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Sales of imported vehicles by the eighteen brands that are members of Abeifa, the Brazilian Association of Importers and Manufacturers of Motor Vehicles, totaled only 35.8 thousand units in 2016, representing a significant drop of 40.2% compared to the 59.9 thousand units licensed in 2015...

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Sales of imported cars plummet 40.2% in 2016

AutoData Newsdesk | redacaoad@autodata.com.br

Sales of imported vehicles by the eighteen brands that are members of Abeifa, the Brazilian Association of Importers and Manufacturers of Motor Vehicles, totaled only 35.8 thousand units in 2016, representing a significant drop of 40.2% compared to the 59.9 thousand units licensed in 2015.

“Unfortunately we didn’t even reach 39 thousand units estimated for January 2016,” lamented José Luiz Gandini, President of Abeifa. “In addition to the political/economic instability in the country, we are restricted by the extraordinary rate of 30 additional percentage points in the IPI and limited to a maximum quota of 4.8 thousands units/year without extra charge.”

Gandini says that if this restrictive policy on imported cars remains, sales this year should be limited to 25,000 units, i.e. they will be restricted to pre-defined quotas for the members of the association. The brands represented by Abeifa sold 3.3 thousand imported vehicles in December, registering a growth of 25.9% when compared to November, when 2.6 thousand

units were sold.

“We could have obtained a better result last month if the most significant volume brands had not blown their quotas before,” said Gandini. “That’s why I insist on the need for the government to get rid of the additional 30 percentage points on the IPI or, at least, release the unused quotas by some brands in 2016 to those who have reached their limits.”

Local production – Abeifa members that have domestic production - BMW, Chery, Land Rover, Mini and Suzuki – registered sales of 1,473 vehicles in December, an increase of 29.4% when compared to November. The five brands had 12.3 thousand of their vehicles licensed in 2016.

When considering only the imported vehicles segment, the members of Abeifa accounted for only a 1.68% market share in December and a 1.8% share for the year. With the totals added up – imported and domestic production — the share Abeifa members in the domestic market was 2.42%, both in December and 2016. **WE**

Truck market back to 1999 level

Décio Costa | decio@autodata.com.br



In 2016, 50.5 thousand trucks were licensed, representing a 29.4% drop when compared to 2015. The volume took the market back to the same level as in 1999, when it absorbed 50.6 thousand units.

“The result is in line with expectations, but the heavy vehicles market conditions are still worrying for the industry,” said Antonio Megale, who divulged the automotive industry’s results for 2016 on Thursday, 2. “The manufacturers of trucks and bus chassis are enduring an idle capacity ranging between 70% and 75%.”

Separately, however, December provided some relief to manufacturers, who registered sales of 4,451 trucks, up 17.1% over November, but still representing a negative performance of 20.8% compared to the same month in 2015, when 5,600 units were licensed.

The manufacturers produced 60,600 trucks in 2016, a drop of 18.2% when compared to the 74,000 units produced in 2015. In December, only 4200 trucks were built, representing an increase of 63.6% when compared to the same month in 2015.

According to Luiz Carlos Moraes, Vice President of Anfavea and Director of Institutional Relations at Mercedes-Benz, the sector is now expected to start its recovery due to the need for further urgent renovation and the economic environment. “The drastic reduction of the market in recent years enables the renewal of fleets. In addition, there’s another strong signal of another strong harvest and as inflation moving towards the center of the target, the chances for faster interest rate drops is greater. “

Buses – The drop in sales of bus chassis is even more dramatic. Last year, 11,162 units were licensed, representing a 33.5% drop when compared to 2015.

