

AutoData

NEWS AGENCY WEEKLY EDITION

Edition
736

Weekly Brazilian automotive industry news | 05.02 to 05.06.2016 Year XII



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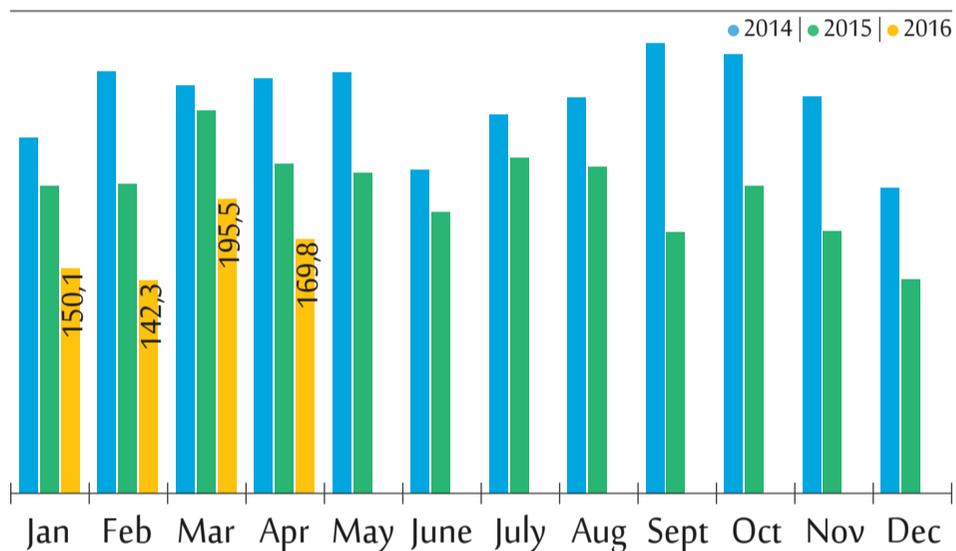
Drop in vehicle production subsides, but is still representative

Marcos Rozen | rozen@autodata.com.br

Despite a worrisome scenario, April figures brought about a slight, very slight, sign of improvement in vehicle production ratios in Brazil. During the first four months of this year, vehicle production output totaled 658,745 units, based on data divulged by Anfavea, during the monthly press conference, which took place on Thursday, 5, in São Paulo.

The volume represents a drop of 25.8% when compared to the same period last year,

Production - Monthly (thousand units)



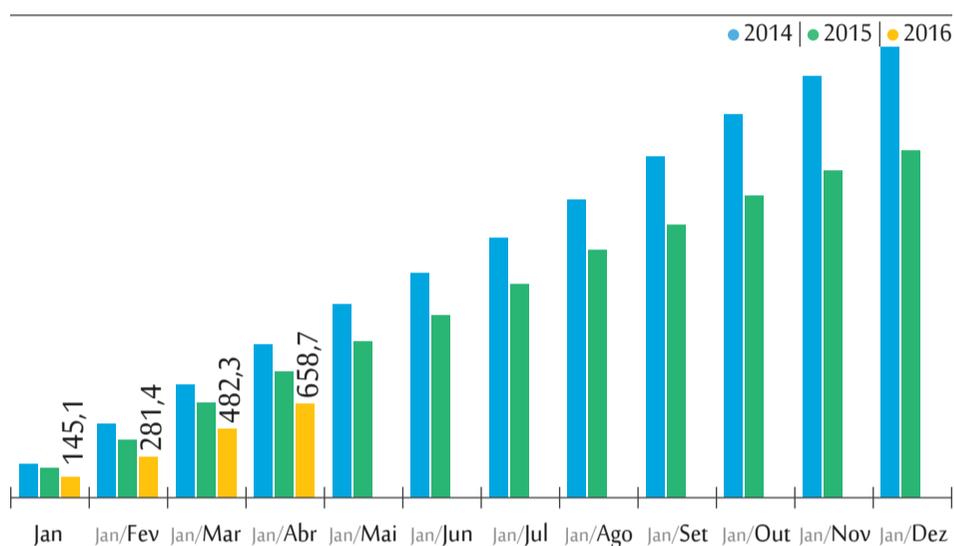
when vehicle production totaled 887,843 units. According to Antonio Megale, recently elected president of Anfavea, the result is “very worrisome.”

However, the ratio reveals a slight recovery when compared to the previous months of 2016. In addition, as incredible as it may seem, it is the best result registered this year when compared to 2015. During the first two months of the year, the drop in production when compared to the same period last year was 31.6%. During the first quarter, output dropped 27.8% when compared to the first three months of last year. The most recent accumulated drop in volume is also lower than the comparison between January of this year and January 2015, which fell 29.3%.

Production in April totaled 169,813 units - passenger and light commercial vehicles, trucks and buses. This volume is 22.9% lower than the same month in 2015, and 13.6% below March’s output.

