

AutoData

NEWS AGENCY WEEKLY EDITION

Edition
870

Weekly Brazilian automotive industry news | 3.11 to 3.16.2019 Year XIII



Production increase, the good news from Anfavea.

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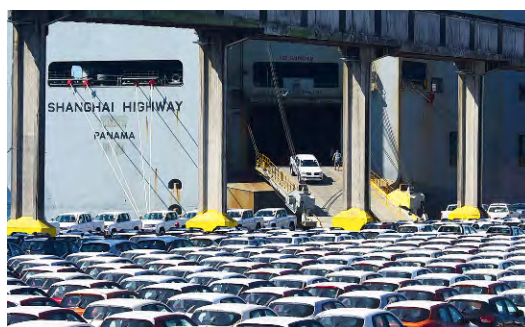
Market experiences the best February since 2014.

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Exports end the two-month period in decline.

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Sale of trucks picks up, but pace tends to slow down.

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Photo: Publicity.

Production increase, the good news from Anfavea.

André Barros | andrebarros@autodata.com.br

São Paulo – The best news Antonio Megale, president of Anfavea, announced on Monday 11, in his meeting with the press in which he assessed the performance for February and the January-February period, was the 20% growth in volume last month, compared to February of 2018. Total production was 257.2 thousand cars, light commercial vehicles, trucks and bus chassis for the month, the best volume for February since 2014.

Despite the fact that last February included the Carnival period (in this year the holiday falls on March), Megale celebrated the speeding up of production lines: “The carmakers are betting on a market with high volumes in the next couple of months. Compared to January, the increase was 30%. It is today’s best news”.

In the bimonthly period, a total of 455.3 thousand vehicles left the factories, for an increase of 5.3% over the first two months of last year – thus reversing the drop of 10% in January 2019 compared to January 2018. Anfavea's projections for the year point to an increase of 9%: "We will maintain the projections. And once we know the performance for the first 4-month period we will have a clearer perspective of the trend".

The balance of job generation was positive, with 514 new jobs created last month. According to Megale, 80 employees formerly in layoff were called back to their jobs in February – right now the industry as a whole maintains a total of 696 people in layoff.

Anfavea's president also deemed positive the initiative of the São Paulo state administration of creating IncentivAuto, a program that calls for a rebate on the ICMS tax to carmakers that will invest at least R\$ 1 billion in the state. Nevertheless, according to him, short-term issues for the industry remain unchanged.

"Every reduction in the tax burden is welcome. Brazil has competitiveness issues, and lower taxes are positive. But this does not address the balance of ICMS tax credits that the State must pass on to the companies".

Megale said that the program was an initiative of the State administration and that Anfavea, even though aware of the scope of the program, did not participate in the discussions. He pointed out as well that the economic team in the State "is appreciative" of the issue of ICMS credit and is open to discussions on how to best address the issue.

The decree concerning IncentivAuto was published in the State Official Gazette on Saturday 9. Some definitions remain to be clarified which will likely be made public by Ordinances in the coming weeks.

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Market experiences the best February since 2014.

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São Paulo – Daily sales average in February was 9 thousand 932 units, for an increase of 10% over January, which had two more working days, according to figures released by Anfavea on Monday 11. During this month, which was the best February since 2014, as many as 198 thousand 641 vehicles were sold, an increase of 26.6% compared to the same period last year and, as stated by president Antonio Megale, the fact that Carnival this year falls in March was key to the month's numbers.



Photo: Publicity.

In comparison to January there was a slight decline of 0.6% and, in the two-month period, 398 thousand 641 vehicles were sold, an increase of 17.8% compared to the same period of 2018. "Numbers for February, which is a short month, were very good, but we need to have the full 4-month period before we can determine whether this growth trend will be maintained".

