

AutoData

NEWS AGENCY WEEKLY EDITION

Edition
835

Weekly Brazilian automotive industry news | 6.25 to 6.30.2018 Year XII

**Uruguay requests revision of
automotive agreement with Brazil**

[More on pg. 6](#)

**Exchange anticipates Caoa's
nationalization plan**

[More on pg. 8](#)

Seminário AutoData

REVISÃO DAS PERSPECTIVAS 2018

Lower GDP converges to industry expectations

São Paulo - The Brazilian Central Bank released on Thursday, 28, less optimistic projections for the GDP: its quarterly inflation report estimates a 1.6% increase for the Brazilian economy, compared to 2.6% growth foreseen in the same report released in March. The document states that "the Brazilian economy is in recovering process, at a more gradual pace than what was considered in the previous edition of this report"....

[More on pg. 2](#)





Lower GDP converges to industry expectations

André Barros | andrebarros@autodata.com.br

São Paulo - The Brazilian Central Bank released on Thursday, 28, less optimistic projections for the GDP: its quarterly inflation report estimates a 1.6% increase for the Brazilian economy, compared to 2.6% growth foreseen in the same report released in March. The document states that “the Brazilian economy is in recovering process, at a more gradual pace than what was considered in the previous edition of this report”.

On the same day, Thursday, January 28, Ipea, the Institute of Applied Economic Research, revealed its thirty-ninth Carta de Conjuntura (Overview) with more modest projections for the GDP: instead of the 3% growth estimated in March, only 1.7% of increase.

The revisions converge to those presented by representatives of the automotive sector who participated in the AutoData Seminar on Perspectives 2018, organized by AutoData on Monday, 28, at the World Trade Center in São Paulo. Antônio Megale, president of Anfavea, announced that in the next presentation of results of the entity, scheduled for July 5, the projections for the year will be revised.

The numbers are not closed yet - and the very new publication of GDP should have some impact on this revision. In the case of production, the perspective is stability in the numbers with a possible bias of reduction in the growth estimate, since Argentina and Mexico, the main trading partners of the Brazilian industry, are experiencing internal difficulties. The probable lower volume of exports estimated by the entity will eventually change the rhythm of domestic production lines.

For the domestic market the estimates are more positive than the ones published in January: "It probably won't be lower than the 11,7% projected in the beginning of the year. If there is any alteration will be up, around 13%".

Executives who participated in the Automobiles panel of the event reported that the demand for legal entities sales, the direct sales, is more heated than the retail. According to Gustavo Schmidt, vice president of sales of Volkswagen, the move was above that estimated: "Not that retail is bad, but direct sales surprised by the fast pace."

According to the executive, the rental companies are creating new leasing lines, incorporating vehicles from other ranges, such as SUVs. At the same time demand from app drivers, such as Uber and 99, help boost sales in this segment - many of them use rented cars, according to Schmidt.

But there are already dissonant voices regarding the domestic market. Nissan's president, Marco Silva, revealed that the truck drivers' strike made the company change its estimates. The effects are already being felt: 20% lower movement in dealerships and a decrease in customer's trust: "Our growth projection for sales was reduced from 4% to 5%. I believe the market will be at 2 million 450 thousand units".

The auto parts segment also prepares revision in projections with less optimistic tendencies. According to George Rugitsky, counselor of Sindipeças, the industry's confidence index fell sharply in the last month, as the consumer and the industry production as well: "We have already noticed some companies receiving smaller orders than those who arrived before the stoppage".

Opposing rhythm – Some sectors, on the other hand, work with more optimistic estimates. In trucks the expectation is to overcome growth of 30% projected in the beginning of the year. According to Ricardo Alouche, vice-president of sales and aftermarket of MAN Latin America, it is not an optimistic vision: "We are, actually, on a low level."

In some sub-segments, such as extra-heavy, sales increase more than 100%, according to him.

"It was able to grow even more", said Alcides Cavalcanti, responsible for of truck sales at Volvo. "We can't accept more orders because the supply chain does not follow the rhythm."

