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Exports close the year below the estimate

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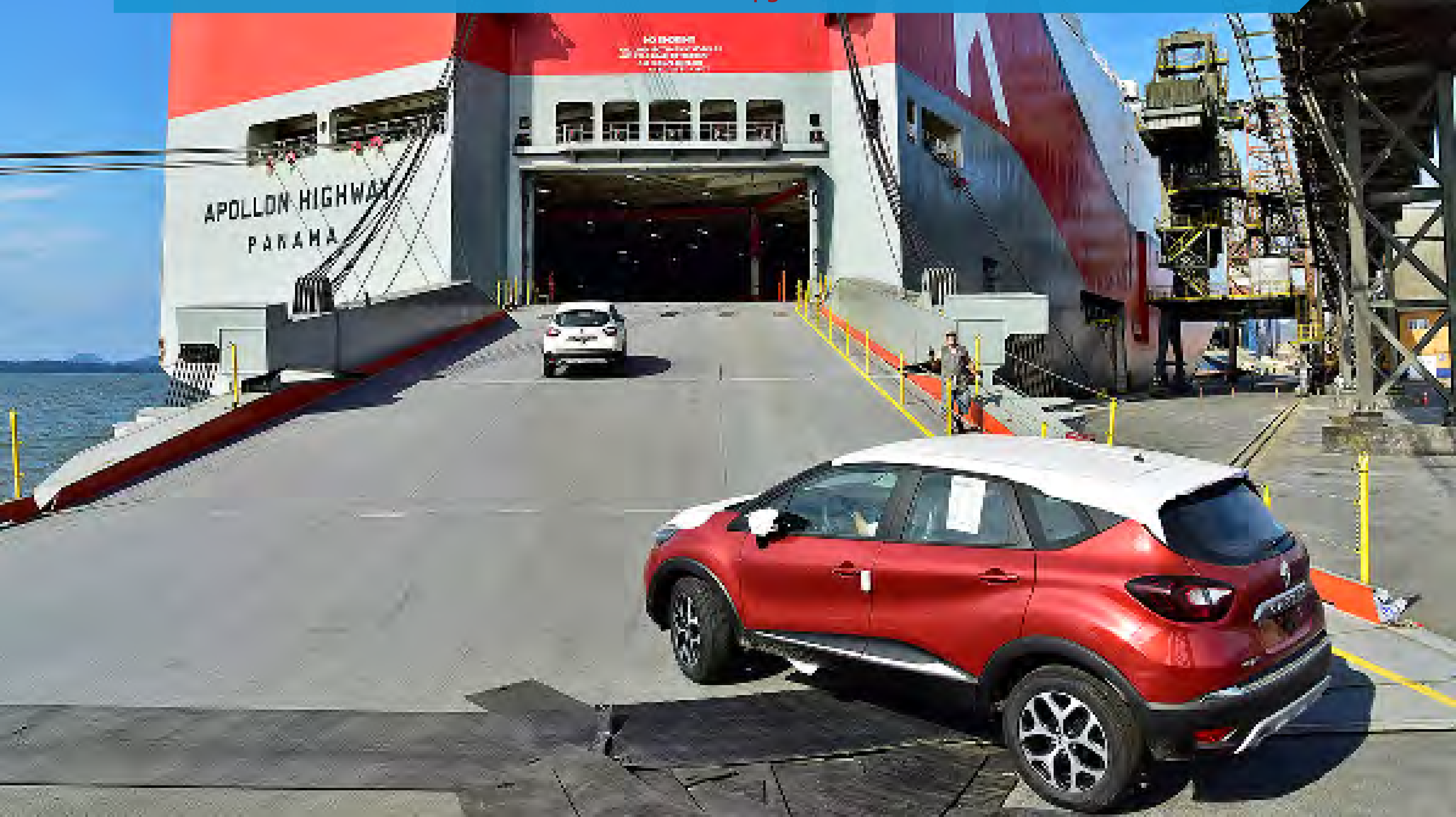

Photo: Ivan Bueno / APPA.