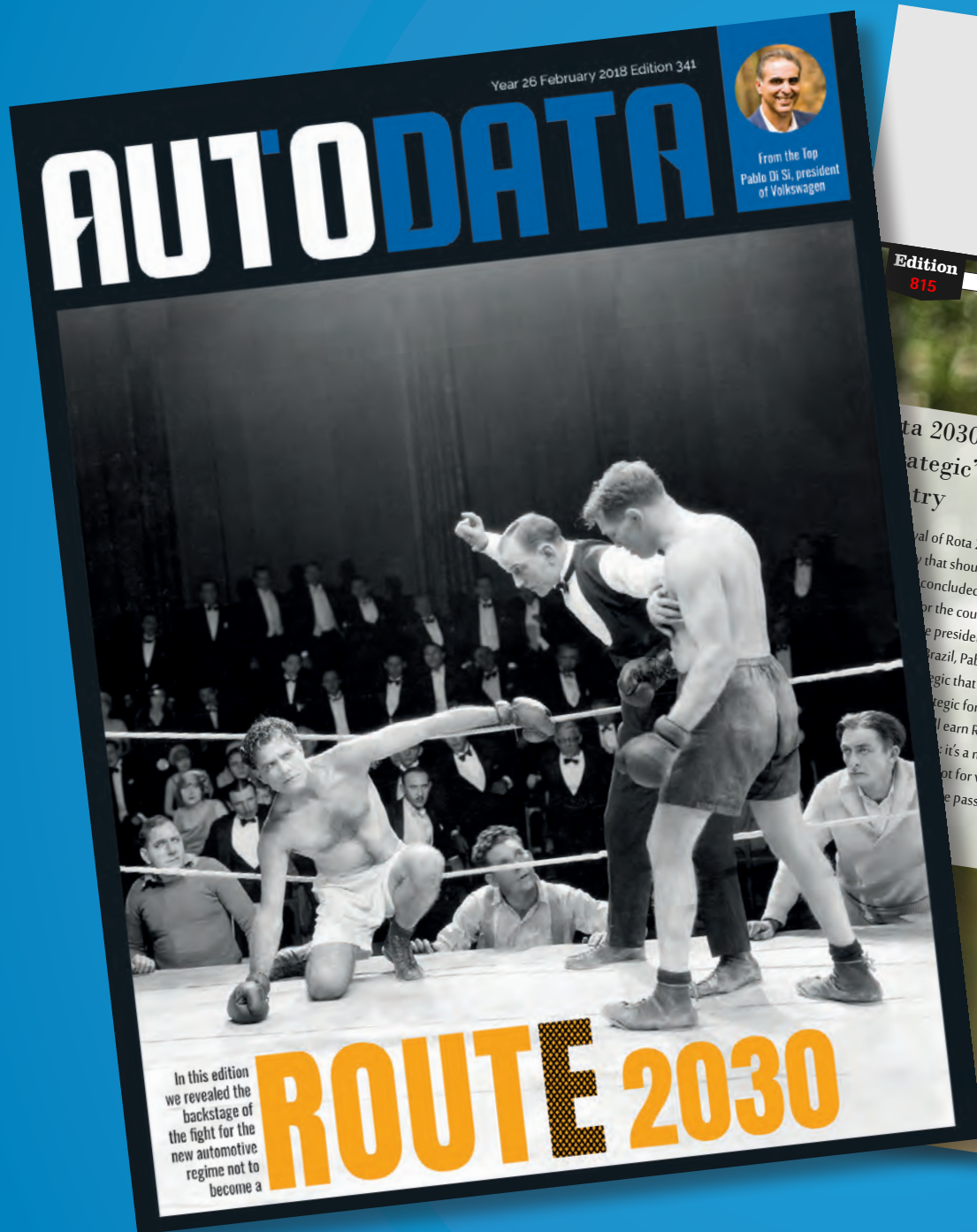
Dealer network inventories reached 180.1 thousand units, compared to 170 thousand in January, enough to serve 27 sales days.

According to Megale the increase is due mainly to the dealers' moves to prepare themselves for the sales volumes anticipated for March.

With these numbers, Anfavea maintained its projection calling for an 11.4% growth for the year, with sales of 2.8 million units.

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Exports end the two-month period in decline.

