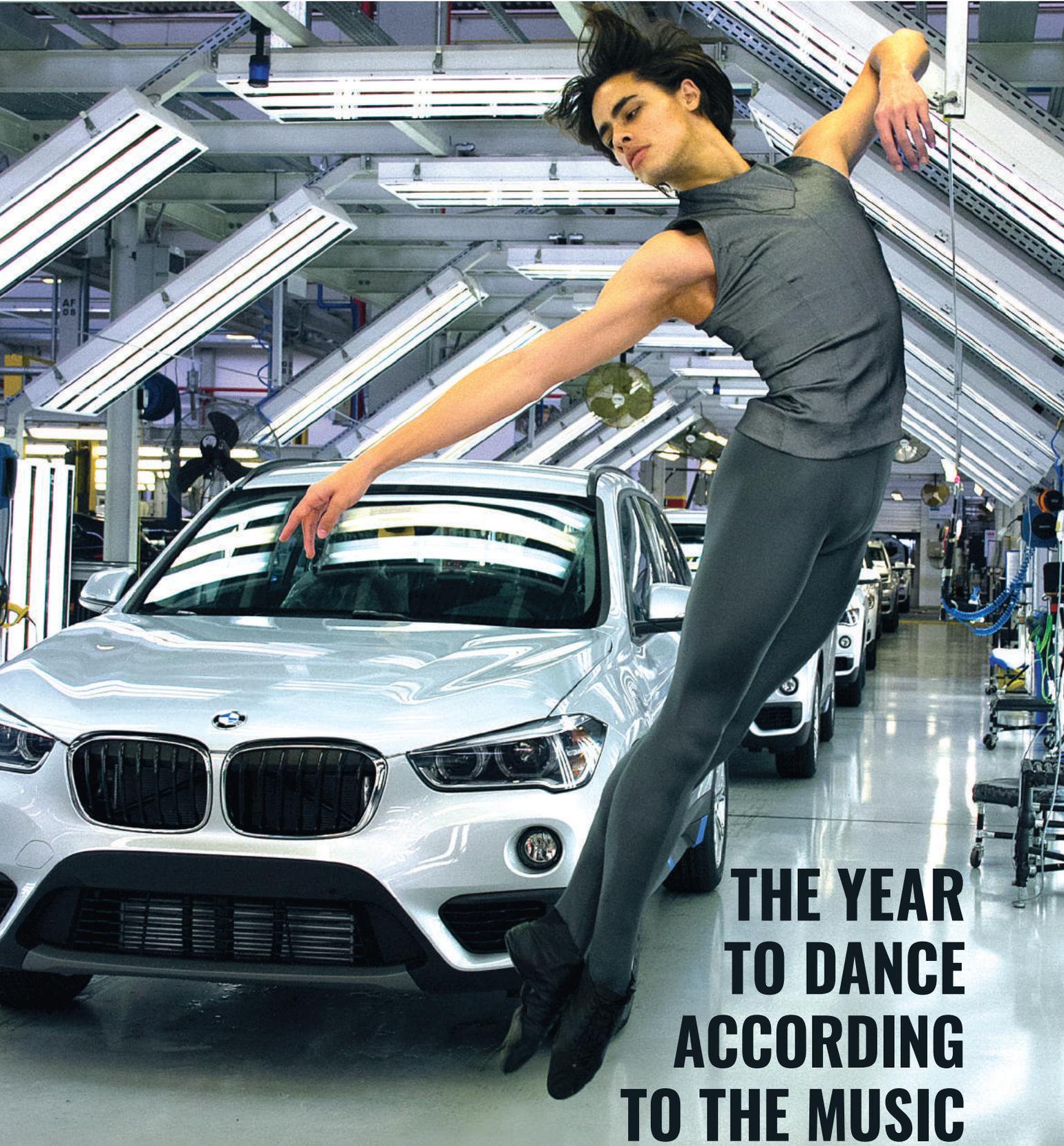


AUTODATA

PERSPECTIVES
2019



**THE YEAR
TO DANCE
ACCORDING
TO THE MUSIC**

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**PERSPECTIVES 2019
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END OF CHAT

The most relevant and irrelevant headlines of the month, handpicked by our editors

The automotive waltz for 2019

Leandro Alves, director

The Dueto photographic exhibition, of Escola do Teatro Bolshoi, from Joinville, SC, stamped on our cover and some of the perspectives' analyses reports of the Brazilian automotive sector for 2019, could not be any happier to portray what the main executives interviewed by AutoData said.

In summary, the result of this hard work that mobilized all the professionals of our publishing house in an effort to trace the future of the industry in Brazil in the short term found an internal market growing from 5,5% to 8% next year and production advancing, in average, from 9% to 13%.

But don't you think, noble reader, that these numbers can materialize in fact. And that's the trick and the main challenge of this copy, which is the greatest AutoData edition of the year. A big question mark hangs in the minds of the decision makers of the automotive chain at this very moment: conjectures made, historical reviews considered and no one's capable to pinpoint how the industry will perform in 2019.

Due to this ballet that may follow the quiet rhythm of a waltz dance, a fierce rap or even a tango - considering what will happen to Argentina next year -, it is of crucial importance to read these 156 pages.

Here you will find not only what the main manufacturers of automobiles, light commercial vehicles, trucks buses and agricultural and highway machinery project for the last months of this year but also for the whole 2019 exercise, in addition to the analyzes made by our team for several segments, such as the one regarding the luxury brands.

In this reporting effort we also found a legitimate Brazilian vocation: the engine production, which grows and specializes even at a pace faster than the industry of vehicles itself.

We have innovated once again and for the first time we won't bring just one, but five From the Top interviews with the presidents of the most important associations of the Brazilian automotive industry.

