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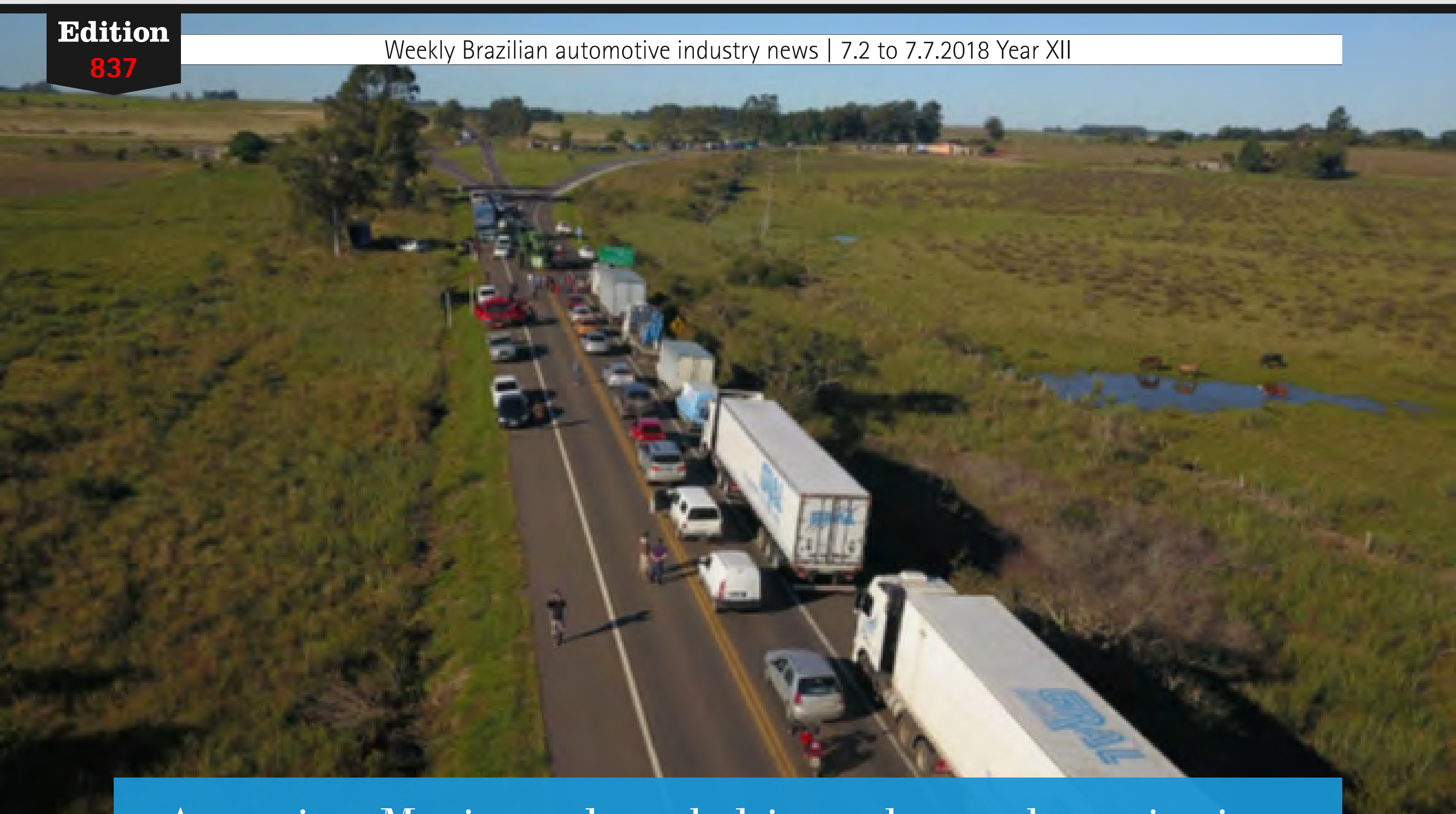

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Argentina, Mexico and truck drivers change the projections

Marcos Rozen | redacao@autodata.com.br

Marcelo Pinto/APlateia

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If confirmed, for President Antonio Megale, "it will not be an insignificant result, as it will equal the record, although the volume is unfortunately below what we expected in January."

The crisis in Argentina is for sure the most important issue within this reduction of the numbers projected for exports - in volume, 34 thousand units less. But for Megale, “the measures taken by the Argentine government should have an effect, regaining growth”.

Dividing the segments, before the projection pointed to an increase of 4% in light shipments, to 758 thousand, and 13% in the heavy ones, to 42.2 thousand. Now all the numbers indicate complete stability compared to 2017, in other words, 729 thousand light and 37.3 thousand heavy vehicles.

Due to the dollar rise, the projection for exports in values remained unchanged, US$ 16.7 billion, an increase of 5.4% from the 2017 result.