Scania Latin America plans to produce 28 thousand 900 trucks and buses in São Bernardo do Campo, SP, in 2018. According to Christopher Podgorski, its president and CEO, growth will be 40% over 2017.

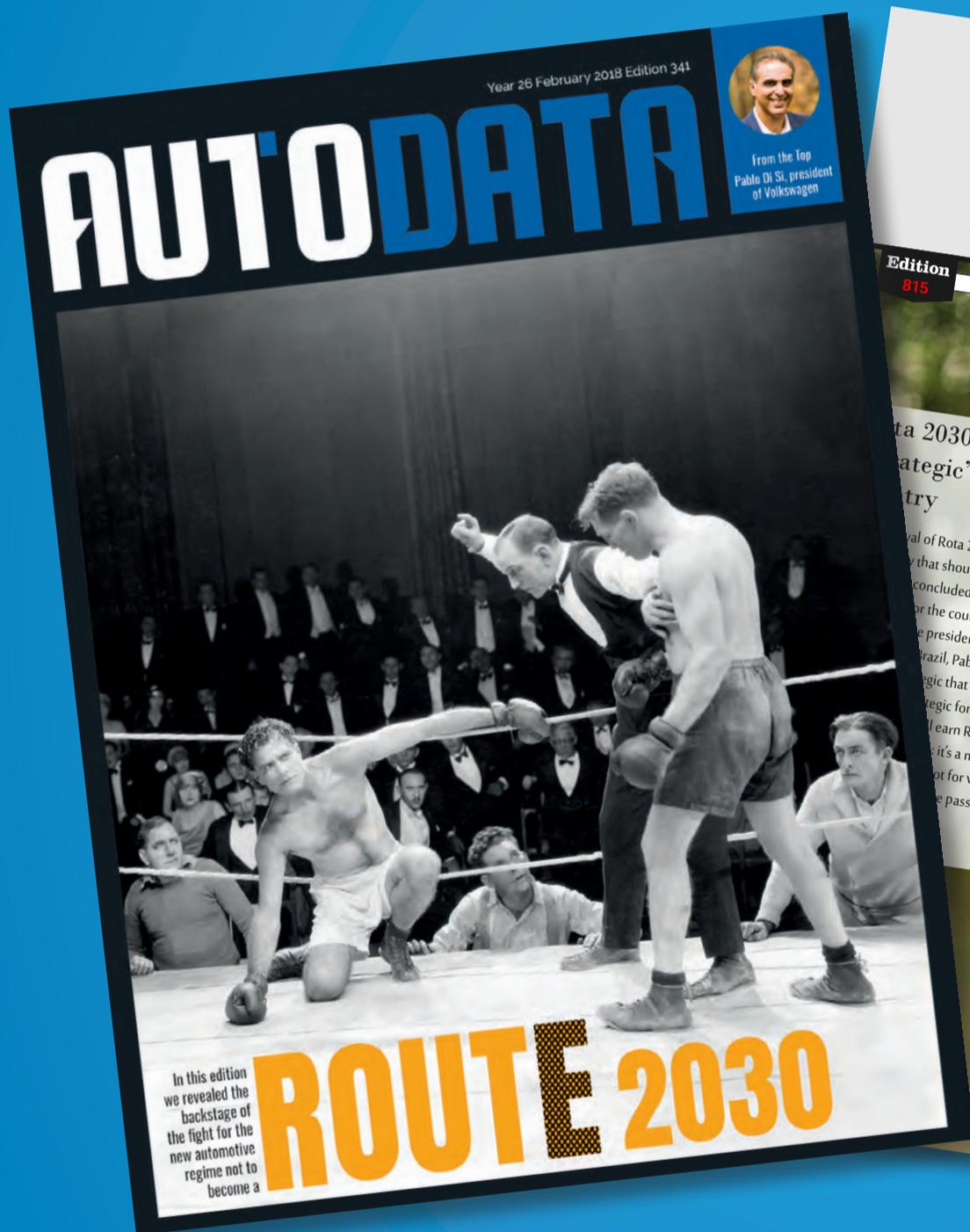
In agricultural machinery the expectation is of 5% increase according to the commercial director of AGCO, Alexandre Vinícius de Assis. But with greater profitability, since the current demand is for more modern machines and with more powerful engines.