So, don't waste time your time: create your playlist and start now to understand how your business will be impacted by the dance of the automotive industry this and the years to come.



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AUTODATA

Director Márcio Stéfani, publisher **Editorial Board** Márcio Stéfani, S Stéfani and Vicente Alessi, filho **Newsroom** Leandro Alves, deputy director of writing and new business, Marcos Rozen, editor **Collaborated in this edition** André Barros, Bruno de Oliveira, Caio Bednarski, Glauco Lucena, Lucia Camargo Nunes **Graphic Design/Art** Romeu Bassi Neto **Photos** DR and disclosure

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FOR TWELVE MONTHS

The president of Volkswagen, Pablo Di Si, does not always hide what is on his mind. He was dissatisfied for staying behind Fiat in the sales result of August: "I'm competitive, I don't like to lose", he admitted. "The Italians were in the second position, it's true, but at what condition? I'm not selling a car at a bargain price". Di Si said that there were a lot of vehicles sold by Fiat with generous discounts: "They did it for a month, it worked, but nobody has the condition to do it for twelve months".

OPPORTUNISM

Some people say, in the automotive sector, that the Argentine government's tough game with the IMF, staging resistance to using the tools of, let's say, economic stabilization linked to the loan granting to take the country out of insolvency, a classic game from them that disrupted negotiations with Brazil in several situations. A recent example involves negotiations on flex tariff: they want to keep it at US\$ 1.50 for US\$ 1 while the Brazilian position, as a result of previous agreements, is to move towards free trade. And they also require, in the definitive project of the Brazilian Rota 2030 program, a special line of financing to be included for vehicles produced... in Argentina.

OPPORTUNISM 2

There is more. In order to extend the bilateral agreement with Brazil, Argentina wants to include, for example, the accounting of the investments made (in Argentina) by the vehicle manufacturers in the R&D criteria of Rota 2030. The country also wants that the vehicles they produce have specific money in the... BNDES (Brazilian Development Bank). These demands flourish in the shadow of payment default that Argentinean companies have given to Brazilian manufacturers and that was paid by the SCE system, a financial insurance created by the Brazilian government, which now charges the debt in court. People in the automotive sector remember that, in the past, Brazil negotiated a vehicle quotas agreement with Mexico and that Argentina only requested the extension of its results to Mercosur after the negotiations... were concluded.

OPPORTUNISM 3

These people in the automotive industry are convinced that the Brazilian Northeast and Midwest regimes, due to their characteristics of regional development mechanisms, should not be included in sectoral policies. He believes that R&D incentives are fundamental to prevent the loss of intellectual capital in this area, and that the Rota program is essential in the face of the competition represented by China and the United States - in Brazil, there is a demand of its own that resembles countries with similar characteristics, such as South Africa and India.

BELIEVER THING

Press offices of the contemporary times distribute their press releases as if they were windblown dust particles, those that enter through the window gaps and lodge in the folds of the collars. How to understand that one of these sends a material named Bible Lessons for Success at Work: How Can Bible Teachings Help You Overcome All the Professional Challenges for a publishing house specialized in economy of the automotive industry? The release says (imagine) that the authors "have been able to extract the best of from the Bible for the business world, (...) with tips for every week of the year".

BELIEVER THING 2

It's easy to understand: this press office does not have the slightest criteria in distributing its customers' press releases - to better understand it: for their owners, the clients are all the same. And this is a very irresponsible way of treating customers. I have learned that each client deserves specific attention, from start to finish, and that their message has to be sent to whoever gives editorial value to it. Something like this: a Bible-based issue should not be sent to journalists specialized in automotive economy - especially when this publishing house, like AutoData, follows the principles of secularism. In other words: this press office, which must believe in the uselessness of its own work, certainly thinks little about its clients.



Disclosures/IndyCar

AND EMERSON, WHO COULD HAVE THOUGHT IT...

And the champion Emerson Fittipaldi, who could have thought it, went into a swamp far beyond the road: he gave political opinion in an inappropriate place. It happened in the evening of Thursday, 27th, during the launch of the Kia Stinger GT, in São Paulo, whose first twenty units are part of a special series in his honor. In the opportunity, he

had to speak to specialized journalists and after obvious praises to the car, he made room for the apology of a presidential candidate - exactly the one that says that women are people of second or third category, who supports the use of torture and torturers, who does not hide his homophobic condition. A group of five guests shouted "No torturer!", and left the event. He wasn't followed by anyone else.

AND EMERSON, WHO COULD HAVE THOUGHT IT... 2

Two things draw the attention. The first of them is the fact that executives of foreign company dominated by compliance policies - and one of them is the non-intrusion of other countries internal issues - have allowed the manifestation, which certainly was arranged and they were aware of it: no one, nor even the former champion, would have the courage to make political speech without previous authorization. The second point concerns to potential spurious relations: would the old champion be selling his image in a desperate attempt to buy facilities for his ruinous business in the hope of victory of a candidate with those qualifications, as described by the journalist Lemyr Martins in *Época Negócios* magazine?

AND EMERSON, WHO COULD HAVE THOUGHT IT... 3

Lemyr Martins wrote a year ago, in his last paragraph: «Sad situation for who cheated death on the tracks several times and was defeated in the investments jungle. It is regrettable that this time the pilot will not be able have a bailout from the businessman». Well: Who knows, in the Kia event, if the sad Emerson was selling his soul to the devil - Goethe described how this ends.

HERESY?

There are marks that are embedded in the neurons of people in an indelible way, such as the name of the Scania magazine, King of the Road, adopted since the company's installation here in Brazil. The publisher of AutoData Editora, Márcio Stéfani, believes that the change of name, for a named focused on technology, is heresy. He believes that King of the Road, the trademark of Scania trucks, and which characterizes them in Brazil, should be preserved.



