

AutoData

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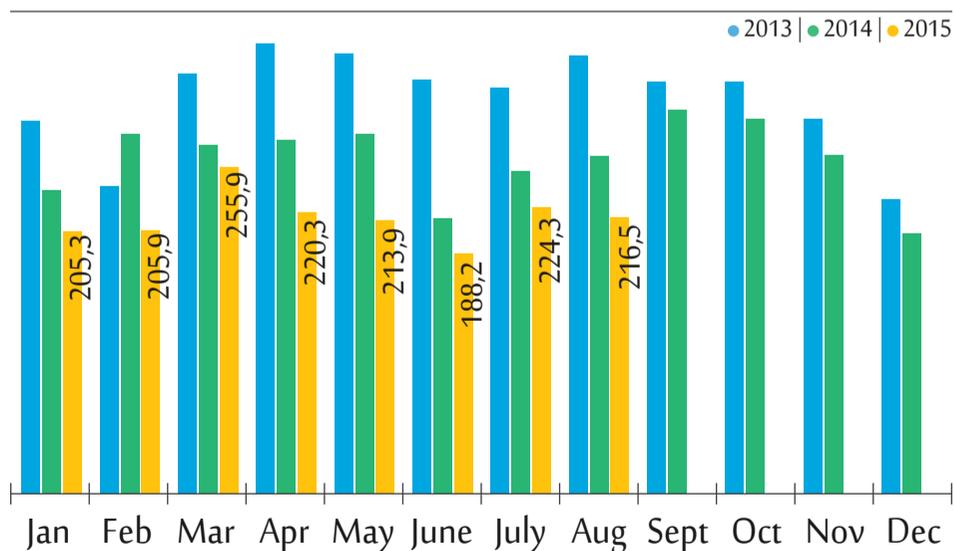
Image/Volkswagen

To adjust inventory, production in September and October should slow down

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Without any improvement expectation for the Brazilian vehicles market in the short or medium terms, vehicle manufacturers should step on the brakes during the coming months in order to reduce production at the plants. In a press conference on Friday, 4, the president of Anfavea, Luiz Moan, projected the assembly lines will slow down in September and October, possibly at a level below the 216.5 thousand passenger and light commercial vehicles, trucks, and buses produced in August.

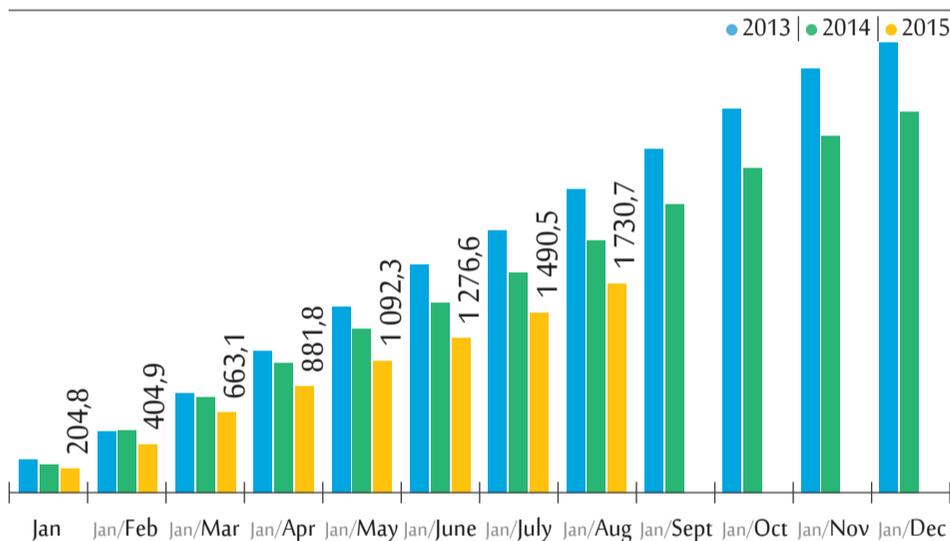
Production - Monthly (thousand units)



“The companies need to adjust their inventory levels. In order to achieve this, there are only two alternatives: the return of the market, or adjustments in production. Since the first should not occur, we will

have to use the second.” According to Moan, 27.4 thousand workers at the vehicle manufacturers are on layoff or collective vacation leaves, without mentioning those who should adhere to the PPE, Employment Protection Program - which will be at the plants, but working fewer hours.

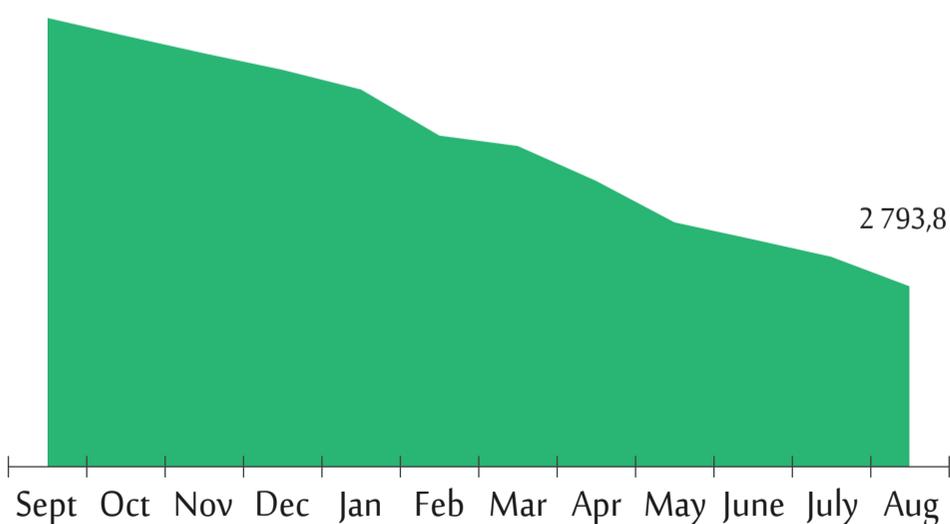
Production - Year to date (thousand units)