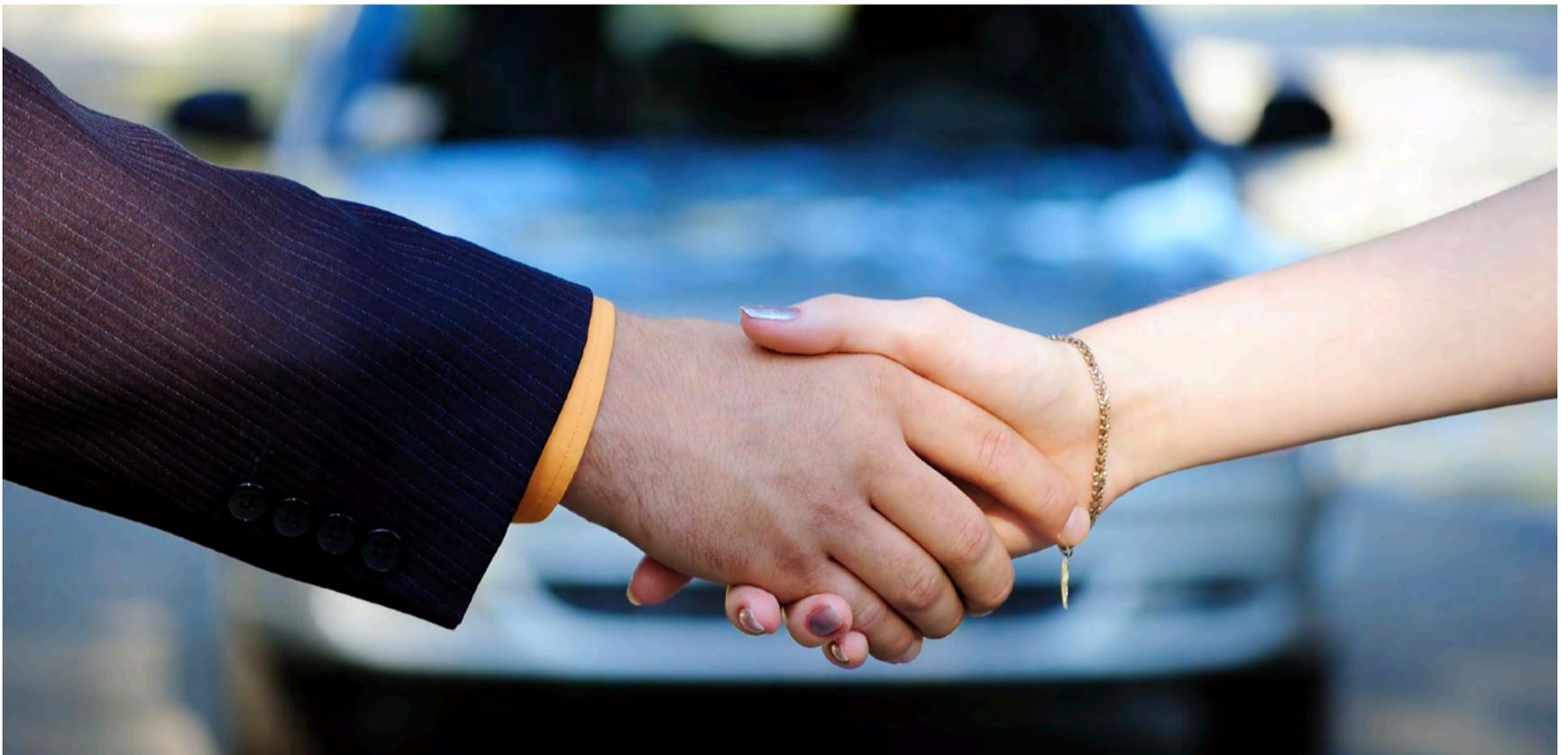
In December, only 667 bus chassis were sold, a sharp drop of 48.6% over the same month last year.

Despite a 33.2% increase in exports, production of chassis for buses totaled 18,700 units last year, 13% less than the volume registered in the same period of 2015, when production volume totaled 21,400 units.

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Industry projects an increase in domestic sales of only 4%

Alzira Rodrigues | alzira@autodata.com.br



After experiencing a 20.2% drop in 2016, domestic sales of vehicles should grow only 4% this year, totaling approximately 2.133 million units when compared to the 2.050 million units sold last year. The projections of the automotive industry were disclosed on Thursday, 5, by the president of Anfavea, Antonio Megale, who predicts an increase in production and exports, 11.9% and 7.2%, respectively.

According to Megale acknowledged that the instability that still persists in the political and economic scenarios forced him to lower domestic market increase estimates for 2017. Three months ago, Megale had spoken of “a significant one-digit growth,” meaning something closer to 10%: “We still have unstable political and macroeconomic environments, which weakens the market. We see no possibility of recovery in the first quarter.”

The industry is more optimistic regarding exports, projecting shipments of 558,000 units this year, which would favor sector production. If Anfavea projections become a reality, automakers will produce approximately 2.413 million vehicles in 2017, representing an 11.9% increase over the 2.157 million units produced in 2016.

According to Megale, the industry did not reach the target production volume of 2.3 million vehicles in 2016 mainly because of the problems that Volkswagen had with a group of suppliers. After breaking the contract, the automaker had to halt its assembly lines for more than a month, scrapping a production volume of 100,000 vehicles in the process.

The best months in production for the automobile industry last year were November and December, with 216,300 and 200,900 units, respectively. "Last month's drop in comparison to November was due solely to the decision of the majority of the automakers to grant collective vacation leaves at the turn of the year, which reduced the number of production days in December," said Megale.