By Vicente Alessi, filho

Suggestions, criticisms, comments, offenses and the like for this column can be directed to the email vi@autodata.com.br

Hope for the best and move on

How are Anfavea's projections being drawn for 2019?

It is difficult to project the future without knowing who the new Brazilian president will be. They have different proposals, which can cause reactions in the stock market, dollar, level of trust, etc. We will wait for the declarations after the elections, the constitution of the ministries. I think everyone is going to wait a little (to draw projections), including us, from Anfavea.

Will the economic issue depend fundamentally on politics, then?

These two points are never totally disconnected, but it seems to me that the customer behavior is a little disconnected, in this case, a kind of understanding that Brazil has an open political question but, meanwhile, we will move on. Whether or not the indicators are good, the interest rate should remain low, banks should maintain the credit levels, default is controlled, agribusiness indexes are excellent, companies are producing and selling and, therefore, the risk of losing the job is lower.

It is remarkable how much the market has grown this year...

There are some reasons for this. We had good years in 2012, 2013 and 2014, and these cars are older, anyone who has one of these cars already exceeded the time to change them, there is a lack of semi-new cars in the market, so

people are going back to the stores, to buy a new one. And the new cars have connectivity levels that these semi-new models don't, and this is a customer's desire today. The average daily sales of month beginning is above 10 thousand cars and the end of the month reached 16 thousand units, something that we haven't seen for some time.

What about the exports?

Unfortunately, Argentina is living a very complicated situation, it undermines our shipments. Our export forecast for 2018 was 800 thousand units, then we decreased to 766 thousand and now we see that if it reaches 700 thousand, it will be a reason to celebrate. The part of production that was already programmed for the exports, with the purchased parts, turned to Brazil's market and then they have to be sold, there are discounting, actions for destocking, but even with those things the stock has grown. Other countries in the region had better results, but Argentina still accounts for 75% of purchases. So, even if we send more vehicles to other countries like Chile, Colombia, etc., this has a limit: even selling to other markets, it is not possible to compensate for everything that will be lost.

Did this motivate the recent revision of projections for 2018?

We changed the Brazilian local market projection from 11.7% to an average close



Christian Castanho

to 13,5%, but the decrease in exports will affect production, which in any case will not change much, it should be very close to the house of 3 million units, a little bit lower than previously expected, which was 3 million 21 thousand.

What can we expect, in practice, from next year?

We believe that Brazil will grow again in a more robust way. I would say that regardless of who wins the election there is commitment to the reforms that are necessary, there is this awareness of the candidates. It should bring a little more confidence and that GDP that we expected for this year, 2.5%, should come. It seems that we will have a double-digit growth in the market, even two low digits, something around 10%, 11%. It seems viable to me.

“Everything leads me to believe that we will have a double-digit growth in the Brazilian intern market, even two low digits.”

And for production?

I believe that with the measures that the Argentine government is taking, the situation should be better at some point in the first quarter of 2019. I believe that next year exports to Argentina will improve, in contrast to exports to Mexico. Chile is doing well, Colombia is walking sideways but we can move forward because the rate increases. So I believe that this view of a low double digit increase in the domestic market may even be shared for production as well, maybe a little less, but it will certainly grow.

What can be expected particularly for trucks and buses?

I think the market will keep growing, not at the indexes we have in 2018 because the base of 2017 is low, but it will continue at a double-digit increase. If there is no unexpected weather issue we should have a supersafra (bumper crop), which will demand more trucks. In addition to that, there is a freight issue, logistics, and transporters know that new trucks are more modern, with higher cargo capacity and more economical vehicles, so there must be a move in this direction too.

And the Rota 2030 program, will it really come into force in 2019?

We will have Rota. The problem now is that the Congress does not set a meeting because the parliamentarians are in campaign. The commission was constituted, there is a discussion around an amendment, regarding the Northeast, that will have to be equated somehow. What is clear to us, here at Anfafea, is that we can't let any dispute over an amendment, in any way, endanger Rota 2030. We will have the approval but if the president will veto something after that, I don't know. That's another story. But we have a commitment from the government that Rota will be approved.

In terms of macroeconomic data, what does Anfafea project for 2019?

We believe the inflation will be inside the goal, it is the scenario that we are working on. GDP should be at 2.5%. It is a bit harder to say about the dollar, I believe it will stay below R\$ 4 and above R\$ 3.50. It is above what we predicted. Previously, we imagined that, a good number would be from R\$ 3.20 to R\$ 3.40, but this will be difficult to achieve now. Selic (interest rate) will not reach 7%, in our view, although it hardly stays at 6.25%. These are the premises which we are working with. ■

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**NEO
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How do you evaluate the sector's situation today, in the general scenario?

Although a slower recovery shown by the Brazilian economy, our auto industry has had a faster pace. Vehicle production grew 24% last year and the economy was almost at zero. This year, the economy is expected to increase at the house of 1% and we are pointing to the possibility of expanding another 12% in production. The domestic market has also surprised us in recent months, more favorable than we had imagined. On the other hand, exports started to fall and the decrease will be more accentuated because Argentina takes almost 70% of our volume and it is going through a crisis that slows down its domestic consumption.

What are the numbers to close the year?

The production will reach a little more than 3 million vehicles. It will be a very good year, if it is not compared to 2013. Since the end of 2016 we have lived a good recovery, much stronger than the economy.

Does Sindipeças see any threat to this recovery?

Only a change in the Brazilian economic scenario. If the required reforms do not occur next year, Brazil will face a fiscal difficulty that will alter this macroeconomic situation. On the other hand, if there is a minimally adequate fiscal solution, we may be surprised for the favorable side, keeping interest rate and inflation low but with the spirit to invest that does not exist today. And it accelerates the rest of the economy, generating more jobs, more salary, which is very good for an industry like ours.