“This quality of people at home and some vehicle manufacturers signing on to the PPE is a demonstration of the efforts that companies have been doing towards searching for ways of maintaining jobs.”

The sector closed August with a workforce of 134.3 thousand workers, 10% below the same month last year, and 1% below when compared to July. Within a period of one year, the industry dismissed 14.5 thousand workers.

Production - 12-month period (thousand units)



The 216.5 thousand vehicles produced in August represented a drop of 18.2% when compared to the same month in 2014, and a drop of 3.5% when compared to July’s production output.

During the first eight months of the year, production totaled 1.7 million units, representing a drop of 16.9% when compared to the same period last year.

During the past 12 months, industry produced 2.8 million vehicles, a drop of 14.2% when compared to the immediately preceding 12-month period. Anfavea projects vehicle production in 2015 should be around 2.5 million units, representing a drop of 17% when compared to 2014.

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Inventory reaches 52 days and becomes a source of concern

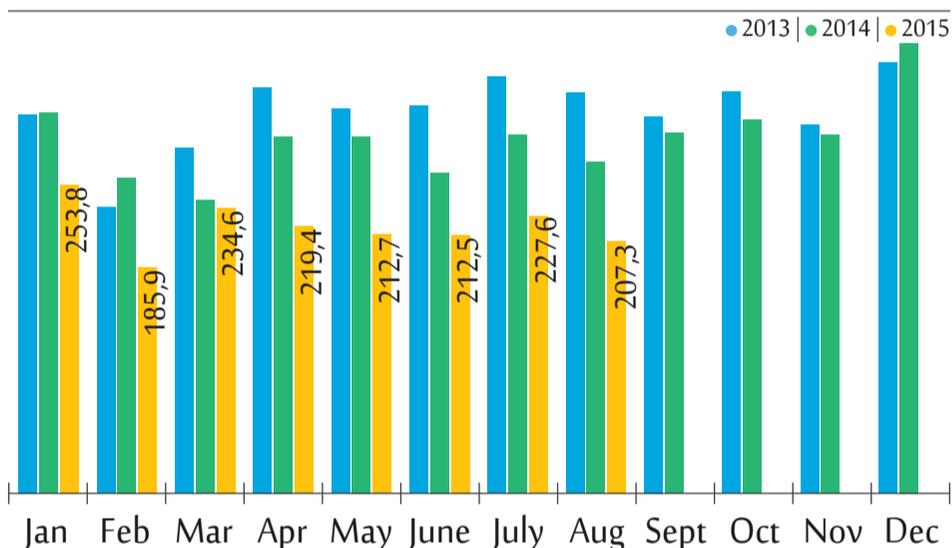
Marcos Rozen | rozen@autodata.com.br

The stability of the daily sales rhythm at around 10 thousand units, which has been observed for a few months now - including August -, could represent a relatively good news for the Brazilian automotive industry: from this standard, production programming could be established with some safety margin. However, apparently, the vehicle manufacturers were preparing for an increase in business last month, which did not happen and ended up increasing inventories, which had already closed at a high level at the end of July.

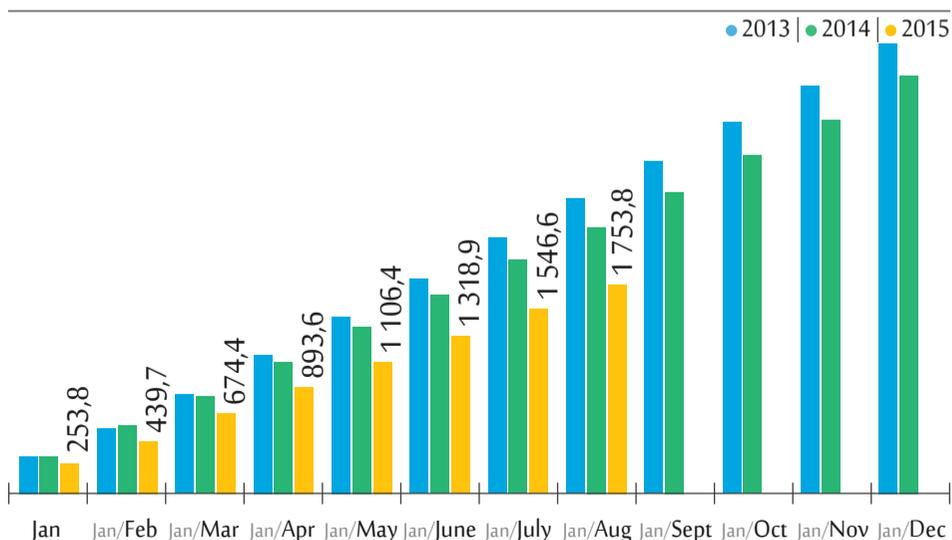
According to numbers revealed by Anfavea on Friday, 4, the month of August closed with 358,000 units at the patios: 208,000 at the dealers, and 150,000 at the manufacturers. The volume is equivalent to 52 days of sales at the rhythm of August, two more than in July.

