

# AutoData

## NEWS AGENCY WEEKLY EDITION

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Weekly Brazilian automotive industry news | 11.27 to 12.2.2017 Year XII

### Sales: daily average remains higher than 10 thousand units in November

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# Sales: daily average remains higher than 10 thousand units in November

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The volume reached positions November as the second best month of the year in sales, behind

only the performance in August, when the sector sold 210 thousand 142 units. With the verified result in the month 2 million 27 thousand and 632 units were commercialized until November, 9,8% more than the volume sold in the eleven months of last year. Considering the number of working days of the period, 19, the daily average of registering was higher than 10 thousand units and it's aligned with the expectations of Anfavea for the last trimester.

Data from Fenabrave, association that represents dealerships, show a total of 197 thousand 247 units sold via retail in November and, in the overall of the eleven months, 1 million 967 thousand 392 units. For its president, Alarico Assumpção Júnior, the results obtained in November confirm the expectations of resuming the growth in 2017, keeping the positive projections of the association: "The high in the confidence rates and the continuing drop in defaults, that registered the lowest rate since 2011, had the consumer go back to the dealerships".

The total market, considering automobiles, light commercials, trucks, buses, motorcycles, road implements, amounted to, in November, 280 thousand 405 units, a high of 7,25% over the same month in 2016. Compared to the sales in October, a drop of 0,69%. In the overall of the year, the high of all segments added was of 1.38% compared to the same period last year, reaching 2 million 915 thousand 511 units commercialized from January to November.

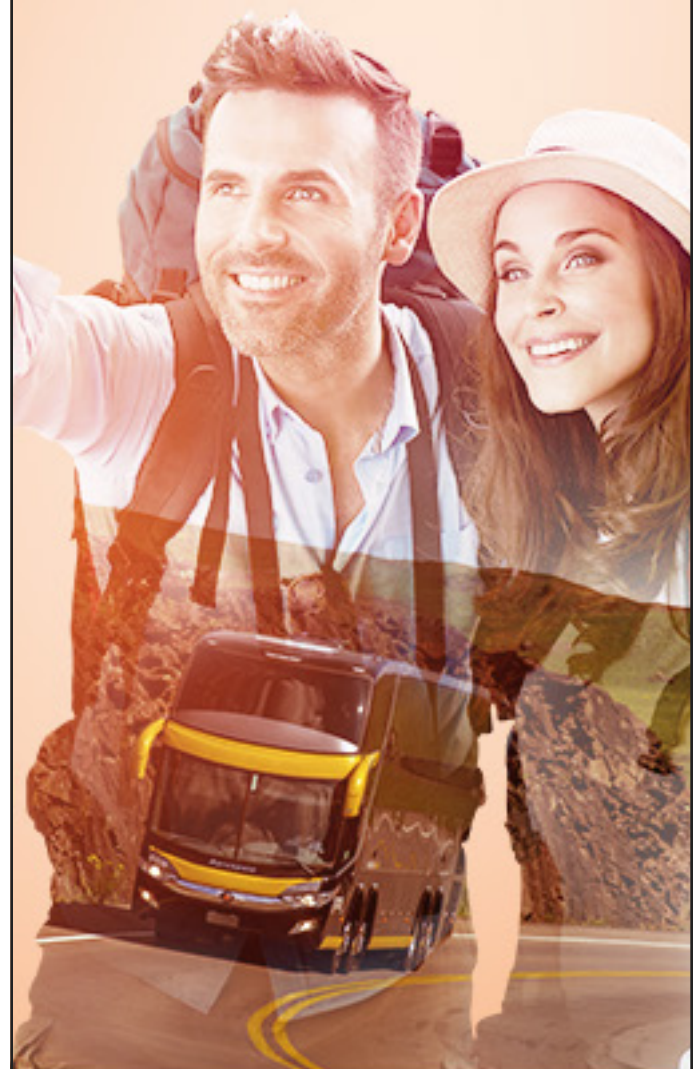
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11.27 to 12.2.2017

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# Brazilian steel industry grows but does not recover losses from the past three years.

