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GM projects 12% growth in 2017

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GM projects 12% growth in 2017

AutoData Newsdesk | redacaoad@autodata.com.br



Image/Fenabreve

The president of General Motors South America, Barry Engle, believes we have reached the bottom of the well. “We are getting closer to a recovery in sales. GM believes that this year the market should register sales of 2.15 million units, and 2.4 million units in 2017, which would represent a growth of 12%.”

Engle divulged the numbers during the opening speech at the 26th Fenabreve Congress on Monday, 16. If the projections become a reality, this year’s sales recovery

would be higher than the 2,080,000 units projected by Anfavea for the domestic market. Engle was the first executive from the sector to draw a higher projection than Anfavea for this year, as well as risk an estimate for next year.

According to the president of GM South America, sales have been increasing on monthly basis and the recovery expectation should occur slowly and gradually: “In the case of GM, we are seeing a market of 3.4 million units in 5 years, and 4.2 million units in 10 years. Can these figures be reached before? Yes, it is possible. However, while departing this crisis, the industry cannot forget of the volatility of our market, in this regard, it must plan more rationally.”



Engle recognized the Brazilian automotive industry overestimated the market when it invested heavily in increased capacity in response to an overheated market. “We invested too much, and now we have idle capacity not only at the industrial level, but also at the dealer networks. In addition, in order to grow, we imported parts instead of producing them here, and now we have broken suppliers.”

Evaluation - The president of GM South America began his speech with an analysis of the Brazilian economy throughout the past years, stating the country grew for more than a decade, a time in which politics and economics were in peace with each other. “We are now experiencing another moment and I am very proud of Brazil, of what has happened. The institutions are becoming stronger and there’s respect for democratic principles.”

Engle said he believes Brazil will be safer and stronger at the end of this crisis. In addition, he believes there are already positive economic indicators, such as retirement investors to the country: “The Bovespa has grown more than 50% since the beginning of the year, and the real has strengthened itself. Unfortunately, the consumer is still cautious, but we are getting closer to a recovery in sales. There is a strong correlation between industry volumes and the exchange rate. When the local currency is strong, so is industry.”

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Mercedes-Benz stops activities in the ABC plant

AutoData Newsdesk | redacaoad@autodata.com.br

The Mercedes-Benz plant in the city of São Bernardo do Campo, SP, has halted its activities for an undetermined period, starting Monday, 15, placing its collaborators on paid leave, with the exception of those who have essential activities, such as firemen and safety personnel.

In a press release, the vehicle manufacturer stated “the measure is being taken due to the drastic reduction in sales of commercial vehicles during the past years, which caused an excess of more than 2000 workers at the unit.”

The announcement of the decision had already been informed to the employees on Saturday, 13. Moisés Selerges, administrative director of the ABC Metalworkers Union, who is also a Mercedes-





Benz employee, in an interview to Radio Brasil Atual, stated the company will begin to fire employees by telegram this week.

More than 9.5 thousand workers are affected, the current workforce at the plant. From this total, 1.4 thousand employees were already on paid leave. Recently, the company had opened its voluntary dismissal program, between June 1 and July 8, and, again, between July 20 and 25, with 630 employees choosing to join the program, therefore bringing the total excess headcount down to 1870 persons.

In September of last year, the vehicle manufacturer joined the federal government's PPE - Employment Protection Program, with a 20% reduction on the workweek, and a 10% reduction on wages, which extended itself up to May. The company decided not to renew its participation in the program and the workers have been granted job stability up to August 31.

According to Mercedes-Benz, "despite all efforts by the company since 2014, such as the adoption of various measures of flexibility and a number of voluntary dismissal opportunities in order to manage this excess, there is no other option than extending paid leave to all of our collaborators in this plant."

The unit in São Bernardo do Campo produces trucks and buses, markets that have year-to-date drops of 30.9% and 33.4%, respectively. The director of the union recognizes the accentuated crisis in the heavy vehicles segment, but says he will not accept this situation without a fight. "We do not have a ready-made recipe, but we have the disposition and political willpower to avoid the dismissals."

