda

Net profit for the September quarter rose to ¥120.37bn, slightly below analyst forecasts, with the company reporting brisk global demand for its name brand motorbikes, led by fast-growing markets in Asia.

A sharp decline in the yen this year has boosted profitability at major Japanese exporters including Honda rivals Toyota and Nissan.

The country's top manufacturers have seen a rebound in demand from China, the world's biggest vehicle market, after a Tokyo-Beijing territorial dispute sparked a consumer boycott of Japanese brands.

For the six months to September, Honda said net profit rose 13.5% to \$2.47bn with revenue up 21.6% at ¥5.72trn.

Earnings in recent quarters have been squeezed by Honda's heavy spending as it looks to expand production and further tap emerging markets.

Earnings squeeze

The firm previously set aside ¥700bn for capital expenditure for the fiscal year to next March, an 18% jump from the current levels.

It hopes to meet a global production target of six million units by the end of March 2017.

Honda last month launched its first low-cost car for Indonesia's booming car market as part of its plans to more than quadruple sales in that country by 2016.

The launch of the Mobilia, a multi-purpose vehicle, comes as Honda builds its second plant in Indonesia to boost both production and sales.

It has also unveiled a plan to build a new assembly plant in Brazil with an annual capacity of 120,000 units. The US\$430m facility, about 200km northwest of Sao Paulo, will start operating in 2015 and will double Honda's annual output in the country to 240,000 units.

However, demand in Honda's home market may slow further as Japan prepares to usher in a sales tax hike next year. "Japanese manufacturers in general showed a good performance thanks to a weak yen and stable demand in North America," said Shigeru Matsumura, analyst with SMBC Friend Securities in Tokyo.

But he added: "At home, we expect to see a negative impact from the tax hike, which will dent demand in Japan."

A weak yen is generally good for Japanese exporters as it makes their products more competitive abroad while inflating the value of their foreign income.

Honda has left unchanged its ¥580bn annual profit forecast to next March.

Source: AFP via I-Net Bridge

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