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The Brazilian steel industry starts to present signs of recovery, after struggling through the worse crisis of its history. According to statement released by Instituto Aço Brasil, the production should rise 9,2% this year related to last year, due to entrance in operation by CSP, Companhia Siderúrgica do Pecém, Ceará, while the apparent consumption of steel should rise 5,2% in 2017.

The prediction of the association is a rise of 1,2% in internal sales, growth considered shy to compensate the accumulated drop of 32,2% from 2013 to 2016.

The prediction is that importations, on the other hand, rise 33,5%: "Such fact reinforces the need of the Brazilian government to be aware of the agile and efficient measures of the commercial defense against abusive practices of commerce performed by other countries,

such as the case of anti-dumping of hot coils".

Short term, due to the low level usage of capacity installed, average of 63%, the way out for the companies to maintain the minimal operational level is exportation. The prediction of Aço Brasil is that steel exportations grow 14,5% this year compared to 2016.

"For that effective recovery, not only for the steel industry but of the industry of transformation in general, it is necessary that the Brazilian government corrects the competitive asymmetries, like elevated financial costs and cumulatively of tributes and materialize the employment and tributary reforms. Another relevant question is the elevation of the aliquot of Reintegra to 5% to reimburse the tributary residues embedded in exportations of Brazilian products."

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# QUANDO TUDO PARECE PERDIDO, SUA AJUDA VAI FAZER A DIFERENÇA

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# BorgWarner foresees growth of 10% in the auto-parts market in 2018

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With the resuming of the market in the second semester the turbo producer BorgWarner, from Itatiba, SP, is optimistic with the perspectives of the auto-parts sector for 2018, affirmed Néelson Bastos, manager of the business unit of aftermarket: “2017 has already started to resume the growth. Since August the numbers have only improved and we hope next year will be even better, following the route to growth”.

“For the auto-part market we have been conservative waiting a growth of 10% so we don’t expect more than the market can actually expand.”



One of the bets of the company to gain space in the market are the remanufactured parts, that according to data released on Thursday the 30th, represent only 4% in the auto-parts market with great potential of growth in Brazil since in developed countries, such as the United States, this parts represent 20% of the replacement market. According to Bastos they are missing a remanufacture culture in the country, which is already seen in other places.

One of the major remanufactured parts of BorgWarner in the market is turbo for trucks and buses. The expectation for this year is recovery of 30 thousand units, volume 20% higher than last year. For 2018 the expected growth is also 20%, reaching 36 thousand remanufactured turbos.

There is, however, a stumbling block in the market of remanufactured turbo: the unlicensed equipment produced based on the carcass of BorgWarner originals and other companies, that are recovered without provenance or factory warranty, being sold as company originals, with life-span equal to originals as well.

The problem in this area is so big that 40% of recovered turbo in Brazil is fake – in other words this segment is lead by forging companies. It's not only by price that they thrive, since in some cases each fake product costs the same as the original, sometimes even more expensive.

Analyzing this market BorgWarner identified thirteen companies that forge and commercialize turbo with carcasses of its originals and will take the necessary legal measures to avoid this type of action.

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# VW chases global growth of 4% with SUVs

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Volkswagen designs plans for the future after a period being concentrated in reducing the effects of diesel-gate in its global operation, scandal of emissions that came to light in 2015. Its president, Herbert Diess, declared after meeting last week, in Wolfsburg, Germany, that sales this year will be higher than 2016 with a positive difference of 3,5% due to the rise of demand of SUVs in China, informed the statement distributed

to the press. To grow 4%, according to the predetermined goal for 2020, the company counts on commercial performance of its launches in the Americas.