Is there optimism regarding 2019?

We are assuming a 5% growth in production compared to 2018. I would not call it as optimism: we are talking about a market that is still far below what it used to be. We don't anticipate a decrease in production next year, but it could ha-

BETTER, BUT STILL FAR FROM WHAT IT USED TO BE



Christian Castanho

ppen in an economic instability scenario because of the election and an increase in customer insecurity. The people get very preoccupied about the market, the banks, but it is the customer who makes the decision. If I'm scared I won't do anything, but if I'm confident I make an investment, a small business, I travel, I buy a car.

What can be expected for the auto parts?

We grew in a similar way in revenue and physical production in 2017, about 24%. This year, the increase will be slightly higher in production, mainly because of the aftermarket. We should close at an increase of 14%. We are also forecasting an 18% growth in the trade balance deficit, which worries us but it is not that serious.

How can this balance deficit stop growing?

One side of this deficit is not so bad, it is related to the necessity for models renovation and more brands in the market. Brazil is not a point of new projects generation, of new vehicles. If more developments were made here we would have more components available. But it takes months, even years for the start of production, so the import of many vehicles for the scale needed to produce here in Brazil takes place. It is not blocking the importation, nor hoping that we have fewer new cars, let alone reducing the vehicles' life cycle, that we will solve this question.

Doesn't Rota 2030 give this direction?

Yes it does because Rota 2030 encourages R&D. It's something done all over the world to reach more local content and even export more. Of course we have questions of competitiveness that are horizontal and that will take a long time to be resolved. They are not issues that are resolved quickly, but having R&D

aligned with the rest of the world, complying with the WTO rules, as in the case of Rota 2030, it will help the Brazilian trade balance in medium and long term.

Did the auto parts sector come out of the crisis stronger or weaker?

That view where the industry wouldn't stand and succumb was not proved. Just like the risk imagined, during the resumption, that there would be no delivery capacity, it didn't prove itself true as well. What happened: resilience. The sector passed, suffered, fought, cut costs, reduced spent, there were entrepreneurs selling their goods, there were multinational companies disposing assets. We left with different characteristics and a dried structure cost to face the new scale level.

Is it time to invest again already?

We invested even during the crisis. Of course there were differences: less investment in capacity and more in productivity, to face the crisis. From 2019 on, even if we achieve the growth levels we are predicting, no more investments in capacity will be necessary unless there is a strong market acceleration. On the other hand, 4.0 manufacturing brings a natural and very good investment because it increases productivity and qualification. This will be the greatest investments' characteristics in the coming years. ■

“We suppose a 5% growth in production with relation to 2018. I would not call it as optimism: we are far below what we used to achieve.”

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No matter the difficulties and challenges, we must go forward, investing and working closer to our customers and their needs. Developing products and solutions aligned with the new demands of an industry in permanent evolution, or building solid partnerships pursuing the best results. External recognition reinforces this commitment, as in the development of the new CV Joints for propshafts, finalist of the 2018 PACE AWARDS, the world's premier automotive innovation recognition. This is the way. That it is our vocation. Always move forward, side by side with our customers and partners, developing the solutions that drive the industry today and in the future.



Faith on the double-digit

In January, Fenabrave estimated a market growth close to 12% for 2018. In April, it revised the index upwards, at the range of 14.5%, but there was a new revision in July, downwards this time, to 10%. Can we expect any other change of scenario from now until December, maybe going back to the 12%?

The first review was based on the good results of the first quarter. The market reacted well up to May, until the truckers' strike. It interrupted many things, the vehicles did not reach the dealerships and the parts did not reach the factories. This explains the second review. We have noticed a slight recovery since July and August reversed the picture, even earlier than we expected: we thought it would be for the second half of September, or October. In August, compared to July, light and commercial vehicles sales increased almost 15% and there were 14% more compared to August last year. It was the best month of the year. And in the annual comparison the sales also reached a 14% increase. We still work, considering the entire sector, with an estimate growth of 10% for the end of the year, but if this August performance is kept in the next months we may change the projections.

The overall picture, anyway, is positive then?

The base is still low, but we are recovering. 2015 and 2016 were the worst years for the Brazilian automotive industry and, consequently, for the vehicle distribution industry. In a very basic account we have had the total GDP decrease of 7% these two years. The second half of 2017 brought an encouragement, showed a beginning of recovery. Take a look at the general scenario that we had some ago: interest rates decreased from approximately 14% to 6.5% and inflation dropped from the double digit to a 3% range. These two factors were extremely positive for the industry. I always say that what sells cars is the low interest, what sells trucks is GDP and what sells motorcycles is employment. Due to the reduction of these variables' indexes, the trust level of returned from the investor and the buyer as well.

And you would say that this scenario tends to remain?

Yes, if the normal temperature and pressure parameters are preserved. The elections generate a tension, which is natural, and the trust index has stopped



“In general, we can say that we don’t believe in a worsening next year compared to this year.”

increasing, it is exhibiting a more stable behavior. Anyway, we should close the year at a relatively healthy level, especially compared to the last years.

The automotive sector, especially the automobile and light commercial segments, is heavily dependent on credit. What is the current overview?

A very favorable point in the credit issue is the default rate, which has fallen sharply. Default reached 7.5% range and is now around 3.5%. And this improvement is notable especially for individuals, precisely the ones who will go to the showroom, visit the stores, negotiate. Due to this, the banks' approvals index also improved: we used to work with an average of three approved forms in every ten, and this ratio is around four and a half in every ten today.

And what does Fenabrave foresees for 2019? Could it be at least like 2018?