With regard to sales of construction machinery, Luiz Marcelo Daniel, president of Volvo CE, recalled that they grew 40% in the first semester, but expects increase around 30% in the second half. In the case of John Deere, Roberto Marques, its commercial director, said growth was 40% in the first half and believes that it will be possible to keep the volume in the next one as well.

Bruno de Oliveira and Caio Bednarski collaborated

WE

DO YOU NEED MORE INFORMATION ABOUT AUTOMOTIVE BUSINESS IN BRAZIL?



READ AUTODATA!

www.autodata.com.br

AUTODATA

Uruguay requests revision of automotive agreement with Brazil

Bruno de Oliveira | bruno@autodata.com.br

São Paulo - Uruguay has asked the Brazilian government to review the bilateral automotive agreement with Brazil that holds since January 2016. According to Antonio Megale, president of Anfavea, the Uruguayan government claims that the commercial chain is unbalanced: more Brazilian vehicles would be entering in the Uruguayan market without any counterpart in the exports of vehicles assembled there.

Megale said that negotiations are under way to decide on new quotas for exports or the entry of other Uruguayan products into the Brazilian market: "The Uruguayan government requested



Disclosure

earlier in the year that the agreement be revised in order to balance their exports to the Brazil, since we are sending more cars there. What is being defined now is what they could export to balance the chain.”

The agreement in force for two years has a safeguard clause for situations of imbalance in the trade of the two countries. In these cases, one of them may request the temporary suspension of the free trade. If this happens, a bilateral committee analyzes the situation and proposes corrective measures to reestablish the agreement.

According to data from Anfavea, exports to Uruguay, from January to May, grew 179% in volume compared to the same period last year. In terms of values, according to MDIC, vehicle exports to Uruguay yielded from January to May US\$ 140.4 million. The country, in the same period, imported US\$ 55.4 million in Uruguayan vehicles.

Vehicles equipped with 1.0 engines represented 3.7% of exports to Uruguay by May, the second main product, in volume, of the trade balance.

By the agreement there is 100% preferential tariff in case of products that fulfill a percentage of regional content in its components. For Brazilian vehicles and auto parts, the index must be equal to or higher than 55% and, for Uruguayans, equal or greater than 50%, according to the formula stipulated by Mercosur.

The benefited products by the understanding are passenger automobiles, buses, trucks, agricultural machinery, auto parts, chassis and tires. For items that do not comply with the minimum regional content rule, a trade quota has been established: US\$ 650 million for Uruguay and US\$ 325 million for Brazil.

In Uruguay, vehicles are assembled by some automakers that see in the country a good opportunity to develop it as an export platform and to supply the domestic market. Geely, Toyota and Kia vehicles are assembled at the Nordex plant in Montevideo. Lifan assembles the SUV X80 model in a unit installed in San José.

WE

Exchange anticipates Caoa's nationalization plan

Bruno de Oliveira | bruno@autodata.com.br

São Paulo - Caoa Automaker carries out the nationalization plan of components as form of protection to the variations of the exchange, which has increased the price of imported items. The company fears that the dollar's increase may affect the prices of the vehicles it manufactures in the short term and, then, lose competitiveness.

According to the president Mauro Correia, studying together with its suppliers the local production of some components was foreseen since 2017. However, with the recent rise of the dollar, which raised production costs in Brazil and damaged the Argentine economy, main Brazilian partner in the automotive sector, Caoa decided to anticipate and accelerate the nationalization work:

"Every automaker seeks to increase the local content level in the vehicles that are produced. In our case, however, that we produce and sell vehicles with high technology level and, that's why, demand

imported electronic auto parts, we live in a sensitive situation from the point of view of the pressure that the high dollar rate can exert on the final price."

The company had informed that expected the approval of Rota 2030 to continue the process of locating components, but the situation of the exchange determined that the planning was executed with more agility, even more in a context which the automakers consider to raise table of prices in the second half.

