

AutoData

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Weekly Brazilian automotive industry news | 5.22 to 5.27.2017 Year XII

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MWM ENGINES CULTIVATING PROGRESS



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Debts. Automakers in Argentina accumulate US\$ 600 million.

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According to the study, the regulatory changes introduced a year and a half ago in the trade regime and the easing of internal taxes on higher value-added vehicles negatively influenced the performance of the local productive sector. The flex exchange rate coefficient formula agreed with



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Brazil, which has a duration of four years, stipulates that for every US\$ 1 Argentina exports to the Brazilian market, of vehicles and autoparts, the country can import US\$ 1.50 tax free.

The study concluded that “the increase of sales of vehicles occurred, to a greater extent, in the segment of higher value-added units, which is why imported units from Brazil were favored at the expense of those produced locally.”

Argentinean automotive exports in the first four months of the year reached US\$ 1.559 billion, and imports reached US\$ 3.389 billion. This resulted in the current trade deficit of US\$ 1.83 billion. The trade balance deficit is explained by the 37.3% increase in imports during the period. Exports registered an increase of 4.4% from January to April.

Undav’s Observatory of Public Policies noted that importing companies exceeded their respective quotas established in the automotive agreement with Brazil by 240% due to the lack of control and open trade policies. According to the study, imports by the automotive complex in the first quarter showed an increase of almost 40% in relation to same period in 2016. However, in the same period, local production fell for the second consecutive time.

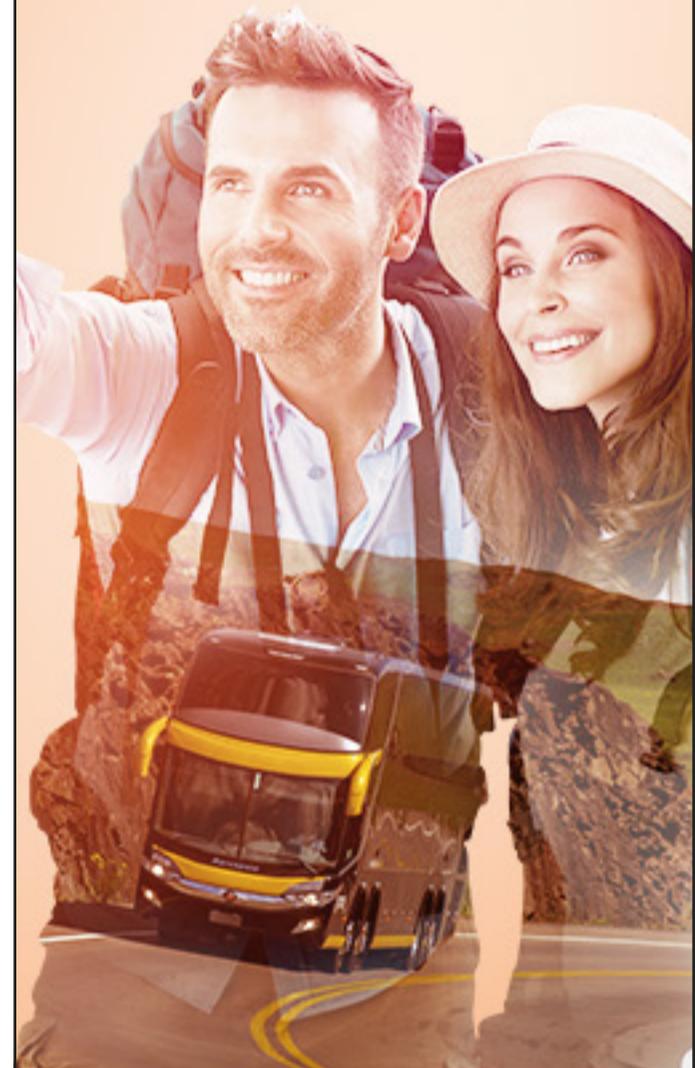
The 10.22% increase in sales in 2016 was accompanied by a 10.23% drop in production, the same ratio. The drop in local production was offset by an avalanche of imports, which increased of 45.45%. The study concluded that “the trend doesn’t seem to be reversed this year, since local production dropped around 10% during the first four months of the year, while sales increased 14.6%. According to the study, while not regulating the payment of penalties by companies that have exceeded the quota, the government maintains a favorable balance of US\$ 600 million.

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MAN and MWM celebrate production of 100 thousand engines

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MWM produced 100,000 engines for MAN Latin America, assembled at the Santo Amaro plant in São Paulo. The facility is exclusively dedicated to MAN. It assembles the MAN D08 engines that equip trucks and buses with powers of 190-hp, 230-hp, 260-hp and 280-hp. The dedicated production line has an area of 2500 m² and began operation in 2012. Antônio Cammarosano, domestic market sales director at MAN trucks, said the partnership was put together in 2011:

“These engines equip vehicles ranging between 13 and 21 tons. The bigger engines, above 45 tons, for the time being are imported from Germany. When the market improves, we can think of producing them locally.”

