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Simão Salomão

Revised confidence

The confidence appears to have returned with strength to the automotive sector. The reason is in the numbers that sustain the recovery of the domestic market, the recovery of production output, which brings workers back to the assembly lines, and the record export performance. However, the president of Anfavea, Antônio Megale, goes further..

[More on pg. 2](#)

**New sales projections
for the year**

[More on pg. 4](#)

**Exports reach
new record high**

[More on pg. 6](#)

**Production of agricultural
machinery maintains growth**

[More on pg. 8](#)



Antônio Megale

Revised confidence

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The confidence appears to have returned with strength to the automotive sector. The reason is in the numbers that sustain the recovery of the domestic market, the recovery of production output, which brings workers back to the assembly lines, and the record export performance. However, the president of Anfavea, Antônio Megale, goes further:

“The continued investments of companies evidence the confidence that Brazil can be one of the five biggest producers in the world.”

He referred to the recent investments announced by General Motors and Volkswagen in Brazil, adding to the list of good news the result of August production volume: “It was the best month

since November 2014. Such a production volume has not been seen any time during the past thirty-three months. It is a very important signal for 2017.”

Last month, vehicle production volume totaled 260,349 units, representing a growth of 45.7% when compared to the same month in 2016, and a growth of 15.4% when compared to June, which, up to this month, had been the best performance of the industry this year.

The current production rhythm is bringing back the workers who had been placed in employment protection program - PSE (formerly known as PPE” and Lay off), according to Anfavea. In June, 12,198 workers remained at home under the regimes, which, in August, dropped to 3432.

In addition, the number of new job openings had a slight increase of 0.9%, representing 1107 jobs opened in August: “Some companies are not only hiring but increasing the amount of hours worked.”

But the signal that the automotive sector is starting to recover the rhythm achieved during the good times is the level of inventory. Slightly more than 220,000 units were being held in inventory, with a significant detail: 148,000 of these vehicles are being held at the dealers, while the remaining 48,000 units are at the plants: “A little less (volume) at the manufacturers and slightly more at the dealers, shows that the latter are optimistic.”

The cherry on top of the cake of the good news is that Anfavea announced on Wednesday, 6, at the monthly press conference, all of its projections had been revised. Production, according to the association, should close the year with a 25.2% growth over 2016, representing 2.7 million units. The previous estimate was 2,619,000 units. “This growth will reflect on the overall growth of the industry,” stated Megale. “This is relevant for the country.” WE

New sales projections for the year

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The performance of vehicle sales in Brazil registered a growth of 5.3% during the first eight months of the year when compared to the same period in 2016. A total of 1,420,784 units were licensed during the period, according to Anfavea results announced on Wednesday, 6. The result drove the association to review its projections for the second time this year: the new expectation calls for 2.2 million vehicle license registrations this year, representing a growth of 7.3% when compared to last year.

Increased consumer confidence, lower interest rates and decentralized commercial strategies away from the large centers helped the sector sell more in August, which, historically, presents good numbers when compared to the other months. Some of these factors resulted in the sales of 216,534 vehicles last month, the best results since December 2015, as AutoData had already anticipated. The number of vehicles licensed in August represented an increase of 17.8% when compared to the same month last year. According to Antônio Megale, president of Anfavea, companies

have engaged in expanding the spectrum of domestic sales and the strategy reflected directly on the number of states with increases in the number of vehicles licensed:

“Gradually, the average number of vehicles licensed in Brazilian states is increasing. Between January and March, the states increased the number of vehicles licensed. Between January and August, there were 22 - from a total of 27 states - that registered such increases. The scenario is an indicator that the consumer is more confident and this can be seen homogeneously throughout the country.”

Megale added that direct sales reflected in the volume of license registrations in August, and that such sales should register growth in the domestic market. It was also responsible for the increase in the daily average sales registered last month, around 9000 units/day, according to the executive:

“Minas Gerais is a state that registered an expressive number of direct sales. Today, there are many companies that are outsourcing their fleets. The use of rentals is

growing in the country. In addition, sales to individual consumers also increased.”

