

Automotive News

VW likely to overtake Toyota as top carmaker this year

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BERLIN (Bloomberg) -- Volkswagen AG will probably become the world's biggest carmaker this year, vaulting past Toyota Motor Corp. and General Motors Co. on gains in emerging markets.

VW Group's sales, third among carmakers in 2010, will probably rise 13 percent to 8.1 million vehicles this year, based on the average of three analysts surveyed by Bloomberg.

GM sales will gain about 8 percent to 7.55 million, while Toyota will drop 9 percent to 7.27 million, according to the survey.

Volkswagen sales in China may rise almost 20 percent this year and more than double in India, according to estimates at researcher J.D. Power & Associates.

That's a contrast to Toyota, which is suspending plants in Southeast Asia because of floods in Thailand, months after an earthquake crippled production in Japan.

"Emerging markets are at a stage of car-adoption by consumers and there is still a large space for sales to grow," said Jenny Gu, Shanghai-based senior markets analyst for J.D. Power. "VW realized this and put a lot of effort on emerging markets."

Estimates at J.D. Power, IHS Automotive and PwC Autofacts were used to calculate the average projections.

Next year's lead

Toyota may regain the lead from VW next year as the recovery of the Japanese company's facilities from the March earthquake will pave the way for Toyota to sell 8.4 million cars, or half a million units more than VW, according to research firm IHS.

J.D. Power projects VW will retain its lead in 2012, outselling Toyota by about 50,000 units.

VW, which also owns the Audi and Skoda brands, focused on boosting capacity and its network of dealerships as it built its brand in markets such as China and India, Gu said.

Automakers are turning to developing economies for growth as sales in mature markets slow.

China is already the biggest auto market globally, with sales exceeding 18 million in 2010. VW sales in China will probably reach 2.3 million units and 116,000 in India this year, with the two markets accounting for about a third of the company's sales, according to J.D. Power estimates.

Record investments

VW, which operates more than 60 factories worldwide, plans to spend a record 62.4 billion euros (\$87 billion) -- excluding its ventures in China -- over the next five years to raise annual production to 10 million by 2018.

VW's Chinese joint ventures, which are not consolidated, will invest another 14 billion euros through 2016.

The German company may reach the target three years ahead of schedule, according to a person familiar with the matter. The company has forecast its global sales will increase 5 percent this year after posting a record 7.2 million deliveries in 2010.

VW's Audi luxury unit overtook Mercedes Benz as the world's second-largest maker of high-end vehicles earlier this year, trailing only BMW.

First in China

VW, the first overseas carmaker to enter China three decades ago, is planning to add two plants and double production to 3 million cars annually.

Audi is considering a new factory there to expand annual manufacturing to as high as 700,000 vehicles by 2015 as luxury demand increases, Dietmar Voggenteiler, its China president said on Oct. 20.

Still, VW faces hurdles with its partnership with Japanese carmaker Suzuki Motor Corp., whose venture in India is the top seller in the market.

The German carmaker is also facing delays in a planned merger with Porsche SE. Suzuki is seeking to end an alliance with its German partner after accusing it of violating a cooperation agreement by not sharing technology. VW has said it plans to keep its stake.

Ending the partnership with Suzuki would undermine the German automaker's credit assessment, Moody's Investors Service said in a statement today.

Toyota would be relinquishing its lead after last year's record recalls, which has led President Akio Toyoda to say his key priorities will be focusing on customer satisfaction and restoring Toyota's reputation.

Back-to-back disasters

Toyota temporarily halted all its plants to assess the impact of the March 11 earthquake and tsunami.

Seven months later, the automaker is facing factory closures across Southeast Asia, triggered by Thailand's worst floods in half a century. Toyota's shortfalls paves the way for GM, the biggest U.S. automaker, to gain market share.

GM is relying on sales in developing nations including China, Brazil and India for growth in the future, CEO Dan Akerson said Sept. 21.

GM, which makes Buick and Chevrolet-branded sedans with Chinese partner SAIC Motor Co., sells more cars in China than in its home market. Sales in the nation has topped 2 million vehicles in 2011, the carmaker said on Oct. 17.

Growth in the global auto market will probably accelerate next year, rising 6.5 percent in 2012 after expanding 3.5 percent this year, according to estimates at Moody's Investors Service.

The *Financial Times* reported today, citing analysts, that Volkswagen is likely to become the industry's largest producer this year.



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