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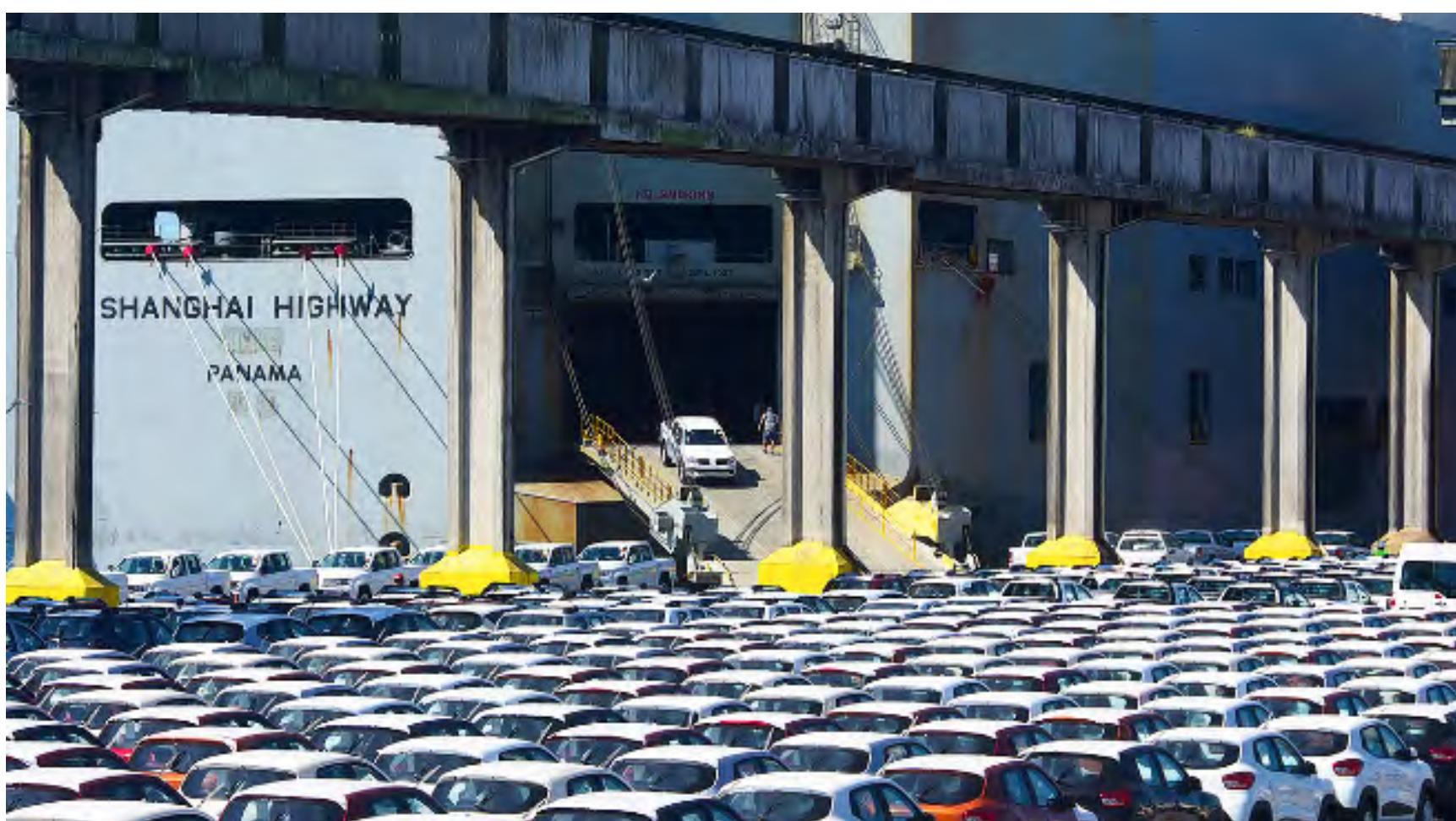


Photo: Publicity

São Paulo – Once generators of encouraging numbers, vehicle exports ended the first bi-monthly period with a 42% decline as compared to the first two months of 2018. A total of 65.5 thousand vehicles were shipped in the two-month period, a volume that was even lower than February of last year, when shipments totaled 66.3 units. These numbers were released by Anfavea on Monday 11.

In February, 40.5 thousand vehicles were shipped abroad, 38.9% less than the same month last year. In comparison to January, though, shipments increased by 61.8%.

“We are still far behind the results we achieved last year”, stated president Antonio Megale.
“Argentina, our main client, is still facing substantial obstacles. Let us hope that they can straighten these problems”.

According to the exec, performance in exports will continue to be difficult throughout all the first half of the year, with some relief, maybe, in the last quarter of the year -- not enough, though, to prevent the downturn in the sector.

In financial terms, exports yielded to the companies roughly US 1.5 billion in the two-month period, a reduction of 36% compared to the same period last year. In February sales were US\$ 876.4 billion, 40.8% below same month last year and 23.1% over January.

“When exports exceed R\$ 1 billion in a month, this is an indicator that things are going well. But we are below that mark”.

Mexico. In a few days, the current bilateral automotive commercial agreement with Mexico will expire, and we will move on to a free trade scenario. Some clues, though, point out to a new deal with higher quotas, according to Megale. “Governments are talking along these lines”.