Cammarosano stressed that the larger engines equip the TGX trucks, which sell in a market that recently has dropped 30%: “Any decision about local production of this engine will depend on sales in Brazil.”

From January to April, MAN sold 454 heavy trucks, a 30.8% drop when compared to the same period last year.

José Eduardo Luzzi, president of Navistar Mercosul, said in a statement that MWM has been MAN’s partner for 30 years: “Throughout three decades, MWM and MAN Latin America have jointly promoted innovations and advances to the national and global auto industry.”

According to MWM, the biggest volume of engines produced in São Paulo was destined to the Brazilian market, but there are also units exported in this volume. The engines equip about 45% of the Volkswagen trucks and buses portfolio.

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Country's industrial output dropped in April

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The increased production of vehicles in April, due to record exports, was insufficient to reverse the domestic industry production output. Data from the CNI, National Confederation of Industry, pointed out that last month installed capacity and production ratios in all segments of the economy registered drops. There may be two reasons for such a performance: April had 18 working days against 23 in March, and the political facts, which stagnated investments.

The production index recorded a significant drop from 54.8 points in March to 41.6 points in April, dropping below April 2016, when the index was 42.4 points. Values below 50, according to the CNI,



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indicate production output decrease. Last month's result also marked the fourth year in which April's index has dropped. The last positive April indicator was in 2013, 52.8.

The capacity utilization index, known as UCI, fell from 41.2 points to 36.6 points from March to April. In April last year, it stood at 34.7 points.

According to the CNI, although a drop of activity from March to April is common, this year's drop was higher.

According to Professor Antônio Jorge Martins, an expert in automotive chain management at FGV, Fundação Getúlio Vargas, April was also a month marked by political events that generated uncertainty in those who had some planned investments: "The political instability has delayed plans for the medium term. Approximately 60% of vehicle purchases are made through vehicle financing. In May, it will be worse."

Investor's reduced optimism was confirmed in the study: the investment intention index for the next few months stood at 46.6 points, representing a drop of 0.4 points. Since February, the index has been somewhat stable, ranging between small positive and negative swings, according to the CNI analysis. Despite the increase of 7.2 points in comparison with last year, investing intentions should continue low.

The indicator that measures the employment expectations points towards more layoffs in the industry. The indicator fell from 49.1 to 48.7 points, and remains below the dividing line of 50 points, which separates optimism from pessimism.

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Mercedes-Benz closes mega-sale to Raízen...

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Mercedes-Benz announced on Thursday, 25, in São Bernardo do Campo, SP, the sale of 524 trucks for off-road operations at Raízen. Raízen is the major ethanol producer in Brazil and the biggest exporter of sugar derived from sugar cane in the world. This was Mercedes-Benz's biggest sale in Brazil since 2008.

The trucks were purchased by a pool of eight companies which provide transport services to Raízen. Form the total volume, 238 units are the Axor 6x4 3344S extra-heavy model and the remaining 286 units are the Atego 2730 6x4 semi-heavy model. According to Mercedes-Benz, most of the units sold were under the Finame credit line, but the operation also involved other

types of operations, such as operational leasing and rental. Deliveries began in April and should continue until September.

According to Roberto Leoncini, vice-president of sales, marketing, parts and services for trucks and buses at Mercedes-Benz Brazil, this expressive sale is important because it represents the result of the great relationship that the manufacturer has with Raízen: “In this particular case, we have developed and improved several solutions for transporting sugar cane. The choice of our trucks shows that the way we work with customers is correct.”

Leoncini said that Mercedes-Benz continues believing the Brazilian truck market should start a sales recovery process this year, despite the new political crisis last week: “We haven’t had any reflection in the negotiations we are having with our customers. So far, nobody has asked us to cancel or postpone contracts. Of course, everything can change next week or in early June, but today I’m still betting on a 6% to 10% domestic sales growth when compared to last year.”

The executive said that most of the consultations are being made by major transporters: “These companies are used to calculating their costs and know they need to start renewing their fleets now. When we talk about a 6% to 10% annual growth, we’re talking about 3 to 4 thousand units, because the basis for comparison is very small.”

According to Leoncini, the company is also managing to improve export performance: “Our exports are growing: 24% in trucks and 18% in buses. This result, together with important sales like this one with Raízen, helps us keep our plant running at an average 55% of installed capacity.”

Today, the plant has an annual combined truck and bus production capacity of 80,000 units. **WE**