According to Luiz Moan, president of the association, the number is a cause of “concerns” and directly reflects the “moment of difficulty” which the country’s market is experiencing. He confirmed the association does not see much possibility of rapid change in this scenario and, therefore, the search for lowering inventory will occur through an even higher cut in

License registrations - Monthly (thousand units)



License registrations - Year to date (thousand units)





Image/Archive

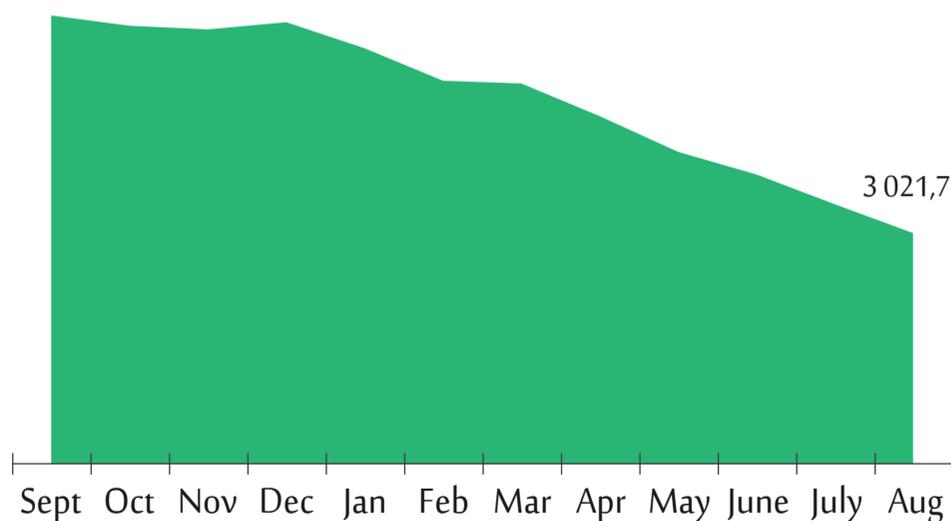
production during September and October. In any event, he emphasized the importance of the stability of the average daily sales volume, despite making it clear that “this does not mean we are satisfied (with the volume that has been reached).”

Last month, new vehicle license registrations in the country totaled 207,250 units, representing a drop of 24% when compared to the 272.5 thousand units licensed in August 2014, and a drop of 9% when compared to July, which had two extra working days when compared to August. During the first eight months of the year, 1.754 million new vehicles have been licensed, representing a drop of 21.4% when compared to the 2.2 million units licensed during the first eight months of 2014.

During the past 12 months - from September

2014 to August 2015 - 3 million new vehicles have been sold in the Brazilian market, representing a drop of 14.4% when compared to the 3.5 million units sold during the immediately preceding 12-month period. **WE**

License registrations - 12-month period (thousand units)



Anfavea expects two new commercial agreements in the coming weeks

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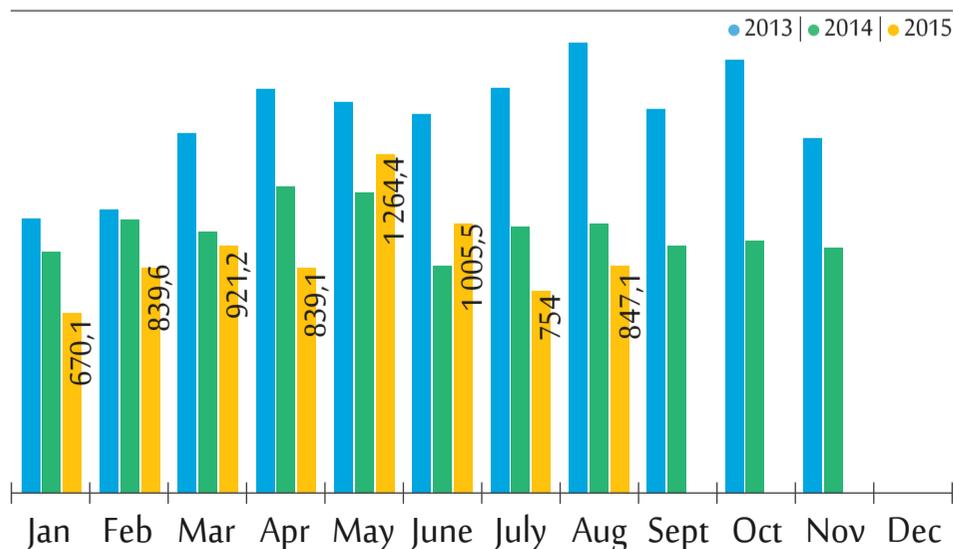
If confirmed, the expectations of Luiz Moan, president of Anfavea, divulged during a press conference on Friday, 4, Brazil should close two new bilateral trade agreements that should generate increased exports of vehicles. According to the executive, the

negotiations between the Brazilian government and the governments of Colombia and Peru are at an advanced stage and soon both countries should increase their import tax-exempt quotas, similar to what has already happened this year with other markets such as Argentina, Mexico, and Uruguay.