Exports close the year below the estimate

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São Paulo - The bad moment of the Argentine vehicle market deeply hit the rhythm of Brazilian exports. The result of foreign sales will stay below the last Anfavea's projection, released in October - which had already been revised downwards on another occasion - without repeating the record registered last year.

At a press conference held on Thursday, 6, the president Antonio Megale acknowledged that the entity made a mistake: “Orders from our main trading partner, Argentina, have been dramatically reduced in recent months. Almost all the drop is due to the performance of the market there, responsible for 70% of our foreign sales”.

In November, shipments were 53% lower than in the same month last year: 34 thousand 400 vehicles were sent to other markets, compared to 73 thousand a year earlier - in relation to October and its 38 thousand 700 units, decrease of 11.3%. In the accumulated of the year, exports totaled 597.4 thousand units, down 15.3% compared to the same period in 2017.

“Our last projection was 700 thousand exported vehicles. But we should close the year with just over 600 thousand vehicles, maybe something close to 650 thousand units.”

Megale said he did not expect resumption from the Argentine market before the end of the first half of 2019. Meanwhile the industry is seeking new markets to expand its presence, in addition to the traditional ones in South America: “We have sent a volume of around 5 thousand trucks to the Russian market recently. We are making efforts to win contracts in Latin America, Africa and the Middle East region”.

Regarding value, the balance of exports also remains in the red from January until November: decrease of 5.2%, to US$ 13.8 billion. For Megale, it is an expressive value, despite the decrease compared to 2017.

In November, the industry earned US$ 957.1 million from exports, a decrease of 32.8% compared to November last year and 1.4% below October’s results. WE

The rhythm slows down and production will stay below 3 million

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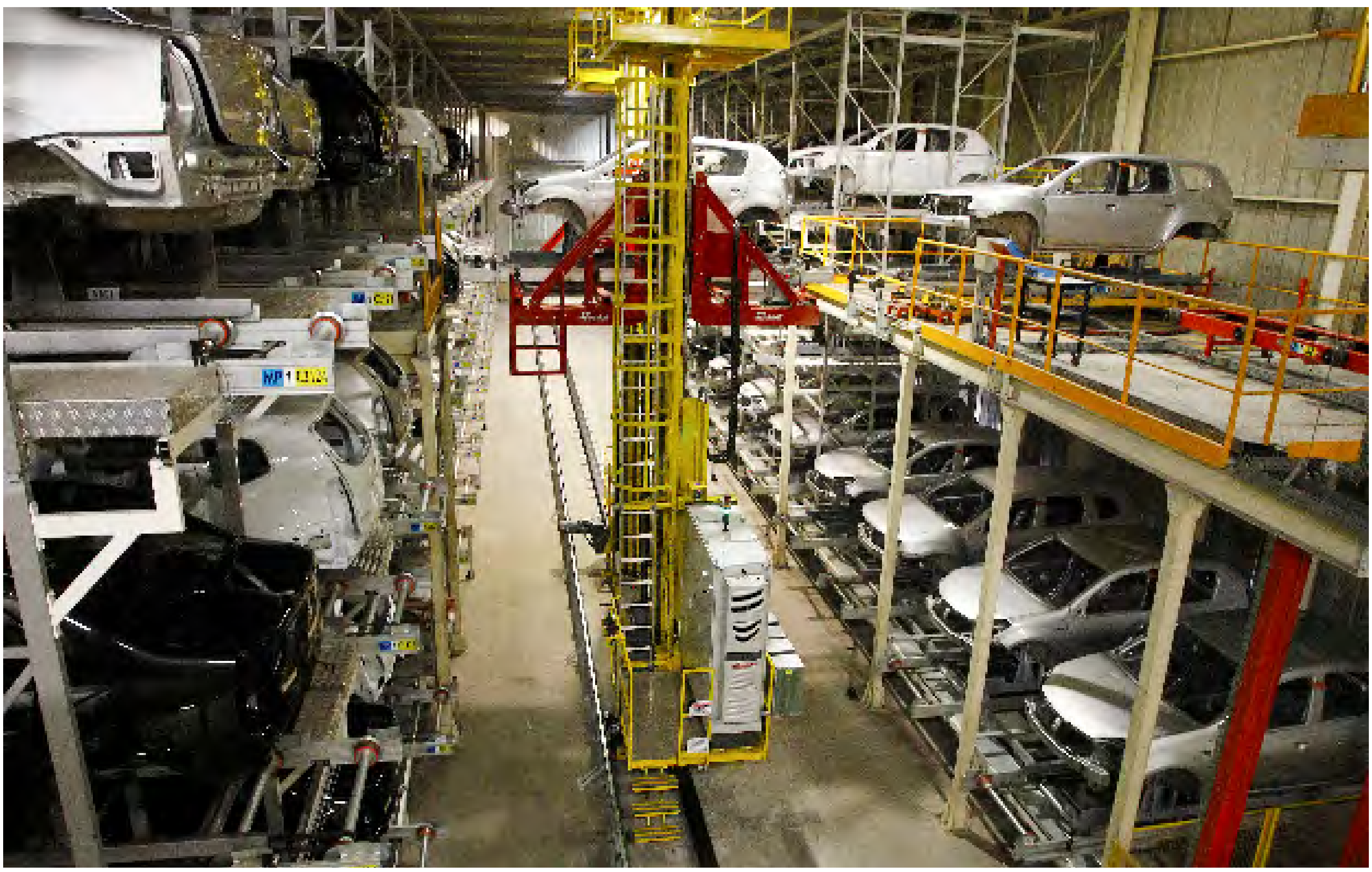

