

AutoData

NEWS AGENCY WEEKLY EDITION

Edition
751

Weekly Brazilian automotive industry news | 10.03 to 10.07.2016 Year XII

It should've been more

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Stopped worsening

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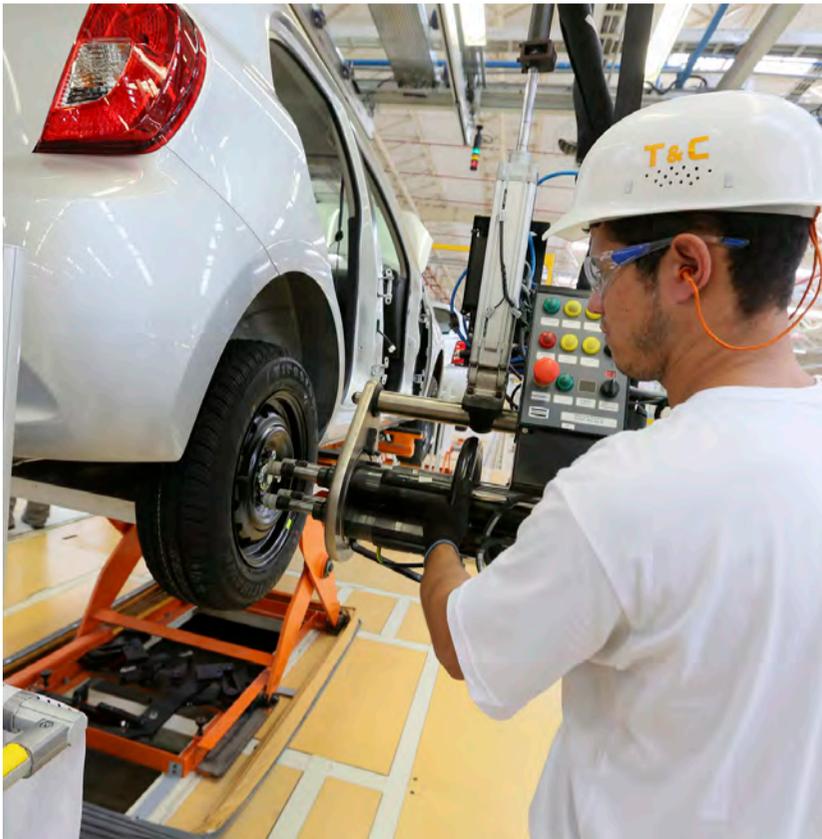
Shipments abroad increase

19.2% this year

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**Best month for agricultural
and road machines**

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It should've been more

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September did not bring the long-awaited springtime to the Brazilian automotive industry. On the contrary, with 170.8 thousand units produced, the month prolonged the already long winter and generated an additional gray cloud. The result represented a drop of 3.9% when compared to August, and a drop of 2.2% when compared to September of last year, according to Anfavea. It is the smallest volume for the month since 2003, when production totaled 155,000 units.

Production during the first nine months of the year totaled 1.55 million vehicles, representing a drop of 18.5% when compared to the same period in 2018, driving the president of the association, Antonio Megale, to doubt, for the first time, the projection divulged in June, in which Brazil should register production of 2,296,000 vehicles in 2006 - which would represent a drop of 5.5% compared to last year.

“We still prefer to maintain our projections, but, for the sake of transparency, yes, there is a risk that we will not reach this volume,” stated the executive during his presentation in the press conference conducted on Tuesday, 6, in São Paulo.

September was the fourth worse month of the year, ahead only of production volumes registered in January and February, months in which production of vehicles traditionally slows down, and April, ahead by only 1000 units.

Megale, however, believes September's result does not represent a trend, and points to the interruption of production at Volkswagen plants due to lack of parts as a partial reason for the volume. On the contrary, the executive is indicating that production during the last quarter of this year should have a faster rhythm, with production above 200,000 units in some of the three months.

A good thermometer indicating that new times may be ahead, according to the president of Anfavea, is the drastic drop in the number of workers on layoff and PPE regimes. In August, there were 22.3 thousand workers in this contingency. In September, this total dropped to slightly more than 7.3 thousand - including 5.3 thousand within the PPE, Employment Protection Program.

