

AutoData

NEWS AGENCY WEEKLY EDITION

Edition
700

Weekly Brazilian automotive industry news | 08.03 to 08.07.2015 Year XII



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Production dropped 15% in July

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Brazilian production dropped 15% in July

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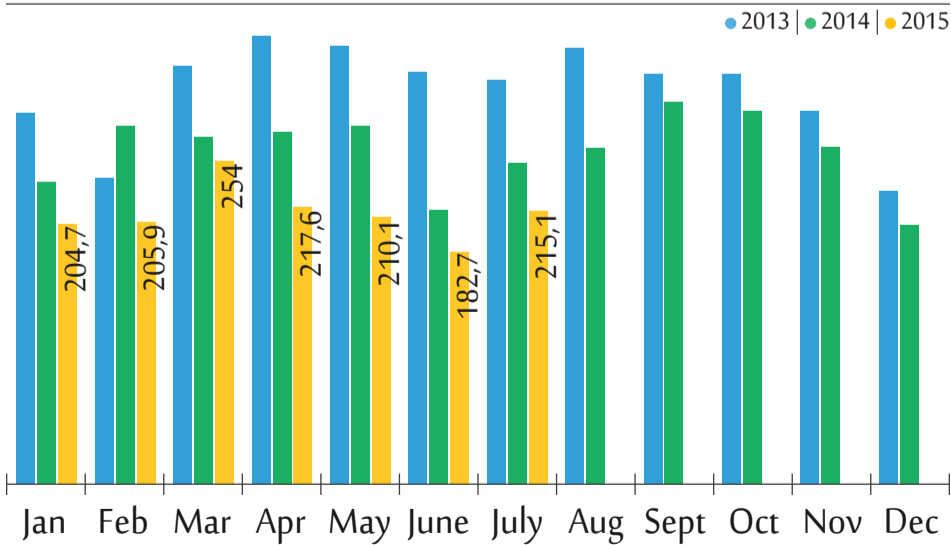


Image/Archive

Driven by lower domestic and foreign sales, Brazilian vehicle production dropped 15% in July when compared to the same month last year. According to figures released by Anfavea on Thursday, 6, vehicle production totaled 215.1 thousand units, including passenger, light commercial vehicles, trucks, and bus chassis, when compared to 252.7 thousand units in July 2014.

When compared to June, Brazilian

Production - Year to date (thousand units)



vehicle production in July registered an increase of 17.8%. However, the comparison has a few distortions, cautioned the president of Anfavea, Luiz Moan, during the press conference: “In June, collective vacations were more intense.”

According to Anfavea, at the end of June there were approximately 37 thousand workers on vacation, layoff, leave with pay, and other mechanisms applied by the industry in order to adjust production to the market. Moan stated that, by the end of July, this figure totaled 7 thousand workers.

“Undeniably, there is an excess of workers at the plants. We are producing at the same level as in 2006, with more employees. The layoffs, collective vacations, have clearly shown that this difference exists.”

Between January and July, production of vehicles totaled 1.5 million units when compared to 1.8 million units produced during the same period last year. During the past 12 months, more than 14.5 thousand workers were dismissed from the plants of passenger, trucks, bus chassis and agricultural machinery manufacturers. In July, 1.2 thousand workers were dismissed.

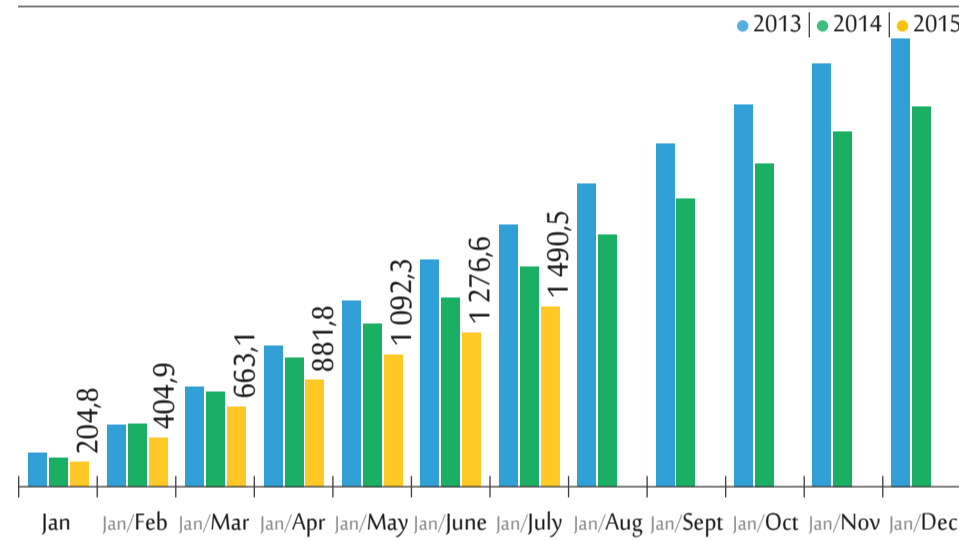
“Some vehicle manufacturers are discussing with the unions regarding the possibility of joining the PPE (Employment Protection Program, created last month by the federal government),” stated Moan. He believes this measure can help avoid dismissals in the sector.