It will depend on who will win the elections and govern Brazil in the coming years as there are different proposals from the several candidates. We can reformulate our projections until the end of the year, but we should wait before setting the numbers for next year, for prudence. But in general terms, we do believe that we can repeat this year's result for next year, but inside the scenario we are living now, taking into account the results already collected this year. In general, we can say that we don't believe in a worsening next year compared to this year.

So we are talking about a low-two-digit market increase, something about 10%?

I believe so, but always considering keeping this scenario that we live today.

And the process of reducing the number of dealerships in the chains overall, is it consolidated already?

There are still some natural movements, such as the ownership change, but not what happened in 2015 and 2016, with stores closing for economic reasons. This process has stabilized, we did not have this problem this year.

Is there any possibility to see the chains growing again next year?

This will depend on the market, a lot. I believe that the current chain size is well adjusted for the market we have now, it is well proportioned. This way, the opening of new stores will depend essentially on a bigger demand, although we can see some particular strategy in this sense.

What are Fenabrave's projections for the end of the year in terms of macro-economic indexes?

We estimate the dollar rate at R\$ 3.60, GDP at 1.6%, Selic rate at 6.5% and inflation at 4.2% for the end of this year.

And for next year, what are the economic estimates?

At the moment we forecast a dollar rate at R\$ 3.50, GDP at 2.7%, Selic slightly higher than this year, to 8%, and stable inflation, keeping the 4.2%. ■

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WITH AN EYE ON THE MARKET. AND ON THE DOLLAR.

What will be the market closure of imported vehicles in 2018?

At the end of last year we projected a 2018 of 40 thousand units, and if we do not reach this volume we will be very close to it. Particularly, I still believe in this projected volume, even with our business being greatly impaired by the exchange in the second half. We expected to reach these 40 thousand vehicles peacefully until the middle of the year, but now the conditions have deteriorated and we will need additional efforts to achieve this goal.

How does Abeifa estimate the exchange evolution from now until the end of the year?

We work with the projections of several banks to estimate the exchange rate: some people speak of a dollar at R\$ 3.50 by December, others project R\$ 3.60. We (all the companies associated with Abeifa) have met and concluded that with the exchange at R\$ 3.60 until the end of the year we will keep our 450 dealerships and 13.5 thousand direct jobs.

The dollar reached more than R\$ 4. Was there any readjustment on imported vehicles' prices?

No. We started 2018 working at R\$ 3,20 and the evolution has already reached 30% since then. The Brazilian car does not have a direct price relation with the dollar variation as the imported ones do and, this way, we hold the prices to keep us competitive. But the working capital that we need to buy the cars out of Brazil is 30% lower.

So is the customer being benefited at this moment?

This is the best opportunity, this year, to buy an imported car because no brand is passing on the exchange rate variation to the price. A vehicle offered today at R\$ 110 thousand is worth US\$ 26,5 thousand and a few months ago, with the dollar at R\$ 3,40, it was US\$ 32 thousand. The difference in dollars is being totally absorbed by the companies.

Has there been any movement from the companies to update the stocks in these last months of 2018?



“The total market in 2019 will evolve to 2.6 million units and the imported vehicles should follow a 10% market growth.”

It can't stop. In general, we have to buy now to sell in 120 days, but this is information restricted to the each company's strategy.

What about the planning for 2019?

We can't leave the uncertainties out of this equation, but we must now prepare the business plan for 2019 to present to the headquarters and, this way, start the production scheduling of the volumes we expect for next year. We projected total market growth of around 10%, a volume from 2.6 million to 2 million 650 thousand.

And the imported vehicles' market in particular?

The imported vehicles should follow total sales, growing equally at around 10%. It all depends on the continuity of customer optimism to go shopping, but we are concerned about the events in Brazil and how all this can influence the decision of customers. Insecurity is registered by the clients as a factor that prevents them from choosing many imported cars of the premium segment. Something needs to change in Brazil to regain that trust.

What is the importers' perception about Rota 2030?

We have the conviction that the text will be approved, but the amendments that

will be included are still not clear. Regardless of this discussion, Rota 2030 will bring greater predictability to energy efficiency and emissions goals, and this way, it will be easier to program the technology development. The imported brands already offer highly efficient vehicles and can boost the market by bringing hybrid and electric models.

The next important topic for the automotive industry is the agreement with the European Union. Does the entity believe that this is a good deal for Brazil?

Brazil needs to be prepared for global competition. Regional volumes are not enough for such a great industry. It is important to have cars prepared to compete in global markets as well. Therefore, opening the market with an agreement like this is a way to compete abroad there as well.

Does Abeifa believe in the arrival of new Chinese brands at Brazil in the coming years?

The Chinese companies that wish to operate in Brazil may have access to an important market, but it is necessary to convince the customer that their vehicles can offer the same qualities of those who are already here in Brazil. And this is not easy. ■

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AUTODATA Year 26 | April 2018 | Edition 343

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... (General Advocacy of the Union), filed five lawsuits in Argentina, demanding R\$ 21 million in compensation for companies as SCE, Export Credit Insurance. In each of the actions, buying and not pay for the products received, according to information released by Agência Brasil, which also states that new measures could be taken soon.

More on pg. 4

... 90 units/day in 2019

... pg. 6

VW Anchieta employees approve shared production

More on pg. 8

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RACE FOR THE MILLION

Abraciclo has recently revised its production forecast upwards for 2018. Has the performance exceeded expectations until now?

Yes, we revised the projections upwards after considering some factors. And this review is maintained. We will close the year with production of 980 thousand motorcycles in the Industrial Pole of Manaus, about 100 thousand more units than we produced last year, which will represent an increase of 11%. Our previous projection was 935 thousand units.

Do the exports also helped raise the expectation?

