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Honda, Nissan merger 'like two weak swimmers helping each other'; analysts see risks

By Eric D. Lawrence (excerpt)
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The plan announced Monday by Japanese automakers Honda and Nissan to merge by 2026 highlights how the rise of Chinese automakers such as BYD is pressuring the industry to look for potential cost savings and increased scale, auto industry analysts told the Free Press.

They suggested that consumers could benefit eventually, but any impact on the Detroit Three will take time to unfold.

They also pointed to the last major merger in the industry: the creation of Stellantis in 2021, to show that such endeavors are challenging to pull off successfully. Stellantis, owner of Jeep, Ram, Chrysler, Dodge and Fiat, has struggled in particular this year, even saying goodbye to CEO Carlos Tavares amid fights with key stakeholders, sales declines and excess inventory.

A completed Honda-Nissan merger would create the third-largest global automaker by vehicle sales after Toyota and Volkswagen. The news comes as the incoming Trump administration's tariff threats add more uncertainty to the industry landscape.

The plans, announced Monday in Tokyo, would seek to set up a holding company with Honda, the larger of the two, selecting the majority of the board members, according to Reuters, which noted that Mitsubishi is also considering joining and that the combined group would mean annual global sales of more than 8 million vehicles. ...

... David Kudla, CEO of Mainstay Capital Management, pointed to China's rise "from near obscurity several decades ago to a dominant position in global auto industry market share," and he said he expects more of that impact.

"Their ability to produce low-cost vehicles continues to pressure other automakers. In the face of this, the global auto industry is consolidating, and we will see more team-ups like this, both strategic and out of necessity," he said, noting Nissan's sales struggles in particular.

"With the amount of overlap in these Japanese companies and inherent problems, this merger is like two weak swimmers helping each other swim across the English Channel," Kudla said. "But it may help both companies if they can realize more economies of scale and potentially some synergies as many automakers fight for survival against the China onslaught in an ever increasingly competitive global marketplace."

*Please contact Mainstay at 866-444-6246 to request a copy of the full article.