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Keiper: business at risk.

AutoData Newsdesk | redacaoad@autodata.com.br

On Friday, 12, Keiper, a company that belongs to the Grupo Prevent issued a press release in which it states that Volkswagen's decision to cut supply contracts places the company's business in Brazil at risk," including the probable dismissal of 1200 workers at our units located in the cities of Mauá and Araçariguama, which will become unemployed, affecting at least 5000 people, since production of Keiper parts to Volkswagen represents a dependence on the vehicle manufacturer of more than 85%."

Keiper says the Santo André regional worker's jurisdiction court called for a meeting where representatives from the Santo André and Mauá Metalworkers Union were informed by the company about the possible consequences of the decision. Once again, Keiper stated its surprise with Volkswagens measure, "since we were very close to reaching a final positive agreement."

Keiper says that, given the current conditions, it will maintain the workers for a short period, at its own expense, and they should be maintained in the bank of hours, without any possibility of “guaranteeing the rights of the collaborators, as it is not capable of bearing the costs of termination of the work contracts if it ends its activities.”

Volkswagen’s decision to terminate the supply contracts with companies belonging to Grupo Prevent is due to having experienced more than 120 days without activities among its 3 vehicle manufacturing plants located in São José dos Pinhais, PR, Taubaté and Anchieta, SP, reflecting in a loss of production of more than 100,000 vehicles. The vehicle manufacturer also informed it is legally demanding to get its tools back from the plants of the companies belonging to the Grupo Prevent. “Regaining the tools would enable Volkswagen to reestablish its normal rhythm of production, while also enabling the entire productive chain to function normally, as well as the



tranquility of its employees and the dealer network,” stated the company in a press release.

According to Volkswagen, the decision was the last alternative found in order to bring operation back to normal and “mitigate the impacts throughout the entire productive chain.”

As a result, Volkswagen also brought forward to August the collective vacation leave that had been previously planned for October, for a period ranging between 3 and 4 weeks for the majority of its employees, “until the production process of these parts has begun at the new suppliers.”

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Automotive parts foreign trade balance continues to register a deficit.

AutoData Newsdesk | redacaoad@autodata.com.br

The automotive parts sector continues to register a deficit in its foreign trade balance. For the first 7 months of the year, the deficit closed at US\$ 2.75 billion. The value, however, represents a drop of 29.07% when compared to the deficit of US\$ 3.87 billion registered during the same period last year. The result is part of the Sindipeças consolidated report based on numbers divulged by the Ministry of Industry, Foreign Trade, and Services, the MDIC.

During the period, both exports and imports registered drops. Between January and July, shipments to 172 countries totaled US\$ 3.77 billion, representing a drop of 16.97% when compared to the same period last year. Imports conducted during the first 7 months of this year, from 154 markets, totaled US\$ 6.51 billion, representing a drop of 22.5% when compared to the same period last year.

In July, the foreign trade balance totaled US\$ 476.9 million, representing a drop of 14.67% when compared to the US\$ 558.9 million registered

