AutoData

NEWS AGENCY WEEKLY EDITION

Edition 853

Weekly Brazilian automotive industry news | 10.15 to 10.20.2018 Year XII

AutoData Congress Special Edition 2

Auto parts income should exceed R$ 100 billion in 2019

Sindipeças (The National Association of Brazilian Auto Parts Manufacturers) believes in maintaining the recovery of the Brazilian auto parts industry in 2019, if the projections announced by its president Dan Ioschpe become concrete it will be the third consecutive year of growth in the revenues of the associates. The executive spoke on the second day of the AutoData Congress Perspectives 2019 at Hotel Transamerica, on Tuesday, 16, São Paulo, capital...

More on pg. 2

GM: 2019 will see market growing until 13%.

More on pg. 4

Systems suppliers expect medium growth in 2019

More on pg. 6

Toyota believes in exports increase next year

More on pg. 8

Photo: Rafael Cusato.

Auto parts income should exceed R$ 100 billion in 2019

André Barros | andrebarros@autodata.com.br

São Paulo - Sindipeças (The National Association of Brazilian Auto Parts Manufacturers) believes in maintaining the recovery of the Brazilian auto parts sector in 2019, if the projections announced by its president Dan Ioschpe become concrete it will be the third consecutive year of growth in the revenues of the associates. The executive spoke on the second day of the AutoData Congress Perspectives 2019 at Hotel Transamerica, on Tuesday, 16, São Paulo, capital.

In local currency, revenues from the sector will add up to R$ 98.8 billion this year, increase of 14% compared to 2017 - which already showed a 24% increase compared to 2016, when the industry earned R$ 86.6 billion. The economic team of Sindipeças estimates growth of 8.4% next year, above the estimate for the GDP, of 2.5%.

"In the crisis years we registered decreases that were higher than the GDP, so it is natural now to grow above it. In 2019, we will surpass R$ 100 billion in incomes, reaching R$ 107 billion in revenue."

Factory occupancy, which reached 50% in the crisis years - and which, according to Ioschpe, showed the resilience of the segment, continued to operate even in an adverse scenario - closed August with 71%. But the manager understands that the recovery and the expectation for the next year could be even better if it was not for the crisis in Argentina:

"We are a little more cautious because of the troubles in Argentina. Sales have fallen more than 30% there in recent months and, as an important partner, this decrease will affect our vehicle export, which now accounts for 20% of the total volume produced. On the other hand, we remain enthusiastic about the domestic market".

Sindipeças projects a 5% increase for production in 2019 (3 million140 thousand vehicles) with a well distributed advance in light and heavy vehicles: 5% in automobiles, 3% in light commercial vehicles, 6% in trucks and 2% in bus chassis. For the segment of agricultural machinery the association estimates advance of 4% next year, reaching 58 thousand units.

Ioschpe affirmed that independent of the approval of Rota 2030 (a program aimed at the automotive sector that is still being processed in Congress) the auto parts companies will invest in research and development. The president of Sindipeças even listed some items that he considers important and that were excluded from the automotive policy, such as tax simplification, vehicular inspection requirement and fleet renewal program.

Another point worthy of attention, in the executive's view, is the deficit in the auto parts balance. The entity estimates that it will surpass US$ 7.5 billion in 2019, 20% more than this year. Ioschpe minimized the increase in imports, driven by the good performance of the domestic market and the introduction of new models, which still do not have a high index regarding parts produced in Brazil: for him, exports do not grow at a sufficient pace to stabilize the trade balance.

To increase exports, according to the executive, Brazil needs more integration with the rest of the world. In other words, advance in trade agreements with the European Union, Mexico and other markets - including Mercosur, which there is still no free trade at least in the automotive area. WE

GM: 2019 will see market growing until 13%

Lucia Camargo Nunes | redacao@autodata.com.br

São Paulo - Carlos Zarlenga, president of General Motors Mercosur, was optimistic during his presentation at the AutoData Congress Perspectives 2019, on its second day, Tuesday, 16, in São Paulo.

For the executive, the Brazilian market closes 2018 with 2,5 million units sold, "or even more". Despite the direct sales increase, he still sees potential for retail growth, and thus, for 2019, he projects a 12% to 13% increase in domestic sales.