The executive said that, even though Anfavea is all for open borders, a new timetable is needed to take Brazilian competitiveness to a level compatible with that of Mexico. There are additionally other issues still pending, such as local content – which leads Anfavea’s president to believe in a new agreement with quotas, stopping short of putting a date for this definition. **WE**

Sale of trucks picks up, but pace tends to slow down.

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São Paulo - Even with news that one of the makes intends to drop out of the Brazilian market before the end of the year, this has yet to impact on truck licensing. According to Anfavea, there will be moves as a result of Ford's decision to drop out of the truck business in the next couple of months, but the volume for the total year may not be affected.

"We need to wait some three months before we can gauge how the business environment will be, sales attained or cancelled on account of Ford", said Gustavo Bonini, vice president of the entity.

For the second month in a row, sales of trucks approached the 7 thousand units level (precisely 6



Photo: Publicity

thousand 876 trucks), a result the exec deems very good: "In the first half of 2018 the sales pace was of about 4 to 6 thousand units/month. Last year we reached a peak of 7

thousand/month in the second half only, which is traditionally better than the first half. The numbers for 2019 show that the bar is up and this is positive".

In comparison to February of 2018, vehicles licensed grew by 70.2%; compared to January they basically stayed the same, with a minor decline of 1.6%, totally attributable to the lower number of working days.

The most relevant number is the 2019 year to date figure: the 13.9 thousand trucks shipped mean an increment of 61% as compared to the same period of last year. There is the hypothesis, however, that this very encouraging growth rate will not hold in the next couple of months, as Anfavea projects an increment of 15.3% for all of 2019.

Thus, regardless of what will occur in the wake of the Ford situation, it is expected that a decrease in sales of trucks could take place. Nevertheless, this is not a real concern with the manufacturers. Not so far, anyway. Additionally, there is still the opportunity for Ford to increase its presence in those segments it is strong, such as light and medium trucks. The high level of idle capacity in the truck plants could help some companies. Promptness to occupy spaces is the name of the game right now.

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Agriculture machinery production falls by 10% in February.

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São Paulo – Agriculture and road machinery production totaled 3 thousand 507 units in February, a decline of 10.2% as compared to the same month of last year, as per data released by Anfavea on Monday 11. In comparison to January volumes were up by 20.7% and, according to president Antonio Megale, there is room for production to grow over the year, so long as there is not a lack of funding to finance the Harvest Season Plan for 2018/2019 and the following one, which starts June 1st.

In this two-month period, 6 thousand 413 pieces of machinery left the plants, a reduction of 3.3% as compared to the January-February period of last year.

A total of 2 thousand 874 units were sold in February, for an increase of 19.8% compared to the same period of last year and 7.9% compared to January. Year to date sales were 5 thousand 537 pieces of machinery, an increase of 38.4% versus the first two-month period of 2018. “Agribusiness started off very strong and prospects for the year are good, with forecasts for the harvest season above 230 million tons”.