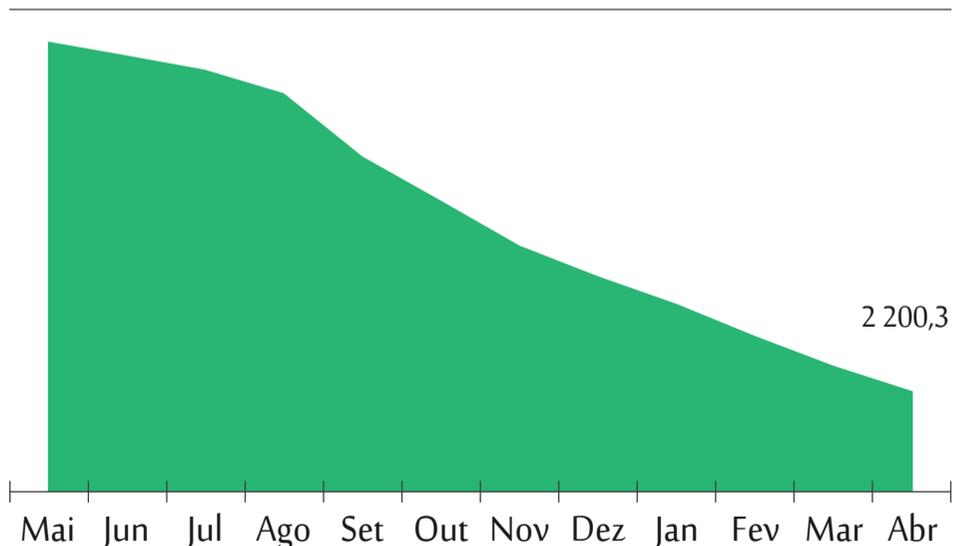
The automotive sector’s workforce in April remained stable when compared to March, totaling 128.4 thousand active workers. However, when compared to the same month in 2015, there was an 8% drop, that is, a loss of 11,000 jobs. Megale stated that 35.6 thousand workers are not performing their regular activities - 29.6 thousand are under the Employment Protection Plan and 6000 are laid off. “This

Production - Year-to-date (thousand units)



volume represents almost 30% of the total workforce. Vehicle manufacturers are doing everything possible to maintain the workforce, which is highly trained and qualified.” WE

Production - 12-month periods (thousand units)



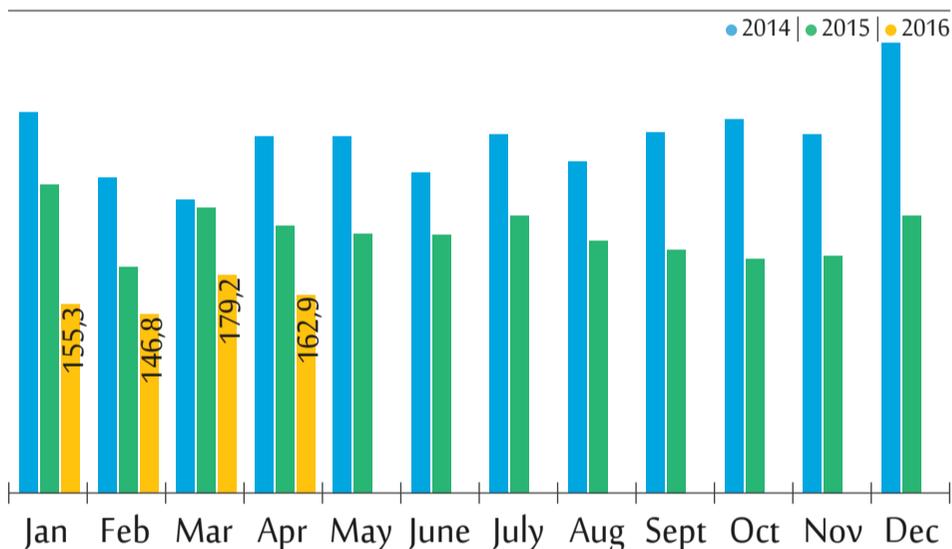
Manufacturers to apply initiatives to reduce inventories

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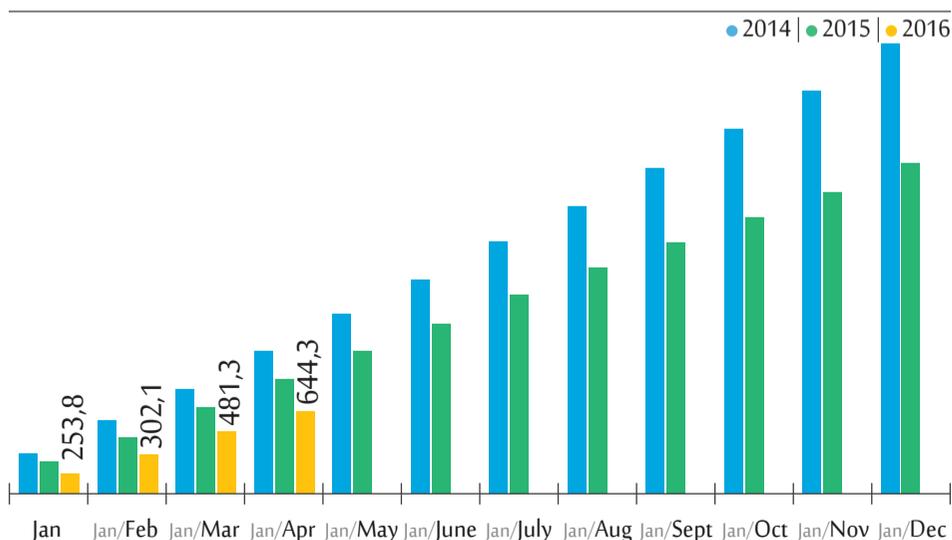
Vehicle producers plan to conduct initiatives to reduce inventories, stated Antonio Megale, president of Anfavea, on Thursday, 5.

The initiatives should happen at both ends of the industry, he explained: on one side, more aggressive sales efforts, such as promotions and large sales events, which have already begun to return to the scene in April, albeit timidly, and, on the other side,

License registrations - Monthly (thousand units)



License registrations - Year to date (thousand units)



reduction of production volumes, which already have dropped almost 26% during the first four months of this year.