Disclosure.

São Paulo - The return to the level of 3 million vehicles produced in a year was postponed, according to the president of Anfavea, Antonio Megale. As from January to November, Brazilian production totaled 2.7 million units, an increase of 8.8% compared to the first eleven months of last year, the industry needs to deliver 300 thousand units in December so that the projection, released in October, is achieved - which has not occurred in any month of this year.

The president of Anfavea recalled that December's production is usually smaller than the previous months because of the collective vacations that some automakers give to their workers in the last weeks of the year. For this reason, the possibility of reaching the level of the 3 million units (reached in 2014 for the last time) has been discarded.

In November, factories produced 245.1 thousand units, decrease of 1.6% compared to the same month of 2017 and 6.9% comparing with October. For Megale, the decline in exports, caused by the bad moment in the Argentine market, helps to explain this pace reduction in Brazilian assembly lines.

In any case, his expectations for 2019 remain optimistic, reinforced by the moment of the Brazilian economy and the approach of the new President of Brazil: "The indicators of confidence (from consumers and entrepreneurs) are rising and when the necessary reforms are made there will be an important investment flow returning to Brazil. There is a lot of global liquidity waiting for a decision on where to put this money".

Rota 2030 - While waiting for the presidential sanction of the new automotive regime - the deadline is December 12 - Megale said that important decrees about the program are already available for public consultation and then officially published. They deal with topics such as calculation of energy efficiency, safety, process of qualification for the program.

The president of Anfavea believes that much of this process will be closed by the end of the year: "There is an effort by the government to publish all this until the end of the month. Something can be left for 2019, but most part will be published now. " WE

Disclosure.

Production of trucks exceeds heavy vehicles' target

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São Paulo - The production of trucks continues in a growth pace to follow the domestic market demands. Up to November, 98 thousand and 97 units were produced, 29.7% more than registered in the same period last year, according to data from Anfavea's balance sheet released on Thursday, 6.

With this volume, the industry exceeded the level of production that projected 120 thousand units for the year. Anfavea considers the production of buses in the projection, which until October was of 27 thousand 440 units, so that the combined volume exceeds the stipulated amount for the year.

During the year, the monthly production level was around 9 thousand units, a volume that was repeated in November, according to Anfavea: 9 thousand 985 units, 22.3% more than the production registered in November 2017.