During the past 12 months, Brazilian

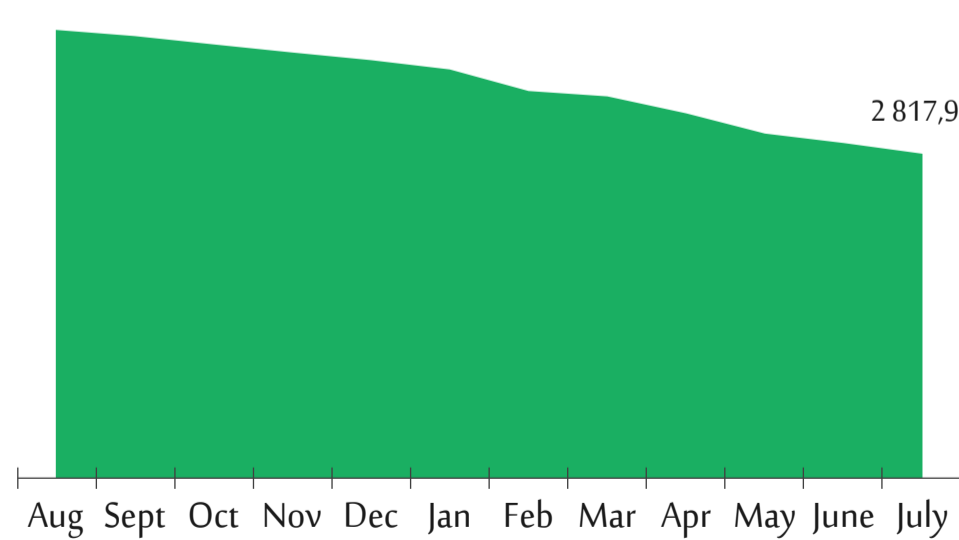
vehicle production totaled 2.8 million units, a drop of 15.4% when compared to the immediately preceding 12-month period. Anfavea projects production this year should total 2.6 million units, representing a drop of 10% when compared to 2014.

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Production - Monthly (thousand units)



Production - 12-month period (thousand units)



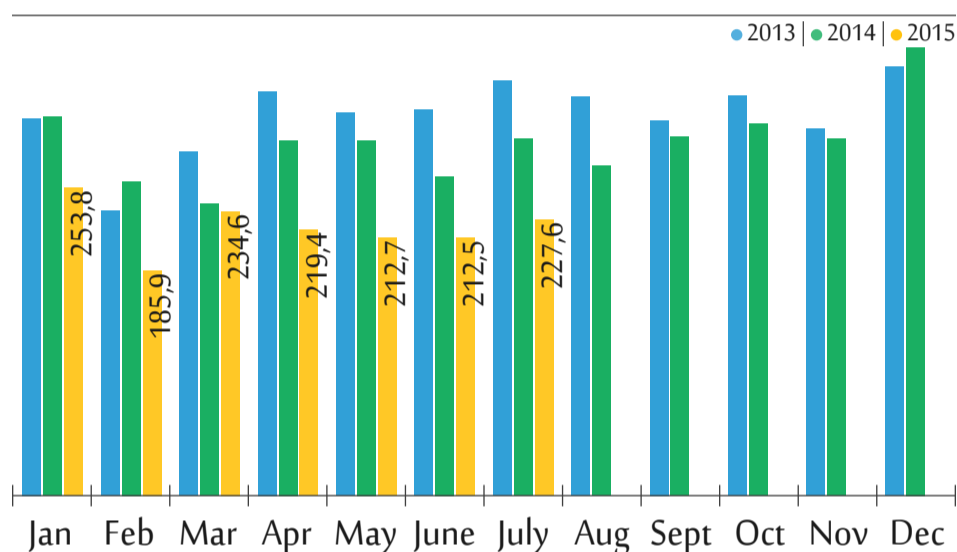
Market should maintain the same rhythm up to December

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The president of Anfavea, Luiz Moan, reaffirmed on Thursday, 6, the Brazilian vehicle market should recover during the first quarter of 2016 - an expectation he revealed first-hand in an AutoData Editora seminar on July 20. According to him, the postponement of a better scenario is due to the delay in the implementation of the fiscal adjustment: "We hoped the measures would be conducted with more agility, but even so we are confident the market should present a reaction."

During the monthly press release, where July's results were divulged, which took place in São Paulo, the industry's representative stated that a more accentuated drop in sales is part of a temporary moment. "We know this will pass. After all, the industry has announced R\$ 8 billion in new investments in the country. Overall, R\$ 85 billion in investments in Brazil have already been confirmed for the coming years,"

License registrations - Monthly (thousand units)



he stated. "We are all confident in an improvement and in the country's potential."

