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## [Toyota Could Lose Sales Lead to VW This Year](#)

Japanese giant plagued by problems in China.

by [Paul A. Eisenstein](#) on Jan. 26, 2015

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A Toyota dealership in China was burned in 2012. Weak demand there could let VW pass the Japanese giant.

Toyota's worldwide sales surged 3% last year, once again positioning the Japanese giant as the world's top-selling automotive manufacturer. But with Toyota officials glumly anticipating a modest decline in 2015, the Japanese maker could cede leadership to its ambitious German rival Volkswagen AG.

Assign credit - or blame, if you prefer - to China. VW continues to dominate the world's largest automotive market even while Toyota struggles to gain traction there. Japanese makers, in general, have had serious problems making headway in China, especially after tempers flared due a dispute between the two Asian nations over ownership of a chain of strategically placed islands.



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At one point, rioters burned a Toyota dealership and damaged 100s of Japanese vehicles. Sales have only slowly begun to recover, but Toyota's sales in China are still barely a third of those of the market's top two manufacturers, Volkswagen and General Motors.

VW came in a close second to Toyota last year, with a 4.2% increase in worldwide sales that reached 10.14 million vehicles. GM just missed the 10 million milestone, its global sales climbing 2.1%, to 9.92 million.

(Toyota takes top spot in 2014 global sales. [Click Here](#) for more.)

Toyota has warned that it expects to see a 1% decline in sales this year. That would bring it roughly in line with VW's 2014 sales. But while the German maker hasn't outlined specific plans for the current year, it is looking to make headway in a number of markets. It hopes to reverse three years of sharp declines in the critical U.S. market, and is looking to benefit from the slow recovery of the European auto market.

But the big boom could come in China, where it is pushing to expand its lead over rival GM. Among other things, VW is set to open a new assembly plant in Changsha that will add about 300,000 units of capacity once up to full speed.

China is the "jet engine strapped to its back," Bill Russo, a Shanghai-based analyst told the Bloomberg news service, adding that "It would be almost impossible (for Toyota) to hold on to a number one position without being in the lead in China."

Were Toyota to stumble this year it would deliver Volkswagen global sales leadership even earlier than it had anticipated. The maker is in the midst of an aggressive expansion plan that, it had hoped, would allow it to gain global leadership only by 2018.

(Toyota teases radically new RND Concept. [Click Here](#) to learn more about it.)

While Europe and the U.S. are important elements in that growth strategy, VW is placing many of its chips on China, where it expects to have the capacity to build 4 million vehicles a year by 2018 - up from just 3.1 million in 2014.

The battle for the Chinese market is fierce, however, and GM has outlined a goal of selling 5 million vehicles annually in the market before decade's end. Ford, a latecomer to the Asian nation, is also making a fast-track assault.

Long-term enmity between China and Japan has been a limiting factor for makers like Toyota, Nissan and Honda. The situation flared into violence in 2012 when Japan laid claims to what it calls the Senkaku Islands, a chain of uninhabited, but strategically placed spits of land the Chinese call the Diaoyu Islands.

Toyota has had a particularly tough time recovering, even among the Japanese makers. And as many as 10% of its Chinese dealers could abandon the brand, according to the China Automobile Dealers Association, the vast majority of them now losing money.

Further complicating the situation, the China Association of Automobile Manufacturers is warning that the country will "only" see an 8% growth in passenger vehicle sales in 2015 - the slowest pace of growth in 25 years.

Toyota has held the global sales lead since 2011, and only briefly lost it the year before because of the devastating impact of the earthquake and tsunami that shook its home country. The maker has repeatedly said it places profitability, as well as customer satisfaction, above sales leadership, but few observers expect Toyota to readily cede the lead to its German rival.

The Japanese maker has declared a moratorium on building new plants this year, but that is likely to be only a brief respite. And with global vehicle sales expected to continue surging, it is expected to aggressively resume its expansion later in the decade.

(VW teams up with BMW to create "express charging" corridors. [Click Here](#) for the story.)

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