

AutoData

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Brazil and Colombia sign automotive agreement

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Image/Archive

On Friday, 9, the governments of Brazil and Colombia finally signed the automotive agreement that had been under negotiation for a few months. The ceremony took place in Bogotá, with the presence of the presidents from both countries, and closed the official commercial delegation visit

from Brazil to Colombia. The mission included representatives from approximately 40 companies and associations, among them, Anfavea, as well as the Brazilian Minister of Development, Industry, and Foreign Trade.

Brazilian president Dilma Rousseff told

international news agencies the agreement “will develop the automotive industry and its related sectors in both countries.” The Minister of MDIC stated the need for greater proximity between the countries in the Mercosul and those in the Pacific Basin. “There is a relative distance between both blocks here in South America, and our challenge is to build this bridge.”

Luiz Moan, president of Anfavea, stated in a press release: “We congratulate the government for the agreement with Colombia. The search for new markets, which was one of the suggestions in the Exportar-Auto, is undoubtedly a significant step for Brazilian exports. We believe efforts to negotiate new agreements with other countries should be continuous.”

The Brazil-Colombia automotive trade agreement includes passenger and light commercial vehicles up to 3.5 TGV. The governments agreed to negotiate the entry of heavier trucks as well as buses starting next year.

The agreement calls for import tariff-free quotas that increase during the first three years and later maintain themselves at that level for another five years.

In addition, quotas that are not utilized during the first two years may be used later, in the ninth and tenth years. It distinguishes between regional local content ratios. During the first year, for example, Brazil will be able to send 9000 units with a 50% regional content ratio plus 3000 units with a 35% ratio, while the ratios for Colombia are inverted: 9000 units with 35% regional content, and 3000 units with 50% content. Between the third and the eighth year, quotas will be fixed at 45,000 units with 50% local regional content ratio and 5000 units with a 35% regional content ratio for Brazil, and 45,000 units with 35% regional content ratio plus 5000 units with a 50% ratio for Colombia.

The document signed by both presidents is a memorandum of understanding, and the beginning of the bilateral trade agreement depends on approval by the region’s regulating authorities, in addition to other processes. However, it is probable that shipments should effectively begin only after the first semester of next year.

Brazil and Colombia share a border of 1.6 thousand kilometers. Last year, bilateral trade totaled US\$ 4 billion, more than double the value registered 10 years before.

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Brazil-Colombia Bilateral Trade Quotas

Period	Quota by Exporting (in units)			
	50% regional content		35% regional content	
	Brazil	Colombia	Brazil	Colombia
Year 1	9 000	3 000	3 000	9 000
Year 2	20 000	5 000	5 000	20 000
Year 3 to 8	45 000	5 000	5 000	45 000

Audi becomes a Brazilian vehicle manufacturer again

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Without pomp and circumstance, celebration, or presence of partners, authorities, or press at the plant, Audi informed on Friday, 9, in a press release, that commercial production of the A3 Sedan in São José dos Pinhais, in the state of Paraná, has begun. Fulfilling the schedule divulged in September 2013, when it announced investments valued at €150 million, the company has once again become a vehicle manufacturer in Brazil.

A company source told AutoData news agency there was no official ceremony because the Volkswagen Golf, which shares some of the parts of the A3 Sedan, also went into production. The Audi model will arrive at the dealers in November, stated the company in the release.

"We see enormous potential in the Brazilian market," stated Bernd Martens, a member of Audi's administrative board who is responsible for the purchasing area. "Our target is to maintain our position among the leaders in the premium segment in the long term."

According to Anfavea, Audi is second in the

ranking, behind Mercedes-Benz by a few units, which will also produce models in Iracemápolis, in the state of São Paulo. Audi is followed by BMW, which has been producing at its plant in Araquari, state of Santa Catarina, and celebrated its first anniversary at the end of September. The brand's sales increased 39.6% between January and September, totaling 12.5 thousand vehicles.

Martens added that Audi's strategy is to acquire locally "as many components as possible." He confirmed that during the first quarter of next year the Q3 sport utility should go into production at the lines in São José dos Pinhais.

The locally produced A3 Sedan is equipped with a 1.4 TFSI flex engine, the first bi-fuel engine produced by Audi in the world. This is the only difference between the local and the imported models, stated Martens in a recent interview to AutoData news agency. According to the company, it consumes 1-liter of ethanol every 7.8 km in the city, and 9.9 km in highway conditions. City consumption of gasoline is 11.1 km per liter, and 14.3 km per liter on the road.

