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Automotive sector works on ICMS credits recovering

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Automotive sector works on ICMS credits recovering

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Photo: Fábio Rodrigues Pozzebom/Agência Brasil.

Sao Paulo - Anfavea seeks (with the government of Sao Paulo state) to create actions to simplify the payment of ICMS (tax on goods and services) credits owed to the sector - accumulated by the exports, which are exempt from taxes, and by tax substitution processes. Its president, Antonio Megale, said, on Wednesday, 6, that there will be from R$ 6 billion to R$ 7 billion in credits accumulated for the industry in Sao Paulo alone, he estimates.

According to him, the entity offered three suggestions to the state government, which now studies the best alternative. One of them is the flexibilization of Pro-Veículo, a program that allows automakers to recover the ICMS credits in investments in expansion or modernization of the factories located in Sao Paulo. Megale, who considers the initiative as positive, said that one of the

alternatives would be to expand the scope of this program, allowing the application of the credits in other investments.

Another proposal taken to the Finance Department team was to adjust the ICMS itself, so that the rate is diluted in the different incidents: "We understand that the government includes it in its budget when collecting the tax, and then it gets difficult to return it. That way, the collection would be more realistic".

The third proposal is more advanced. It has even been targeted by a decree published last year and now goes through its regulatory phase. That is the transfer of accumulated ICMS credits from the vehicle industry to the tooling companies. In the executive's opinion, it would be an ideal scenario, because "it would strengthen the tooling industry, which used to be very strong in Brazil and is experiencing difficulties today".

Megale argued that, with that proposal, everybody wins: the automakers, which would recover the ICMS overpaid on new tools - today, according to the executive, a good part of this material is imported - the government, which by returning the ICMS, would generate more industrial activity, creating jobs and more taxes, and the tooling industry, which would be strengthened.

There is no response scheduled from the state government regarding the lawsuits of the automotive industry. But the Treasury Department released a statement two weeks ago informing that it has been studying measures related to the ICMS credits that the automakers are entitled to receive - provoked by General Motors' board of directors, which sought alternatives with the government to make viable its investments planning in the Brazilian market.

Production - The decrease in exports slowed the pace of vehicle assembly lines in January. According to Anfavea, production in the first month of the year totaled 196,8 thousand units, a decrease of 10% compared to January 2018. About December, the increase was of 10.8%.

The president of Anfavea minimized the decline and called the result as "reasonable. It could have been better if we had exported a little more". WE

Market has the best year beginning since 2015

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Disclosure.

Sao Paulo - Since 2015, the Brazilian vehicle market has not started at such a fast pace. According to data released by Anfavea on January 6, 199 thousand 994 cars, light commercial vehicles, trucks and bus chassis were sold in January, increase of 10,2% compared to the same month last year. According to the Anfavea's president, Antonio Megale, the volume only did not exceed 200 thousand units because of the holiday on January 25 in Sao Paulo and the growth registered in the month is in line with the one projected for the year – 11,4% in the accounts of the entity.

The average daily sales was 9 thousand 882 units, with twenty working days. According to Megale, it is a good start for the year and gives a positive signal for the course of 2019. Compared with last December, there was a retraction of 14,8%, which was already expected by the entity because the last month of the year is usually strong in sales and the first is weaker - normally, a 15% decline is recorded on this basis of comparison.

Megale also said that Brazil is one of the few global markets to show double-digit growth. He recalled that the United States and Europe, for example, show growth at marginal rate. "This brings confidence to companies in the local market".

The executive also projected that the much-expected 4 million units per year could be reached in the middle of the next decade. "If there are no road accidents along the way". WE

Exports have the worst month since 2016

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Sao Paulo - The tragic year beginning in the Argentinean market in terms of domestic sales hit the exports of the manufacturers installed in Brazil, in January. The shipments of vehicles produced in Brazil to its main economic partner in the region, compared to January last year, almost halved: the 15 thousand 570 units exported in the month represent 49,4% less than the volume exported in 2018.

The decrease in sales volume to the Brazilian neighboring market reflected in the figures of the sector, released by Anfavea on Wednesday, 6, regarding the bilateral vehicle trade. The 25 thousand 34 units exported from Brazil in January represent the worst monthly result since January 2016, when 23,8 thousand units were exported. The volume registered last month was 46% lower than seen in January 2018.

Of the total sent abroad by the automakers, 24 thousand 166 units corresponded to light vehicles, retraction of 45%. The trucks exported totaled 520 units, decrease of 72%. Also a decline regarding the bus segment, 39.7% less, with 348 units exported.

According to Anfavea's president, Antonio Megale, the automakers are still in the race for new markets, but nothing that can compensate the volume losses in the Argentine market: "Sales in Colombia have grown again, they have been higher than in Chile and this is important because it gives an alternative to the sector. The Andean country is an important partner that comes from growth resumption after a period of strong internal crisis".

In the case of Mexico, which Brazil also has bilateral agreement in the automotive sector, the share in exports rose from 8% to 20%.