No because we have a delicate question regarding exports, especially because of the situation in Argentina. But I believe that the Brazilian domestic market will end up absorbing an eventual reduction in the foreign sales.

How dependent on Argentina are the exports?

Around 65% of our exports are sent to that country and sales have fallen in recent months. We are acting in other markets, such as Colombia and Peru, where we are trying to increase sales, but it is a very big challenge because these markets have a very strong presence of Asian motorcycles, at lower prices. Our special feature is quality, the Brazilian motorcycle is recognized for its quality in these markets and that is our bet.

And the domestic market in Brazil, how will it close 2018?

We are projecting 915 thousand units in retail, which will represent an increase of 7.5% over last year. The expectation is to reach an average of 3,6 thousand motorcycles sold per day: in July, this average stayed at 3 thousand 465 units per day, but it was a reflection of the truck drivers' strike, which generated the lack of supply in the dealership chain.

Has the strike also caused losses in the production numbers?

Certainly. Many companies ended up by anticipating vacations for June due to the strike, which reduced the lines pace. In August, the daily average jumped to 3,9 thousand units per day, so we recovered a little of the volume decrease. It is possible to believe that in the overall average of the year we will be able to reach that average of 3,6 thousand per day, maybe even a little more.



How's the financing issue? The approval index of the forms was very low some time ago, something around two in ten forms...

A bigger appetite for credit from the banks is undoubtedly what has been pulling the growth of the domestic market. Automakers' bank, such as Honda and Yamaha, are offering more credit, but the commercial banks such as Banco Pan, Bradesco, Banco do Brasil and Santander are also strong in the area. The approvals issue has improved a little, but what really has changed is the banks' willingness to provide credit. The crisis has generated learning for the financial companies and customers as well, which also knows their limitations. And there is the consortium too, which is equally reacting very well.

How is the mix of motorcycles' sales in the Brazilian market by financing modality?

It is well-divided: the traditional financing represents for about a third of sales, just like the consortium and cash payment negotiations. In the consortium, there are plans with up to eighty months to pay and, so, for some motorcycles the installment value is around R\$ 100, a price that the customer can pay. The banks offer financing plans of up to 55 months, but the vast majority range from 36 to 48 months.

“The banks' bigger appetite for credit is, undoubtedly, what has been pulling growth in the Brazilian intern market.”

What about 2019? Does Abraciclo have its motorcycle segment projections already done for next year?

Next year is still very uncertain. There is the perception inside the association that there is a possibility of substantial growth, of registering another year of increases after successive decreases, but it is still all uncertain. Our desire is to continue to grow, perhaps not in the magnitude of this year, but the manufacturers are preparing themselves to maintain the structure and the pace of 2018 in 2019. Independent of who is elected to be the president of Brazil, this year's level should overcome next year, unless there is a catastrophe.

The motorcycle industry has already produced and sold more than 2 million units annually in two recent opportunities, 2008 and 2011. Is it plausible to consider that at least the 1 million mark will be broken again in 2019?

Yes, and that would mean to recover at least a part of the lost ground. Our vision for 2019 is very close to that, reaching 1 million units in the year. The factories are there, with idle capacity, the new Brazil's government should promote the reforms we are waiting for and I am convinced that we will get there, in production and sales as well. We may achieve this milestone even in this 2018. Anyway, if it is not this year, it will be next year.

What about the exports next year?

This is the worst of the predictions. I can't imagine a clear horizon for the Argentine market. Our projection for this year, revised after the close of the first semester, is a decrease of 2.2%, with 80 thousand units exported. Our great challenge for 2019 will be, undoubtedly, in the foreign market. ■

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A YEAR TO DANCE ACCORDING TO THE MUSIC

It would be simple but the trouble is: the band goes from classical to rap music in the blink of an eye.

Political and economic uncertainties have not been so intensive in Brazil for a long time and, simultaneously, in its neighboring Argentina as well, by far the main destination abroad of the vehicles manufactured in Brazil. However, accustomed to the strong emotions that mark the lives of those who run companies in emerging countries, automotive executives do not seem to be scared, this time, by the blurry aspect of the crystal ball.

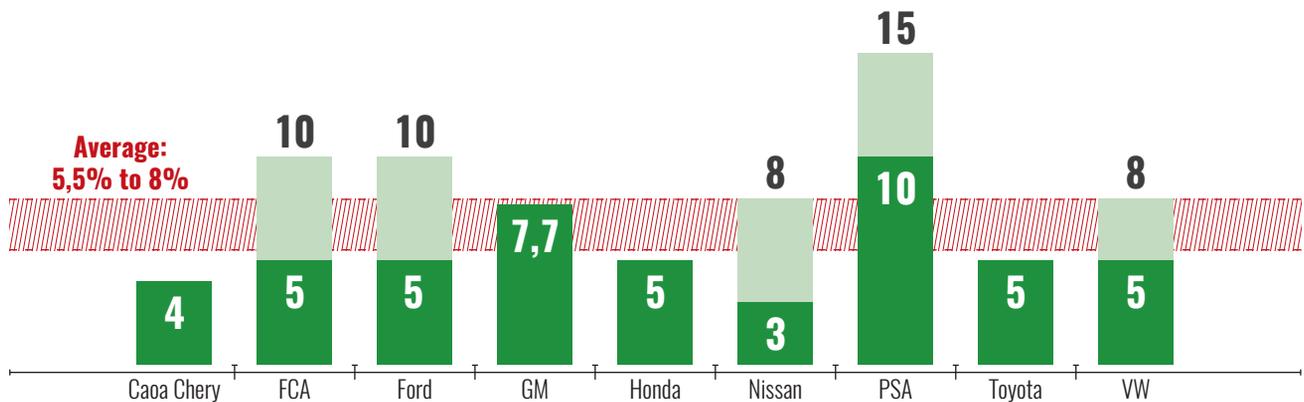
By looking at 2019, an audacious bet: except for a catastrophe, and under normal conditions of temperature and pressure, sales and production of automobiles and light commercial vehicles are expected to grow 5% to 8% or, in the limit, up to 10%. In the case of trucks and buses, probably the increase will not be less than two digits, even if it is low.

