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Nissan Loses Millions Thanks to Russia's Tumbling Ruble

By The Moscow Times

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A Nissan technician prepares a Qashqai car.

The Russian ruble's sharp decline against European currencies is expected to have cut the operating profit of Japanese automaker Nissan Motor Co by around 6 billion yen ($55.5 million), or four percent, in the third quarter.

Russia is the fifth-biggest market for Nissan, with much of that production in Britain and continental Europe, so the ruble's fall against the pound and the euro, in the wake of the Ukraine crisis, makes Nissan's vehicles less competitive.

Clouding the outlook further, the Russian economy is suffering from a series of sanctions imposed by the West, hurting demand for expensive goods such as cars.

Japan's second-largest carmaker will report July-September earnings on Tuesday, and analysts expect operating profit to rise 6.2 percent to 130.2 billion yen from the previous

quarter.

"The fall in the ruble is boosting inflation in Russia, cutting into real wages. Russia is likely to raise interest rates to defend the ruble to curtail inflation, which is likely to hurt consumption," said Kenta Tadaide, analyst at Mizuho Bank.

Nissan benefits the least from a weaker yen among Japan's top five automakers because of its large shift to overseas production. Analysts expect the automaker to get a more than 10 billion dollar boost to its operating profit from the weaker yen this quarter.

Nissan's share of the Russian market rose to 6.1 percent this year from 4.1 percent last year. It sold 39,000 vehicles in Russia in the three months to June but made just 8,200 vehicles in the country, importing the rest from factories in Europe and elsewhere.

The ruble weakened 6.4 percent against the euro and 14.2 percent against the dollar in three months to September and slipped further so far this month to record lows.

The yen dropped 8.0 percent in July-September and hit a six-year low of 110.09 to the dollar on October 1, compared to Nissan's budget rate of 100 per dollar.

The company plans to shift production of its Qashqai sport utility vehicle, one of its best selling products in the Russian market, fully to Russia only next year.

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