Last month, inventories dropped slightly, but Megale stated that “they are still well above what the industry considers to be ideal.” Inventory closed last month that 251.7 thousand vehicles, 174.8 thousand units at the dealers, and 76.9 thousand units at the plants. This volume is equivalent to 46 days of sales, overall, 32 days and 14 days,



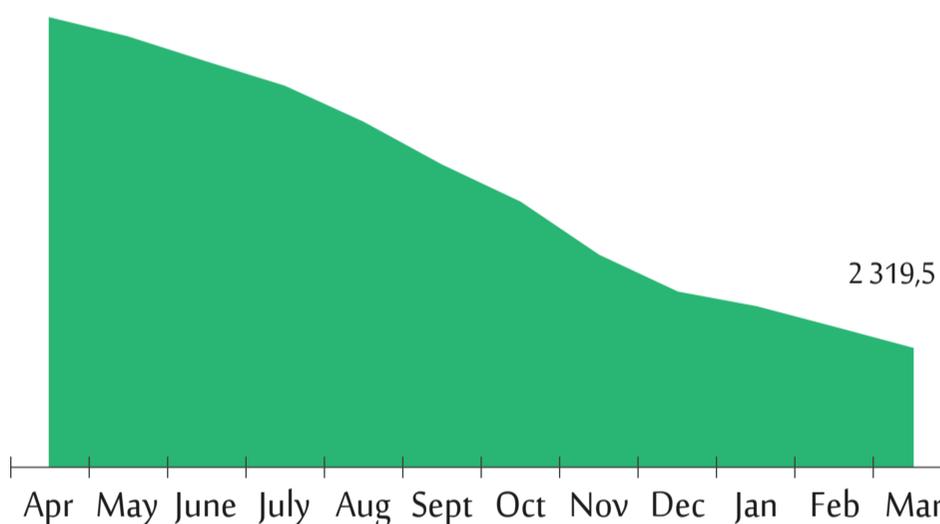
respectively. In March, inventories stood at 259.1 thousand vehicles, equivalent to 48 days of sales.

In any event, April's numbers were not exactly heartening. The month closed with 162,939 new vehicles licensed, a drop of 25.7% when compared to the same month in 2015, and a drop of 9.1% when compared to March. In the case of March, the drop occurred because of an issue related to working days, the average daily number of vehicles licensed remained stable, slightly above 8000 units.

During the first four months of this year, 644,250 vehicles were licensed, representing a 27.9% drop when compared to the 893,729 units licensed between January and April 2015. During the 12-month period ranging from May 2015 to April 2016, 2.3 million units were licensed, representing a higher drop of 29.4%.

According to Anfavea, sales of imported vehicles during the first four months of the year registered the biggest drop, totaling 91.1 thousand units, a drop of 37.3% when compared to a 26% drop in the number

License registrations - 12-month period (thousand units)



of locally produced vehicles, which totaled 550.1 thousand units. As a result, the share of vehicles imported into the country, including those imports made by vehicle manufacturers with facilities in Brazil, totaled only 14.6% during the first four months of the year, when compared to 16.1% when compared to same period in 2015.

In 2014, the share of imported vehicles in the domestic market totaled 17.6%, and, in 2013, it closed at 18.8%.

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Exports increase 24.3% during the first four months of the year

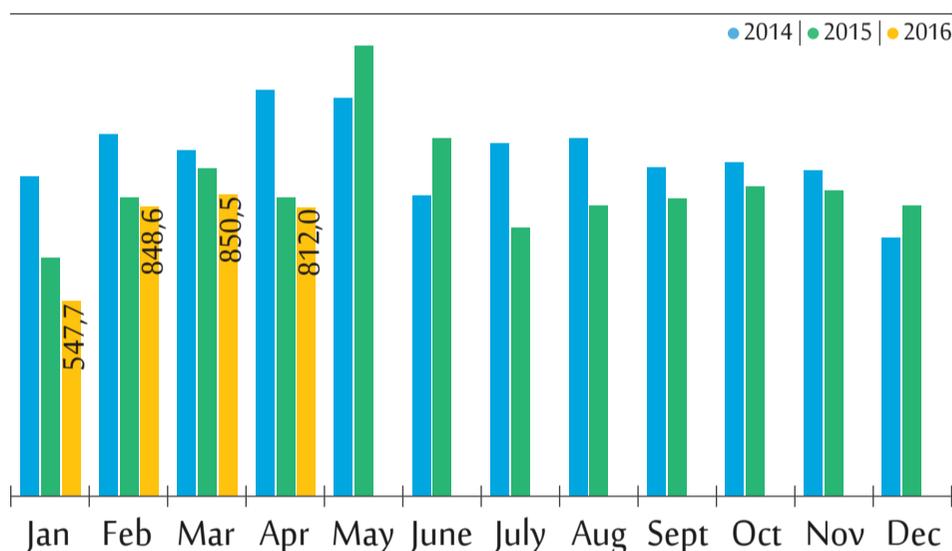
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Vehicle exports continue to rise in volume, but revenues during the first four months of the year continue to be negative due to drop in shipments of trucks and agricultural machines. “The problem is the mix,” stated Antônio Megale, president of Anfavea, on Thursday, 5. “We are exporting more products of lower value-added, and this is why revenues have not kept pace with volume.”

