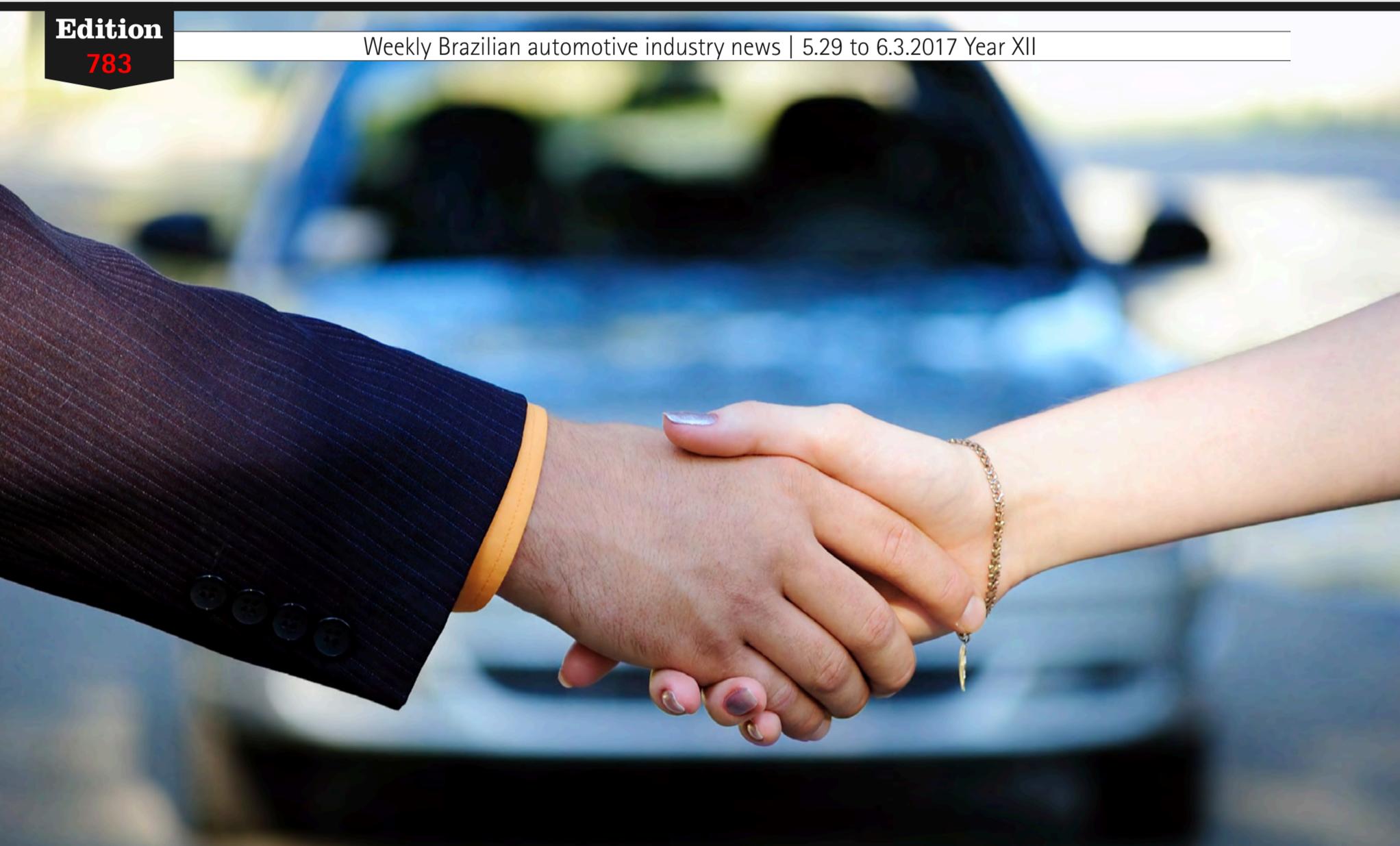


# AutoData

NEWS AGENCY WEEKLY EDITION

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## Good news has arrived

June arrived with good news for the automotive sector: vehicle sales in May increased 16.77% in comparison to the same period in 2016. The number of new vehicles licensed during the month totaled 195,568 units. Year to date, 824,455 vehicles have been licensed, up 1.57%. The numbers were divulged on Thursday, 1st, by Fenabrave, the National Federation of Distributors of Motor Vehicles...

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# Good news has arrived

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June arrived with good news for the automotive sector: vehicle sales in May increased 16.77% in comparison to the same period in 2016. The number of new vehicles licensed during the month totaled 195,568 units. Year to date, 824,455 vehicles have been licensed, up 1.57%. The numbers were divulged on Thursday, 1st, by Fenabrave, the National Federation of Distributors of Motor Vehicles.

