
Rays of recovery - Toyota Motor posts surprise quarterly profit

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Reuters reported that Toyota Motor Corporation's surprise quarterly profit and halving of its annual loss forecast were not enough to convince investors that it had escaped the worst, as government subsidies peter out and a strong yen takes its toll.

Toyota wrapped up an earnings season dominated by rosier projections from Japanese automakers as they squeeze out savings and boost manufacturing efficiencies to offset the damaging rise in the yen. The industry has been helped by government backed incentives from Germany to China and Japan, aimed at igniting demand through the worst economic crisis in generations.

Mr Koji Endo, a senior analyst at Advanced Research Japan, said that "The question now is whether Toyota will become profitable in the January to March 2009 period or fourth quarter when output usually increases and domestic auto demand is expected to rise before Japan's tax breaks for low emission vehicles end. The biggest challenge for Toyota now is cutting overheads, which had increased in the past 20 years or so when the company enjoyed growth. The company has not been able to respond to a sudden plunge in revenue with speedy cost reductions."

Toyota, until two years ago the world's most profitable automaker, had been the only top Japanese carmaker expected to post a loss in the latest quarter, weighed down by severe overcapacity after years of building new factories during its boom years before the financial crisis hit.

(Sourced from www.reuters.com)

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