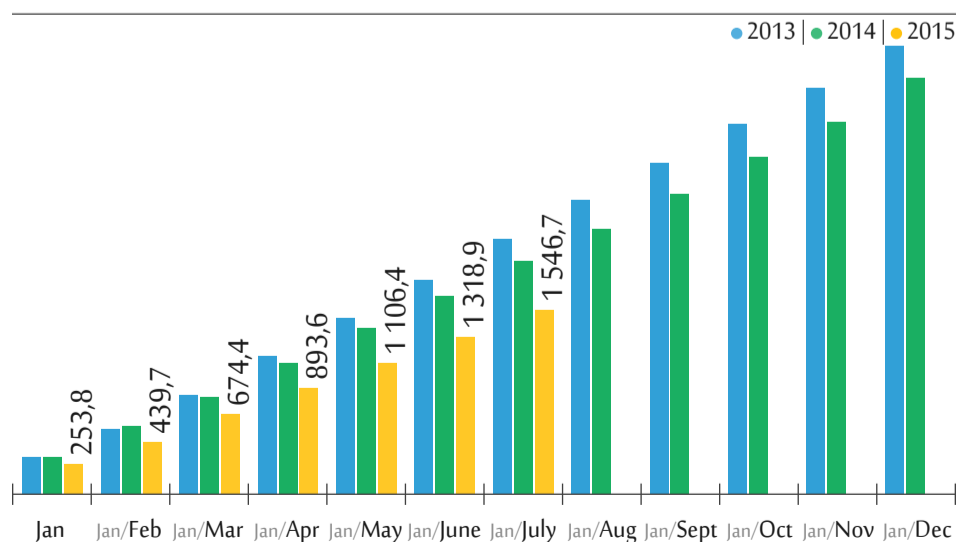
Moan believes the sales rhythm up to December should maintain the same level as demonstrated

throughout the year. "We did not expect a recovery during the second semester, but the achievement of these results should be postponed because of the delay in the approval of the fiscal adjustment measures."

In July, 227.6 thousand passenger and light commercial vehicles, buses, trucks, and agricultural machines were sold in the country. The volume represents a drop of 22.8% when compared to the same month last year. However, when compared to the previous month, there was an increase of 7.1% in sales.

According to Moan, Brazilians are

License registrations - Year to date (thousand units)





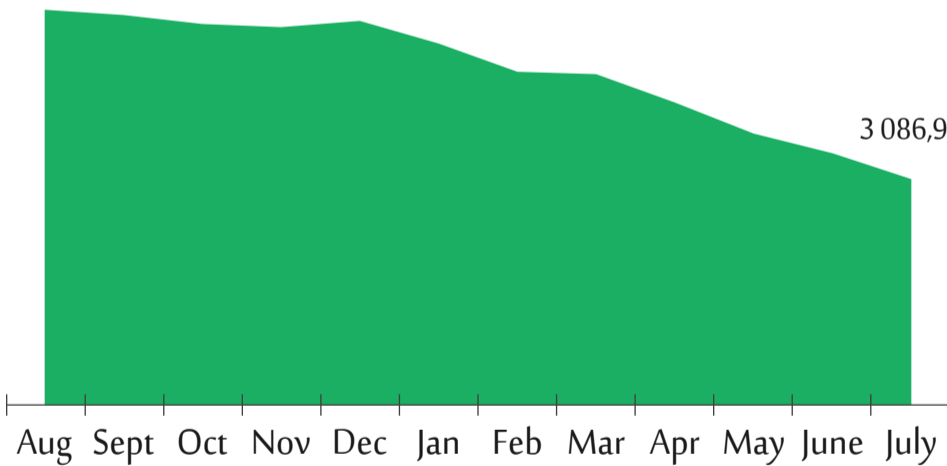
holding on to the desire of acquiring vehicles. “Sales of used vehicles prove this. Between January and July, approximately 6 million units were sold, representing an increase of 4% when compared to the same period last year,” he stated.

According to him, another proof that the market has potential to recover relates to the consortiums. “In June, 78.5 thousand quotas were sold in the country, representing an increase of 9% when compared to May, and an increase of 37% when compared to June 2014. Brazilians want to buy.”

During the first seven months of the year, vehicle sales totaled 1.546 million units, representing a drop of 21% when compared to the same period last year. Sales during the past 12 months totaled 3.09 million units, representing a drop of 13.9%.

Inventory - Inventory level dropped in July.

License registrations - 12-month period (thousand units)



According to Anfavea, the total dropped from 46 days of sales in June, to 45 days of sales last month.

In volumes, vehicle inventory dropped from 351.1 thousand units to 344.8 thousand units at the end of July. From this total, 206.9 thousand units are at the dealers, and 137.9 thousand units are at the plants.

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Exports await new agreements by September

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Despite the drop in July when compared to June, vehicle exports continue registering positive results for the year in Brazil, while revenues register increasingly smaller drops, therefore maintaining the sector’s expectation of, at least, repeating the same

US\$ 11.5 billion in foreign revenues this year.