Another piece of good news was the growth in truck sales in May, with 5,437 units licensed. Between January and May, however, the segment registered a 17.87% drop, with sales of 22,185 trucks. The number of new buses licensed in May totaled 1,318 units, an increase of 2.97%. The number of buses licensed during the five first months of the year reached 4,903 units, a drop of 15.04%.

In cars and light commercial vehicles, there was an increase in May of 17.26% in comparison to the

same month last year: 190,131 units. The accumulated growth rate was 2.24%, reaching 802,270 units.

According to Fenabrave, the average daily sales of automobiles and light commercial vehicles registered a growth of 2.1% from April to May, from 8,465 to 8,642 units. Alarico Assumpção, Fenabrave's president, said in a statement that daily sales average should sustain this year's estimated growth: "We expect a 2.04% growth this year."

General Motors held on to the sales leadership position last month, with a 17.69% share, representing 33,643 vehicles. Fiat, which registered a market share of 13.64%, with sales of 25,925 units, remained in the second place in the Fenabrave ranking. Volkswagen closed in the third position, with 24,389 of its vehicles licensed, representing a 12.83% market share. Ford sold 18,725 vehicles and detained a 9.85% share.

Year to date, GM registered sales of 142,208 units, which represented a 17.73% share of the market. During the AutoData Business Trends Seminar, held in São Paulo on Wednesday, 31, Carlos Zarlenga, president of the company, said this is the eighteenth consecutive month of leadership in Brazil:

"It was worthwhile to continue investing. We are 1 percentage point above the second-ranked competitor. When we consider only retail sales, that distance is 5 percentage points. We remain optimistic for this year: our production schedule has not changed."

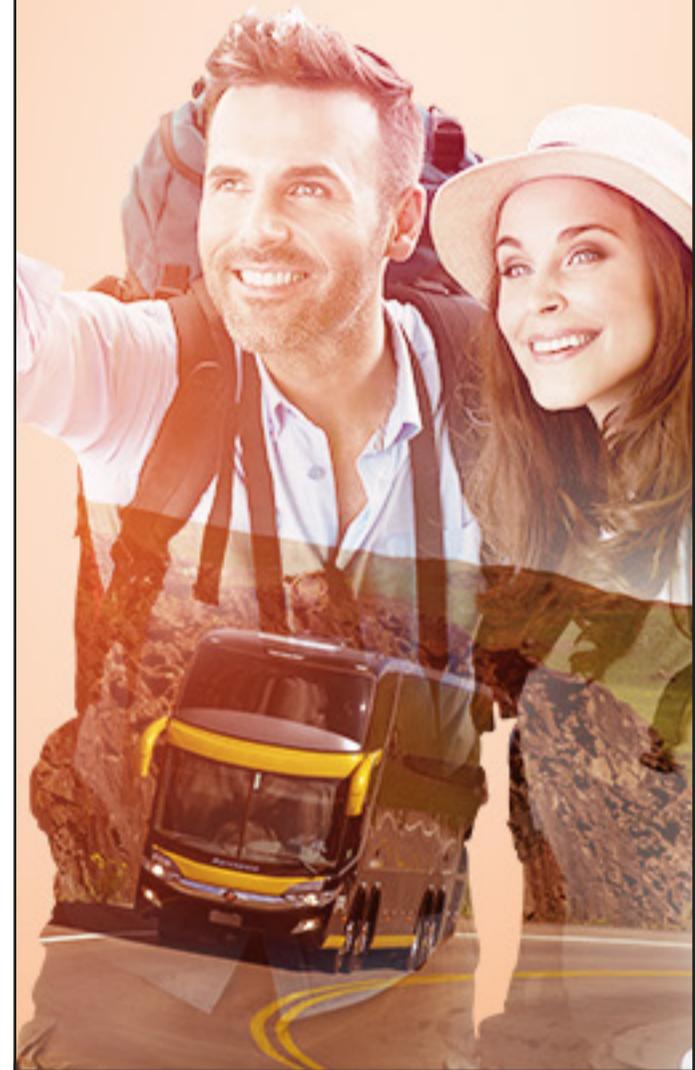
From January to May, Fiat remained in the second position, with sales of 107,010 units, a 13.34% market share. VW licensed 102,009 vehicles during the period, a 12.72% share. Ford and Hyundai nearly tied during the period, with 75,651 and 75,340 units, respectively.

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# How much does FCA expect from the Fiat Argo?

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The Fiat Punto's successor, the new Argo, is already arriving at the dealerships with the task of placing FCA, Fiat Chrysler Automobiles in Brazil back to the level that, so-to-speak, it feels belongs to it: at the top. This is one more opportunity to put to the test the recognized capacity, Fiat's mastery of successfully producing and selling compact cars.