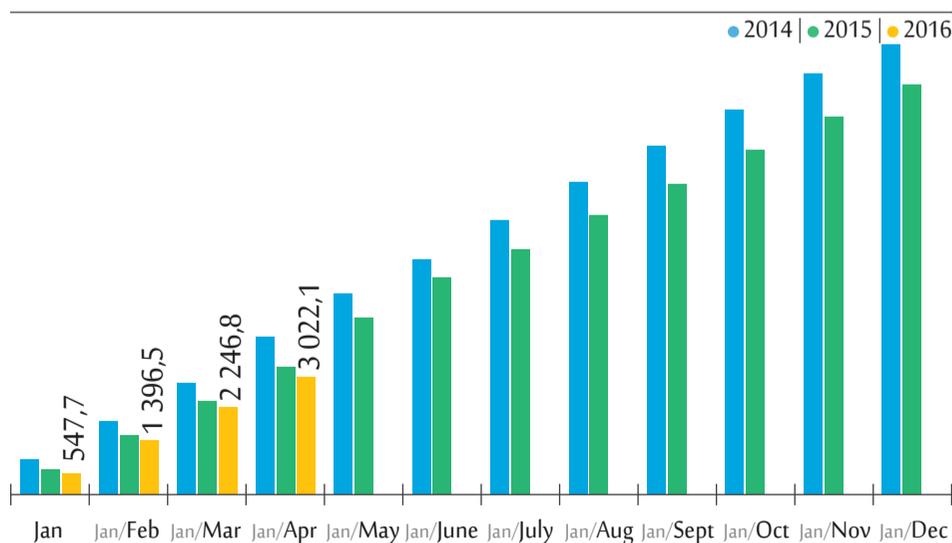
In April, 37.8 thousand vehicles were shipped abroad, resulting in 136.3 thousand vehicles exported during the first four months of the year, representing an increase of 24.3% when compared to be 109.7 thousand units shipped abroad during the same period in 2015. Export sales of passenger and light commercial vehicles totaled 128.3 thousand units, representing an increase of 26.2%. Bus shipments also increased, 15.3%, totaling almost 2.3 thousand units. Truck exports, which totaled 5.8 thousand units during the first four months of the year, registered a drop of 4.2% when compared to the same period in 2015.

In the case of road and agricultural

Exports - Monthly (US\$ million)



Exports - Year to date (US\$ million)

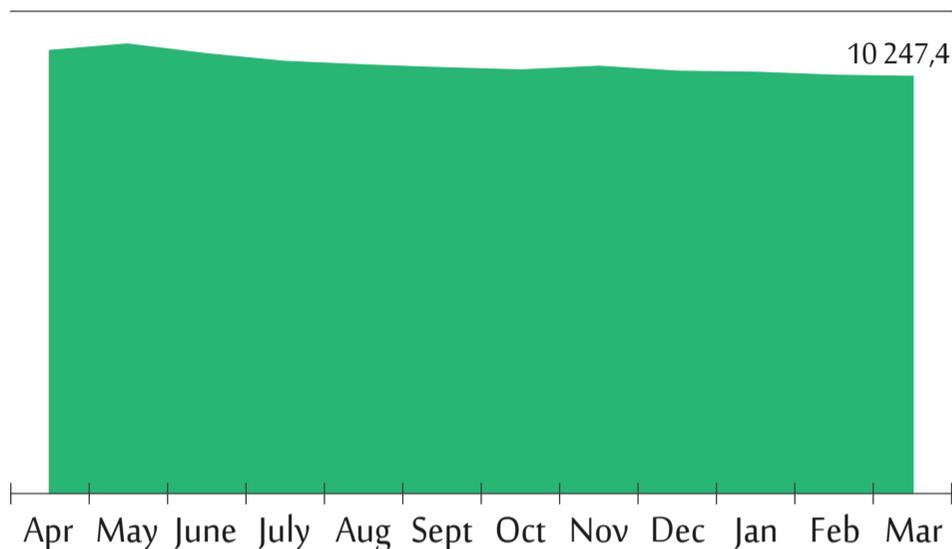


machinery, exports totaled 2.5 thousand units during the first four months of the year, representing a 23.3% drop when compared to the same period last year. Total export revenues, including vehicles and machines, reached US\$ 3.022 billion, representing a drop of 7.6% when compared to US\$ 3.269 billion shipped abroad during the first four months of last year.

Despite lower revenues when compared to 2015, Anfavea believes export business should improve in the coming months. “We had important improvements on bilateral negotiations conducted by the government,” stated Megale. “At the end of last year, we closed agreements with Uruguay, and, more recently, with Colombia and Peru, generating good expectations as to closing new export deals.”