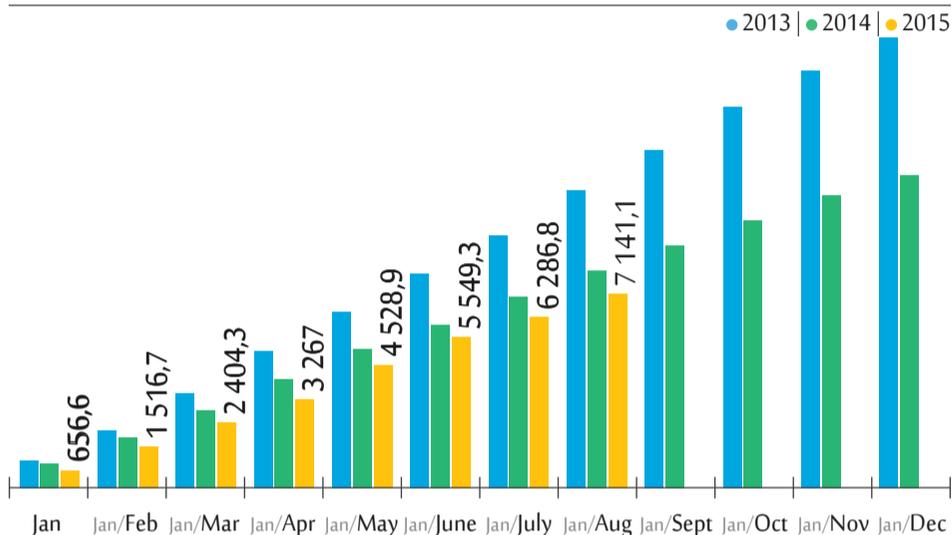
“Within a maximum period of two weeks, the last meeting to deepen the agreement with Colombia and Peru should occur. The government also began negotiations with Paraguay, which already imports tax-exempt vehicles, however, there is a significant obstacle that is related to the permission to import used cars.”

On Friday, August 28, the MDIC closed the expansion of the bilateral trade agreement with Uruguay, which, according to Moan,

Exports - Monthly (US\$ million)



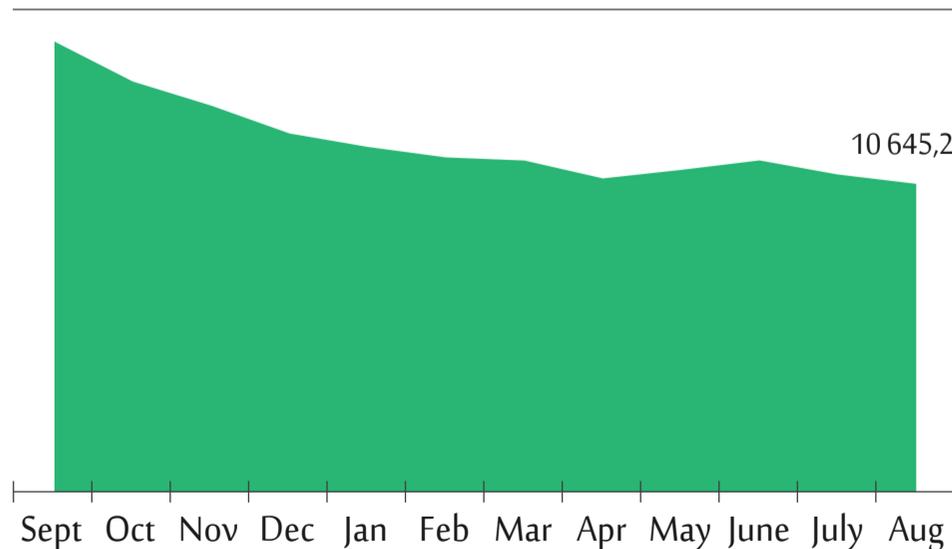
Exports - Year to date (US\$ million)



practically doubled the tax-exempt export quota of vehicles produced by Brazilian vehicle manufacturers. Previously, the agreement enabled shipment of 8.5 thousand units between July 1, 2015, and June 31, 2016. This volume has now been increased to 10 thousand units up to December 31 of this year.

The president of Anfavea added that a measure

Exports - 12-month period (US\$ million)



that facilitates exports of vehicles and agricultural machinery to government organs abroad was published in the country's Official Gazette on Friday, 4. The association is also negotiating the expansion of the Mais Alimentos Internacional program, which can increase exports - principally of trucks and agricultural machinery - to countries in Africa and the Caribbean.

Both of these products had a significant share in the 15.7% drop in exports that took place in August, when compared to the same month last year, representing a total value of US\$ 847.1 million. The value, however, represented an increase of 12.3% when compared to July. During the first eight months of the year, exports generated US\$ 7.1 billion in revenues, representing a drop of 10.7% when compared to the first eight months of 2014.

"The change in the mix of products shipped abroad is responsible for the difference in values. We are working to improve this mix."