The executive did not mention which components the company considers to locate the production, but said Tier 1 suppliers are "optimistic with the idea of supplying the manufacturer with the local operation and also with the scale that the Brazilian market currently provides". One of the main barriers to locating components is the scale: the greater the demand the more viable becomes the local production because it is possible to reduce costs.

The company produces in Annapolis, GO, the Hyundai Tucson, ix35 and the commercials HD and HR. As models have been produced in Brazil for a longer time, the trend is that the new models that the company plans to bring to the national market, especially after a partnership with Chery, are on the nationalization agenda.

WE

AUTODATA NEWS AGENCY

THE MOST COMPLETE AUTOMOTIVE DAILY NEWSLETTER



CALL US TO SIGN:

(11) 5189-8900

www.autodata.com.br

Agência
AutoData

Scania inaugurates production line dedicated to exports

André Barros | andrebarros@autodata.com.br

São Paulo – Scania inaugurated in Monday, 25, a line dedicated to exports at its factory in São Bernardo do Campo, SP. Result of R\$ 15 million investments, part of a package of R\$ 2.6 billion until 2020 announced last year, the new area will produce disassembled kits, such as SKD and CKD, to be sent to other markets.

According to Christopher Podgorski, president and CEO of Scania Latin America, during the AutoData 2018 Review of Perspectives Seminar, held on Monday, 25, at the World Trade Center, in São Paulo, the new area “is like a complete vehicles production line, sequenced and with continuous flow, but that produces, instead of trucks and ready-made buses, the export kits”.

According to him there are different production indexes within the kits: for Thailand, for example, 60% of the vehicles are assembled in the ABC region and the rest inside the local Scania unit. This way, the line attends the most varied barriers and minimum nationalization requirements of the various markets around the world.

“The KD line [as it is called internally] will demand for competitiveness and cost reductions. It will compete directly with similar line at the Eindhoven factory in the Netherlands.”

Podgorski said that Brazilian production is very sought by markets that demand customization, once there is more flexibility in the line. But nothing stops St. Bernard unit from supplying Europe: “Last year we produced around twenty truck cabs per day to be assembled in European factories. It was the first time [in Scania] that a Brazilian truck cab joined an European chassis”.

Even with the resumption of the Brazilian market, exports continue to be more relevant in Scania’s production here. According to Podgorski this year 68% of the production, which will reach 28 thousand 900 units, will be sent to other markets: “Our production will increase 40% compared to 2017”. **WE**

More expensive dollar benefits engine manufacturers

Caio Bednarski | caio@autodata.com.br

São Paulo - The increase of the dollar cost generates different impacts for some companies of the automotive sector. In the case of independent engine manufacturers, such as MWM and Cummins, which export more than they import and have trade balance surplus, the high price of the US currency means larger profits.

“Our company has exporter DNA and takes advantage of this sales modality for many years”, said the president of MWM, José Eduardo Luzzi, during the AutoData Seminar Revision of 2018 Projections. “With the high dollar price, we have been benefited because the production of blocks and components does not depend on imported raw materials and, with that, selling to other countries with a more expensive dollar boosts our numbers.”

The main components exported by MWM are blocks and engine components and the main markets are Argentina, China, Colombia, South Korea, Egypt, Ecuador,

United States, Mexico, Peru and the African continent. According to Luzzi, the projection for this year is that exports grow 56%, representing from 18% to 20% of the total produced at the unit in Santo Amaro neighborhood, in São Paulo.

In the same AutoData Seminar, Luís Pasquotto affirmed that Cummins also was benefited from the high price of the dollar - for the same reason as its competitor: “We export blocks, heads, filters and they do not depend on imported raw material to be produced. With that the higher dollar boosts the billing of our sales to other countries.”

The countries that most import Cummins components are from South America, as Argentina, Chile, Colombia, Ecuador and Peru. England and some Middle Eastern countries are also important customers of the company in smaller volumes: “In the total we export to 42 countries and our projection is that foreign sales increase by up to 36% this year. **WE**