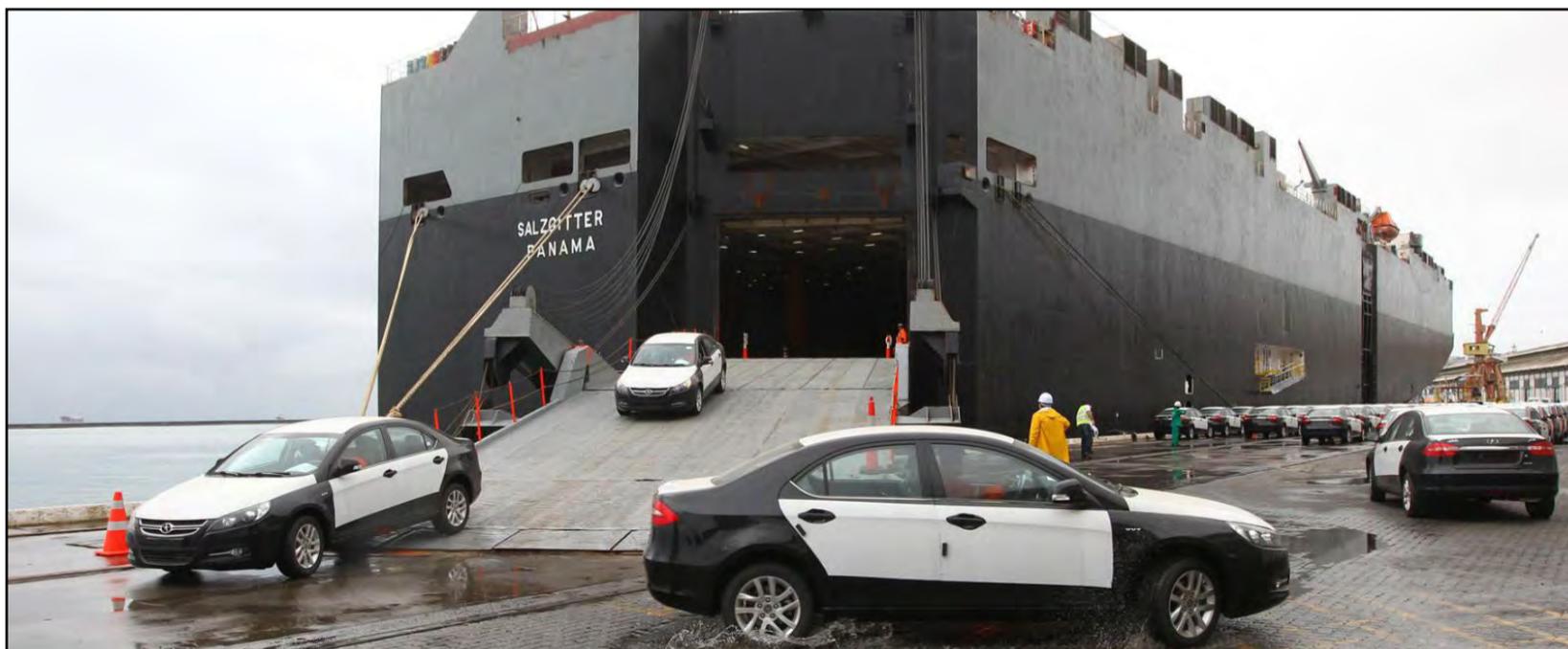
According to the president of Anfavea, it is also important to note that negotiations are currently underway with African countries. The association has worked jointly with the government to detect the best markets with which to establish bilateral agreements.

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



Regarding the drop in truck exports, the representative of this area within Anfavea, Luiz Carlos Moraes, explained that sales of heavy vehicles to other countries requires longer negotiation periods since it involves the creation of sales and service structures in those markets. However, he stated that every heavy vehicle manufacturer, including trucks and buses, are engaged in expanding foreign sales, traveling throughout the world in search of new business.

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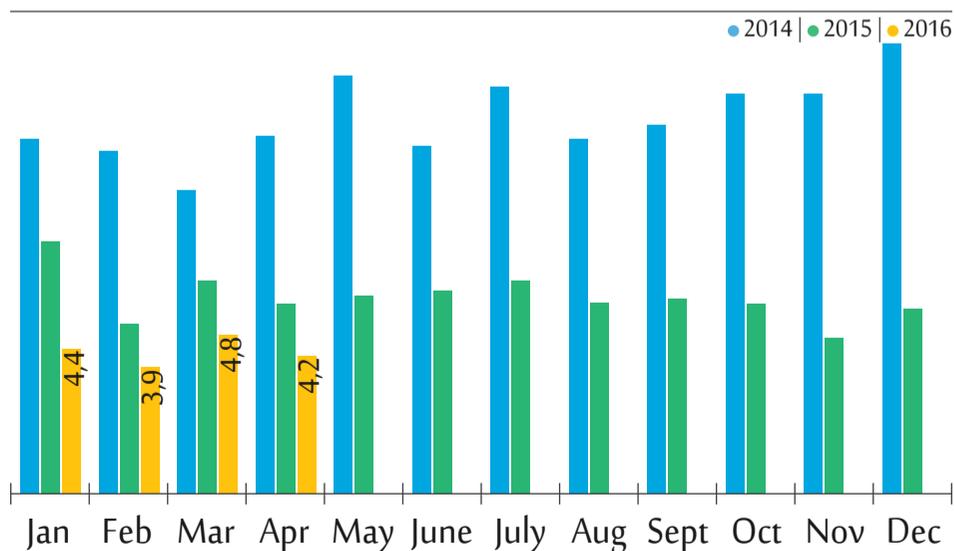
Truck sales continue low

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The number of new trucks licensed in April in Brazil totaled 4.2 thousand units, a drop of 27.4% when compared to the same month last year, and a drop of 13.2% when compared to March. The numbers were divulged by Anfavea on Thursday, 5, during a press conference in São Paulo, and indicate the continuation of low volumes in the segment that, according to the vice president of the association, Luiz Carlos Moraes, is undergoing “a dramatic situation, returning to the volumes registered in 1999.”