In terms of value, exports reached US$ 712 thousand in January, 0.6% lower than in December and 29,1% less than in January 2018, when the sector exceeded the US$ 1 billion. WE

Domestic market maintains truck production positive

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Sao Paulo - Truck manufacturers are celebrating for having reached sales levels close to 7 thousand units in January. From its point of view, the volume indicates the possibility of approaching the level that they consider the ideal for a healthy operation in Brazil, in this case, 10 thousand units/month, which would result annual production of 120 thousand units.

Anfavea data released on Wednesday, 6, showed that 6 thousand 811 units of truck chassis left the production lines last month, representing a 1,6% increase over the volume produced in January last year. According to the entity's vice president, Marco Saltini, there was an increase in the demand for trucks in other segments besides agribusiness, which has sustained the segment in the last years.

"The movement of loads as a whole has increased in Brazil, not only the grain loads, for example, which is positive and brings us closer to ideal production levels, from 100 thousand to 120 thousand a year. And the trend observed after the elections is that the truck market has maintained the pace it showed since last year, while the expectation abroad is that the volumes will decrease, with a perceived reflection on the manufacturers' lines".

Disclosure.

Despite the growing demand in other segments agribusiness continues to be the main demander of trucks, especially the heavy ones. The importance is perceived by the sector production numbers: while performance in January was negative for semi-heavy, medium and semi- light trucks, the production of heavy trucks increased 18,7% compared to the volume registered in January of last year, to 3 thousand 135 units. WE

A promising beginning of the year for buses

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Sao Paulo - The January result made the bus industry enthusiastic, which saw its sales advance 88% compared to the same month of last year, to 1 thousand 598 units. For Marco Saltini, vice president of Anfavea, the result was boosted by deliveries of Caminho da Escola, a government's program, which will continue in the coming months.

"There is also a new bid for Caminho da Escola scheduled for this year", said the executive, who also mentioned the bid of Sao Paulo capital, which finally got out of the paper. "However, we will only know its impact better after 120 days".

Disclosure.

According to Saltini, this is the deadline for the entire legal pendency to be eliminated - such as impugnation and other bureaucracies. In any case, the industry expectation is high since it involves a strong fleet renewal.

The industry projects to close the year with an increase from 15% to 16% in bus sales.

The production of chassis did not follow the domestic market and closed January with a decrease of 1,3% compared to the first month of last year, with 1 thousand 919 units produced. The increase reached 73,5% compared to December.

Exports in the sector fell 39,7% in the annual comparison, to 348 units. In relation to December, the decline reached 60,2%. WE

Machinery sales increase 64%

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Sao Paulo - Sales of agricultural and highway machinery totaled 2 thousand 636 units in January, a 64,5% increase compared to the same month last year, according to figures released by Anfavea on Wednesday, 6.

The president Antonio Megale said that this segment had a good start of the year and that the projection is to keep that in the coming months: "Infrastructure investments are starting to emerge in the market and this should help the expansion, as well as the good price of commodities".

Disclosure.

In comparison with December, the decrease was of 40.1%, which was already expected by the market.

Even with a year projection for growth there is concern with the Moderfrota (line of credit offered to the segment) because 64% of the R$ 9 billion that were offered to the program in the period 2018/2019 have already been used. Alfredo Miguel Neto, vice president of Anfavea, admitted that there may be lack of money to finance the producers' purchases until the end of June.

"We have already had a meeting with the government to make a reallocation of the amount destined to other programs for Moderfrota, with the intention of having no lack of money for financings in the second quarter of the year. The government, however, has signaled that it is seeking to reduce its spending and some credit lines are already over, which will hinder that readjustment and may not happen. Anyway, we hope it will be possible to increase the value of Moderfrota a little bit. "

Production reached 2 thousand 819 machines in January, a decrease of 49,2% compared to December. According to Megale, this decline was caused by production adjustment for the beginning of the year and it is not a concern because there was an increase of 3,5% compared to January last year, as well as in comparison with 2016 and 2017 - which indicates that the sector grew even with a considered low volume.

Exports totaled 693 machines, decrease of 21,6% compared to December and 10,6% compared to the same period last year. The president said that the decline was caused by Argentina, which is Brazil's main trading partner and is still in crisis. WE

Heavy trucks will boost, once again, truck sales increase

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Disclosure.

São Bernardo do Campo, SP - The heavy segment is expected to drive the Brazilian truck market growth in 2019, as last year, when sales of these models accounted for almost half the market. Roberto Leoncini, vice president of Mercedes-Benz, estimates that from 55 to 60% of the 88 thousand units projected for the country this year will be heavy and extra-heavy models.

It is not the ideal scenario for the company, which competes in all segments of the Brazilian truck market: "The ideal for Mercedes-Benz, and for Mercedes-Benz dealers, is that all segments grow. But we have the conditions to advance more in the heavy trucks".

Last year, the company doubled sales of the Actros and Axor models, which compete in this segment. More: it led sales, a position traditionally occupied by the competitors Scania and Volvo: "We could have sold more. We ended up losing business for not being able to deliver. Now we adjusted the production so we are ready to take the orders".