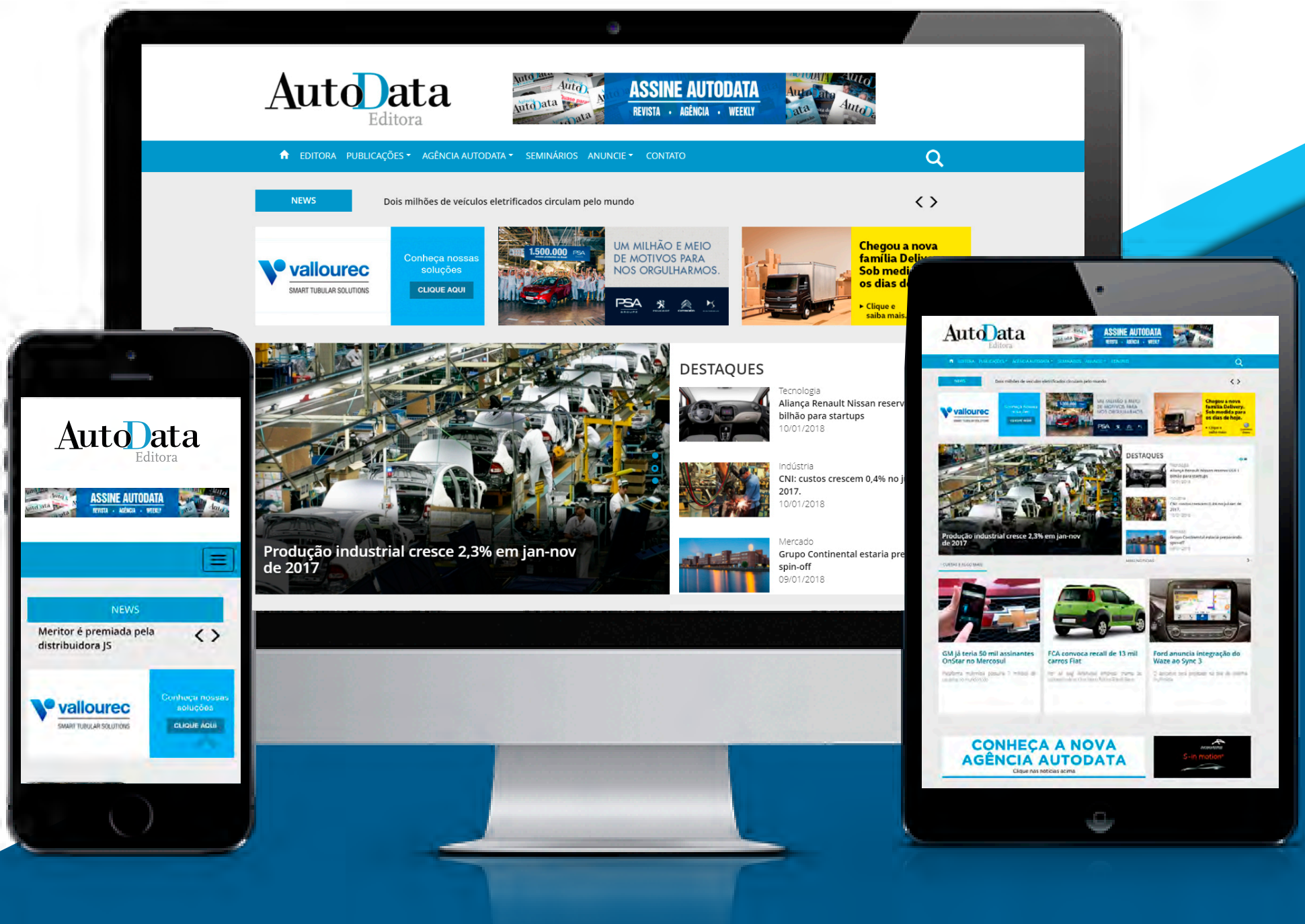
Alfredo Miguel Neto, Anfavea’s vice president in charge of the machinery sector, stated that even with uncertainties about the closure of the current Harvest Season plan and the transition to the next one, producers’ trust is on the rise, and investments were maintained. But then again the funds for the financing must be available: “Soya producers could also take advantage of negotiations with China, which is paying top dollar for the national product”.

Exports of machinery reached 834 units, a decline of 10.6% as compared to February of last year and of 7.8% in the bimonthly period. Megale said the decline was brought about by the same reason affecting vehicles in general – the economic crisis in Argentina, which is the main destination of Brazilian equipment.

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Hyundai invests R\$ 125 million in Piracicaba.

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São Paulo - Hyundai announced Monday 11 a total of R\$ 125 million investment in Piracicaba, SP, so as to improve operations and also to acquire new equipment, such as robots. With those investments in place, its installed capacity will grow from 180 thousand units to 210 thousand per year – or from 36 to 42 vehicles per hour, in three shifts.

According to the company, last year – due to specific efficiency gains in production processes – the lines in Piracicaba produced 193 thousand units. In a note, Eduardo Jin, president and CEO of Hyundai Motor Brasil, highlighted what made possible this increase in the production capacity ceiling: “Our plant underwent improvements in several areas, mainly concerning structures in welding, painting and assembly”.

Jin stated that the extra 30 thousand yearly vehicles will primarily serve the domestic market, which, according to Anfavea, should grow in excess of 10% this year: “So Hyundai will be in a position to maintain its market share throughout the year”.



Photo: Publicity.

Inaugurated in 2012 the Piracicaba plant had 2.5 thousand employees and produced 150 thousand units. One year later, with the third shift and an additional two hundred job positions filled, capacity grew to 180 thousand vehicles per year. Besides the domestic market, the HB20 and Creta models produced in this plant are shipped to Colombia, Paraguay and Uruguay.

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