

# Toyota cuts down production by 40%, shuts down factories due to chip shortage and surge in COVID-19 cases

Article

**The news:** The world's number two carmaker, and Japan's leading car manufacturer, said on Thursday that it was cutting its production in Japan and North America by 40% and is shutting down factories, per The Wall Street Journal. This could in turn lead to vehicle shortages and price hikes.

- Toyota is shutting down its main plants in Toyota City as well as the Tsutsumi plant from September 1 to 17. The company said a statement that 27 production lines in 14 factories worldwide will be stalled in September.
- The cuts halt production of its best-selling vehicles, including the **RAV4** SUV and the **Corolla**, **Camry**, and **Lexus ES** sedans.
- Chip-shortage cuts could cost the auto industry **upwards of \$61 billion in sales** this year, per Bloomberg.

**How we got here:** The global chip shortage has put mounting pressure on automakers, PC, and electronics manufacturers, whose chip stockpiles have been depleted.

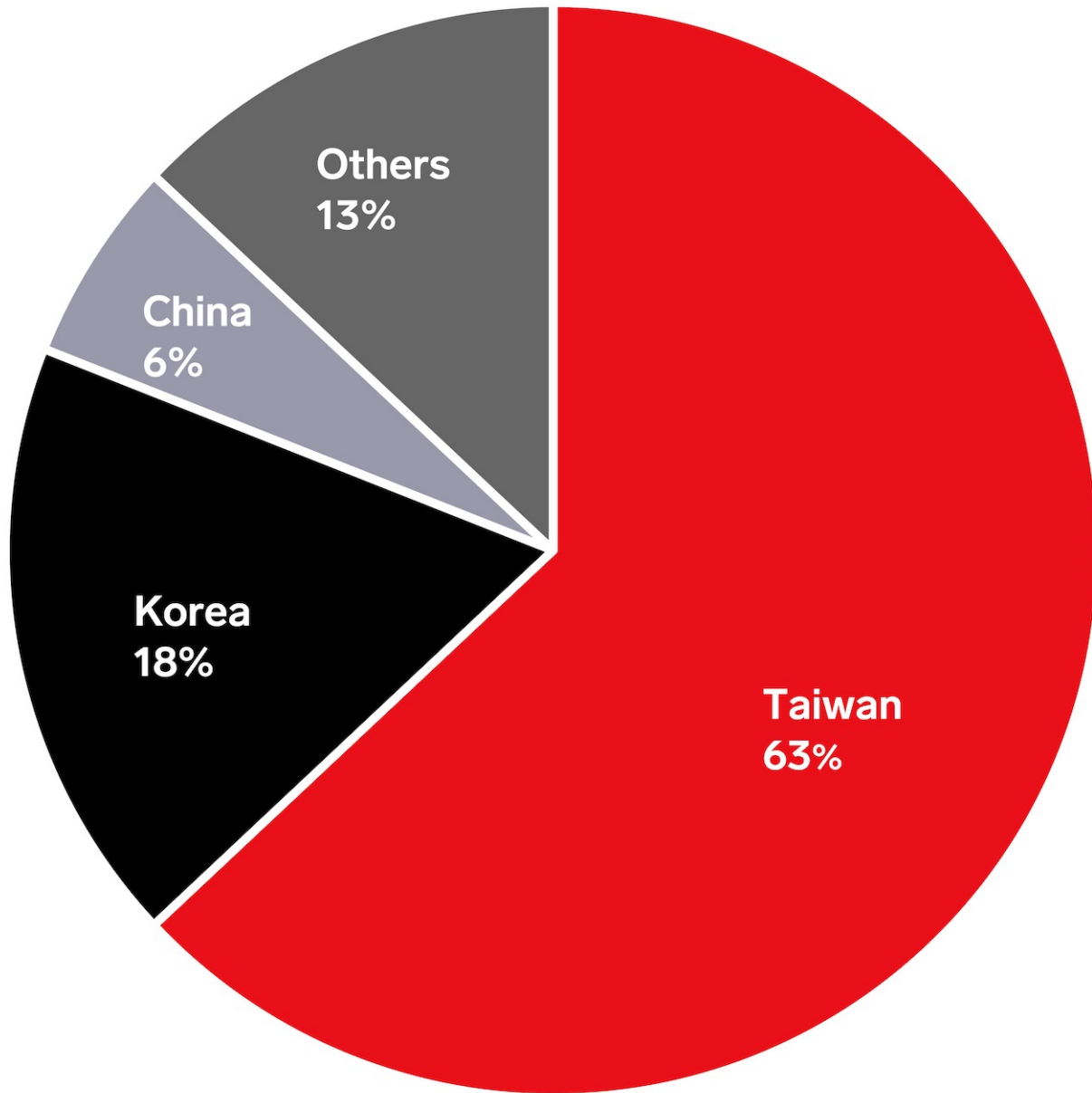
- The surge of COVID-19 infections in Southeast Asia, combined with the highly contagious delta variant and relatively low vaccination rates, has also caused production to stall, especially in Malaysia, which is a semiconductor assembly hub.

**The bigger picture:** Thanks to component stockpiles and longstanding relationships with its suppliers, Toyota was able to insulate itself from the early effects of the global chip shortage, per The Wall Street Journal. Competitors like **Ford**, **Fiat Chrysler**, and **Nissan** have felt the pinch more intensely.

The global chip shortage, which is expected to run into 2023, is showing that even the best-prepared companies are burning through chip supplies and are forced to cut production.

# Global Foundry Revenues, by Country, 2020

% of total



*Note: Total foundry revenues totaled \$85.13 billion in 2020. Taiwan-based TSMC made up 54% of global foundry revenues.*

*Source: TrendForce, March 2021*

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