Sales volume growth was highest in the light vehicles segment: 210,142 units sold in August, representing an increase of 17.9% when compared to the same month in 2016. Within the segment, sales of passenger vehicles totaled 180,000 units, an increase of 21.5% when compared to the same month last year.

Sales of passenger vehicles equipped with engines above 1.0-liter cm³ in volume totaled 116,946 units, a growth of 4.9% when compared to August 2016. In the 1.0-liter engine range, 60,968 vehicles were sold, representing an increase of 11.2%.

By type of fuel, flex fuel vehicles accounted for 88.74% of total passenger vehicle sales, 186,474 units. Gasoline-fueled vehicles accounted for 3.2% of total sales, representing 6746 units.

Still without any local production, hybrid vehicles have been presenting gradual growth in sales, albeit timid: these vehicles

accounted for 0.3% of the market in August - during the previous seven months, their share was 0.1% of the total. By August, 2079 hybrid vehicles had been sold.

In August, 627 hybrid units were sold, representing an increase of 42.7% when compared to the number of such vehicles licensed in July.

General Motors continues to be the leader of the Brazilian market: in August, it sold 219,414 units, representing an increase of 13% when compared to the same period last year. FCA Group - Fiat and Jeep - registered sales of 170,238 units, representing an increase of 4.45%. Volkswagen closes the group of the top three best sellers, with sales of 138,888 vehicles between January and August, an increase of 4%. It was followed by Hyundai, Ford, Toyota, Renault, and Honda.

The light commercial vehicle segment registered sales of 201,862 vehicles, representing a 1.3% growth during the first eight months of the year when compared to the 199,212 units sold during the same period in 2016.

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Exports reach new record high

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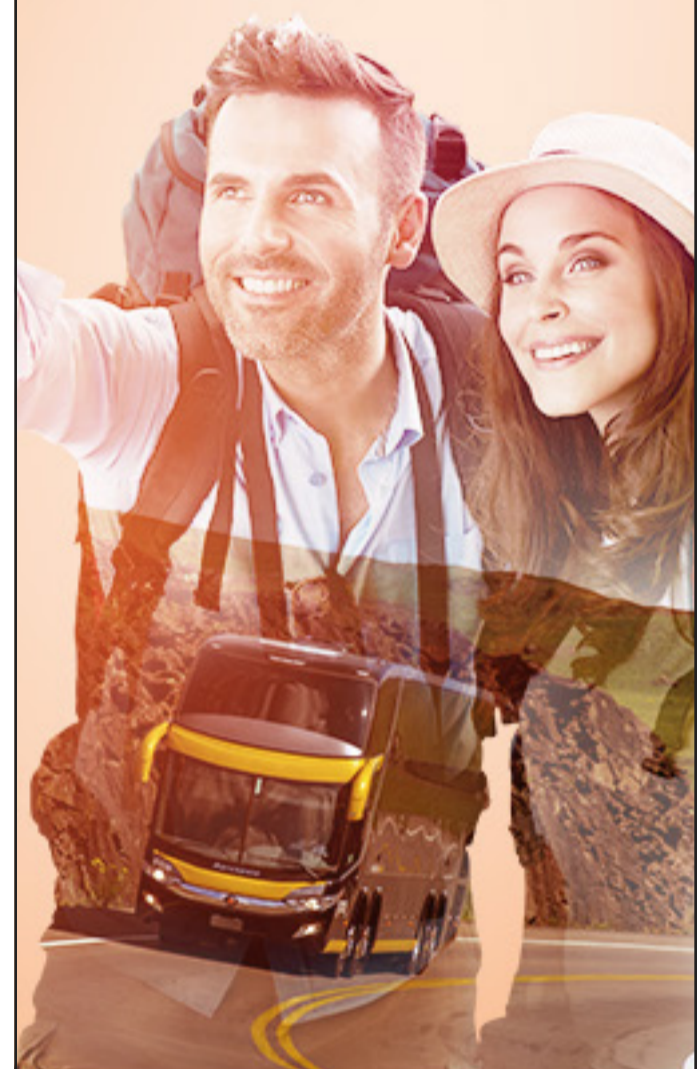
Never before has the automotive industry exported as much as during the first eight months of this year: between January and August, Brazilian companies shipped 506,000 vehicles abroad, the biggest volume since the previous high of 481,000 units, registered during the same period in 2005. In August, 66,582 vehicles were exported, representing an increase of 61.7% when compared to the same month last year. As a result, Anfavea reviewed its export estimate for the year, from 705,000 to 745,000 units, which should also represent a record high.