The audacity of the bet goes even further: it is fairly generalized that the same macroeconomic framework that currently disturbs the short-term projections in both countries also represents, on the other hand, a kind of anticipated guarantee that in 2020 or, later in 2021, surpassing this current complex phase, the South American market will have good possibilities to reach the level of 5 million units sold per year - 3 million in Brazil, 1 million in Argentina and the remaining one million in the other countries.

At the end of this year and at least a good part of the next one, however, as pondered by Pablo Di Si, president and CEO of Volkswagen South America, prudence recommends that companies - automakers, component manufacturers and dealers - get prepared for a period that can be registered by a lot of volatility. Not only downwards, but upwards as well.

It is convenient, in summary, to prepare companies to dance according to the music that will play next year. Or even better, an entire playlist. In other words: to end this year and start the next one with an able structure to follow moderate growth in sales and production but, at the same time, having everything ready to retreat in case of need. And even, in the opposite

2019: Brazil's intern market growth Automobiles and light commercial vehicles



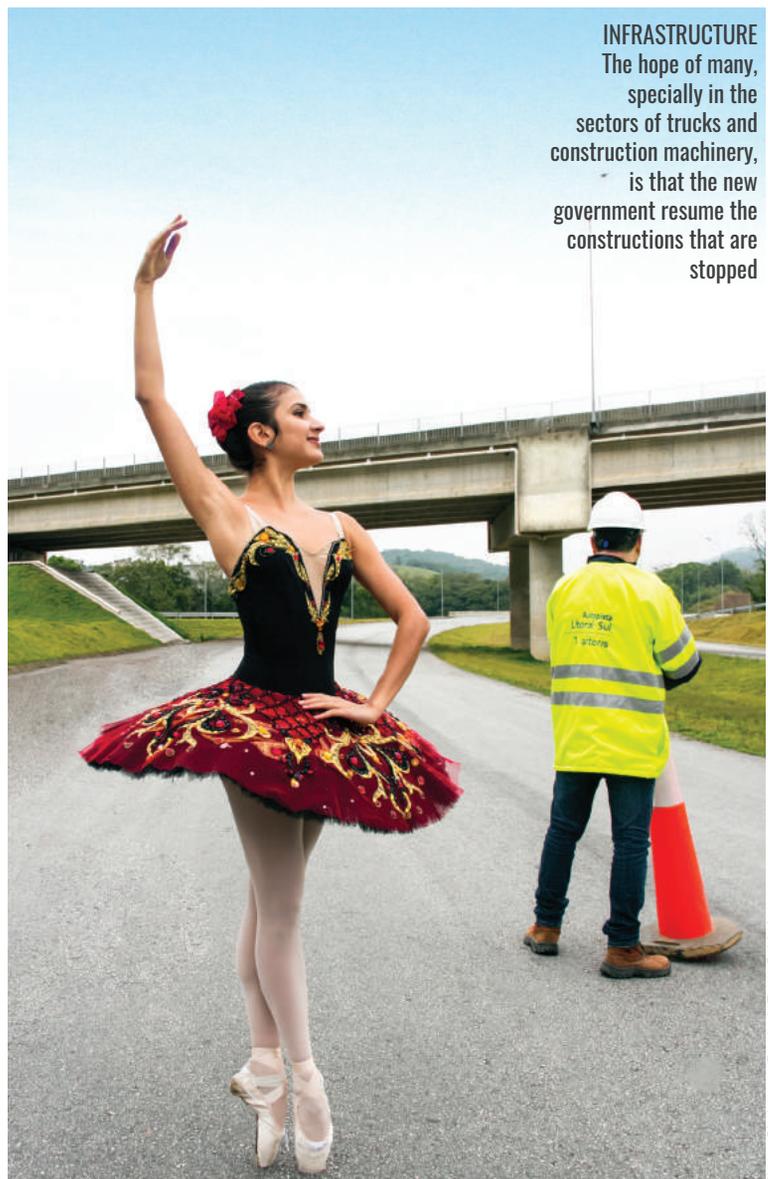
direction, having effective plans to rapidly increase the speed of assembly lines with minimum aggregation of fixed costs.

In practice, it is a question of repeating what companies have been forced to do without much planning during this year, so many and so diversified were the surprises that emerged and interspersed in the middle of the way, whether positive or negative.

The Brazilian first quarter figures, it's worth recalling it, showed much higher growth than expected, which encouraged the upwards revision of projections for the year. And in all aspects: domestic sales, production and even exports, because the domestic market of Argentina showed a willingness to consume 1 million units, a considerable part of it manufactured in Brazil.

In the second trimester, however, the impact of the truckers' strike has shaken the confidence of business owners and customers about the future, with direct effects on domestic sales of cars and light commercial vehicles.

At the beginning of the second half, besides that, a scenario of exchange rate crisis was added to the high inflation and forced the Argentine government to drastically increase interest rates, create new taxes and appeal to the IMF. The result: internal recession and, at the end of September, the departure of the president of



INFRASTRUCTURE
The hope of many, specially in the sectors of trucks and construction machinery, is that the new government resume the constructions that are stopped

Photos: Disclosure/Escola do Teatro Bolshoi

Central Bank of Brazil on the same day that a general strike paralyzed the country - for the fourth time since the beginning of the current government.