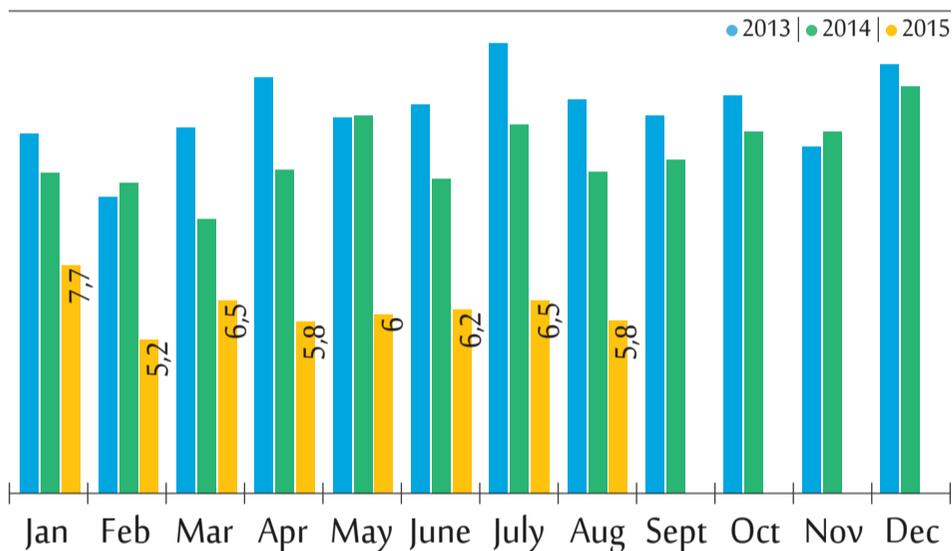
In volume, exports registered a growth of 9.2% last month when compared to the same month last year, and an increase of 21.9% when compared to the previous month, representing 34.6 thousand vehicles. During the first eight months of the year, 260 thousand passenger and light commercial vehicles, trucks, and bus chassis were shipped abroad, representing an increase of 10.5% when compared to the same period last year.



August helped maintain the overall feeling of despair in the truck segment

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Trucks - Monthly (thousand units)



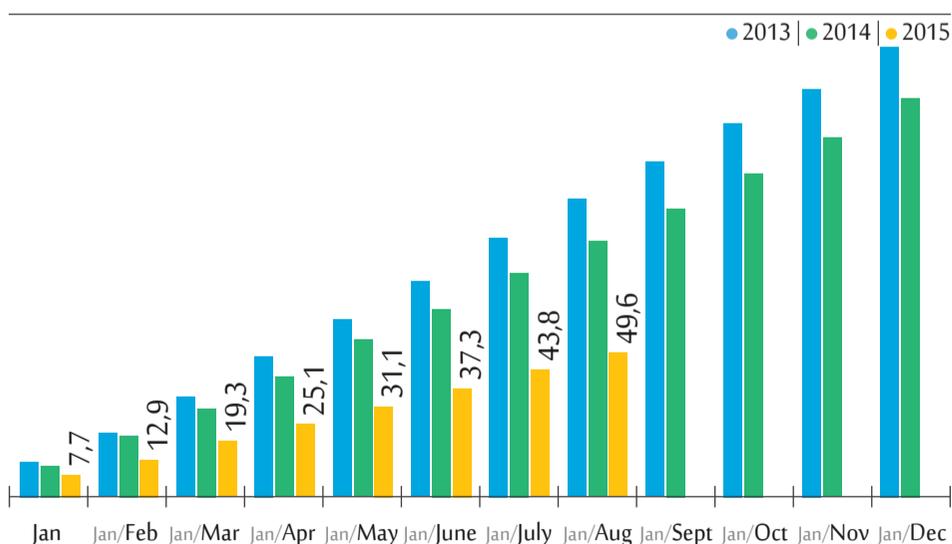
The month of August maintained the overall feeling of despair that has become characteristic of the Brazilian truck market throughout 2015. The inexpressive 5814 units sold during the month represented a drop of 46.2% when compared to the sales of 10.8 thousand units registered in August 2014, and a drop of 10.5% when compared to the 6.5 thousand units sold in July.

The numbers were revealed by Anfavea on Friday, 4.

During the first eight months of the year, 49,606 trucks were sold in Brazil, representing a drop of 43.5% when compared to the 87,836 units sold between January and August 2014. Luiz Carlos Moraes, vice president of the association that represents the vehicle manufacturers, limited himself to the observation that “the ratio registered in August was very low.” According to him, “the moment is very difficult and we do not see signals of change in the coming months.”

The only to register a positive volume during the year is the semi-light segment, which involved 4.5%. However, this is not due exclusively to Ford’s performance, an incredible jump of 16,000%: 1129 units sold up to August when compared to seven units sold during

Trucks - Year to date (thousand units)