Last week the Volkswagen group summoned the global leaderships – including Antônio Megale, its director of government affairs in Brazil and president of Anfavea, and Roberto Cortes, president of MAN – to a meeting in

which was established the paths of growth for the next three years. President Diess said the SUV market plus the launch of vehicles in markets that provide volume are the pillars of strategic realignment of his company for the next years:

“This is the strategic plan that Volkswagen will use to guide this extremely demanding phase of our industry that lies ahead”.

In the segment of SUVs, mentioned the statement, the major focus of the offensive started by the company are the new models Tiguan Allspace, Atlas and T-Roc in the Chinese market. The launch package for 2017 involves ten versions of SUVs that are already sold, and five new models – until 2020 there will be twenty models in its group. The company wants, with that, that SUVs represent 40% of its total global sales. To reach that, recognizes the statement, the performance in the bulky market in China is fundamental.

The company will also reach sales volume in North America, where it plans to launch four models of SUVs until 2020. In the United States, until October, its sales showed growth of 7,6%, reaching 473,4 thousand vehicles. In October there were 81,7 thousand units, 6,6% higher than the volume of October last year.

In the whole region, that also includes

Canada and Mexico, the company sold 800,4 thousand vehicles until October, high of 5%.

In South America VW renewed the group of models and intends to recover the market's leadership with the Virtus model, recently presented. It bothers the company the fact that it lost market in the past years for competitors in several segments, said the ex-president of the company in Brazil, David Powels, at the time of the new Polo launch: “Headquarters wants us to be profitable. Leadership is a consequence”.

Major automaker in Brazil for decades Volkswagen saw its participation diminish in the 1990s. In the beginning of the 2000s it lost sales leadership to Fiat, keeping the third place from 2014 to now. With the aging of the FCA group Volkswagen has space now to grow and try to beat General Motors that today occupies the top sales in brands and models.

Even if Polo, Virtus and SUV T-Roc, expected for 2018, have not yet been considered in the market the performance of the company in South America has grown with the resuming of sales and that, in a certain way, paved the way to the coming of the new products. Until October 435,2 thousand vehicles were sold in the region, 24,5% more than the first ten months of last year. Only in October 45,5 thousand units sold, growth of 53,7% compared to October 2016. **WE**



# Industry of machines and agriculture implements grows 10,6% until October

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**T**he revenue of the industry of machines and agriculture implements showed growth of 10,6% from January to October compared to the same period last year: the sector earned R\$11,6 billion against R\$10,5 billion; the data was released on Wednesday the 29th by Abimag, Associação Brasileira de Máquinas e Equipamentos.

The Brazilian exportations of the sector had a high of 84,5% in the ten months, reaching US\$754,6 million, something around R\$2,4 billion. And the importations reached

US\$251,1 million, a little over R\$803,5 million, expansion of 12,3% compared to the same period of 2016.

The number of employees in the industry of machines and implements kept practically stable in the period, with 43,6 thousand workers employed until October against 43,1 thousand in the same period last year.

The level of installed capacity usage however jumped from 69% average in the same period of 2016 to 75,7% this year. **WE**

# PSA wants back part of the money invested in the purchase of OPEL

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**T**he PSA group, that includes Peugeot, Citroen and DS, would be bargaining the return of half of the amount spent on the purchase of OPEL, business closed with General Motors in August for € 1,3 billion. Apparently the company wants a dismissal after analyzing and confirming that the motors from OPEL are inefficient to the point of becoming unreachable the goals of CO2 emission reduction determined by the European Commission that will become valid in 2021, according to Reuters.

A PSA spokesperson said, in the beginning of November, that will be necessary to update the models of OPEL with more efficient technologies in terms of energy consumption faster than planned to reduce CO2 emissions before the new limits are incorporated gradually from 2020 to 2021, backed by strong penalties.

Because of that the PSA group believes

that GM owes more than € 500 million and intends to start a legal proceeding alleging that was deceived about OPEL's strategy emission. The group would be seeking up to € 800 million, according to one of the Reuters sources, and the parties would already be negotiating a deal.