The production line in the state of Paraná is Audi's only manufacturing facility in South America. It has an annual production capacity of 26,000 units, including 16,000 units of the sedan and 10,000 units of the sport utility, with flexibility to increase or lower volume according to demand. Initially, the entire volume should be destined to the domestic market. In 2016, Mexico will gain the brand's first production unit, in San José Chiapa.

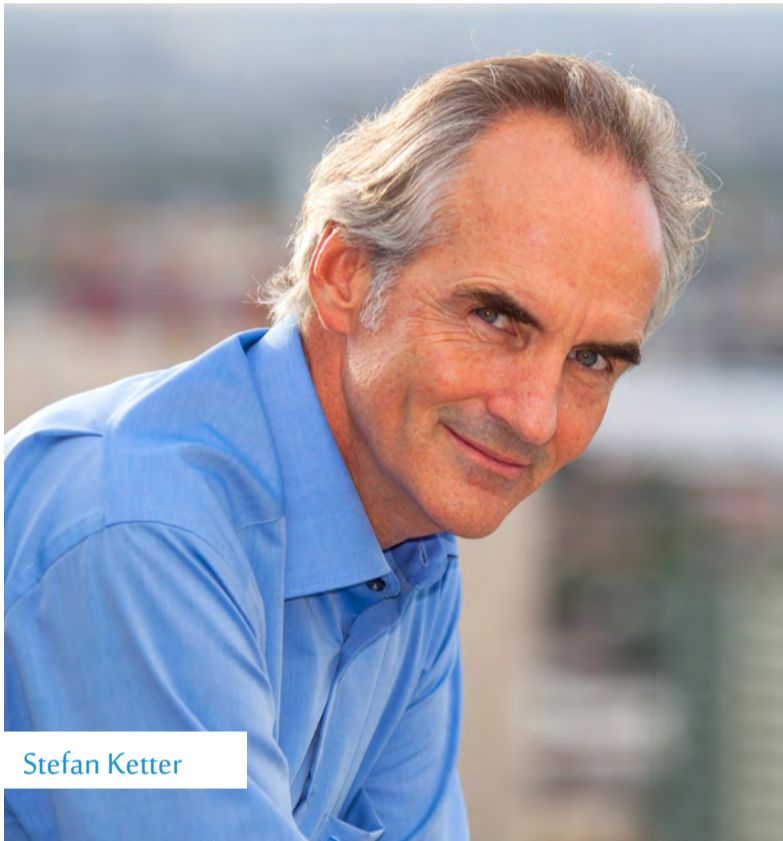
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Image/Audi

Ketter to replace Belini at FCA

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Stefan Ketter

Image/FCA

As published by AutoData more than one year ago, in its June 2014 edition, Fiat Chrysler Automobiles announced on Tuesday, 6, that Stefan Ketter, the group's global vice president of manufacturing, will become president of the company in Latin America, succeeding Cledorvino Belini, the executive who was responsible for the region since the acquisition of Chrysler by Fiat, in 2008.

Belini, however, will continue in the company. Born in São Paulo, the 66-year-old executive who became president of Fiat Brazil in 2004 and has remained in the position for the longest amount of time, will become president of development for Latin America, "with the responsibility of representing FCA in all institutional relations, in addition to developing and maintaining the relationship of the group with government and financial institutions in Latin America."

Also born in São Paulo, Ketter, who is exactly 10 years younger than his predecessor, will accumulate the global vice presidency of manufacturing position and his seat at the Group Executive Council, FCA's highest executive board, and the new functions.

His indication to succeed Belini at the presidency of Latin America confirms the increasing prestige he obtained next to the global board since he took over the quality area at Fiat SpA in 2004, after working at BMW, Volkswagen, and Audi. For example, the construction of the VW-Audi plant in the state of Paraná was coordinated by him. The unit was inaugurated in 1999.

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Cledorvino Belini

Image/FCA

New projection indicates a market drop of 27.4%

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With one quarter left, Anfavea once again revised all of its projections for 2015. The new estimates were divulged by the president of the association, Luiz Moan, on Tuesday, 6, and indicate a more pessimistic view when compared to the performance of the sector this year - something the executive alleges is a consequence of the political crisis, which feeds into the economic crisis.