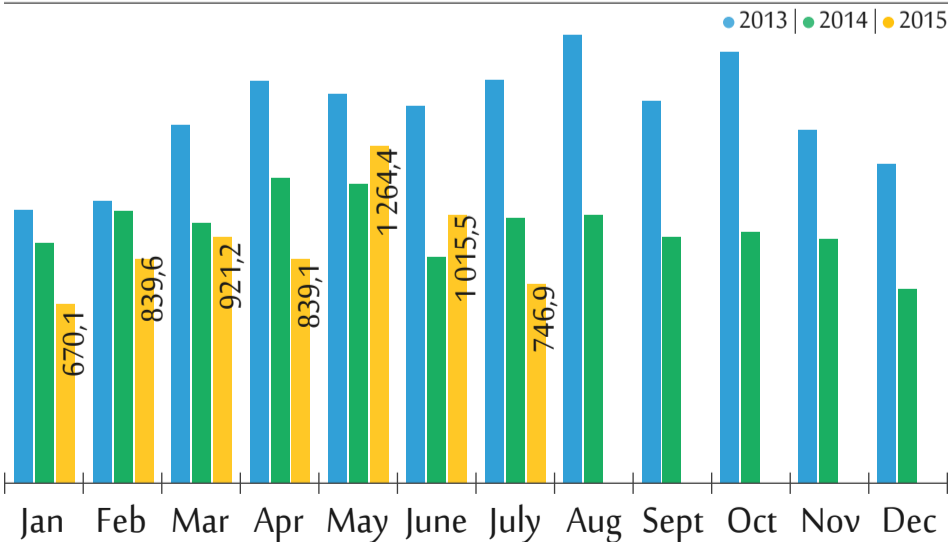
Luiz Moan, president of Anfavea, showed optimism regarding the continuous growth perspectives in exports during the monthly press

release on Thursday, 6, revealing increasingly closer contacts between the Brazilian government and Peru and Colombia: “We believe that still this month, or, at most, in September, bilateral agreements will be signed with both countries, with improvements when compared to what exists today.”

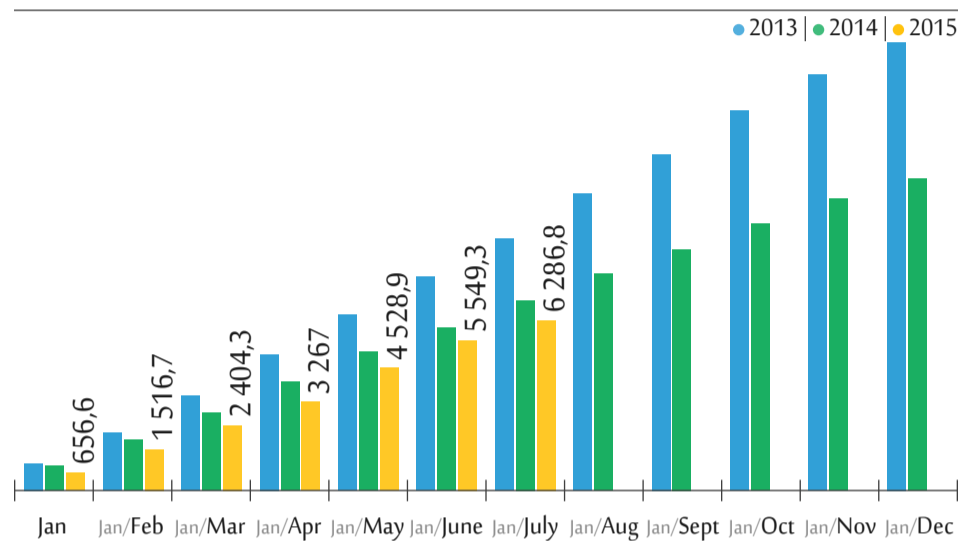
This is why the association decided to postpone the revision of this year’s foreign sales projections for an additional one or 2 months.

In July, 28.3 thousand vehicles were shipped abroad, representing a drop of

Exports - Monthly (US\$ million)



Exports - Year to date (US\$ million)