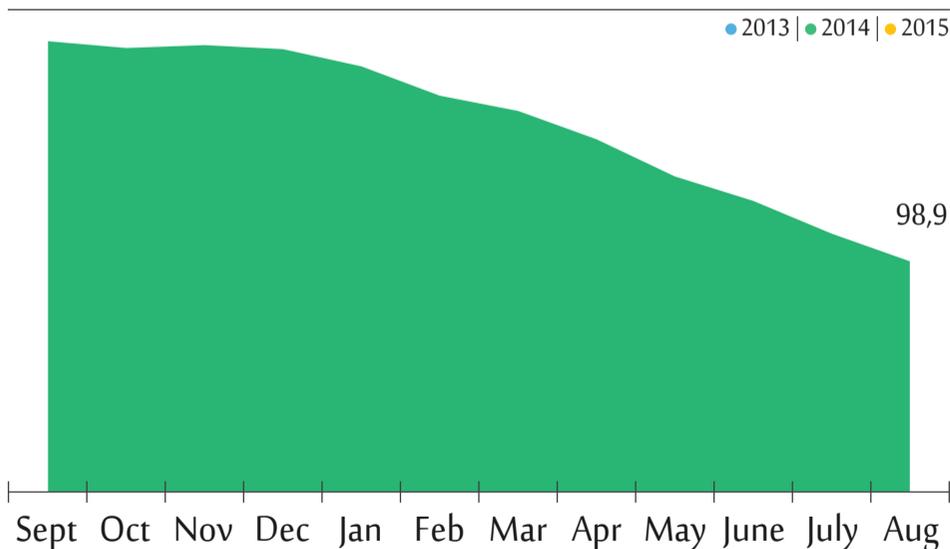
Image/Novo

the same period last year, when it was not present in the segment. The other competitors in the segment, however, saw their ratios drop.

The biggest drop, however, was experienced in the heavy truck segment, a crazy drop of 60.7%: the 31,463 trucks sold up to August of last year turned into only 12,367 units during the same interval this year.

Exports provided a slight relief, which, during the first eight months of the year totaled 13.5 thousand units, representing an increase of 9.6% when compared to 12.3 thousand units shipped abroad during the same period last year. However, in August, the 1.5 thousand units shipped abroad represented a drop of 9.8% when compared to the same month last year, and a drop of 16.6% when compared to the previous month.

Trucks - 12-month period (thousand units)



The numbers naturally impacted truck production output: between January and August, 53.4 thousand units were produced, representing a drop of 46.7% when compared to the 100.3 thousand units produced during the same period in 2014. August did not manage to improve the ratios of the year: with production output totaling 5080 units, the performance translated into a drop of 57.6% when compared to the same month last year, when production totaled 12,000 units, and a drop of 24.2% when compared to July's 6.7 thousand units.

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Image/Mercedes-Benz

Bus manufacturers regret one more month

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The domestic bus market continues to fall. August was an additional month of red numbers and regrets on the part of the chassis manufacturers. After all, only 1338 urban and intercity bus chassis were sold during the month, representing a drop of 39% when compared to the same month last year, and a drop of 6.6% when compared to July.

According to industry executives, there are no other reasons for the continued declining trend other than the unfavorable economic scenario and the low confidence of the major agents in the segment, who

prefer to postpone purchases while waiting for more positive signals and a less troublesome horizon in the short term.

The low number of chassis sales in August worsened the condition of the already debilitated performance registered in 2015. During the first eight months of the year, sales totaled 12,435 units, representing a 30% drop when compared to the 17,746 units sold during the same period last year. The difference represents 5000 units, equivalent to approximately 3 months in sales at the current monthly rhythm.

Anfavea’s initial estimate that the sector would negotiate approximately 20,000 chassis throughout the year has become a mere reference: a drastic change would be needed during the last quarter in order to get close to this figure, with average monthly sales increasing to approximately 2000 units by the end of the year.

Without improved sales rhythm and with an uncertain short-term horizon, vehicle manufacturers naturally alleviated the speed at the assembly lines once again in August. As a result, production dropped 41% when compared to the previous month: from almost 1.9 thousand units in July, to exactly 1120 units in August. Production totaled 16,880 units during the first eight months of the year represented a drop of 32.5% when compared to the same period last year.

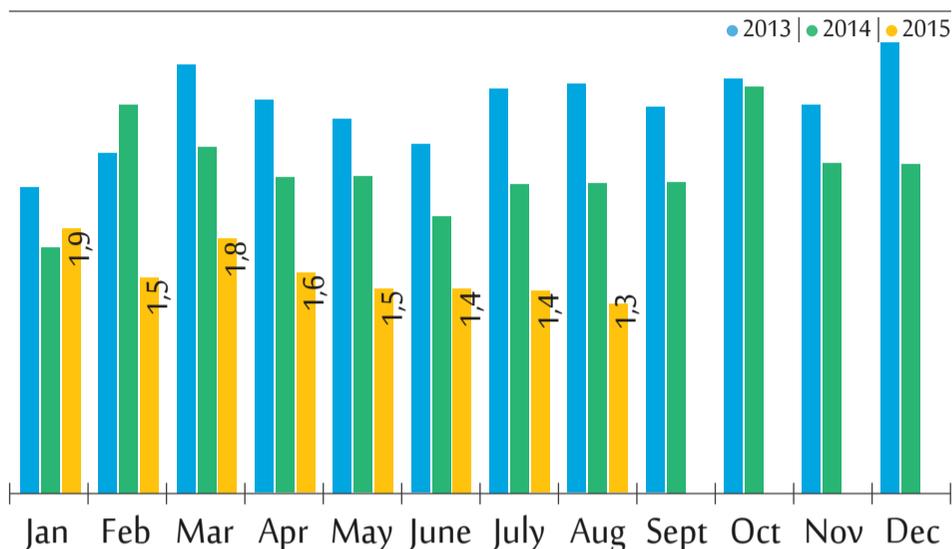
In terms of volume, urban bus chassis models, which represents the biggest segment in terms of volume, continues as the main villain, without specific incentive programs, such as those offered to the school bus segment. Production of urban bus chassis in August closed at a mere 653 units, almost half of what the sector had registered in July, and 72% below the same month’s performance in 2014.