The automobile manufactures are organizing themselves to reduce the carbon emissions until 2021, when the imposed limits will drop for an average of 95 grams per Km. Today the limit is 130 grams per Km. Investments are being made in smaller motors and new powertrain technologies, since cars with batteries and even rechargeable hybrids, so that the determination is met.

The companies that do not meet the established requirements could receive a fine of € 95 per exceeding CO2 gram in each unit of vehicle sold.

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# Ford: what will be of the Fiesta Sedan in Brazil?

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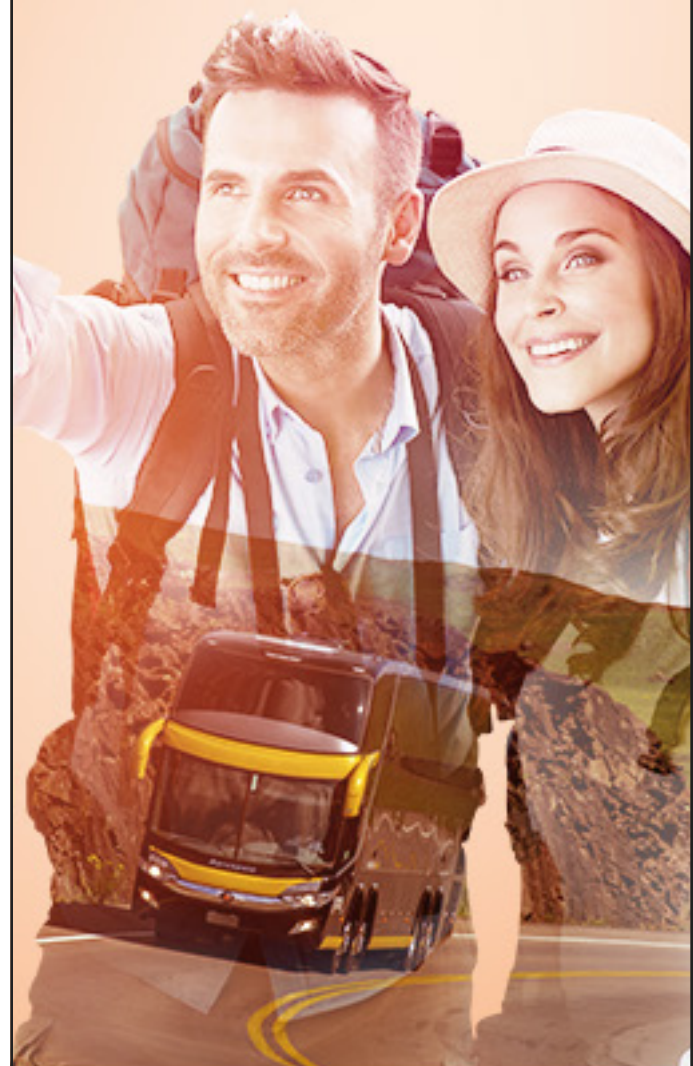
Ford launched on Friday the 24th the 2018 Fiesta but the changes were just for the hatch version since the sedan will keep that same visual and equipment levels: the company believes that the sedan has a life independently from the hatch. According to the marketing manager, Fernando Pfeiffer “this model has a life of its own and we have no prediction for renewal”.

Even then, and what all points to, the sedan Fiesta could have its sales in Brazil interrupted – that would only resume when the new generation of sedan version, that is already commercialized in Europe, reaches here. But that should not happen anytime soon, since

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it utilizes a new platform and the company will need to invest to adapt to it one of its factories in the region.

The model sold in Brazil is imported from Mexico, where it's produced in the Cuatitlán factory and, according to information from international press, Ford can paralyze its production there to open space to C-Max, minivan derived from Focus, that was produced in the United States and has a volume of sales more relevant than the sedan Fiesta.