Moan stated that the last quarter of the year should maintain a stable daily sales rhythm when compared to the rhythm that has been evident since July. That is, without the usual acceleration caused by the 13th salary and the expectations of the end-of-year holidays, which is now causing a drop in the comparison with the same period of last year. There is another aggravating issue:

"There is a double effect generated by the end of the lower IPI tariff, which was still in place at the end of last year. First, consumers ran to acquire vehicles with lower prices in 2014, before the end of the reduction of the tax. On the other side, the double effect relates to the increased prices this year."

As a result, the country's automotive market, according to Anfavea estimates, should close with sales of 2.54 million units, representing a drop of 27.4% when compared to the 3.5 million units sold last year. The previous projection, divulged in June, estimated sales this year would close at 2.8 million vehicles, representing a drop of 20.6%.

The numbers divulged by the association mirror

what many executives heard by AutoData news agency have stated: the market will lose 1 million units within a one-year period. Sales of passenger and light commercial vehicles should drop 26.5%, totaling 2.45 million units, while sales of heavy vehicles should suffer a drop of 45.4%, totaling 90,000 trucks and bus chassis.

As a result, production will also suffer more: according to the new Anfavea projections, vehicle production this year should total 2,418,000 units, a 23.2% drop when compared to the 3,146,000 units produced in 2014. In June, the estimate called for production of 2,585,000 units, representing a 17.8% drop.

Once again, the biggest reduction will be experienced by the heavy vehicles segment, a drop of



Luiz Moan

Image/Agência Brasil

41.4%, totaling 101,000 vehicles. Passenger and light commercial vehicle production should experience a drop of 22.1% this year, representing 2,316,000 vehicles.

Exports, however, were revised upwards. Anfavea now projects 375,000 vehicles should be shipped abroad this year, representing an increase of 12.2% when compared to the 334,000 vehicles exported last year. The previous projection called for an additional shipment of only 4000 units when compared to 2014.

In value, however, foreign sales revenue

projection dropped 10.8%, to US\$ 10.3 billion, when compared to US\$ 11.5 billion registered in 2014 - the previous projection called for an increase of 2.5%, representing total revenues of US\$ 11.8 billion.

The performance of the agricultural machinery segment also suffered downward revisions: a drop of 29.8% in production, totaling 57.8 thousand units, a drop of 32% in local sales, totaling 46.6 thousand units, and a drop of 26.2% in exports, totaling 10.1 thousand units. In June, the projections called for drops of 16%, 19.4%, and a growth of 1% respectively.

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NEW 2015 PROJECTIONS

Automotive vehicles (passenger and light commercial vehicles, trucks, and buses)

	Thousand units	2014	2015	% Change
Production	Total	3 146	2 418	-23,2%
	Light Vehicles	2 973	2 316	-22,1%
	Heavy Vehicles	173	101	-41,4%
License Registrations	Total	3 498	2 540	-27,4%
	Light Vehicles	3 333	2 450	-26,5%
	Heavy Vehicles	165	90	-45,4%
Exports	Total	334	375	12,2%
	Light Vehicles	310	348	12,3%
	Heavy Vehicles	24	27	10,0%

Agricultural and Road Machinery

Thousand units	2014	2015	% Change
Production	82,3	57,8	-29,8%
Domestic Sales	68,6	46,6	-32,0%
Exports	13,7	10,1	-26,2%