Photo: Rafael Cusato.

General Motors has its operation in the unified Mercosur. And for Argentina, Zarlenga bets in a 2018 of 790 thousand vehicles, decrease of 12.5% compared to 2017, and a 2019 with wide variation, from 700 thousand to 800 thousand models. Anyway, considering Mercosur as a whole, the executive guarantees: “We don’t see a crisis scenario next year”.

About Rota 2030, Zarlenga made considerations. A defender of a Mercosur integration policy, he believes that in comparison with other global markets Brazil and Argentina are in a race starting from behind, with “a lot of homework” to do.

For him, Rota 2030 fails in some points such as not to deepen the electrification issue: “And all markets know that the future is electric”. He mentioned Argentina’s lithium reserve as an advantage for that country.

Despite the crisis in Brazil’s neighbor, Zarlenga confirmed the production of a future model in Argentina to be sold in Mercosur: “We are committed to this investment and we count on the tax reform to be approved in Argentina.”

And once again the GM executive defended the standardization of Brazil-Argentina vehicles in safety, emissions and energy efficiency. “We need to correct several points to think about Mercosur as an exporting power. We have great opportunities.” WE

Systems suppliers expect medium growth in 2019

Bruno de Oliveira | bruno@autodata.com.br

Photo: Rafael Cusato.

São Paulo – Systems suppliers and auto parts manufacturers believe in automotive market growth in 2019, even a more modest index than expected for this year, both with regarding domestic market and production. The main argument for this scenario: although there are positive factors on the horizon such as maintenance of credit supply, inflation control and low interest rates, uncertainties in policy and the Argentine crisis have reduced initial expectations.

The expectation was presented in a panel that gathered companies of the segment on the second day of AutoData Congress Perspectives 2019, held in São Paulo, capital, on Tuesday, 16.

According to Marcello Lucarelli, director of Continental's commercial vehicles unit, there will be growth of 8% in the automobiles and light commercial vehicles segment in 2019 compared to the volume produced in Brazil in 2018, which would represent a volume of around 2.9 million vehicles. In Mercosur, added together, the company's projection points to 3.6 million before 3.4 million of this 2018, in other words, 5%. For the production of trucks and buses, also considering Mercosur's total, there will be growth of 2%: from this year's 128 thousand to 131 thousand units.

"We built the budget for next year based on a conservative growth scenario, since there are uncertainties on the horizon that can produce reflections in our numbers."

In the case of Eaton, the growth level in production projected for next year is also of one digit: 5% above this year's perspective regarding light vehicles. The percentage is lower than expected in the 2018-2017 comparison: 7%.

The reduction in the production rhythm will be even more relevant in the segment of trucks and buses, estimates Eaton, which calculates rise of 22% this year compared to 2017 and 8% more in 2019 compared to 2018. According to Amaury Rossi, director of business, "less investment will contribute to this scenario.

Bosch's projections reinforce expectations for a mid-growth in 2019. For Besaliel Botelho, its president, this year should close with an 8% increase in production, index that is expected to close at 5% next year. The executive, however, analyzed the scenario ahead as positive:

"We are living a good moment and we will start 2019 at the same pace that we have performed this year. The market will absolve the automakers' growth and credit will be available." WE

Photo: Rafael Cusato.

Toyota believes in exports increase next year

Caio Bednarski | caio@autodata.com.br

São Paulo - Toyota's executive vice president, Miguel Fonseca, believes that automobile and light commercial vehicles sales will grow 4.4% next year, reaching 2 million 630 thousand units, compared to 2 million 520 thousand that the company calculates to be sold this year.

The numbers were presented during his speech on the second day of the AutoData Congress Perspectives 2019, in São Paulo, where Fonseca said that the expected expansion represents the recovery and solidity of this industry.

As for production, Toyota expects to produce 3 million 140 thousand cars and light commercial vehicles next year, an expansion of 4.1% compared to this 2018, estimated at 3 million and 10 thousand units. Regarding exports, Fonseca estimates that it will reach 797 thousand units next year, 4.8% increase compared to this year, which is expected to be stable at 760 thousand.