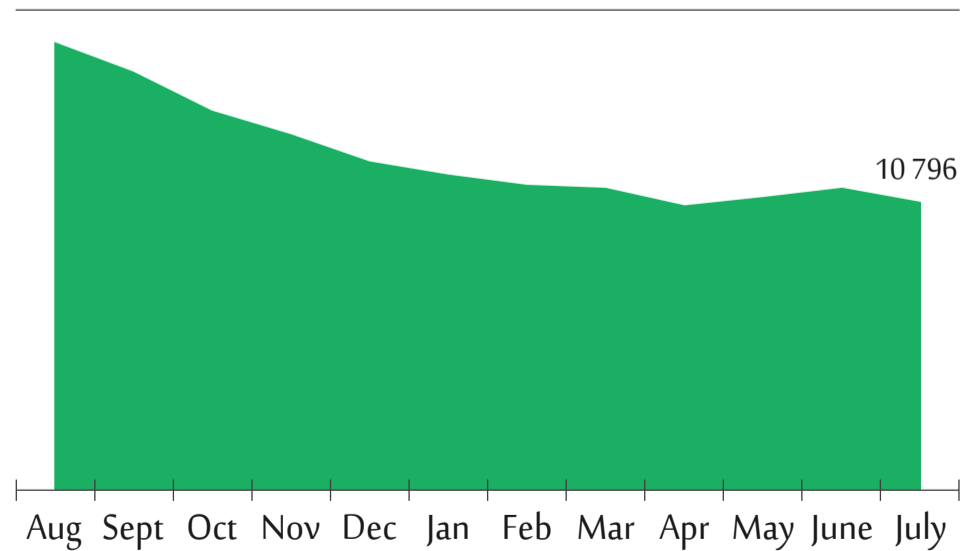


17.6% when compared to the 34.3 thousand units exported during the same month in 2014, and a drop of 40.7% when compared to shipments in June, which totaled 47.7 thousand units. During the first seven months of the year, however, shipments registered a growth of 10.7%; representing 225.3 thousand vehicles when compared to 203.6 thousand vehicles exported join the first seven months of last year.

Export revenues totaled US\$ 747 million last month, representing a drop of 24.7% when compared to the US\$ 992 million registered during the same month last year, and a drop of 25.7% when compared to June, when the sector registered exports of approximately US\$ 1 billion. The variations from month to month are not a source of concern. According to Moan, it is important to note that the ratio of year-to-date exports have shown a recovery trend:

“We began the year with an annual comparison indicating a drop of 27% in the value exported and now this ratio is at 10%. During the first seven months, we reached almost US\$ 6.3 billion when compared to US\$ 7 billion during the same period in 2014, but we believe in growth up to December and, this is why we maintain our target of reaching the same export revenues this year when compared to 2014.”

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



The growth in volume contrasts with the drop in revenues basically because of the mix of products exported. While shipments of automobiles registered an increase of 10.7% for the year, exports of agricultural machinery, which totaled 6.2 thousand units this year, registered a drop of 21.3% when compared to the 7.9 thousand units shipped abroad during the first seven months of 2014. “These are products with higher value-added and unit prices, which ends up generating the drop in export revenues in this sector,” explained the president of Anfavea.

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Trucks: a seven-month year.

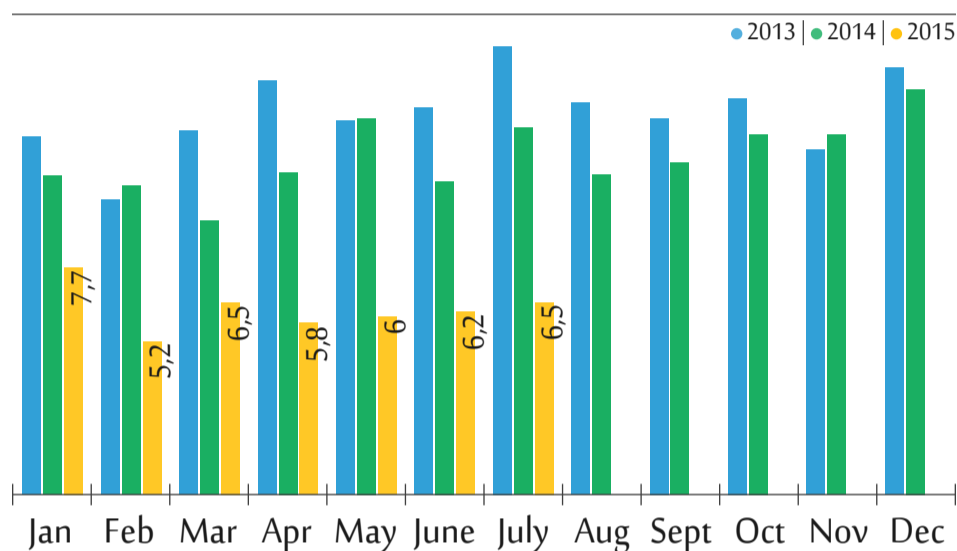
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The truck market in Brazil should close the year with a sales volume similar to the one registered between January and July of last year - approximately 77 thousand units. This was the projection divulged by Luiz Moan, president of Anfavea, at the monthly press release on Thursday, 6, when the industry's results for July and the first seven months of the year were divulged.