Vehicles, Agricultural and Road Machinery

US\$ billion	2014	2015	% Change
Export	11,5	10,3	-10,8%

The worst September in sales since 2006

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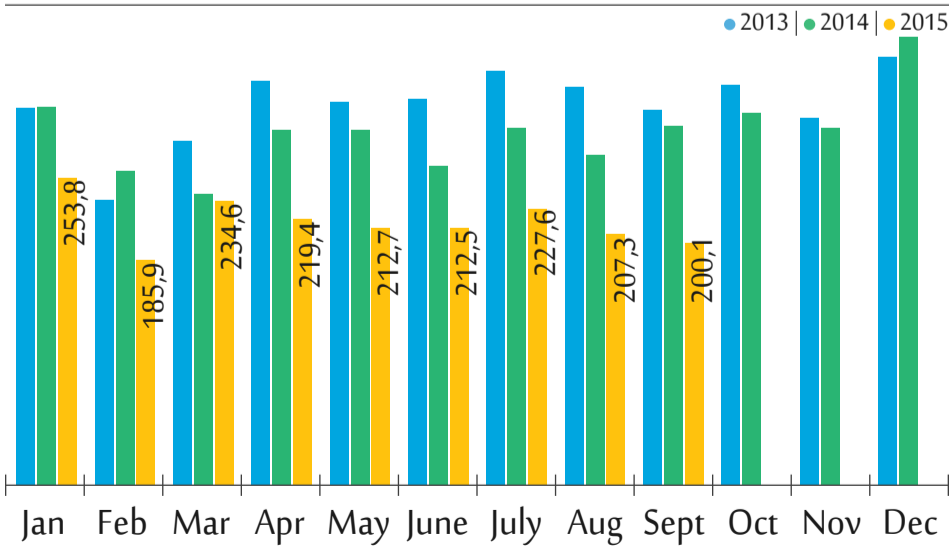


Image/Archive

With a domestic sales volume of 200,077 vehicles, the Brazilian automotive sector registered last month the worst September since 2006. The result represented a drop of 32.5% when compared to the 296.2 thousand units licensed during the same month last year, the biggest drop this year. When compared to August, there was a drop of 3.5%.

During the first nine months of the year, domestic sales totaled 1,954,000 vehicles, representing a drop of 22.7% when compared

License registrations - Monthly (thousand units)



to the 2,526,000 units sold during the first nine months of 2014. Luiz Moan, president of Anfavea, stated in the press conference, that the sector’s low performance during the period is due to the political crisis. Once again, he spoke about the potential of the market by mentioning the sales volume in the used vehicles segment, which has been stealing sales from brand-new vehicles:

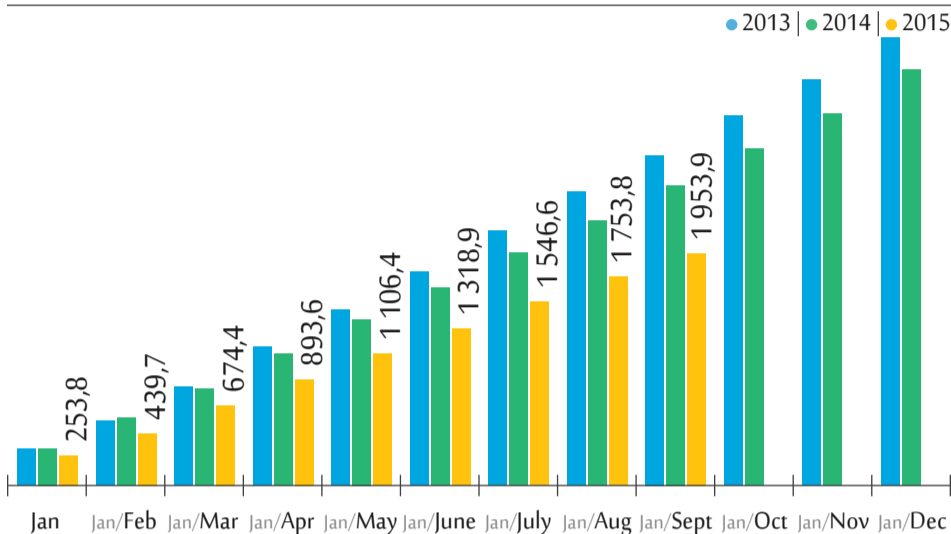
“The sales of semi-new vehicles with up to three years of age registered an increase of 1.8% during the first eight months of this year. In August alone, the increase in comparison to the same month last year was 48%.”

Despite efforts by the vehicle manufacturers to reduce production volume, inventories remain high, according to Moan: “Total inventory at the dealers and plans dropped only one day, from 357.8 thousand units to 346.9 thousand units, equivalent to 52 days in sales.”

