

# AutoData

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Weekly Brazilian automotive industry news | 1.16 to 1.21.2017 Year XII

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## **Vehicle sales during first half of the month totaled 67.2 thousand units**

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Vehicle sales in the first half of January – up to Friday, 13 – reached 67.2 thousand units, which, according to market sources, signals a result that is close to, or even a little higher than, the same month in 2016, when 155.3 thousand units were licensed. If confirmed, the drop in relation to December will be in the range of 22% to 24%, a normal behavior for this period of the year.

Executives linked to the distribution sector are expecting the market this month to reach between 155,000 and 158,000 vehicles, while some executives from industry believe the result should be slightly better, between 160,000 and 165,000 units. Direct sales are still playing a having a significant role in the Brazilian market. Some 33.5 thousand vehicles, from the total 67.2 thousand units licensed during the period, were sold to companies, representing a share of 52.8% of the total.

This is well above the ratio registered at the end of last year, 37%. However, this may not

represent a trend, only an atypical movement during the beginning of this year. The president of Fenabrave, Alarico Assumpção Jr., told AutoData News Agency last week that the increased share of direct sales has more to do with the retail downturn than with any uptake on business with companies.

In fact, there was drop in direct sales of cars and light commercial vehicles in 2016, although the drop itself was lower than the retail in terms of actual percentage. Direct sales totaled 678.7 thousand units, 4.8% below the 713 thousand units sold in 2015. Retail sales drop 25.95%, from 1.7 million to 1.3 million units. In total, the market absorbed 1.986 million cars and light commercial vehicles, a drop of 19.8% over 2015.

Regarding projections for this year, Fenabrave is more pessimistic than Anfavea. The association of vehicle producers expects a 4% increase in the sales of cars and light commercial, while the federation of car dealers projects a growth of only 2.4%, something around 2.034 million units. **WE**



# November's volume of Direct Consumer Credit highest for the year

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**T**he credit market for vehicles can't complain. On the contrary, November 2015, according to a survey conducted by Anef, the national association of financial firms linked to the automakers, registered the best result of the year for Direct Consumer Credit. During the month, R\$ 7.3 billion was made available for vehicle financing, 10.4% above the resources registered in the previous month, and 6.2% increase when compared to the same month last year. This volume was higher than the volume available for DCC in August, the best month of the year until then, with resources of R\$ 7.2 billion.

The volume included R\$ 6.6 billion available for consumers, that is, more than 90% of the resources, corresponding to an increase 10.4% when compared to October, and an increase of 7.8% compared to the same month last year. DCC funding for companies totaled R\$ 717 million, a 7.3% increase compared to October, and a 6.5% increase when compared to the same month in 2015.

Despite this performance, Gilson Carvalho, president of the entity, still laments: “The market still feels the absence of consumers who are scared of acquiring higher-valued goods. This is reflecting on the drop of indebtedness.”

The executive still expects that resources available in December – which is scheduled to be released in the coming weeks - should represent some recovery on the monthly comparison. “But, still, far from previous years, when we had a strong market,” stated the president of Anef.

While DCC showed increased performance in November, the leasing portfolio, which reached R\$ 194 million, also had a significant 32% increase in comparison with October. In twelve months, however, there was a drop of 17.4%.

The executive estimates the resources released in December – and that will also be released in the coming weeks - should represent some recovery on a monthly comparison. “But still far short of previous years, when we had a strong market,” ponders the Anef President. If the CDC showed superior performance in November, the leasing portfolio, which reached 194 million R\$ in the period, also had significant 32% increase in comparison with October. In twelve months, however, the retreat was of the order of 17.4%.

Individual consumers represented the biggest market, with R\$ 158 million, 41.1% above October, and 19.7% over the same month of the previous year. The remaining R\$ 36 million was released to companies, representing a growth of 5.9% in comparison with October, and an impressive drop of 65% when compared to the same month of 2015.

Default - The default rate was 4.7%, stable in relation to October. However, in a year, that rate grew 0.6 percentage points. The default rate in leasing contracts was only 3.9%, 0.1 percentage points lower than October, and an expressive 2 percentage-point drop compared to the same month in 2015.

Default rate maintained the same performance on both DCC and leasing portfolios: 5.2% and 4.2% respectively. In twelve months, however, there were increases of 0.4 and 0.9 percentage points in the case of DCC and leasing, respectively.

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# Motorcycle production down to what it used to be in 2002

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The performance of the two-wheeled sector, released on Wednesday, 18, by Abraciclo, the Brazilian association of manufacturers of motorcycles, scooters, mopeds, bicycles and the like, reveals that production of motorcycles dropped to the same level recorded in 2002. In 2016, motorcycle manufacturers in Brazil produced 887,653 units, down 29.7% when compared to 2015, when the industry built slightly more than 1.2 million motorcycles.

During the last month of 2016, alone, producers located in Manaus, AM, registered an output of 32,814 motorcycles, representing a drop of 35.3% when compared to December 2015, when production totaled 60,633 units, and a drop of 53.3% compared to November, when production totaled 70,320 units. Abraciclo, however, points out that the significant drop during the last month of 2016 should take into account the usual end-of-year collective vacation leave period.

Last year, wholesale motorcycle sales totaled 858,120 units, down 27.9% compared to 2015, when sales totaled almost 1.2 million units.