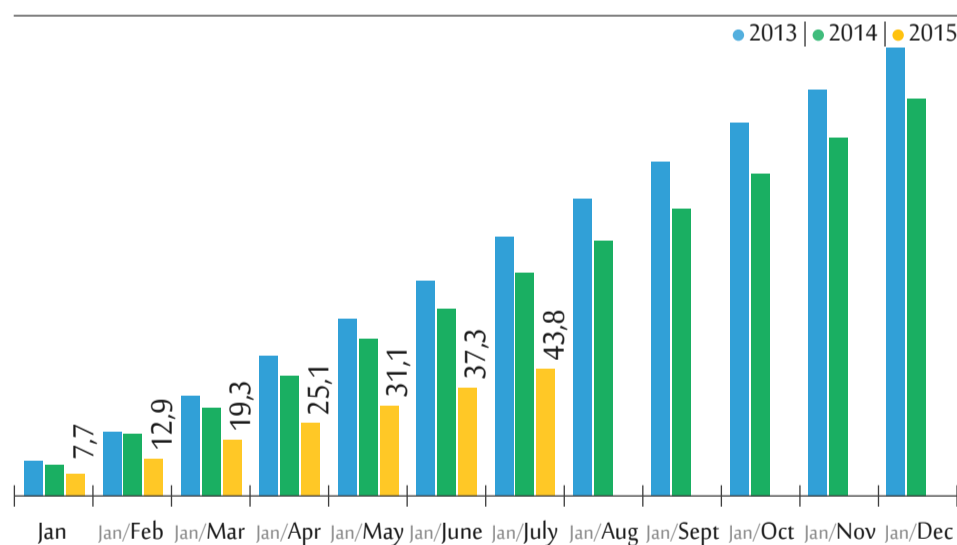
"We will have a seven-month year," stated Luiz Carlos Moraes, vice president of Anfavea who represents the vehicle manufacturers. Between January and July of this year, 43.8 thousand trucks were sold, representing a drop of 43.1% when compared to the same period last year. "The sector is still experiencing quite a difficult moment."

In July, truck sales totaled 6497 units, the second best volume for the year - below only the 7675 units sold in January. Even so, the result represented a drop of 47.6% when compared to the same month in 2014. Production is also being impacted. In July, the industry registered an output of 6.6 thousand trucks, representing an increase of 25% when compared to June, and a drop of 46.4% when compared to the same month last year. During the first seven months of the year, production volume totaled 48.3 thousand units, representing a drop of 45.4% when compared to the first seven months of last year. "Production is keeping up with the domestic market, as the vehicle manufacturers adjust their inventory levels in order to avoid impacting working capital at the plants and dealers. This is a drastic

Trucks - Monthly (thousand units)



Trucks - Year to date (thousand units)



reduction, to adjust to the size of the market." Positive data can be found in exports. During the first seven months, 12 thousand trucks were shipped abroad, representing an increase of 12.2% when compared to the same period in 2014. July's exports totaled 1.7 thousand units, representing a drop of 10.4% when compared to June, but an increase of 31.7% when compared to July 2014. WE



Image/Caio

Confidence crisis prevents bus chassis reaction

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The bus chassis market dropped once again in July. Last month, 1432 units were sold, representing a drop of 34.6% when compared to the same month last year, when 2189 units were sold in the country. When compared to June, the drop was smaller: 1%.

According to Luiz Carlos Moraes, vice president of Anfavea, “there exists potential for

the sale of chassis, but the confidence crisis is presenting the recovery of the purchases. Businesspeople are fearful of the economic and political scenarios and are postponing the purchases.”

The executive remembered that the bus market was significantly affected by the sales to the Caminhos da Escola federal government program. “It’s as if a market segment had become extinct and there is no

forecast for the program to return to the significant numbers.”

Anfavea projects sales of 20,000 bus chassis in 2015. During the first seven months of the year, sales totaled 11,097 units, representing a drop of 28.6% when compared to the same period last year. “If we maintain this rhythm, we will not reach the 20,000 units. The hope is that a bid will reanimate the market” - one such bet is in the city of São Paulo.

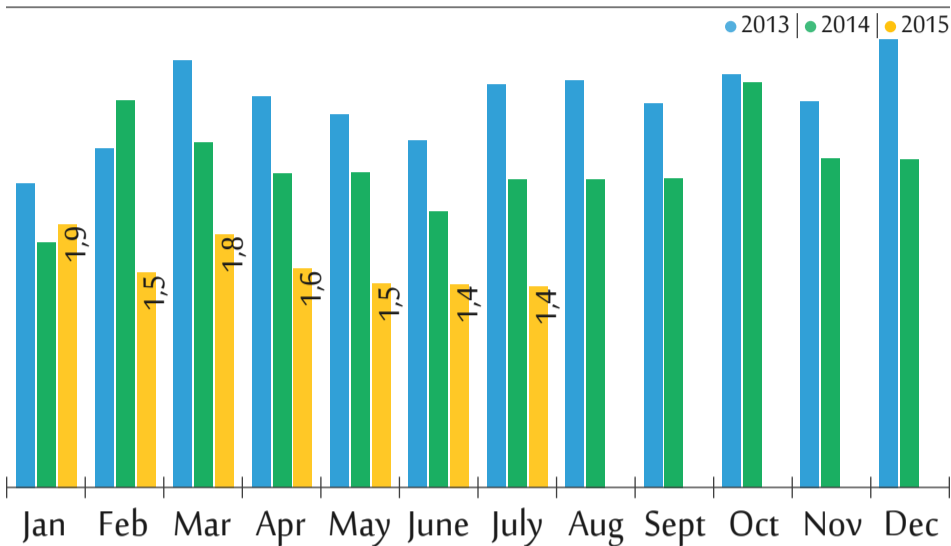
Chassis production accompanied the drop in sales. In July, 1895 units were produced in Brazil, representing a drop of 35.8% when compared to the same month last year, and an increase of 5.3% when compared to June: many plants returned to normal activities after collective vacations expired.