Heavy trucks - Monthly (thousand units)

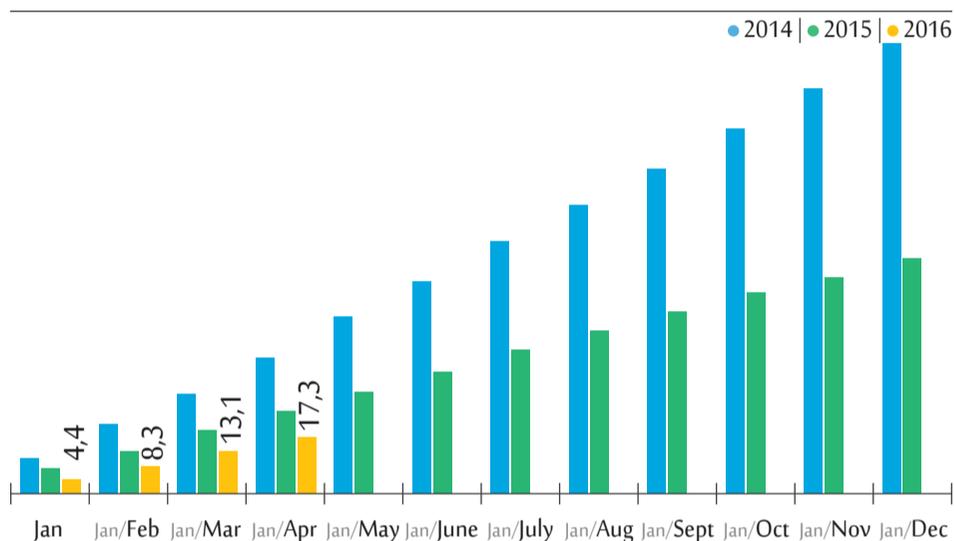


During the first four months of the year, 17.3 thousand new trucks were licensed, representing a drop of 31% when compared to the same period last year.

“In 2011, the industry’s best year, monthly sales stood at 14,000 units. We are back to the 90s, unable to pass along the investments made to adjust the technologies to the Euro 5 emissions (norms) and with 2016 costs.”

Production is keeping pace with the domestic market. In April, 5.2 thousand trucks left the assembly lines, representing a drop of 24.3% when compared to the same month last year, and a drop of 9.2% when compared to March. During the first four months of the year, production totaled 20.4 thousand units, a drop of 32.4% when compared to the same period last year.

Heavy trucks - Year to date (thousand units)

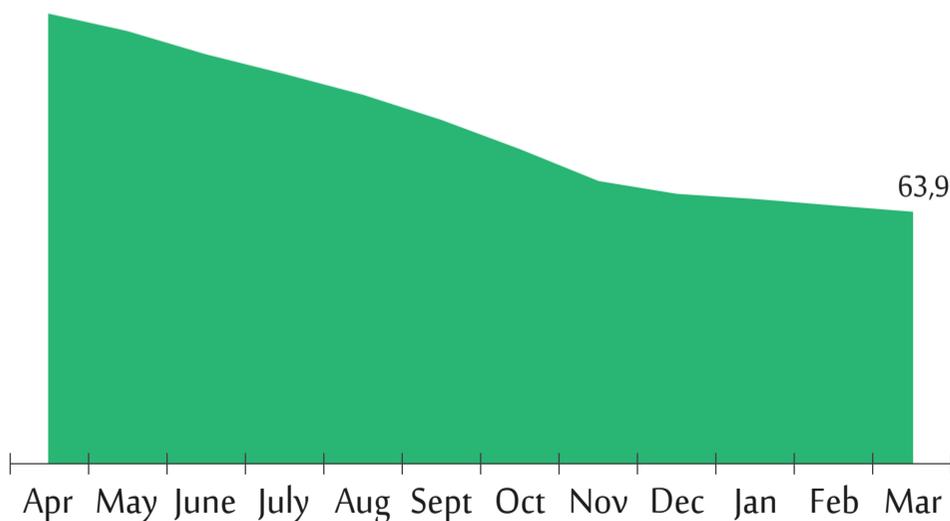


Exports of trucks have still not reacted, contrary to what has been happening in the other segments of the industry. Between January and April, 5.8 thousand trucks were shipped abroad, representing a drop of 4.2% when compared to the first four months of 2015. Last month, 1.7 thousand units were exported, representing an increase of 1.7% when compared to the same month last year, and an increase of 6.9% when compared to March.

“Truck export is not a business that is closed from one day to the other. Our executives have grabbed their bags and are searching for new markets, but it is complicated. Unlike other segments, the business also involves financing, which is not so easy to close.”

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Heavy trucks - 12-month period (thousand units)



Bus market returns to the level of 1994

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In April, only 916 bus chassis were sold in Brazil, according to figures divulged by Anfavea on Thursday, 5. During the first four months of the year, the only month when sales totaled more than 1000 units was January.