Throughout the first eight months of the year, production of urban buses, which totaled 16,880 units, registered a drop of 40.2%.

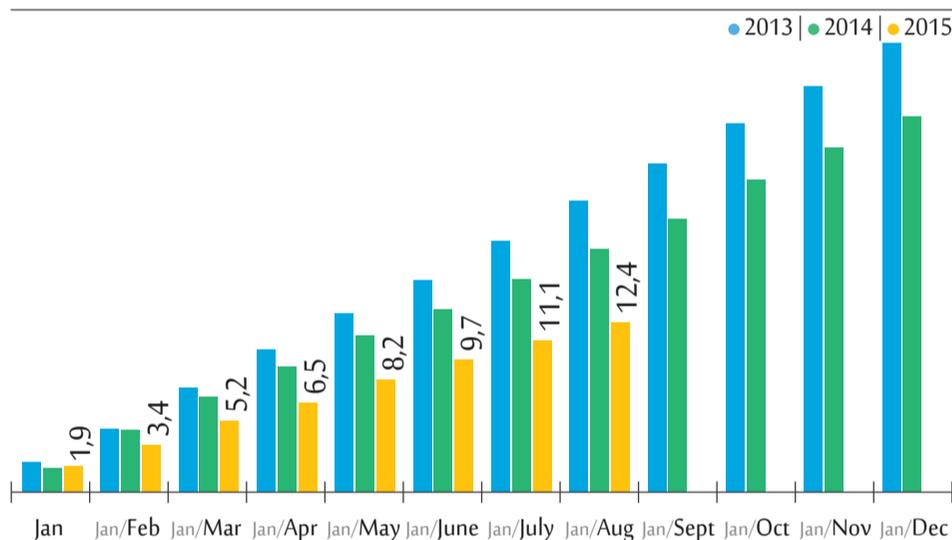
Intercity bus chassis production, which, during the first eight months of the year totaled 4452 units, exhibited a different scenario, with an increase of 5% when compared to the same period in 2014: a breath of fresh air to the manufacturers.

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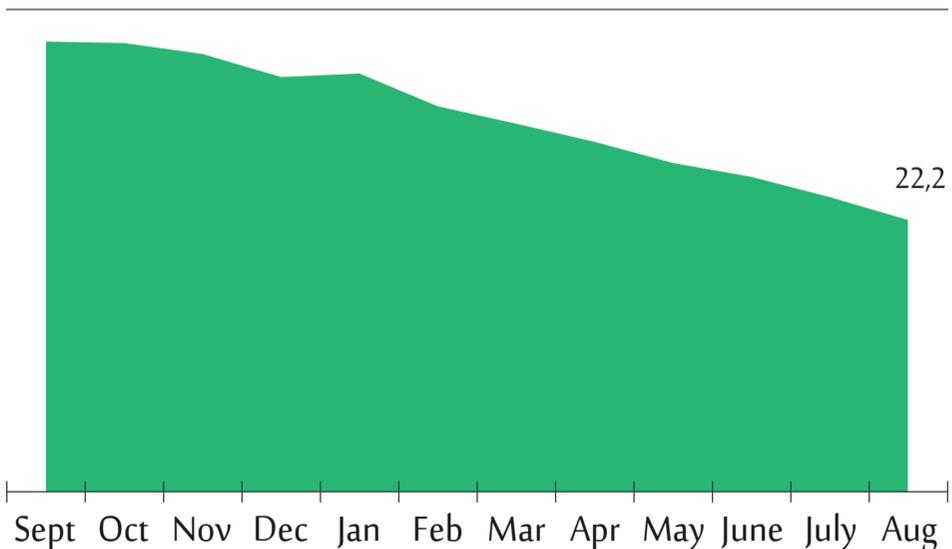
Bus - Monthly (thousand units)



Bus - Year to date (thousand units)



Bus - 12-month period (thousand units)



Machinery industry has almost nothing to celebrate

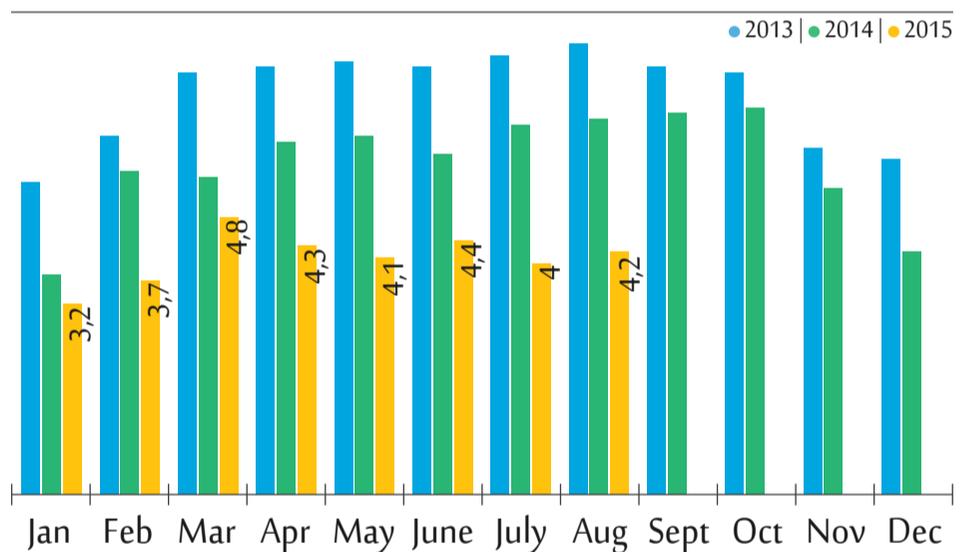
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The agricultural and road machinery industries had something to celebrate in August: domestic sales during the period registered an increase of 5.7% when compared to the previous month, reaching a total of 4237 units. This is, however, the only positive results in the segment during the month. After all, production shrank again, totaling 5000 units - against 5.1 thousand units in July, representing a drop of 2.3%. During the first eight months of the year, naturally, sales registered a decline.