Its launch party for nearly 900 dealers, personalities and journalists took place on the evening of Tuesday, 30, in the halls of the Bienal Pavilion, at Ibirapuera Park in São Paulo. It continued with work, on Wednesday, 31, with a technical presentation and two test-drive circuits.

The Argo, which features three versions with a total of seven offers according to different engine and transmission configurations - 1.0, 1.3 and 1.8 engines equipped with manual, automated and



automatic shifts - plans to have, in an almost modest projection, at least 6,000 happy buyers per month. It would be starting to fulfill its projected career designed to make FCA the leader in the compact hatchback segment already, with the help of another 3,500 Uno, 3.5 thousand Mobi, and 2 thousand Palio. At the end of the month, this volume would total at least 15,000 units.

FCA designers, such as Arthur Fassbender, say that the Argo is “the evolution of Latin American and Italian-inspired design.” Indeed, it offers pretty solutions, but I am not fond of hatchbacks that do not offer an image of diving into the asphalt. In other words: I consider its waist line too conservative, tall and parallel to the ground. To cheer me up, however, there is the interior, and the all-elegant and comfortable cabin - with a volume of 2,806 liters, a 300-liter trunk - with a 7-inch multimedia touchscreen center, and Uconnect, which is compatible with Apple CarPlay and Android Auto.

Fassbender spoke about emotions and surprises, and of dynamic classicism to face its rivals, the Chevrolet Onix and the Hyundai HB20, considered the direct opponents. This should be the results of placing style, technology, comfort, performance, sportiness and safety in the crucible of inventiveness: that’s where the Argo would have been made, in accordance to the FCA statement - it would be “a premium experience within the category”.

The car is also equipped with all that alphabet soup linked to safety: ESC, electronic stability control, traction control, TC, hill holder, for starting the engine on a slope. It also features front side airbags, rear-view camera and parking sensors. The Start&Stop system is from series, while the versions that are not equipped with the five-speed manual transmission have paddle shifts, the doors are unlocked and the ignition is activated by remote control.

There is the six-speed automatic transmission, and the automated five-speed, GSR, equips a version of the Argo with a 1.3-liter engine.

Quality is the only item that president Stefan Ketter doesn’t discuss with the FCA team: it has to be first world and tolerance-proof.

**Versions, prices** - For the meantime, the Argo family is composed by the following versions: Drive 1.0, 1.3 and 1.3 GSR, equipped with a Firefly three-cylinder 1.0-liter engine with 77-hp and

a 1.3-liter 109-hp; and the Precision 1.8 and Precision 1.8 ATG and HGT 1.8 AT6, equipped with the E.torQ Evo VIS engine that offers 139-hp. Their respective prices: R\$ 46.8 thousand, R\$ 53.9 thousand, R\$ 58.9 thousand, R\$ 61.8 thousand, R\$ 67.8 thousand, R\$ 64.6 thousand, and R\$ 70.6 thousand, respectively. WE

### KETTER FOCUSES ON ETHANOL

Imagine that today is April 1, and we would allow ourselves the luxury of poetic liberties. This is what I would write: "In an interview during the launch of new hatchback Fiat Argo, the president of FCA, Stefan Ketter, declared himself a supporter of bolivarianism. He also said that he does not support direct, or even indirect, elections. Instead, he supports the maintenance of the current Government." Smile and feel relieved. Ketter, in fact, gave vivid colors to what he considers to be the "unique opportunity" that Brazil has of being the leader of Latin America, and said he hoped that the country's political and economic stability would be reached very quickly.

The leadership would occur as a result of the geopolitical changes that are taking place in the region and in the internal disposition for structural reforms derived from the current agenda, which, according to him, are an absolute necessity.

He highlighted the Rota 2030 program, which plans to organize the automotive sector in the coming years and provide companies some level of predictability.

"It has been a very complex work, and a real victory, because the CEO's of the manufacturers in Brazil, for the first time in history, were personally involved in the process. To conclude, for example, that ethanol, the sustainable part of our energy matrix, is an incredible competitive advantage. That is, ethanol's agenda has the utmost importance for national integration."

Of course, in this case, Stefan Ketter has his eyes on the remarkable development potential of electric and hybrid vehicles in Brazil, as well as throughout the entire region.

Also with reference to Rota 2030, he brought up the local content ratio of the current reason for the party, the Argo - about 93% -, to emphasize the work of the CEO's regarding the absolute need for attention to the network of industrial suppliers, to whom, he believes, "it is important to send a message of scale of production."

Ketter confirmed the "relevant" investment of R\$ 1.5 billion in the project of the new car and in the reform of the manufacturing bases in Betim, Minas Gerais, where it is produced.