According to the president of Anfavea, Antônio Megale, the performance can be attributed to the bilateral trade agreements with other Latin American countries. Argentina continues to be, by far, the major destination of Brazilian production: from slightly more than half a million units exported so far this year, 356,000 units were shipped there, equivalent to 70%:

“While our market shrank, the Argentinean market grew, and the local companies cannot keep up with demand.”

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The Brazilian industry is the main source of supply to the dealers in Argentina. As a result, 55 out of every 100 vehicles sold in that country in 2017 were produced here. Megale believes that as the sales recover in the Brazilian market, Argentina should also increase its exports here, "especially of pickups," and balance the trade. He does not believe that this improvement in the Brazilian market should affect exports: "Our industry had an idle capacity way above 50%. Today, it has dropped, but it is still around 45%. We will produce what needs to be produced. Not only for the domestic market, but also for export."

Brazilian export revenue is also on its way to a record year. Between January and August, foreign revenues from vehicle exports totaled US\$ 10.27 billion, an increase of 53.2% when compared to the same period last year.

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Major destinations of Brazilian exports January-August - million units

| Source: Anfavea | | |
|-----------------|-------|----|
| | Units | % |
| Argentina | 356.0 | 70 |
| Mexico | 61.5 | 12 |
| Chile | 23.8 | 5 |
| Uruguay | 21.6 | 4 |
| Colombia | 15.5 | 3 |
| Peru | 10.7 | 2 |

Production of agricultural machinery maintains growth

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The agricultural and road machinery sector continues to register growth thanks to the increase in domestic market sales during the year, as well as exports, which continued to grow, also driving production.

Between January and August, production volume totaled 39,478 units, representing

an increase of 25.8% when compared to the 31,388 units produced during the same period in 2016, according to the numbers divulged by Anfavea on Wednesday, 6.

In August, production totaled 5060 units, down 10% when compared to the 5623 machines produced in July. When compared



Jhon Deere

to the same period last year, there was a drop of 14.7%.

“The agricultural and road machinery market is reestablishing itself,” stated Ana Helena de Andrade, vice president of Anfavea. “But it will need a little more time to return to the average historical volume of 39.3 thousand units in sales during the first 8 months of the year.”

Exports totaled 8557 units during the 1st 8 months of the year, representing an increase of 39.3% when compared to the 6142 units shipped abroad during the same period last year. August shipments totaled 1249 units, representing an increase of 35.6% when compared to the 921 units shipped abroad during the same month last year. When compared to July, there was a slight drop of 2.3%.

“We have a lot of room to increase exports. We are the major producer Latin America and our expectation is to continue to grow. However, we need better financing and financing guarantees since this is very important to generate a stable and lasting cycle.”

Domestic sales - Sales of road and agricultural machinery during the first 8 months of the year totaled 29,284 units, representing a growth of 12.1% when compared to the 26,122 units sold during the same period in 2016. August sales totaled 4046 units, an increase of 3% when compared to July's volume of 3929 units.

The drop in sales appears when compared to August of last year, when sales totaled 4568 machines, but, this drop is explained:

“August of last year marked the return of some financing options, considerably increasing the sales volume, which did not happen during the same period this year, reason for the drop. I believe, however, that it is not a sector trend.”

Revised estimates - Anfavea revised its forecasts for 2017. The expected growth in sales, previously estimated at 13.2%, dropped to 6.9%. In the case of exports, the 6% growth estimate jumped to 34.6%.

Production estimate was maintained at a 10.4% growth, since increase in exports should offset the drop in domestic sales. **WE**