Another complicated question refers to its internal space; limited compared to the major competitors due to the narrow platform it utilizes. The connectivity level of the sold versions in Brazil also falls short related to what's offered by other companies.

All those factors gathered with the difficulty to sell the sedan in the country: it didn't fall in the likes of the consumer and until October sold exact 176 units this year, according to data from Renavam. Comparing: Chevrolet Cobalt, category leader, had 18 thousand 742 units sold in the same period, and the Honda City, second in the ranking commercialized 13 thousand 659 units.

In reality the complicated mission of selling the sedan Fiesta in Brazil did not start this year: in 2016 the sales did not surpass 1 thousand 637 units against 22 thousand 466 from Chevrolet Cobalt and 15 thousand 422 of Honda City.

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# Credit from BNDES for machines and equipment grow 11%

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**T**he Brazilian economic activity started to show signs of recovery after a long period of stagnation. A thermometer that indicates the resuming of business is the release of resources by BNDES, Banco Nacional de Desenvolvimento Econômico e Social. Then, the Finame line that finances machines and equipment pointed to outlay of R\$16 billion from January to October, amount 11% higher than allowed in the same period last year. In the past twelve months, according to information from the institution, R\$19,2 billion was delivered.

Other than the rise of Finame's outlays it projects growth of business since the approvals, last step before the hiring and outlay, reached R\$18,2 billion from January to October, expansion of 25% compared to the same period of 2016.

With more resources for financing the production of agriculture and road machines have also started to recover. From January to October 48 thousand 598 units came out of production lines – wheel tractors and bulldozers, motorized cultivators, grain harvester, lanyards and backhoe loaders. In the same period of 2016 there were 42 thousand 803 units, according to data from Anfavea.

The positive data this year is still far from the production record reached in 2013, when 87 thousand 68 units from January to October were sold. The fact is in 2013 several factors contributed for the good performance of the sector such as the climate question, the financing, the good economic moment and the exportations in high. Even with the result far from what occurred in that year the preview of 2017 shows signs of sigh for the sector and for the national economy and the projections are for expansion next year.

**More credit** – The adding of all the outlays from BNDES, this year, is r\$55,1 billion. The participation of micro, small and medium companies follows as more significant, with R\$23,6 billion that represent 42,9% of the total from January to October.

The farming represented 21,3% of the outlays until October, growth of 9% in the ten months of the year compared to the same period of 2016, and reached R\$11,7 billion.

The line of financing BNDES Giro, on the other hand, reached the mark of R\$5,5 billion in the year, high of 252% related to the same period last year. In the overall of twelve months the line, created to meet the need of floating capital, outlaid R\$6,6 billion, volume 211% higher than November of 2016 to October 2017.

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# Fiat presents its new sedan, the Cronos

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Fiat presented on Monday the 27th, its new sedan Cronos. The model will be produced in Argentina and will reach the Brazilian market in the first trimester of next year. The launch is a part of the company's strategy of renovation of car lines, just like occurred with the arrival of Toro, Mobi and Argo.

The Fiat Cronos, that follows the pattern of hatch Argo, comes to re-counter the second biggest automotive sector in Brazil that only in 2017 should absorb around 330 thousand vehicles. In

Argentina this segment represents almost 100 thousand cars per year and is disputed by no less than 13 models of different brands. The model will also compete with the new arrival Virtus, from Volkswagen, that will have sales initiated in January.

According explanation by Peter Fassbender, director of FCA Design Center Latam, Cronos is based on the new platform MP-S (Modular Platform Sedan), conceived exclusively for the model and destined to production in Argentina: "Side by side with Mobi, Toro and Argo Cronos expresses a new moment of the brand Fiat and brings light and beauty to the traditional rational that characterizes the sedans". The model has two options of motors, 1.3 and 1.8.

According to Herlander Zola, that assumed the position of Fiat brand director six months ago, the Cronos launch is part of the evolution strategy that followed the past launches of the brand. The manufacturer has not yet released the prices that will be charged for the new model.