Between January and August, 32.9 thousand machines were sold in the domestic market, representing a drop of 28.3% when compared to the same period last year. Production during the first eight months of the year totaled only 40.6 thousand units against 57.2 thousand units produced during the same period in 2014, that is, representing a drop of 29.1%.

This negative sequence has been going on for the past two years. In August of last year, production totaled 8.1 thousand machines, practically 20% of everything the sector managed to achieve up to now in 2015, which registered a monthly average of 5000 units. Production in 2014 closed with 82.3 thousand units, an average monthly volume of 6.8 thousand units, and, even so, it was almost 18% lower than a year before.

Machinery - Monthly (thousand units)



Every now and then, Luiz Moan, president of Anfavea, says it is strange that the agricultural machinery market has not been exhibiting a better performance. After all, the agribusiness continues with good fundamentals and outlooks. Sector businesspeople, however, do not seem to be paying much attention to that and continue holding back on purchases. Not even foreign markets have collaborated to increase sales and the performance of the assembly lines. Exports, which totaled 6.9 thousand units during the first eight months of this year, dropped 24.9% when compared to the 9.2 thousand units shipped abroad in 2014. In August, 719 machines were shipped abroad, representing a drop of

14.7% when compared to July, and a drop of 45.9% when compared to the same month last year.

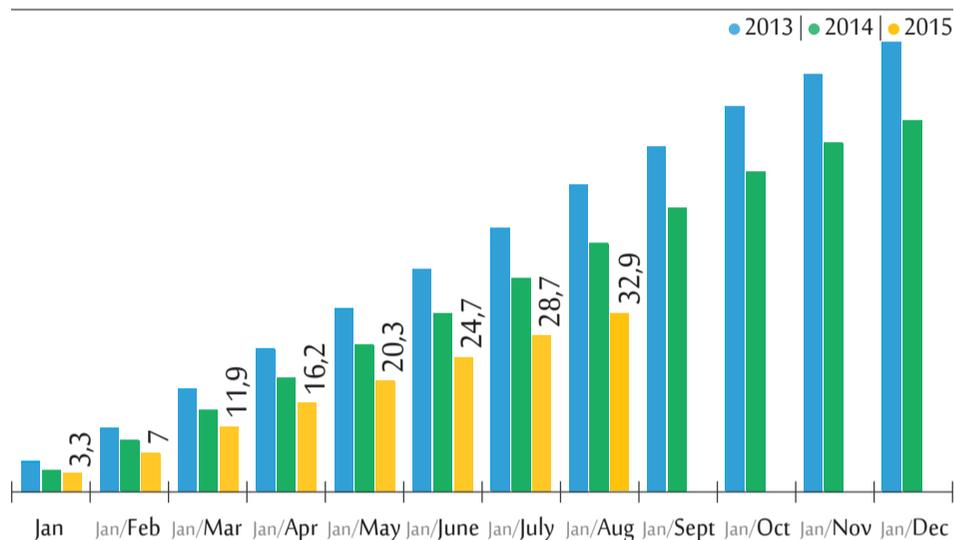
The president of Anfavea, however, believes that starting this month exports will start increasing as a result of solution to the obstacles related to the Mais Alimentos Internacional program, which should allow programmed deliveries to occur. "And the sector is already negotiating with the government new targets and credit lines for exports."

Via App - Banco do Brasil developed a new business model that can accelerate financing for the acquisition of machines, trucks, and agricultural implements and, according to the institution, reduce the time necessary for analyzing the application by approximately 80%. The Esteira BB, as it is called, was introduced earlier this week at Expointer, in Esteio, state of Rio Grande do Sul. The program promises to analyze the credit application within a period of 14 days after it has been delivered to the financial institution. "Against the approximately 60 days which are currently needed, on average," stated Luiz Moan, president of Anfavea.

The system enables the credit applications to be conducted at the dealers and forwarded to the bank via Internet through an exclusive application.

"In practice, the dealers have become advanced

Machinery - Year to date (thousand units)



agencies of the institution. Banco do Brasil studied in detail the IT technology in order to arrive at the current formula," stated Moan, who believes in the substantial improvement of the efficiency in the offer and taking of credit. "It is important to note that this is not a measure intended to combat the crisis, but it is something permanent that can be followed by other banking institutions."

The expectation of Banco do Brasil is that approximately 1000 dealers should adopt this business model. The application is available at the Apple and Google Play virtual stores. One must not necessarily be a Banco do Brasil customer in order to use the tool. **WE**