The president of the association admitted that a good portion of this drop was due to voluntary dismissal programs and firings during the period - the total workforce closed September with 124.6 thousand workers, representing a drop of 1.1%. Megale, however, describes that workers leaving the PPE would suggest that the vehicle manufacturers are already considering production increases during the coming months.

While production did not have its best days in the month, which had two less working days, sales did not cause the sector to increase its hopes. Last month, 160,000 vehicles were licensed, representing a drop of 13% when compared to August, and a drop of 20.1% when compared to September of last year. During the first nine months of the year, the Brazilian domestic market closed with sales of 1,508,000 units, representing a drop of 22.8%, according to Anfavea.

In this case, in addition to the lack of Volkswagen products - which saw its sales drop by 50% when compared to August, totaling 12,000 vehicles, representing only the seven position in the passenger and light commercial vehicles segment ranking - the reason for the drop would also be justified by the bank workers' strike, which made financing approvals difficult. Only 51.9% of sales were financed in September, one of the lowest ratios registered by the association.

Inventories, however, remained stable, closing the month with 212.5 thousand units, including 160.4 thousand units held at the dealers.

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Stopped worsening

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The truck segment continues to be a source of concern to the leaders of Anfavea due to its high idle capacity. “Without the return of investments in infrastructure that drive the country to grow, the truck market will continue to face difficulties,” stated Antonio Megale, during the monthly press conference providing the panorama of the automotive sector, which took place on Thursday, 6.

In September, 4195 trucks were licensed, representing drops of 4.6% when compared to August, and 29.2% when compared to September of last year. Between January and September, 38,867 trucks were licensed in the country, representing a drop of 30% when compared to the same period in 2015, when trucks licensed totaled 55,524 units.

According to Luiz Carlos Moraes, vice president of Anfavea and director of institutional affairs at Mercedes-Benz, the truck market has, at least, stopped worsening. “Today, the business climate is more positive. The telephones are starting to ring at the sales departments, that is, the number of consultations has increased.”

According to Moraes, if the government does its homework, with the approval of the constitutional amendment proposing a ceiling on public expenditures, and invests once again in infrastructure, the market will return. “Not like the performance seen in 2011, but based on a more sustainable growth.”

Truck production continues low, in line with the market performance. In September, production totaled 4846 trucks, representing drops of 7% when compared to August, and 16.7% when compared to September of last year. During the first nine months of this year, truck production totaled 46,447 units, representing a drop of 21.7% when compared to the same period last year, when production totaled 59,331 units.

Significant increases were registered in truck exports. In September, 2502 units were shipped

abroad, representing an increase of 66.9% when compared to August, and an increase of 24.4% when compared to the same month last year. During the first nine months of the year, 15,257 trucks were shipped abroad, representing a small drop of 0.7% when compared to the same period last year.

Buses - Anfavea leaders cannot see any significant changes in the domestic market bus segment in the short term. According to Moraes, the opportunity that was in the radar, with the renewal of the fleet of urban buses in the city of São Paulo, did not take place, driving the market to expect that in 2016, sales should close between 10,000 and 12,000 units. "The current volume is too low. Growth should happen again next year, albeit slowly, basically driven by the urban bus segment."

In September, sales totaled 701 bus chassis, representing drops of 42.4% when compared to August, and 46.2% when compared to the same month last year. Between January and September, 9301 units were sold, representing a drop of 32.2% when compared to the same period last year.

Exports of bus chassis, however, registered significant highs. Last month, shipments totaled 1064 units, representing increases of 11% when compared to August, and 16.4% when compared to September of last year. During the first nine months of the year, 6984 units were exported, representing an increase of 33.8% when compared to the same period last year.