The executive also spoke about the market share growth in direct sales of the total volume sold, which was 25% in 2013 and has already reached 46% this year. This type of sale will also be responsible for pulling the industry upwards next year: the evolution of business by this modality will be of 12.8% while retail will only increase 3.4%, in the automaker's calculations.

In the case of Toyota's particular numbers, sales in 2019 will reach 214 thousand units, increase of 4.8% compared to the 203 thousand that the company hopes to sell by the end of this year. Production will reach 224 thousand cars in Brazil next year, increase of 6.7% compared to the 210 thousand automobiles that will be produced this 2018. "It is necessary to emphasize that our sales and production numbers will be a record and, if the projections are confirmed, they will be a record in 2019."

The company's export projection is of 78 thousand units for next year, an expansion of 19.5% compared to this year, 65 thousand units were expected to be exported by the end of the year - both will be records if they become concrete.

And for the GDP another optimistic projection: 3.2% before this year's 1.4%. WE

For buses, expectation to keep growing

Lucia Camargo Nunes | redacao@autodata.com.br

Photo: Rafael Cusato.

São Paulo - The bus sector has a 2018 of growth and good prospects continuity for 2019 in Brazil, according to the panel of automakers' members of the segment held in the AutoData Congress Perspectives 2019 on its second day, Tuesday, 16, in São Paulo.

Although being difficult to predict, and generally dependent on public policies to grow, the segment's expectation is to close 2018 with a 23% increase, with 14 thousand units sold. For 2019, there are bets ranging from 5% to 15%, depending on the company. They all have their reasons to celebrate and their representatives agree that the return to levels of 20 thousand to 25 thousand units per year will still take 3 to 5 years.

Mercedes-Benz, which expects to grow from 5% to 10% next year, had an expressive increase in the charter segment in 2018, of 154%, but faced a decline of 58% in school buses. "We are optimistic about the scenario of 2019, with rising GDP, controlled inflation, stable interest rates and expectation of improvement in school bus sales", affirmed Walter Barbosa, commercial director of buses.

As for Volvo Bus, 2018 was a recovery year, with 42% growth in sales volume from January to September in the segment above 17 tons. For 2019, the expectation is to keep growing, from 10% to 15%, "mainly due to the fleet renewal, increase in the charter and tourism segment and new public transport bids", said Gilberto Vardânega, commercial director.

Volkswagen Trucks and Buses foresees double-digit growth in 2019, but does not detail numbers. "Economy growth, investments in infrastructure, fleet renewal and appreciation of public transport give the sector the potential to grow a little more next year, ,said Jorge Carrer, executive manager of bus sales.
Sílvio Munhoz, commercial director of Scania Brazil, celebrates the company's results, which is expected to close 2018 at a 32% increase. "We bet on the challenge of growing more than the market, said the executive. For 2019, he estimated an increase of 15%.

Humberto Spinetti, commercial director of Iveco Bus, also did not mention numbers for 2019. He approached the expectation of investments with a focus on fuel issues and alternative tractions: "The natural gas is a viable bridge for now, knowing what we will have in the future, electrification. It offers benefits such as acquisition cost, which is not higher than the diesel vehicle, and the return with lower operation cost." WE

Light vehicles: sales will grow independent of the election

Caio Bednarski | caio@autodata.com.br

Photo: Rafael Cusato.

São Paulo - The second day of the AutoData Congress Perspectives 2019, held on Tuesday, 16, in São Paulo, promoted a panel discussion specifically for the automobile manufacturers. One of the participants, Renault's commercial vice president, Alejandro Botero, affirmed that the market will grow next year but found it difficult to project a number.

The president of Caoa, Mauro Correia, also a participant, said that next year the market will grow but at a slow pace. His projection for total segment sales this year is of 2 million 540 thousand units.

Nissan's commercial director, José Luiz Vendramini, also believes in market growth in 2019: for him, sales of automobiles and light commercial vehicles will go from 2.6 million to 2.7 million units. However, he said that "this growth will depend on political definitions, but I believe that the market will grow regardless of who is elected". Regarding Nissan sales in particular, the projection is to sell from 110 thousand to 120 thousand units compared to 95 thousand of this year.