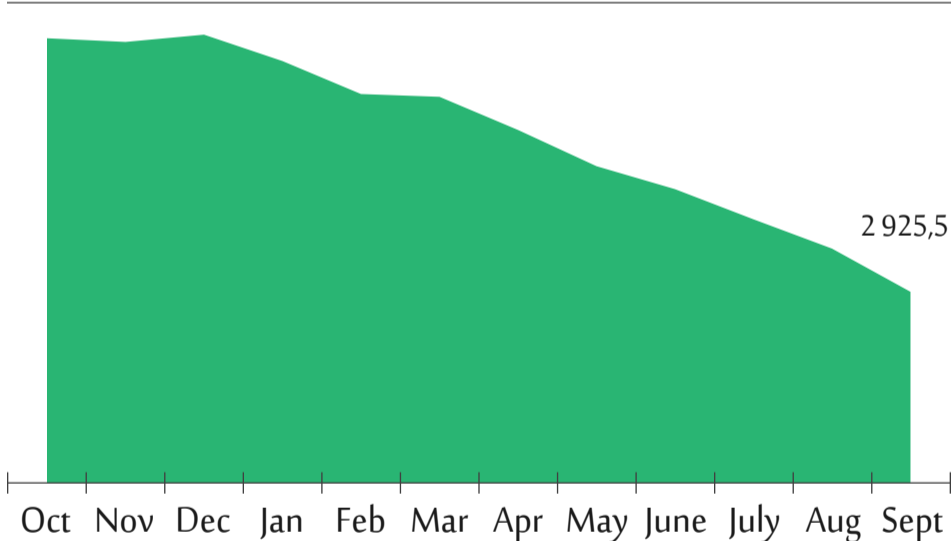
In the passenger and light commercial vehicles segment, the number of vehicles licensed in September closed at 192.8 thousand units, representing a drop of 3.6% when compared to August, and a drop of 31.8% when compared to the same month in 2014. During the first nine months of the year, sales of passenger and light commercial vehicles totaled 1,884,000 units, representing a drop of 21.7% when compared to the same period in 2014.

The drop in sales of locally produced vehicles this year is slightly lower when compared to the drop experienced by the imported vehicles segment - 19.8% and 29.9%, respectively. As a result, the share

License registrations - Year to date (thousand units)