**Expectations** – As Zola explains, the expectation for the Brazilian market is very positive, specially considering the data from the last trimester that shows a tendency of high that should be kept in 2018. He remembers that since 2018 the FCA group did around R\$20 billion in investments in the Latin America region, with contributions in the industrial polo in Goiania, PE, and in the factory in Betim, MG, for example. Just in Córdoba, Argentina, there were around US\$500 million, or something superior than R\$1,5 billion in investments part of them to adjust the plant to the production of Crono. "This is a very important region for the FCA group."

The executive expects the Brazilian automotive market to grow 9% to 10% this year and something around 5% to 9% next year. "The expectation is growth for the brand, specially due to new products such as Mobi, Argo, Toro and now Cronos, that will come next year", finalizes Zola.

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# CAOA-Chery will have a car in July and will create 4,7 thousand new jobs in Anápolis.

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The president of the CAO group, Carlos Alberto de Oliveira Andrade, had a meeting on Monday the 27th with the governor of Goiás to discuss subjects related to installations of CAO-Chery in the state, where already operates the factory that, for now, produces Hyundai vehicles.

He said the unit of Anápolis would receive the biggest part of the US\$2 billion announced

as investment in the operation of the new company that involves contribution in the Jacaré, SP unit. The development should amount up to 6 thousand direct jobs with the arrival of supplying companies and that CAO-Chery will have its first vehicle produced there in July. Currently the company has 1,3 thousand employees in Anápolis.

Oliveira Andrade affirmed also that the development of the sector in the country happens with the creation of a national company – like his: “No country is genuinely rich without a national automobile factory in it. And the most important thing is this factory, today, is a champion in China and will explode in the world as a champion in quality, top of the line technology and design. It will be the best in the world”.

With the confirmation of Chery's arrival Goiás will now have, other than Hyundai, John Deere assembly lines, Mitsubishi and Suzuki, these three in Catalão.



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# Hyundai faces its dilemma: lead the segment of SUVs with Creta?

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The segment in the automotive sector that grows the most in Brazil, today, is of the compact SUVs – and it is also the one that receives most competitors since the manufacturing companies need to be inside this market. In the case of Hyundai the bet is Creta, launched in November last year and this year had 32 thousand 362 units registered until October, according to data from Renavam: it is the second SUV most sold in the category, hitting competitors such as Jeep Renegade and Chevrolet Tracker and losing only to Honda HR-V that sold 39 thousand 414 units in the same period.

The results in Creta sales in the year “is very good”, but Hyundai wants the top of the ranking, affirms Cássio Pagliarini, director of marketing of Hyundai Motor Brazil: “The leadership of the

segment of compact SUVs is our goal, still in 2017, and the plan for 2018 will be the same”.

The intention to take leadership this year certainly is not that simple due to limitations of production Hyundai has in Piracicaba, SP: there the total installed capacity is of 180 thousand units a year and its expectation is to produce 36 thousand units of Creta and 144 thousand of the HB20 family, so, still does not allow Creta to reach the HR-V that has already registered more vehicles than Hyundai intends to produce this year. The projection is that Honda will register more than 40 thousand units in 2017.

For 2018 the objective could be viable since the volume of registrations monthly of Creta have been close to HR-V in several months, but the company will have to review the distribution of its productive capacity to seize the moment of the compact SUVs segment and compete for the leadership.

With the focus on leadership in 2018 Hyundai relies on inverting a little its production profile: less units of the HB20 family to count on more units of the Creta. But this hypothesis brings another complicated question for the company: the resuming of the market and the rise of sales per segment. If that happens Hyundai will have to think of a new investment to raise its production capacity in Brazil since the factory in Piracicaba already operates in three shifts and its major competitors can produce more and meet the growing market demands while Hyundai will be tied to the 180 thousand vehicle per year limit.

To produce Creta the investment Hyundai made was of US\$130 million.

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