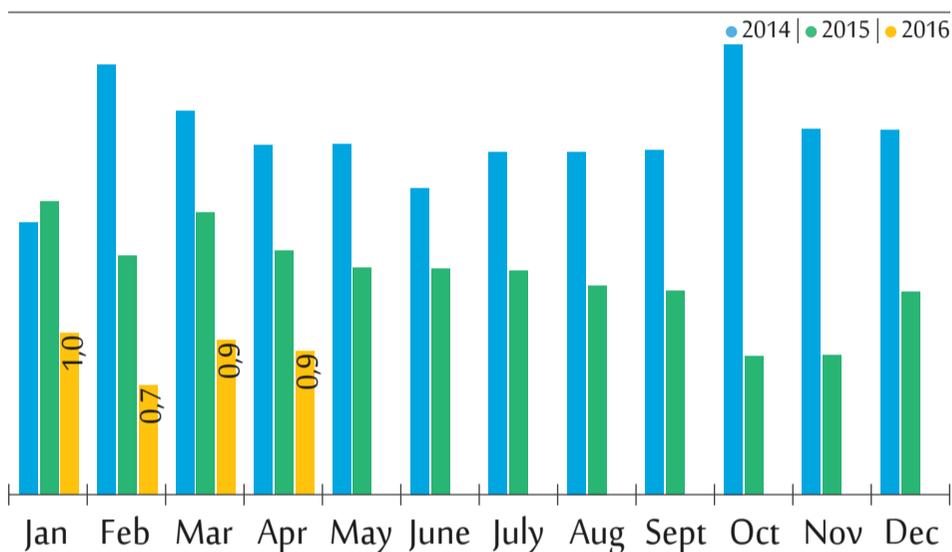
April's volume represents a drop of 41.3% when compared to the same month last year, and a drop of 7.2% when compared to March. In addition, the volume has reached the same level as in 1994, that is, 22 years ago, according to the vice president of Anfavea, Luiz Carlos Moraes.

"We are unable to sell 1000 units per month," he stated, during a press conference. Between January and April, 3.6 thousand units were licensed, representing a drop of 46.3% when compared to same period in 2015 - the volume had already dropped more than 25% when compared to the previous year.

A similar behavior was registered in production, which totaled 5.9 thousand bus chassis during the first four months of the year, representing a drop of 39.2% when compared to the same period last year. In April, production totaled 1.6 thousand units, representing a drop of 23.1% when compared to the same month last year, and a 4.2% drop when compared to March.

Exports, on the other hand, are signaling recovery: in April, shipments totaled 697 units, representing an increase of 34.8% when compared to the same month last year, although

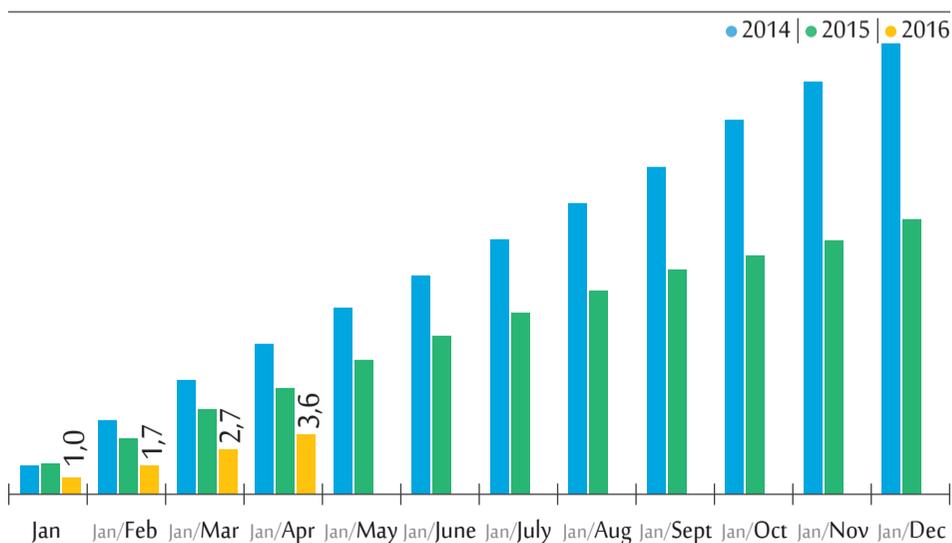
Bus - Monthly (thousand units)



it also represented a drop of 4% when compared to March. During the first four months of the year, shipments abroad totaled 2.3 thousand units, representing an increase of 15.3%.

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Bus - Year to date (thousand units)



Harvest Plan brings breathing room to the agricultural machinery sector

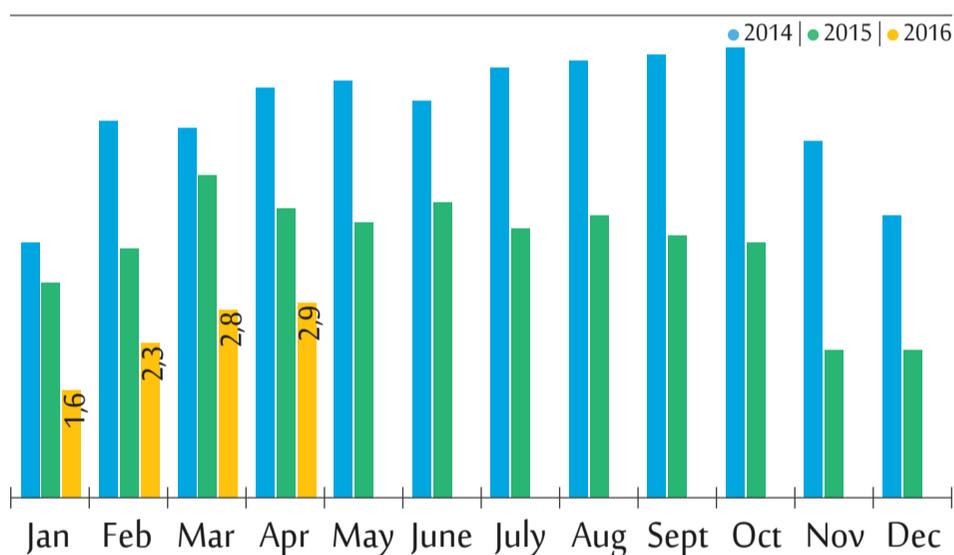
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Despite a 4.9% growth in April, when compared to March, the road and agricultural machinery market continues to exhibit a highly negative performance during the year, registering a drop of 40.8% in sales during the first four months of the year when compared to the same period in 2015. Wholesale sales totaled 2.8 thousand machines last month, totaling 9.5 thousand units during the first four months of the year. A year ago, the sector registered 16.1 thousand units in sales during the same period.