Leoncini said he also expects progress in the light segment, which grew modestly last year. Most of the business came from beverage manufacturers and the expectation is that other segments, such as wholesalers and logistics operators, return to the market to renew their aged fleet.

In 2018, for the third consecutive time, Mercedes-Benz led the truck market, with 21,1 thousand units delivered - 27.8% market share. Maintaining the leadership, although welcome, is not treated as a priority by Leoncini: "Our goal is to earn some money. The leadership is consequence of a succeeding job".

The numbers presented by the executive show that sales are more qualified. Of the 21,5 thousand trucks sold last year, 5,4 thousand were traded with some maintenance plan – an increase of 110% over 2017. The Fleetboard, a telemetry and fleet management system, was present in 5,3 thousand units, an advance of 150% on the same comparative basis.

Another good result was obtained with the operation of new trucks sales, the SelecTrucks. There were 1,5 thousand units traded in the five stores, increase of 81% over the 826 from last year - and another 1,1 thousand new trucks sold from models traded with these stores. The performance motivated M-B to work on the expansion of the operation: it is expected to open six new stores this year, expanding to the Midwest and Northeast regions and amplifying operations in the South and Southeast of Brazil. WE

Volkswagen bets on double-digit growth

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Disclosure

Sao Paulo - The optimism of Pablo Di Si, president of Volkswagen Latin America, was renewed at the end of January when the Brazilian vehicle market presented a 10% growth over the first month last year. On Monday, 4, in a meeting with journalists at the digital dealership inaugurated in Sao Paulo that integrates a pilot project for the region, the executive affirmed to expect a 9% increase in sales in 2019 and 2020.

"We, from Volkswagen, are working hard on the double-digit growth", he said after justifying his prognosis for the market: "I hear from banks that there is a lot of credit available, interest rates are at low levels and there is also a low default rate. From the dealer chain, I hear that consumer's confidence is back."

Inside the company's walls the T-Cross launch, the first Volkswagen SUV with Brazilian production, will be decisive to maintain the pace of growth above the market average. Sales are expected to start in the coming weeks.

The dust also started to settle in Argentina, which is undergoing an economic crisis that really hit vehicle sales. Although preliminary data indicate a 50% drop in January sales, compared to the same month last year, Di Si points to stability regarding the immediately previous months: "The first four months in Argentina had sales at historically high levels. I believe that from April, May, the Argentine market will resume growth, even slightly".

According to the president of Volkswagen, the company's stocks in Brazil's neighbor have been adjusted in the last months, in a way that the Brazilian factories will return, although gradually, to meet the demand: "In the last quarter, we did not send any cars to Argentina".

Other markets appeared on the company's radar, which closed 2018 with a 19% increase in sales to the Latin American countries, not mentioning Brazil and Argentina. According to Di Si, who mentioned the Bahamas, Colombia, Chile and Costa Rica, among others with small markets, but added together, represent a significant volume, sales in this region, in general, grew 6% last year. WE

A terrible year beginning in Argentina

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Disclosure.

Sao Paulo - The year started badly for Argentina regarding the automotive sector: January numbers, released by Adefa, show a strong reduction in all analyzes. Wholesales, from the factories to the dealerships, totaled 30 thousand 38 units, a decrease of 53.4% compared to the 64,4 thousand units in January 2018 and 38% in comparison with the 48,4 thousand in December.

And wholesales of vehicles manufactured in Argentina reached 7 thousand 738 units in January, a decrease of 54% faced with the 16,8 thousand in the same month last year, and 47.5% compared to December, with 14,7 thousand.

Exports, which still maintained the Argentine numbers last year, also did not resist. The 7,4

thousand units in the first month this year represented a decrease of 28,9% in the comparison with the 10,4 thousand of January 2018 and 67,7% compared to the 22,9 thousand of December.

Brazil received 58,7% of the Argentine vehicles exported last month. The countries of Central America - Costa Rica, Curacao, El Salvador, Guatemala, Haiti, Honduras, Nicaragua, Panama, Puerto Rico and the Dominican Republic –accounted for 11,4% together, Peru 7,5%, Chile 7,3% and Colombia 6,5%.

Argentina's total production in January was of 14,8 thousand units, a decrease of 32,3% compared to a year ago, with 21,8 thousand, and 27,7% in the comparison with December and its 20,5 thousand.

For Luis Fernando Gamboa, president of Adefa, "the performance in January came along with December results and leads us to be very cautious about how the sector will behave this year. In 2018, the market and the industry started from an inertia, which led to estimates of record breaking that, however, were affected by the financial turbulences. This way, the year ended closer to our historical averages".

The executive added that "with the productive stops in December and its effects in the first month of this year, the numbers decreased, which also affected exports. So we have to wait to evaluate the market behavior at the end of the first quarter. In any case, we will keep working on new international negotiations and on improving competitiveness".

Adefa has not released its projections for the local market until 2019 so far. WE

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