According to its president, Antonio Megale, what keeps the factories more occupied than in the recent crisis years is the heated domestic demand: "The domestic market has been giving positive responses in order to compensate for what has not been exported to Argentina, for example. Companies are now preparing for next year's harvest and this is expected to boost sales".

Heavy trucks, which have their main customers in agribusiness have sustained production, Megale said. Up to November, 44 thousand 907 units were produced, representing a 51.8% increase compared to the first eleven months of last year. The production of light heavy vehicles reached 26 thousand 247 units, up 19%, and the light segment registered 19 thousand 161 units, increase of 22.5%. WE

Sales to stay above projection in 2018

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São Paulo - Anfavea believes that its projection for total vehicle sales in 2018 is out of date. But the news is good: the official estimate is underestimated and should be surpassed with the results of this month, the last of the year. In early October, the association had already revised upwards the projection for the year which jumped from 2 million 502 thousand, equivalent to growth of 11.7% from 2017, to 2 million 546 thousand, up 13.7%. President Antonio Megale now speaks in a more probable result of 2 million 560 thousand, which would represent increase of 14.3% compared to 2 million 240 thousand last year.

The most particular reason for this situation is the daily average sales, which in October and November has stabilized at around 11 thousand 500 units, "an interesting level", according Megale: "December is usually a good month. Last year, it closed at 213 thousand and we believe we can now reach 250 thousand".

If this volume is confirmed now, in December, the final result will be even higher, something around 2 million 582 thousand, or a 15% increase.

November, alone, reached 230 thousand 945 units sold, a 13% increase compared to the same month of 2017, 204.2 thousand. In comparison with October, 254.7 thousand, there was a decrease of 9.3%, essentially for less business days – there was two national holidays and one municipal in Brazil last month, with an extension of four days.

There were 2 million 332 thousand sold units in the year, increase of 15% from the exact sum of the first eleven months of 2017. Even so, the volume is almost 500 thousand units below the average of the last ten years for the period, 2.8 million.

In 2018, no month registered a negative result in sales compared to the same period of 2017. The percentage best result so far was in April, with 38.5% and the weakest in May, 3.2%.

Stock levels fell slightly in November to 290 thousand 800 units, compared to 293 thousand 900 units reached in October – 173 thousand 800 are in the dealerships' yards and 117 thousand in factories. The volume is equivalent to 38 days of sales, similar to October. WE

City buses on the lead of bus production

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São Paulo - Bus production in Brazil increased 42%, until November, compared to the volume that came out of the lines in the same period last year. The manufacturers produced 27 thousand 440 units, of which 21 thousand 568 were city buses and 5 thousand 872 road models, according to the balance released by Anfavea on Thursday, 6.

The growth in production volume followed the demand created by the municipal biddings, said Luiz Carlos Moraes, vice president of Anfavea: "We increased the volume of sales to municipalities and public transport systems and they were factors that occupied the production, a movement that was intensified this year". WE

Disclosure.

Combines help keep sales above projection

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São Paulo - The agribusiness seasonality in the last months of the year was decisive for the sales performance of agricultural and highway construction machinery in November. Other factors (however) were determinant for the 3,8 thousand units sold of these segments this month, 25.5% down compared to October:

"In addition to the traditional decrease in tractor sales in that period, one of the financing systems, FCO, has exhausted its resources this year. In January, everything returns to normal", said the president of Anfavea, Antonio Megale.

The FCO, the Constitutional Fund of the Midwest of Brazil, is a credit line widely used in the Brazilian agribusiness sector. It offers financing of up to R$ 20 million not only for the acquisition of machines but also for the development of small and medium-sized projects.

But if there was a natural retraction in tractor sales the opposite happened with the combines. As a result of these higher value equipment, compared to the performance of November last year, the agricultural machinery and highway construction segment grew 27.5%: "The business with the combines grew 44% in November compared to the same period of the previous year".