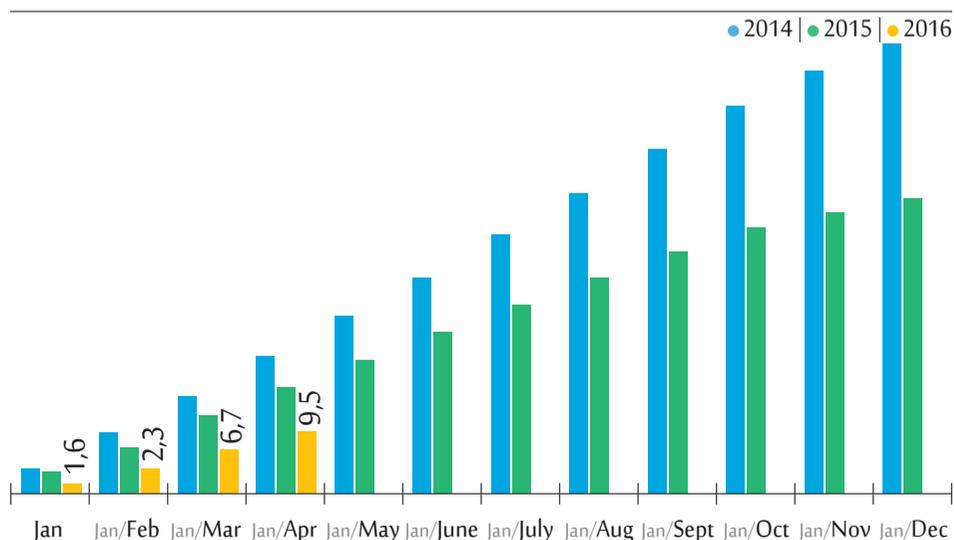
The numbers are causing concern, stated Antonio Megale, on Thursday, 5. However, according to him, the announcement of the Harvest Plan 2016/2017, with R\$ 200 billion in resources, and the Family Agriculture Harvest Plan for the same period, are bringing new breathing room to the sector.

“We have emphasized the predictability aspect and, in this sense, the announcement of the new harvest plans, with the definition of resources and financing rules, is very positive.” According to Megale, the interest rate increased only one percentage point and

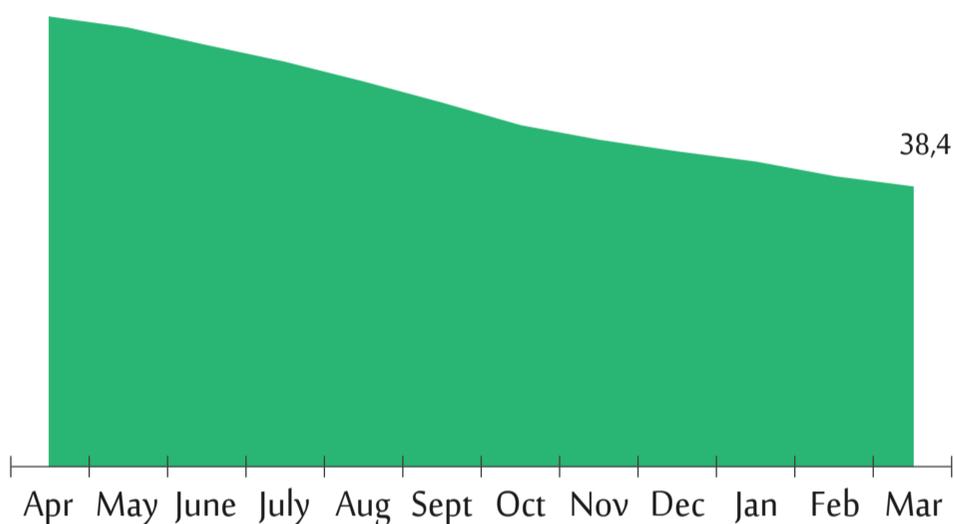
Machinery - Monthly (thousand units)



Machinery - Year to date (thousand units)



Machinery - 12-month period (thousand units)



other conditions remain the same. “The farmer sold his harvest well and is capable today of acquiring, but the necessary predictability for him to invest again was lacking.”

Agrishow, which took place in Ribeirão Preto, in the state of São Paulo, last month, was also a positive factor to the agricultural machinery sector. Anfavea’s representative for this area, Ana Helena Correa de Andrade, stated that Agrishow was “an example of the state-of-the-art in the agricultural sector,” with a broad range of products and brands demonstrating the most

technologically advanced features available in the sector:

“There was significant interest for the products exhibited and the purchasing decision starts to occur from now on, favoring business in the coming months. We have farmers with purchasing power and, up to the announcement of the new harvest plans, there were fears that resources would not be available. It is now easier for the farmer to make the investment decision and, as a result, we have a favorable expectation regarding the market.”

In addition to the drop in the domestic market, the road and agricultural machinery sector has been unable also to close new export deals. Exports dropped 23.3% during the first four months of this year when compared to the same period in 2015, representing shipments of 2.5 thousand units. As a result, production also registered a negative performance. Output during the first four months of the year totaled 11.2 thousand units, a drop of 46.2% when compared to the 21,000 units produced during the same period in 2015.

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