With the sharp drop in the domestic market during the past two years, and the consequent reflection in the offer of products, the industry closed 2016 with an average idle capacity of 52%. Specifically, in the case of trucks, this ratio reached 75%. The workforce level fell 76.1% last year, dropping to an effective 129,600 workers in January and 121,200 employees in December.

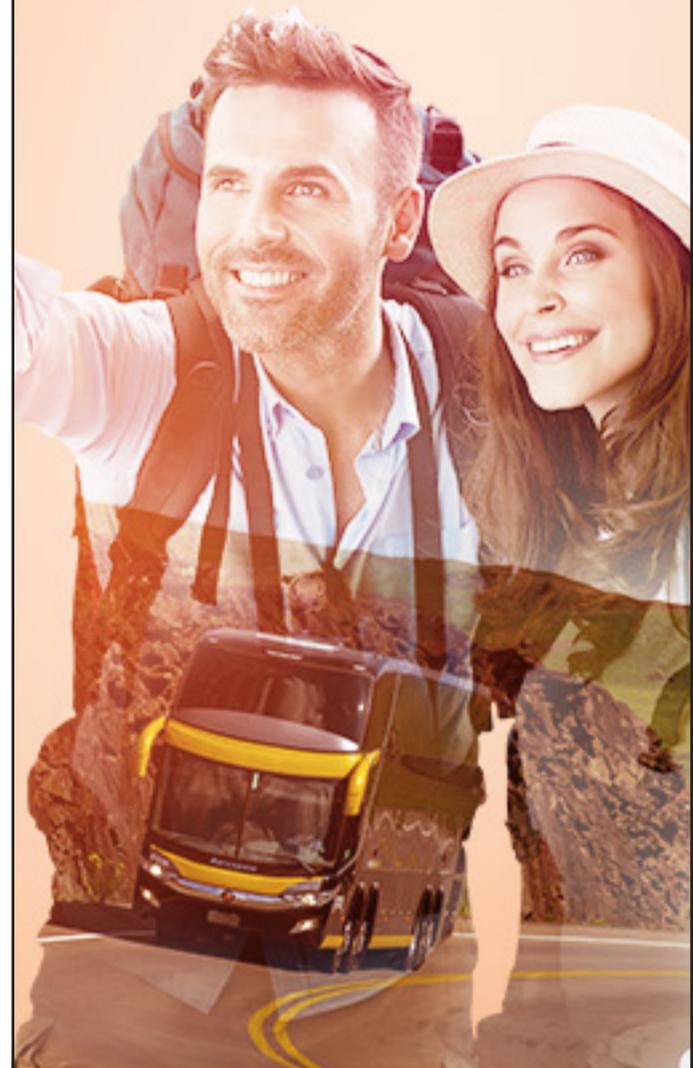
With approximately 9,000 employees still under EPP, employment protection program, the President of Anfavea preferred not to risk projections for the workforce this year. In 2016, the reduction of the number of employees in the workforce was gradual and constant. In December alone, 2,100 jobs were closed.

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Exports exceed Anfavea expectations

Décio Costa | decio@autodata.com.br

Exports of vehicles last year reached 520.2 thousand units, representing an increase of 24.7% over 2015, when 417,300 vehicles were shipped abroad. The result is three percentage points above Anfavea's projections for the year, which called for shipments totaling 507 thousand units, that is, an increase of 21.5% over 2015.

Shipments in December of last year were also the best ever for the month: exports totaled 62.9 thousand units, an increase of 11% over November, and an increase of 36.1% when compared to the same month in 2015, when 46.2 thousand vehicles were shipped abroad. Last month's volume was only surpassed by August 2013, when vehicle exports totaled 64.1 thousand units.

According to Antonio Megale, President of Anfavea, exports have grown generally in various markets in Central and South America, especially Colombia and Chile. "Argentina is definitely still our main trading partner, accounting for 380,000 units of the total 520,000 units shipped abroad. It is worth remembering that in the coming months Brazil's deal with Colombia should be ratified, which should help further the growth of volumes."

All vehicle segments experienced higher exports. Last year, 489,000 cars and light commercial vehicles were shipped abroad, representing a 25.7% growth over 2015. In the case of trucks, exports totaled 21,400 units, an increase of 2.3% when compared to 2015. On the same basis of comparison, the biggest growth ratio was experienced by bus shipments, an increase of 33.2%, with 9,700 units shipped abroad.

In terms of value, the sector also recorded positive results in exports. Total vehicle exports in 2016 reached US\$ 10.6 billion, up 1.6% when compared to 2015. Foreign revenues in December totaled US\$ 928.8 million, a 13.8% increase when compared to the US\$ 816 million registered during the same month of 2015.

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