The reduction of 34 thousand units in exports hit directly in the production projection for 2018: it was reduced from 3 million 55 thousand or 13.2% to 3 million 21 thousand, which would represent 11.9% growth. By segment: in the lightweight vehicles 2 million 935 thousand was estimated, 13% of elevation, and now it is 2 million 906 thousand, 12%, while in the heavy segment the numbers pointed 120.3 thousand, 16% above, and now indicate 115.4 thousand, more modest growth of 11.3%.

The numbers expected for the domestic market were maintained: sales of 2 million 502 thousand in 2018, 11.7% better than the 2 million 240 thousand of 2017, but this does not mean good news: what happens is that, initially, Anfavea would review the projection upwards for the domestic market, but by the consequences of the truckers’ strike, decided to opt for prudence.

Megale acknowledged that before the strike, the members themselves pressed for an update of the index foreseen for the license tax, which until to the accumulated index of May showed a 17% increase - 13.6% until June. But after the strike the manufacturers began to see a less encouraging scenario: “In addition to that, in the second semester the advance would naturally be a little lower because the market already showed reaction at this time last year”.

This way, Anfavea’s new calculations would indicate a very modest readjustment, something around 11.9%, and due to this tiny difference the association opted to keep the numbers estimated in January.

By segments, in this way, it remains the same: Anfavea believes in 2 million 422 thousand light registers this year, an increase of 11.3%, and 79.5 thousand heavy vehicles, increase of 24.7%. WE

Rota 2030 challenges and awards manufacturers

André Barros | andrebarros@autodata.com.br

São Paulo - Still awaiting a decree that regulates energy efficiency goals for the coming years, Rota 2030, more than just giving the Brazilian automotive industry a new direction, challenges automobiles manufacturers to invest to get benefits. In a press conference on Friday, 6, the president of Anfavea, Antonio Megale, spoke about some points of the provisional measure, published on the same day by the Federal Government Official Press.

In other words: Rota 2030 is already in force. According to Megale, all the investments in research and development applied since the beginning of the year are computed for the tax credit from next year, through income tax discounts and in CSLL, Social Contribution on Net Income. As there are companies operating in the red zone and these taxes are only charged on profitable balance sheets, a term of up to fifteen years has been stipulated for this transfer - but for legal reasons, the text stipulates five years. The expectation, according to the president, is that this be renewed for the second cycle of Rota in 2023 and for the third, five years later.

Disclosure

But not all companies have to apply for R&D. All of them, however, must meet energy efficiency and vehicular safety targets: "Anyone who wants to sell cars in the Brazilian market, domestic or imported, will have to meet the government's requirements".

This is where the challenge of the automakers comes in: those companies that qualify for Rota 2030 and overcome the goals stipulated by the government in energy efficiency and vehicle safety can earn, by bonus, IPI discounts for vehicles sold in the national market.

The MDIC (Ministry of Industry, Foreign Trade and Services) said that companies are expected to increase their vehicle's energy efficiency by 11% until 2023, but Megale said at a press conference that this percentage was not closed - "It must stay from 10 to 12%."

The government challenged the industry: any company that exceeds 11% of the goal could earn 1 percentage point of IPI (tax over industrialized products) discount. An even more audacious goal of greater efficiency will guarantee another percentage point less. There is also a third percentage point - which, in fact, is optional to the second (of energy efficiency): adopting vehicular safety technologies beyond what is required will be entitled to a discount of 1 percentage point in the tax.

"The difference of the rule [of Rota 2030] with Inovar Auto is that this IPI discount will only be on the vehicle that surpasses these goals. In other cases, the IPI will remain unchanged."

The president of Anfavea will be in Brasília, DF, next week to negotiate with the government again and accelerate the publication of the decree that regulates these goals. He gave in advance, however, that there will be no change in the IPI, which will continue to be applied per cm^3 of engine capacity: "This, like the tax simplification issue, was for the second cycle of Rota 2030. We will not solve everything now, but gave a direction for the investments of the industry".

Commercial vehicles – The manufacturers of trucks and buses will also be challenged by Rota 2030. But, again, the rules have not been defined yet - at least not those regarding energy efficiency.

What is known is that the trucks and bus chassis assembly companies may have the right to the IRPJ and CSLL re-payment if they invest in R&D. And they can get a discount on the IPI if they overcome the vehicle safety challenges. Just as in the case of light vehicles Contran will publish, in the future, the rules for heavy vehicles.

Electrics - The new IPI table published for electric vehicles will only come into force in ninety days, according to the president of Anfavea. The question, again, is the legislation which requires ninety days to change taxes: "In November this table will be in force, which must stimulate the sales of these vehicles."

Megale's bet is that it will also encourage manufacturers to invest in ethanol-electric hybrid technology. WE

Factories produce more with an eye to August

Bruno de Oliveira | bruno@autodata.com.br

São Paulo – The vehicle manufacturers installed in Brazil have reached the end of their first semester with a positive production volume, according to Anfavea, released on Friday, 6. The assembly lines produced 1 million 434 thousand 506 units, which represents an increase of 13.6% compared to the identical semester of last year. In June, 256 thousand 300 units were produced, 21% increase compare to June of last year and 20.7% more than in May.