Renault's goal for 2018 was to reach 8% market share and the company has already reached 8.6%, according to Botero. "For next year the intention is to continue with the steady growth we have registered so far, and our next goal is to achieve a 10% market share until 2022."

The Caoa executive said that the company's projection for this year is to sell 110 thousand, Chery and Hyundai vehicles, increase of 7% over last year. "The growth in our sales this year will come from the new models, chain improvement and the quality increase in services. To grow more next year, we expect to recover the Chery brand, bringing new vehicles and working strong in the chain, and with that the brand's sales can reach 34 thousand units." WE

Photo: Rafael Cusato.

KPMG: partnerships will be fundamental for industry survival

Lucia Camargo Nunes | redacao@autodata.com.br

São Paulo - In order to survive, the automotive industry needs to be attentive, building new partnerships and business relationships. That is Ricardo Bacellar's opinion, director of the automotive area of KPMG, in a presentation on the second day of the AutoData Congress Perspectives 2019, on Tuesday, 16, in São Paulo.

For Bacellar, the huge expectation for Rota 2030 is not by chance: "It is necessary to have predictability, a good vision of what is about to come, to be assertive in planning today and not make mistakes in the future. Every disruption process has a long learning curve, and companies need a strategic plan for actions that will only start to reach the market in 5 or 6 years".

For the director of KPMG, innovation is in everything: it is necessary to rethink products, production models, energy source, customer relation, etc., in other words, "all the connections that belong to the ecosystem".

From the studies launched by KPMG that support the industry Bacellar mentioned three vectors about the future of the segment that drive the direction of planning: electric vehicles, autonomous vehicles and mobility services.

For the executive, the solution is to join other industries, quickly. "We need to roll up our sleeves and take a proactive attitude. There are companies offering mobility services that generate revenues", said Bacellar, mentioning the case of Sem Parar (a mobility service company).

For him, it is necessary to leave the comfort zone and have partners from other industries that provide experiences. "The point is: there is a sea of opportunities and the prospects are enormous. The important thing is to know where to prioritize it, where to bet." WE

Itaú: economy will grow, but at a slow pace

Caio Bednarski | caio@autodata.com.br

Photo: Rafael Cusato.

São Paulo - The economy will not show significant growth in 2019, according to Fernando Machado Gonçalves, economist of Itaú, because the current pace is weak and does not suggest that there will be a big recovery in the coming months, even more with the political uncertainties that surround the future of Brazil.

"So many doubts about the political future bring impacts on the economy and this adds to the customer's low confidence, as well as the difficult financial condition of the population", said Gonçalves during a speech on the second day of the AutoData Congress Perspectives 2019 on Tuesday, 16, in São Paulo.

The bank's GDP growth projection is of 2% in 2019, compared to 1.3% this year. Itaú expects that the next government will make the necessary reforms for the economy development, starting with social security. "Regardless of who wins the election the congress that was formed seems to be more reformist, which increases the chances to realize these movements."

Regarding the unemployment rate, the economist believes that there will be a slight decrease next year, to 12.1%, against 12.3% of this year. The Selic rate is expected to increase at 8 % in 2019 and close the year at 6.5%, according to the economist's forecast, while the IPCA (National Wide Consumer Price Index) will remain at 4.3% over 4.5% of 2018. The expectation for the dollar exchange rate is around R$ 3.90 in 2019, the same level of the end of this year. WE

Motorcycles: evolution of 10% in 2018 and 5% in 2019

Lucia Camargo Nunes | redacao@autodata.com.br

São Paulo - The motorcycle industry in Brazil will grow 10% this year, but the industry contains any euphoria seen at other times, such as in 2011, when it reached 2 million units produced. During a specific panel promoted on the second day of the AutoData Congress Perspectives 2019, on Tuesday, 16, in São Paulo, Abraciclo (Brazilian Association of Manufacturers of Motorcycles) was excited but, at the same time, cautious to ensure the 1 million motorcycles to be produced in Brazil next year.

Photo: Rafael Cusato.

"We are at a growth level and we should reach 980 thousand units produced this year. In September, we registered a 19% increase in the annual comparison. The demand is heated", affirmed Marcos Fermanian, president of Abraciclo.