Urban buses registered the biggest drop in production: 44.9% when compared to the same month last year. The intercity bus segment registered a drop of 5.7% during the same period. During the first seven months of the year, bus chassis production totaled 15,760 units, representing a drop of 28.9% when compared to the same period last year.

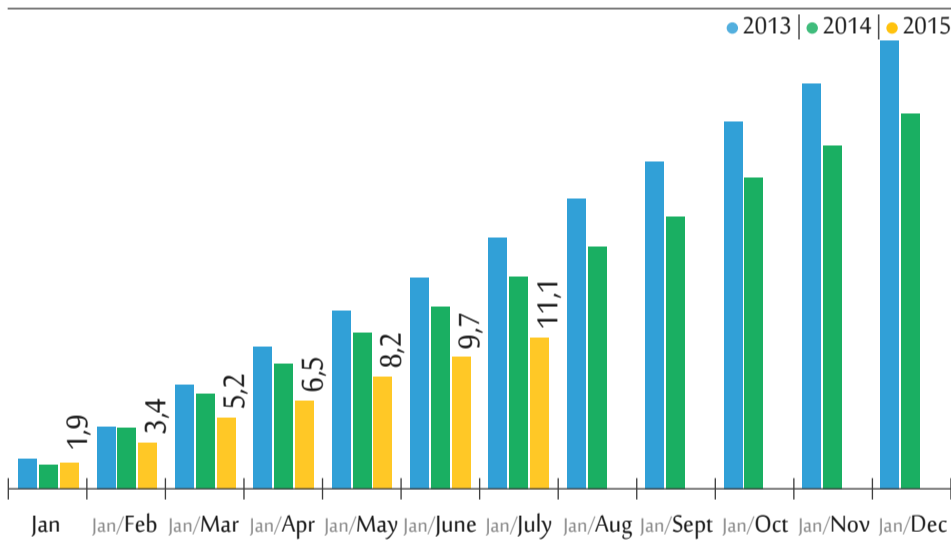
Exports represent the good news in the bus chassis market. In July, 717 units were shipped abroad, representing an increase of 15.3% when compared to the same month last year. When compared to June, there was an increase of 10.5%. Between January and July, 3,981 bus chassis were shipped abroad, representing an increase of 3.7% when compared to the same period in 2014.

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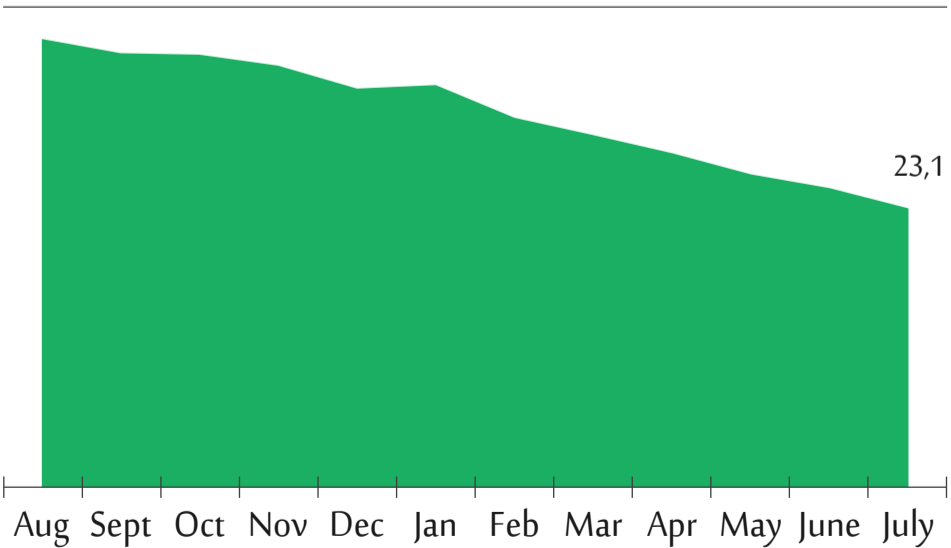
Bus - Monthly (thousand units)



Bus - Year to date (thousand units)