In the year to date, the 43.4 thousand units traded represent an increase of 11.9% in relation to the period from January to November 2017. This volume is slightly larger than the Anfavea's projection, which expects an increase of 11%: "Depending on the performance in December we will be able to celebrate that we have missed our projection. The harvest this year has provided an important result of this segment and agribusiness entrepreneurs remain optimistic". WE

Mercedes-Benz opens new shifts in SP and MG

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São Bernardo do Campo, SP - Mercedes-Benz announced on Tuesday, 4, the hiring of six hundred temporary employees to work in the factories of São Bernardo do Campo, SP, and Juiz de Fora, MG. It means the opening of the second shift for the production of trucks in São Paulo (closed since 2014) and the resumption of the third shift in Minas Gerais, which had not happened since 2013. Four hundred workers will be incorporated in January.

The remaining two hundred workers are scheduled to work on the production lines from April. However the hiring of this final group is uncertain. According to Philipp Schiemer, president and CEO for Latin America, they will happen "as long as the truck market continues to expand", according to the automaker's projections: "The extra heavyweight vehicles will continue to sustain the market, but we see fleet renewal in customers who do not have transportation as a final activity in the light and medium segments".

With the hiring it reaches 8 thousand the number of employees at the factory in São Paulo, and 1 thousand and 40 employees in Minas Gerais. The contracts last for one year, the company said, with the possibility of being extended for another year. The combined production capacity of the two units is 80 thousand units/year, which seems to be enough to meet the growing demand expected by the company in the domestic and foreign markets.

In Juiz de For a, the extra heavy truck Actros is produced, its best seller. Until October, according to data from Anfavea, the company sold 7 thousand 674 units of the model in Brazil, which made it leader of the Brazilian market in the period. In São Bernardo do Campo, where other models of trucks and buses are produced, there is also a need to produce more engines due to the growth observed in demand abroad.

According to Schiemer, the company has signed intracompany contracts supplying units installed in Germany and Mexico in the last two years: "Although they have been agreed in the past, we can now only count the exported units because there was time to adjust the line. To Mexico, we send engines for light and medium trucks. To Germany, for heavy vehicles".

This year the company is expected to export 7,1 thousand units of Euro 3 and Euro 5 engines, 129% more than the volume reached in 2017, which was 3,1 thousand. The brand represents a record, Schiemer said.

The booming performance could also be seen in truck shipments if it wasn't for the Argentine crisis, said the president, a scenario that should be reversed there "from the second quarter of next year". Considering the Argentine market, exports until October dropped 17.7%, reaching a volume of 10 thousand 876 units compared to 13 thousand 221 registered last year. Taking Argentina out of the exports balance, there was growth: until October, 6 thousand 526 units, increase of 30.4% compared to the same period in 2017. The figure reflected the market share in exports in the M-B's production in Brazil: it fell from 40% to 30% from 2017 to October 2018.

The scenario of growth in the domestic market next year and strong export of engines and components ensured the maintenance of the recent investment announced by the company in the Brazil. Half of the R$ 2.4 billion announced until 2022 were consumed, among other measures, with the line 4.0 of São Bernardo do Campo, for the improvements in the two factories to produce in additional shifts. The remaining half, said Schiemer, will initially be applied in modernizing the layout of the São Paulo factory of trucks and buses: "We are structuring the storage areas so that they can give way to production."

This announced volume also includes continuous improvement in commercial vehicles and the development of new vehicles and technologies in services and connectivity.

In time - The regulation of the Euro 6 in Brazil, whose schedule of application in the domestic market was stipulated by the government until 2023, is seen by Mercedes-Benz as positive for the fleet renewal. So much so that the company will start producing the engines already calibrated to meet the emission requirements next year: "It is a way to modernize a fleet with an average age above 15 years. Producing Euro 6 in Brazil gives us the opportunity to export these engines to the markets we currently serve."

If the new emission rules synergize with M-B's claims the new regulations of Finame somehow, on the other hand, it does not seem to change the course of the company in Brazil. According to Schiemer, the share of the credit model has lost its place in the CDC (direct to customer), a modality that has grown in the company's truck sales: "Finame had its importance in that moment of strong promotion to the credit that the Brazil has gone through. Today, CDC credit lines are more attractive and have stood out among customers".