This volume would represent a 10% increase in production in 2018 compared to 2017. For 2019, Fermanian estimated growth of "at least" 5%, which he understands that "would already be good enough."

From 2011 on, he recalled, the retraction was very large. "The segment suffered a decline, and we are still far from the installed capacity in Zona Franca de Manaus."

According to Oscar Pires de Castro Neto, director of Yamaha, also a panel participant, the dealer chain is still adapting to work with this lower volume, while the industry faces high freight cost.

Exports were strongly affected by the crisis in Argentina, and there are no improvement prospects so early. According to Fermanian, Brazil's neighbor is the main destination of Brazilian foreign sales, representing from 70% to 75%. "We would like to export more, to other markets, but everything depends on the cost. Brazil has complex logistical issues."

Another delicate issue is the credit granting: by the Abraciclo calculations only 20% of the interested people have their forms approved. One of the reasons is the need for proof of income, complicated in an increasingly informal job market. "The future of credit is a statistical challenge. You have to find a way to cross market information and give credit getting out of the traditional standard."

Neto, of Yamaha, cited the rates subsidized by the automaker's bank in this item, the offer by dealers for installment sale by credit card and even the store owners doing the financing at their own risk.

The challenge of electrification is still an exercise for the future: "There are brands with some prototypes and vehicle development. But the battery occupies lot of space on the bike", said Fermanian. For him, electric motorcycles are expected to arrive after the automobiles electrification. And he recalled that "since 2009 we have had the flex motorcycle, which today accounts for almost 70% of our production and is more environmentally friendly".

For Yamaha, the manufacturers are currently looking at ethanol and not on electricity. "The industry is concerned about the batteries disposal, the issue of space on the bike and limited autonomy." WE

Photo: Rafael Cusato.

Demand for credit and consortium will be higher next year

Bruno de Oliveira | bruno@autodata.com.br

São Paulo - The credit and vehicle consortium financial entities expect to observe a gradual increase in the demand for quotas and financing in 2019. The projection is based on higher sales prospects regarding cars, light commercial vehicles, trucks and buses for the next year. The impressions were discussed during a panel held at the AutoData Congress Perspectives 2019, on its second day, Tuesday, 16, in São Paulo, with the main associations of the segment.

Their representatives believe that the scenario is favorable for customers, whether individuals or corporations, to have confidence in making acquisitions.

Luiz Montenegro, president of Anef, the National Association of Auto Industry Financing Companies, said that the demand for financing has not yet fully kept pace with domestic sales: "Default is under control and credit is available, but the customer needs to regain confidence, which we believe it will happen from the second quarter of next year on. We expected that this movement would take place this year, but it was repressed by the political factor".

The executive said that R$ 2 billion was available for credit automakers' bank. In the same month, in 2015, when the vehicle sector suffered from the effects of a crisis and smaller sales, the available volume was of R$ 705 million. For him, "what needs to increase in the market is not the credit supply but the demand for it. In 2019, if reforms are made, for example, those who have a letter of credit in their hands should use it to change vehicles or renew the fleet".

When it is a cautious scenario, consumers are more likely to use long-term forms of purchase, such as the consortium, said Paulo Roberto Rossi, chief executive of Abac, the Brazilian Association of Consortium Administrators.

"The volume of credit granted grew by 8.3% until August in the annual comparison and should grow more in 2019, especially in trucks. In October, this evolution may even reach two digits because the fleet owners are getting ready to transport grain for the next crop. By our calculations, there are 350 thousand customers with cash on their hands just waiting for the scenario to become more reliable." WE

AutoData News Agency Weekly Edition is produced by AutoData Editora Ltda. Rua Pascal, 1693 Campo Belo - São Paulo SP Brazil CEP 04719-001 Phone +55 11 5189 8900. Translation: Allex Chies. Graphic Project/Art: Romeu Bassi Neto. Associated Team: André Barros, Bruno de Oliveira, Caio Bednarski, Leandro Alves, Márcio Stéfani. Responsible Journalist: Vicente Alessi, filho MS SJPESP 4 874. Editorial agreements: Tiempo Motor (Argentina) and Flash de Motor (Venezuela).