Rising exports contributed to increased production. In September, 2144 bus chassis were produced, representing increases of 46.6% when compared to August, and 24.1% when compared to the same month last year. However, the result is not enough to offset the 22.5% drop registered during the first nine months of the year, which registered production of 14,482 units. **WE**

Shipments abroad increase 19.2% this year

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Despite a small drop of 3.5% between August and September, vehicle exports continue to increase. During the first nine months of the year, 351.2 thousand units were shipped abroad, representing an increase of 19.2% when compared to the 294.7 thousand units shipped abroad during the same period in 2015.

In value, the drops, when compared to the same periods last year, have been diminishing on a monthly basis. This has been strengthening the sector's expectation that this year's result should be similar to the one registered last year, that is, around US\$ 10.5 billion, including



vehicles, agricultural machinery, and parts exported directly by the vehicle manufacturers.

Foreign sales in September were valued at US\$ 991.5 million, representing an increase of 7.8% when compared to the US\$ 919.6 million registered in August, and an increase of 18.4% when compared to the US\$ 837.4 million registered during the same month in 2015. During the first nine months, shipments totaled US\$ 7.7 billion, representing a drop of only 3.2% when compared to the US\$ 7.95 billion registered during the same period in 2015, according to figures released by the president of Anfavea, Antonio Megale, on Tuesday, 6.

In September, 38.8 thousand vehicles were shipped abroad, representing a drop of 3.5% when compared to the 20.2 thousand vehicles exported in August. Foreign sales of passenger and light commercial vehicles registered a drop of 6.7% last month, that is, 38.8 thousand versus 40.2 thousand units. This drop was caused by the supply problems faced by Volkswagen Brazil, which had stopped production at three of its plants for almost one month, returning to operation only during the second half of last month.

Heavy vehicles segment - In the segment of agricultural and road machines, exports registered a growth of 6.9% in September when compared to August, representing 976 and 913 units, respectively. During the first nine months of the year, 7034 units were shipped abroad, representing a drop of 8.6% when compared to the 7.7 thousand units shipped abroad during the first nine months of 2015. According to the president of Anfavea, the current mix of exports, predominantly composed of higher value-added products, has been favoring a growth of monthly revenues when compared to the same months in 2016.

In addition to the growth of exports of agricultural machines, truck exports have also registered monthly increases. In September, for example, 2.5 thousand trucks were shipped abroad, representing an increase of 66.9% when compared to the 1.5 thousand units shipped abroad in August, and an increase of 24.4% when compared to the 2000 units shipped abroad during the same month last year. With the improvement during the past months, truck exports during the first nine months of the year have practically matched the volume registered during the same period in 2015, that is, approximately 15.3 thousand units.

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Best month for agricultural and road machines

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Sales of agricultural and road machines totaled 4795 units in September, representing growths of 6.1% when compared to August, and 22.2% when compared to the same month last year, when sales volume totaled 4518 and 3924 units, respectively. This was the best result of the year according to figures released on Thursday, 6, by the president of Anfavea, Antonio Megale.

“The investor from the agricultural area has shown interest in renewing his machines,” stated Megale, adding that signals in the segment are positive not only in relation to the domestic market, but also to markets abroad.

Given the recovery that began in the middle of this year, the expectation is that sales this year should drop less than the 17.4%



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ratio evidenced during the first nine months of this year, when sales volume totaled 30.4 thousand units, against 36.8 thousand units sold during the same period in 2015.

Megale defended the need to maintain credit to the farmers: "Resources from specific programs for the sector, including the Moderfrota, are running low. We have told the government not to allow a lack of continuity in the credit offering because, if it happens, sales will drop again."

Exports of agricultural and road machines also increased in September, when compared to August, and the same month in 2015. Shipments abroad totaled 976 units last month, representing an increase of 6.9% when compared to the previous month, and an increase of 13.1% when compared to September of last year. During the first nine months of the year, 7000 units were shipped abroad, representing a drop of 15.3% when compared to the 7.7 thousand units exported during the first nine months of last year.

Despite the positive data regarding domestic and foreign sales, production dropped last month when compared to August. In September, 5080 agricultural and road machines were produced in the country, representing a drop of 13.6% when compared to August, and a slight increase of 0.9% when compared to the same month in 2015 - confirming recovery signals from the segment.

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