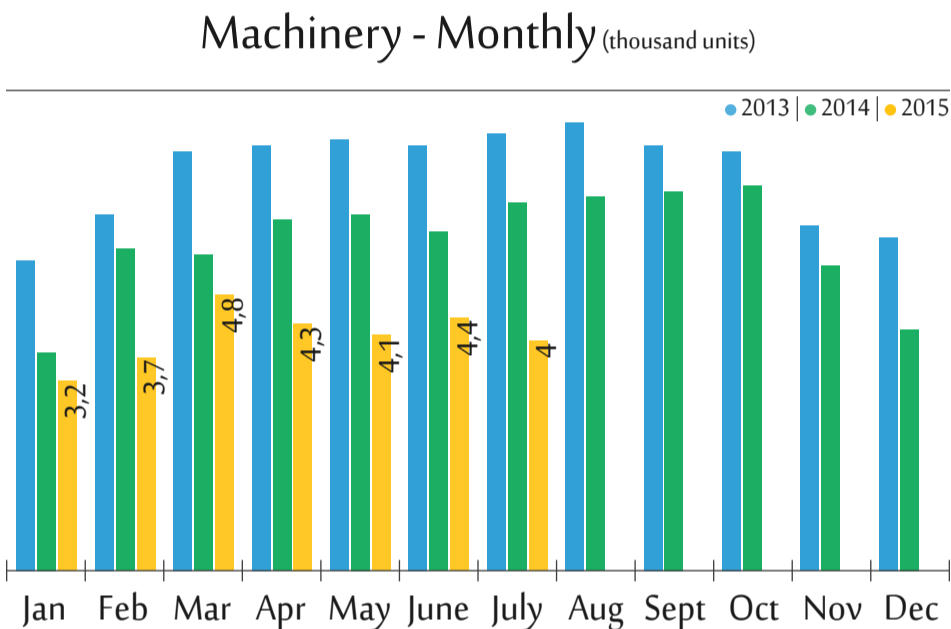
Bus - 12-month period (thousand units)



Machinery: domestic market drops again in July.

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After a slight reaction in June, with an increase of almost 7% when compared to the previous month, the agricultural and road machinery segment dropped again in July in Brazil. Last month, according to Anfavea figures divulged on Thursday, 6, 4000 units were sold, representing a drop of 37.5% when compared to the same month last year, and a 9.1% drop when compared to the previous month. During the first seven months of the year, sales dropped 27.2% when compared to the same period last year.



According to Ana Helena de Andrade, vice president of Anfavea, the monthly drop when compared to June does not necessarily mean a scenario of more significant drops throughout the year. The sector representative admits that during the last 5 months of 2015 the industry should register an average that is equal to, or, even slightly better, enough to even lower the drop registered between January and July.

“It is still possible to believe in an annual market only 20% below the one registered in 2014,” she stated, emphasizing the self irony in order to add that the industry still pursues the initial projection for the year.

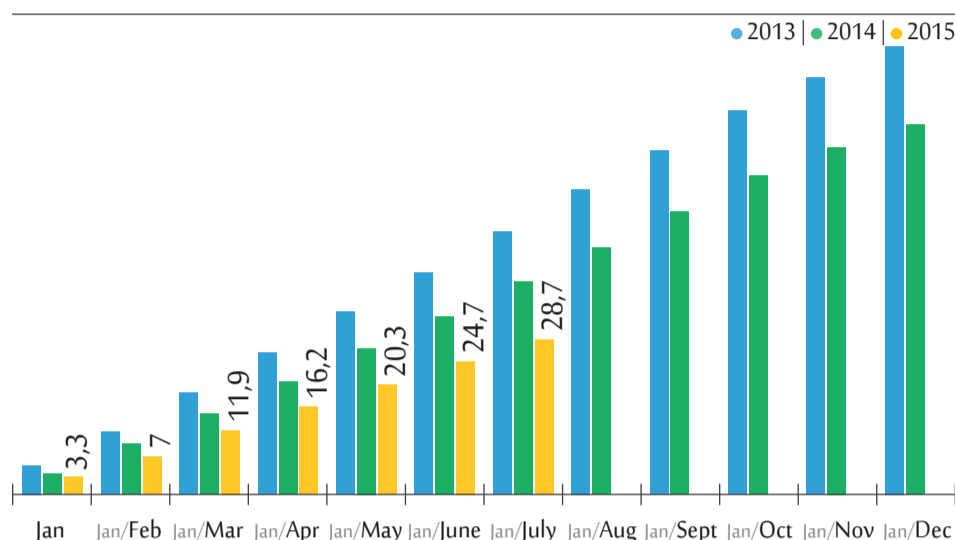
This lower level in July was not surprising, according to the vice president of Anfavea. After all, the sector would eventually feel the effects of a lack of credit, especially during the first 15 days, a period of transition from the 2014/2015 to the 2015/2016 harvest season. “The BNDES began operating its lines only at mid-month,” she added.

The 2015/2016 harvest plan was announced in June with resources valued at R\$ 187 billion, an increase of 20% when compared to last year, although the average interest rate was increased to 8.75% per year.

According to her, the continuous drop in the confidence ratio of the farmers is a source of more concern. It totaled 82.8 points during the second quarter of the year - at the end of 2014 it stood at 104.4 points.

With a domestic market that is 27% smaller

Machinery - Year to date (thousand units)



during the first seven months of the year, production of agricultural and road machinery could not have followed a different rhythm, especially because exports of 6.2 thousand units during the same period - including 843 of them in July - did not help much: representing a drop of 21.3% when compared to the same period in 2014.

In July, 5119 machines were produced, representing an increase of 41.6% when compared to the previous month. The big positive variation, however, is justified only by the smaller base of comparison, since many companies halted production in June as a result of vacations. In any event, it was the third best month of the year and helped decrease the year-to-date drop which now stands at 27.7%.

Tractors on wheels, the biggest production volume segment, totaled 4.2 thousand units produced in July, 49.3% more than June, but 41.4% below the same month last year.

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