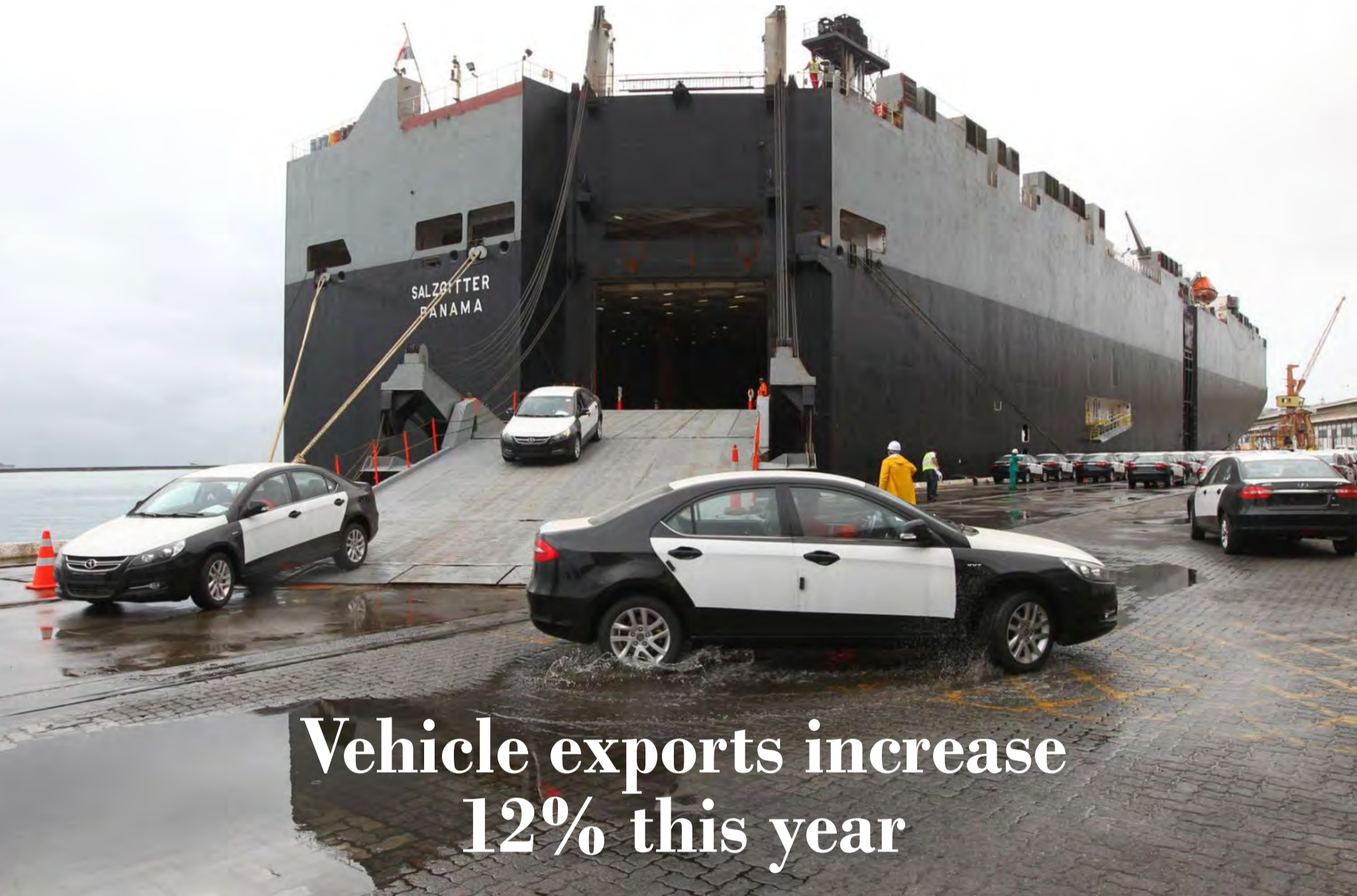


License registrations - 12-month period (thousand units)



of imported vehicles in the Brazilian market dropped 17.6% this year, reaching 16.3% to date.

The share of models equipped with 1.0-liter engines sold in the market also continues to drop. Between January and September of last year, these models accounted for 36.1% of total sales in Brazil, which dropped to 34.3% during the first nine months of this year.



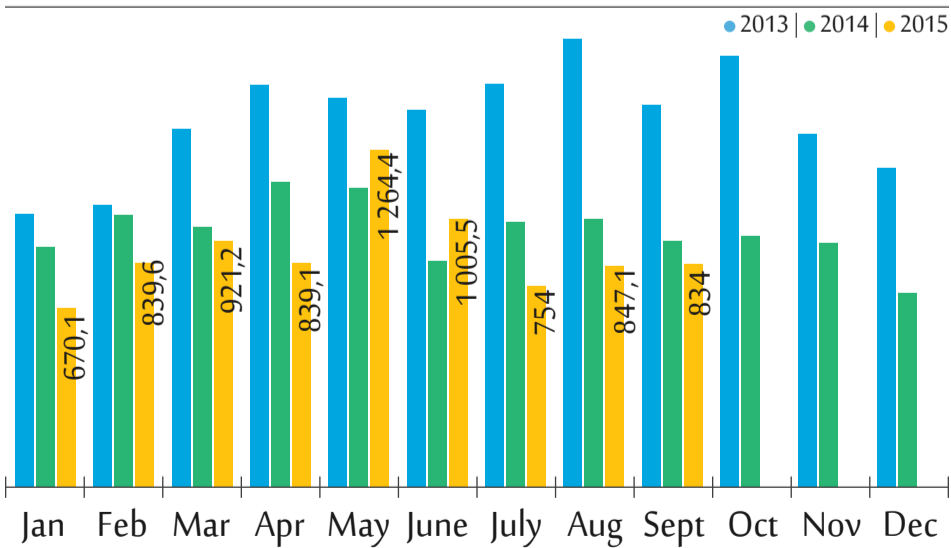
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Vehicle exports between January and September of this year reached a volume of 293.4 thousand units, representing a growth of 12.3% when compared to the 261.3 thousand units shipped abroad during the same period last year. Revenues from foreign sales of passenger and light commercial vehicles, trucks, and buses totaled US\$ 6.637 billion during the period, representing a slight drop of 1.7%.