The executive said that Finame's share in M-B sales is 30% today. From 2013 to 2014 this participation was up to 80%. WE

Alliance RNM lives its best moment in Brazil

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Disclousure

São José dos Pinhais, PR - Since the arrest of its chief executive (the French-Brazilian Carlos Ghosn) at the end of November, the Alliance Renault Nissan Mitsubishi has lived its best moment in Brazil, according to the president of Renault for Latin America, Luiz Fernando Pedrucci. Although he still can't reveal figures, the executive guarantees that earnings in Nissan's synergies with Renault in 2018 are the best in history in the region.

Every month, teams of both companies come together to evaluate the results and design the next steps. Pedrucci guarantees that, at least in Brazil, the wish is to move forward: "The Alliance in Brazil has never been as profitable as now. Synergies in purchases, engineering, and cost savings have the best year in history and are at full power while maintaining the independence of each company".

With Mitsubishi, whose entry into the Alliance is more recent, there is still no market share in Brazil.

Since the arrest of Ghosn a lot has been said about the end of the Alliance although (officially) the three companies reiterate that the intention is to maintain the plans even with the absence of their main mentor and executive. Pedrucci told reporters on Tuesday, 4, in an interview that preceded the commemoration of the 20 years of the Renault factory in Paraná, that operations will remain normally according to the indications of the company's interim CEO, Thierry Bolloré - Ghosn was temporarily removed from his duties.

For the president of Renault for Latin America the maintenance of the Alliance is fundamental to guarantee, and to distribute, the necessary investments for the industry in the face of the future challenges: "In the next ten years, the industry will change more than in the last fifty. We have great challenges in investing in electrics, autonomous and car sharing, and in order to stay competitive, it is essential to dilute this investment in the Alliance".

According to Pedrucci, a major pro-Alliance step should be given in the coming years, with the construction of productive platforms shared by the brands. The new generations of models will be produced on the same platform, using common parts - but keeping different designs.
"With the common platform we will reach a new level in synergies. Until 2022, 80% of the cars will be manufactured on this unified platform." WE

The crisis is over, guarantees Cortes, of VWCO

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Disclousure

São Paulo - One of the biggest crises that the Brazilian truck industry has experienced in its entire history has finally come to an end. That was the assessment of the president of Volkswagen Trucks and Buses, Roberto Cortes, who celebrated the results of 2018, far superior than those imagined a year ago - even with all his well-known and traditional optimism.

Up to November, truck sales in the Brazilian market advanced 49% and bus chassis sales were 29% higher than in the same period of last year, according to the balance released by the executive on Wednesday, 5, in a meeting with journalists in São Paulo. VWCO grew even more: 51% in both segments, each one for a different reason.

In trucks, according to Cortes, the launch of the new Delivery Family has pulled up the results, especially in lower total gross weight segments, in which the company's portfolio is concentrated. In buses, big business with the program Caminho da Escola (Way to School) guaranteed the good performance of the Volksbus line.

"This is the news I will bring to Germany in two weeks when I meet the executive board: I am convinced that one of the most serious crisis periods in the history of Brazilian industry has been overcome".

Without revealing prospects because of the impending Traton Group's going public process (Volkswagen Group's heavy commercial vehicle division created three months ago and which has one of its main brands in VWCO) Cortes has simply said that he is confident with the scenario that is drawn for next year: "All indicators are positive. We will maintain the route for growth".
The company's business in the foreign market was also positive despite the crisis in Argentina, which slowed down export growth somewhat. According to Cortes, shipments of trucks, bus chassis and CKDs added together obtained a result that was 7% better than last year.

"The entry of the Delivery family into new countries helped to leverage these results. Today, we are presenting the trucks in Bogotá opening a new market in Colombia."

All this positive scenario has prompted VWCO to announce a few weeks ago the opening of a second partial production shift in Resende, RJ, promoting the hiring of 350 workers. The president said that these employees are already undergoing training and should join the lines from January.
Photo: Disclosure. WE

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