The improvement in the volume from May to June showed that the companies maintained the rhythm of production even with the rise of the dollar and the consequent decrease of the exports to the main partners in the Latin region; Argentina and Mexico.

Antonio Megale, president of Anfavea, said that companies have taken measures to accelerate production to compensate the losses caused by the truck drivers' strike. He also said that historically the industry has a better rhythm production at the end of the first half as a way to meet the demands of July and August, when more cars are sold in Brazil.

Disclousure

Of the total units produced up to June 1 million 369 thousand 506 units were automobiles and light commercial vehicles, which represents a 12.6% increase compared to the same semester of 2017. The industry produced 49 thousand 587 trucks, 37.7% more in the comparison with the volume of heavy vehicles manufactured in the first half of last year. The buses corresponded to 14 thousand 933 units until June, 49.7% more than in the first half of 2017. WE

Average daily sales below 10 thousand units

Caio Bednarski | caio@autodata.com.br

São Paulo - The daily average of sales in June was 9 thousand 168 units, and the total number of registrations reached 201 thousand 982, an increase of 3.6% compared to the same period of last year and stability compared to May, according to data released by Anfavea on Friday, 6. According to the president Antonio Megale the expectation was a better result for the month.

"We were expecting more, but the truckers' strike delayed production and deliveries. Put this together with the World Cup and the fall in customer's trust, which also affected sales. But we expect good growth in July and August, which will have more business days and, historically, are months of hot sales".

In the year 1 million 166 thousand 954 vehicles were sold, against 1 million 19 thousand 445 in the first semester of last year, expansion of 14.4%. The volume was considered good by the president of the entity.

General Motors continues as the sales leader with 28 thousand 244 vehicles sold in June, a decrease of 0.2% compared to last month and 3.1% compared to the same period last year. Volkswagen, the second, sold 23 thousand 697 units, 1% less comparing to last month and 31% up compared to the same month last year. Fiat, the third in the ranking, sold 15 thousand 474 units, increase of 1.4% compared to May and decrease of 12.5% against the same month of last year.

In the case of light commercial vehicle sales, GM sold 4 thousand 181 units, 4.9% up compared to May and a 6.2% decrease compared to the same month of last year, VW sold 5 thousand 125 light commercial vehicles, Fiat sold 12 thousand 335 units, up 4.4% compared to May and 15% compared to the same period last year. WE

Exports lose their breath with lower demand from partners

Caio Bednarski | caio@autodata.com.br


Disclousure

São Paulo – Vehicles' exports totaled 64 thousand 910 units in June, an increase of 6.8% compared to May and decrease of 4.4% compared to the same month last year, according to figures released by Anfavea on Friday, 6. In the accumulated of the year 379 thousand vehicles were exported, a 0.5% increase compared to the same period of 2017.

According to President Antonio Megale, the decrease in June, compared to June of 2017, was caused by two main factors, which will also affect orders in the coming months: "The economic problems of Argentina and Mexico, our two main export markets, have started to reflect on the volume of shipments because the countries are reviewing the orders that they had scheduled for the second semester".

In terms of value, exports totaled US$ 8 billion 642 million 582 thousand, a 16.7% increase compared to the same period of last year - the value was affected by the appreciation of the dollar. WE

Machinery: resumption will come in the second semester.

Caio Bednarski | caio@autodata.com.br

São Paulo - Agricultural and road machinery sales totaled 4 thousand 919 units in June, a 28% increase compared to the same period last year and a 49.8% increase compared to May, which was affected by the truck drivers' strike, according to data released by Anfavea on Friday, 6.

In the accumulated of the year sales totaled 19 thousand 865 units, compared to 20 thousand 244 in the same period of last year, decrease of 2.3%. But, according to the president Antonio Megale, the situation will change in the second half:

"In the first half of the year it was possible to reduce losses from month to month and, starting in July, we will begin to register growth in machinery sales, and with this, our projection for the year is for a 7% increase, reaching 45 thousand 500 units ".

In January the entity's expectation was that sales would not exceed 44 thousand units, increasing 3.7%.

The production in June was of 5 thousand 579 units, 7.7% up compared to the same period last year and 21.6% compared to the previous month. During the year 27 thousand 834 vehicles were produced, a decrease of 2.4% compared to the same period last year - but the expectation is that the production will start to grow in July, following sales: Anfavea's new projection is for 14% growth, reaching 60.4 thousand manufactured units, against 59.4 thousand.

Exports in June totaled 1 thousand 778 vehicles, an increase of 2.5% compared to last month and a decrease of 28.8% compared to the same month last year. In the year 6 thousand 124 units were exported, increase of 2.1%. Anfavea's revised projection is 7% up, reaching 15 thousand units, with the main destinations being Argentina, in the case of agricultural machinery, and the United States for highway construction machinery. WE

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