Wholesale sales in December of last year totaled 56,155 motorcycles, a drop of 18.9% when compared to the same month of 2015 (69,253 units) and a drop of 5.4% compared to November, when the dealers absorbed 59,372 units.

Retail sales also registered sharp drops. Based on Renavam figures, the market absorbed 899,793 motorcycles in 2016, down 26.5% in comparison to the previous year, which closed at just over 1.2 million units.

In December, 80,837 motorcycles were licensed, an increase of 16.9% when compared to the previous month (69,122 units), but a drop of 25.1% in comparison to the same month in 2015.

The industry's export performance was also not encouraging. Last year, manufacturers shipped abroad a total of 59,022 motorcycles, when compared to 69,123 units exported in 2015, representing a drop of 14.6%.

The volume shipped in December, however, registered growth. The 6,402 units shipped abroad represented an increase of 7.7% when compared to the same month in 2015, and an increase of 61.8% compared to November.

Projections - Abraciclo also adjusted its projections to 2017. The association estimates the industry should register slight growths in wholesale and retail sales of 3.8% and 1.1%, respectively, resulting in 825,000 and 890,000 units. Positive results are estimated for production – an increase of 2.5%, representing 910,000 units, and an increase of 57.6% in exports, with shipments abroad totaling 93,000 units.

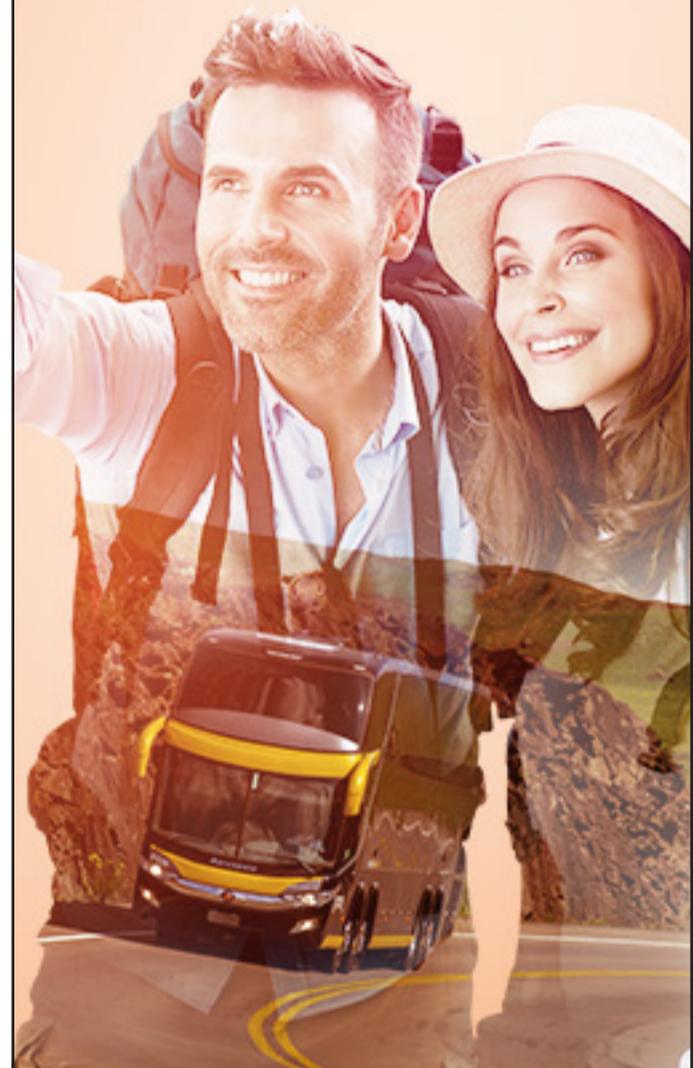
In a statement, the president of Abraciclo, Marcos Fermanian, mentioned the Two Wheels Show, in November, should help stimulate business in the second half of the year, but added that the “motorcycle segment suffered from policy uncertainty throughout 2016. Given a more cautious market, in 2017, the sector is projecting performance should be similar to the previous year, remaining stable.”

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# Aftermarket grows 2.19%

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The only segment to exhibit a positive performance during the first eleven months of 2016 in the autoparts was the aftermarket. According to research by Sindipeças, disclosed on Wednesday, 18, revenues from the aftermarket registered an increase of 2.19% when compared to the same period in 2015. Sales for cars and light commercial vehicles grew 5.05%, while sales for heavy vehicles dropped 10.29%.

Based on information provided by its member companies, the Sindipeças report indicates overall net nominal revenues dropped 2.23% in the first eleven months of 2016.

The organization points out that, despite the drop, on a year-to-year basis, revenues have been increasing on a monthly basis over the past year, signaling a gradual recovery. In January and February, for example, the drop in comparison to 2015 was at 14%, with the year-to-date performance dropping to 6% in mid-year, and closing at just 2.23% in November.

Exports and OEM sales contributed to this reduction in total revenue. Between January and November, the nominal net OEM sales dropped 3.58%. Exports dropped 5.92% in reais, and 12.34% in U.S. dollars. During the period, the industry's workforce suffered a drop of 13.88%, while idle capacity increased 12.66%.

Despite the drop in sales to the automakers, OEM sales in January, which accounted for only 49.9%, increased to 61.1% of the total in November. The aftermarket's share of sales, on the other hand, fell from 20.9% to 17.2% in the same comparison, while exports dropped from 26.2% to 18%. The remainder included intra-sectors business.

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