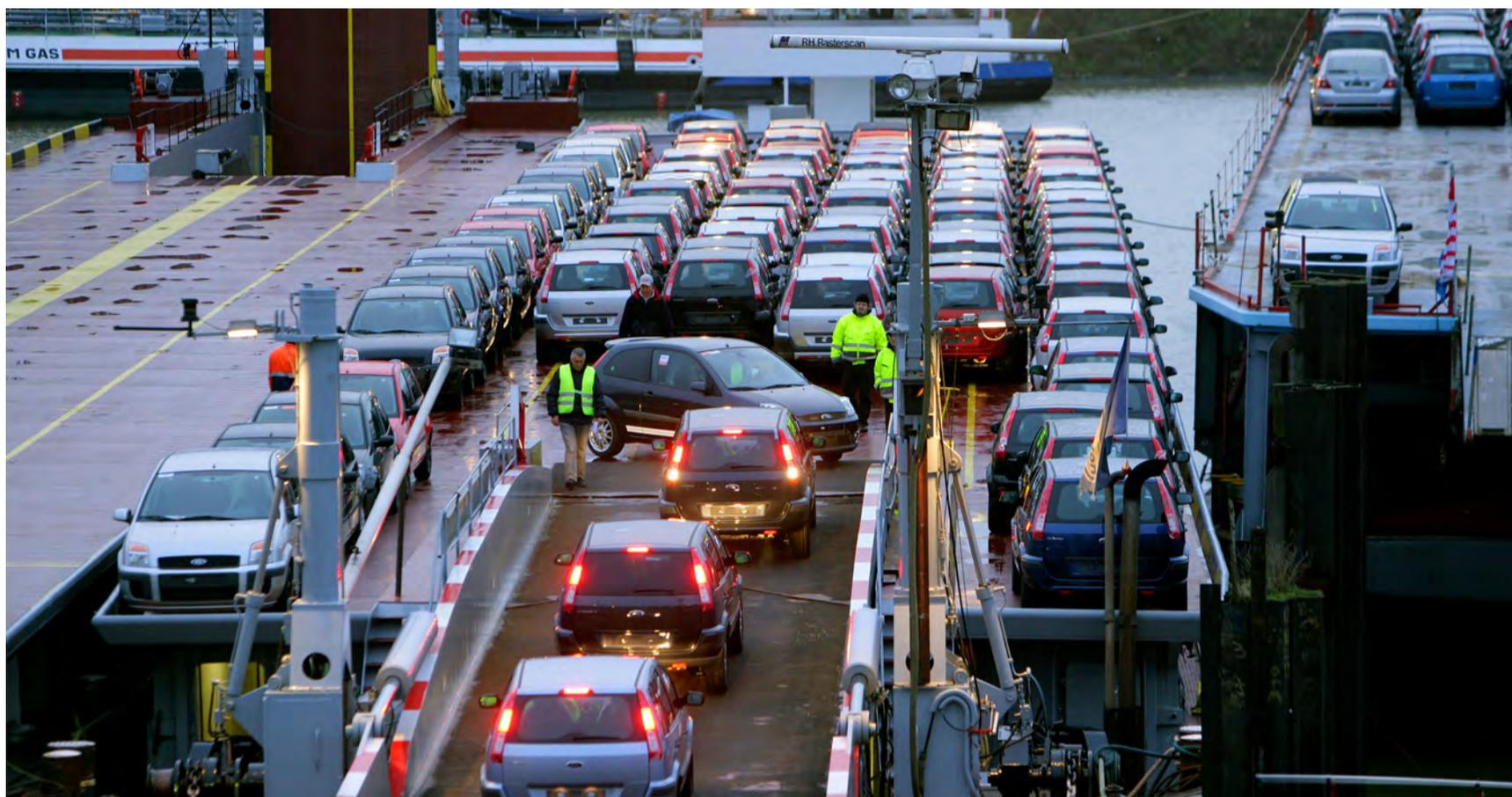


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during the same month last year. Exports of automotive parts in July totaled US\$ 544.6 million, representing a drop of 18.2% when compared to July of last year, while imports totaled US\$ 1.02 billion, representing a drop of 16.6% when compared to the same month last year.

Argentina continues to be the major destination of Brazilian automotive parts exports. Between January and July, shipments to the neighboring country totaled US\$ 1.03 billion, representing a drop of 31.98% when compared to the same period last year. The result accounts for 27.47% of total exports of Brazilian-made automotive parts. Following Argentina, the United States, with a 16.52% share of Brazilian automotive parts exports, followed by Mexico, 9.46%, the Netherlands, 9.37%, and Germany, 6.65%.

The United States was the biggest supplier of automotive parts to Brazil. Between January and July, imports from that country totaled US\$ 865 million, representing a drop of 17.32% when compared to the same period last year. The United States accounted for 13.28% of Brazilian imports of automotive parts, followed by Germany, with 11.18%, China, 10%, Japan, 8.15%, and South Korea, 7.17%.

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