# GM president says political crisis hasn't affected the market's recovery

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Despite another political turbulence in Brazil, General Motors has not changed its production schedule for this year. Carlos Zarlenga, President of GM Mercosul, said during the AutoData Business Trends Seminar, on Wednesday, 31, the movement at the dealers continues at the same pace as before “fateful Wednesday.” He was referring to May 17, when recordings that involved the President of the Republic in corruption scandals were divulged.

Zarlenga is still optimistic about the market growth: “In May, the increase in sales should be 24%. Up to the 30th, 184 thousand vehicles were licensed. The expectation is for something around 195,000 units (for the month). If we exclude direct sales, those conducted by the

manufacturers, business at the dealers is stable. They have not yet been contaminated by the political crisis.”

According to him, the economic indicators support the estimated growth of 5% to 10% for this year: “Consumer confidence has been growing for nine months. We’re almost at 2013 levels, prior to the fall of the market.” The company estimates the Brazilian market should close the year with sales of 2.2 million vehicles.

The executive pointed out, however, that the timetable of the reforms needs to be maintained

in order for the confidence to turn into purchases. Zarlenga believes the provisional measure regarding the expense ceiling, and the labor and social security reforms are key to the economic recovery of the country:

“We conducted a survey to identify pent-up demand in Brazil. A big portion of the consumers interviewed said that the decision to buy has been postponed until 2018, but 15% said they intend to buy a car this year. That alone gives us an interesting growth in 2017.” According to the GM survey, pent-up demand in the Brazilian market is between 2.5 and 3 million vehicles, taking into account the past three years.

**GM Mercosul** - Zarlenga has been working since the beginning of the year in the reorganization of GM’s business in the Mercosul, grouping Brazil and Argentina operations. With this, the company managed to gain competitiveness and productivity:

“Production in the countries is complementary. Before, with separate operations, the business was artificial. The president of the company in each country worked to bring projects to their respective operations, even though they knew that production was complementary. GM lost speed in the business decision-making.”

Now, he said, Brazil and Argentina must be seen as a single market. And this market is about 3 million units per year: “If we grow in Brazil at the estimated rate for this year, sales should reach 4.5 million vehicles. This represents the third largest market in the world. There is a huge opportunity for growth here.”

According to the executive, the decisions of each government contribute to lock this joint growth. According to him, the industrial policies of each country should take into account the markets in Brazil and Argentina in order to gain export competitiveness: “We have to improve efficiency in the region. With a single policy, company investments will be made for the two countries, not only for one operation.”

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# BNDES approved R\$ 4.4 billion in credit for the purchase of commercial vehicles during the first four months of the year

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**B**NDES, the Brazilian Economic and Social Development Bank, approved R\$ 6.7 billion to fund the Finame credit line for capital goods, between January and April. This value represents an increase of 38% when compared to the same period last year.

Of this total, credit approvals for truck, buses and agricultural machinery purchases totaled R\$ 4.4 billion during the first four months of the year. The approval is the final step before the disbursement of resources.

According to the BNDES, R\$ 2.1 billion in credit were approved in April alone - an increase of 50% when compared to the same month in 2016. Of the sectors financed by Finame, the highlight went to the transformation industry, which totaled R\$ 1.4 billion in loans approved in the four months of this year. The figure is almost three times bigger than the R\$ 468.8 million granted in the same period last year.

João Morais, economist at Tendências Consultoria, said the increase in funding approved by the BNDES could indicate a resumption of the market: "We're starting to see a breakdown of the trajectory and we expect the second half to be positive. Internal demand can stabilize, but it is still weak. For now, we can't feed the optimism because the drop was very sharp."

The second half of the year usually offers a more positive scenario. Morais says, however, that it is necessary to take into account the blurring caused by the latest political crisis, which should affect the heavy vehicles sector: "I believe that the aggregate growth of the year should sustain itself, primarily for trucks. Our projection calls for an increase of 9% in the number of new vehicle license registrations this year, which may be revised downwards with the new political crisis."

According to Anfavea, between January and April, 13,134 trucks were licensed, a 24.1% drop. The number of buses licensed totaled 2,576 units, a drop of 29.2 %.

**Disbursements** - During the first four months of the year, the biggest portion of disbursements were made to the infrastructure segment, which accounted for 37% of the total, R\$ 7.9 billion. The heavy vehicles segment is favored when investment are made in infrastructure works.

Morais says that BNDES credit line approvals should grow, in general, but it will take a few years to reach the previous levels. Even the BNDES functions may change because of the political crisis. Recently, the bank was the target of the Federal Police's Operation Bullish, which investigates investments made by BNDESPar in JBS, which culminated with the change of the president.

"I believe BNDES will become more selective in offering credit. Its role was misrepresented during the past decade by assigning priority to big companies, the so-called national champions. At this point, BNDES has no money to offer credit lines and that gap will be occupied gradually by private banks, fighting for the consumers with more competitive rates," he said. WE