The worst export performance took

Exports - Monthly (US\$ million)



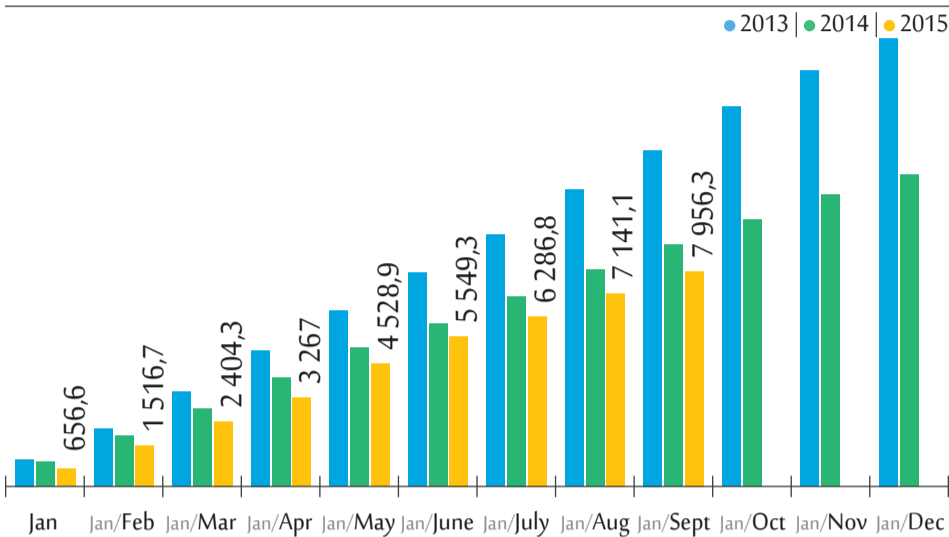
place in the agricultural and road machinery segment, which registered a drop of 26.2% in volume, totaling 7.8 thousand units, representing revenues of US\$ 1.318 billion, a drop of 39.1%. As a result, the sector registered total revenues during the first nine months of US\$ 7.956 billion, a 10.8% decrease when compared to the US\$ 8.9 billion registered during the same period last year.

Despite revenues still registering a negative performance this year, the president of Anfavea, Luiz Moan, said on Tuesday, 6, that existing bilateral trade agreements, as well as those under negotiation, should improve export performances in the sector. According to him, sales of passenger and light commercial vehicles to Mexico registered an increase of 49% this year, while shipments to Chile increased 66%. In the truck segment, shipments to Mexico increased 144%, 43% to South Africa, 18% to Chile, and 15% to Argentina.

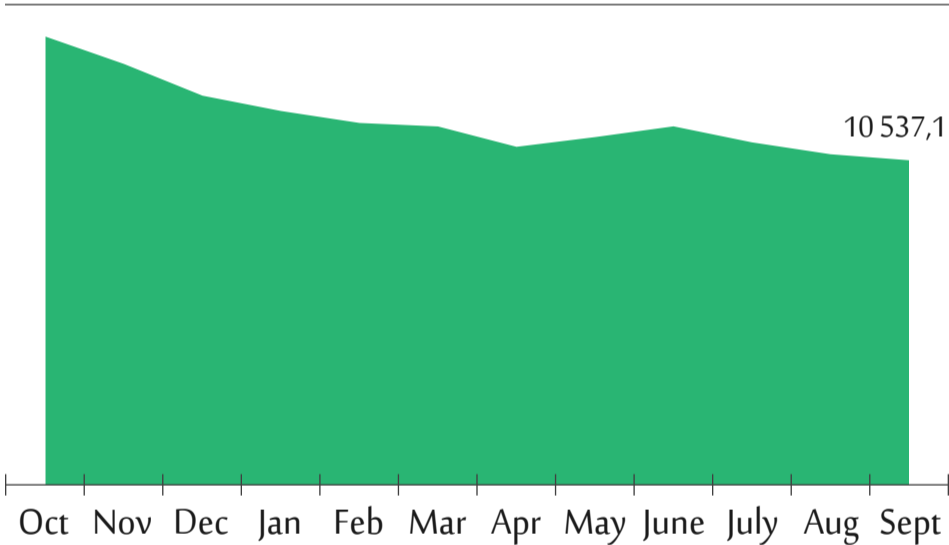
“We are evolving,” stated the president of Anfavea. “We began the year with a 25% drop in the annual comparison and, on a monthly basis, this ratio has been dropping.”

The sector registered shipments of 33.3 thousand vehicles in September, representing a slight drop of 3.2% when compared to August, and an increase of 28.7% when compared to the same month last year.

Exports - Year to date (US\$ million)



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



In the agricultural and road machinery sectors, which registered shipments of 893 units in September, there was an increase of 24% when compared to the previous month, and a drop of 35% when compared to the same month last year.

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