To make the scenario even more complex as the third trimester advanced, the more indefinite was the electoral framework in Brazil.

The surveys have started to indicate more and more the possibility of polarizing the dispute for the Brazilian presidency, candidates with political and economic proposals even antagonistic, which is acceptable, in order to resolve the fiscal deficit that threatens the Brazilian macroeconomic normality.

As a natural consequence when spring arrived, in the last third of September, the dollar was high - over R\$ 4 - and the confidence of businessmen and customers was low. The cherry on the cake was the minutes of the last Copom meeting, via the Central Bank of Brazil, indicating that the reduction phase or stability of the Selic, the basic interest rate, could be coming to an end.

Reasons presented: increased risk of economic reforms not advancing in Brazil with the necessary brevity and, at the same time, worsening of the external scenario mainly due to the fiscal and commercial war situation that the United States intends to maintain with China, reflecting in the global economy, particularly in the emerging countries.

With such a background, to imagine sales and production growth in both countries in 2019 seems to represent more of a bet or desire than a projection. From that reasoning, very probably, the emphasis given to the necessity of preparing companies to dance according to the music, from Chopin to Eminem.

It has to be considered that, however, as remembers Carlos Zarlenga, president of General Motors Mercosur, "the customer's confidence has shown a resilient behavior" despite everything, which means that "af-

ter the ups and downs we are, today, in a straight line with a tendency for growth".

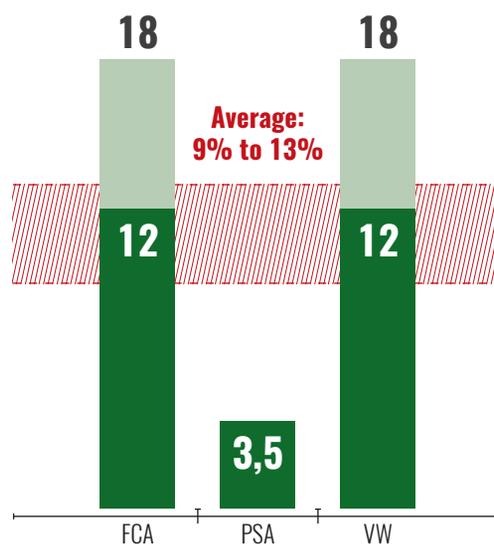
Antonio Filosa, president of FCA for Latin America, also points out that, also, "if it wasn't for the uncertainties, both markets, Brazil and Argentina, could already be more accelerated."

Fundamentally, it is considered that if the Brazilian auto market is not the same as it was at the beginning of the decade with sales and production record registered, it is not either, in contrast, the same of two years ago, at the peak of the recession. Within this reasoning, the growth projected for next year would represent, at least, going to the party with some well-trained steps.

The surprisingly good sales in August, 15% above those registered in the same period last year - the best month since January 2015 and the best August since 2014 - could also help to support relatively optimistic projections for 2019.

In this case, however, the practical life

2019: automobiles and commercial vehicles' production increase.



recommends certain prudence and a good dose of caution: stick with the basic. Rogelio Golfarb, Ford's vice president, points out that part of the sales realized in the last months, in August and even in September, are artificial and do not represent an effective market. They are derived from a business model with strong support in direct sales, especially for car rental companies, generally with large and unusual discounts.

Explanation: Surprised by the decline of domestic sales in the second trimester, and the reduction of exports to Argentina at the beginning of this second half, some automakers chose to use the direct sales as a way to avoid an even higher increase of the idleness index that, in general, they still operate today.

As a result, in little time the direct sales, sometimes with discounts in the range of up to 35% to 40%, started to represent half of the total sales. This index is at least 10 to 15 percentage points higher than what could be considered normal.

The numbers vary from company to company, and quite a lot. In August, the direct marketing of at least one of the most traditional automakers surpassed, the never reached before, 60%, while the more conservative Asian companies opted to stay below 25%.

In practice, this ends up by distorting, every month, not only the real size of the market but also the market share rankings, by models or brands as well.

THREE GOOD REASONS

Even with so many doubts and uncertainties the investments are maintained and in some cases they even increase: the most recent announcement was from Toyota, no less than R\$ 1 billion for its factory in Indaiatuba.

There are at least three good and concrete reasons for this: the first is the normal cycle of product lines renovation, which tends to accentuate in times like this current present, when factories operate idle.



There is a common reasoning inside the automotive sector to point the next government as pro-reform independent of the one chosen to be the President of Brazil.

The top three - GM, VW and Fiat, ordered by market share - ensure they have at least 20 launches each for the next two to three years.

In the three cases most of the novelties are for sectors like the SUVs, the fastest growing segment in the world, including Brazil, and which they expect to increase their market share with. There are many new vehicles in the process to enter the assembly lines, some in Brazil and others in Argentina, always with the objective to sell in both markets and in other countries of South America.

The goal is always the same: to increase market share and, this way, reduce the idleness of the lines, which still insists on harming the final financial result. It requires customers, a lot of customers...

The second good reason for maintaining investments is linked to Rota 2030, the new Brazilian automotive regime that the industry expects to see approved until November. Even if (until the middle of the third quarter) this approval was considered practically certain until an amendment emerge, in the Brazilian Chamber of Deputies, for the inclusion of regional incentives, mainly in the Northeast, in the same package. It seems to be a simple change, but in concrete terms it would have the potential to nearly triple the cost of the program to the government.

The third good reason to keep the investments is the most auspicious one and also the most connected to the audacity of bets for the biennium 2020-2021.

Compared to last year's vehicle sales, this year shows strong growth, always in the double-digit range - and up to high two digits in the case of commercial vehicles. However, when faced with the record results of the beginning of the decade, this year's numbers, especially retail, are insignificant and discouraging.

It is one of those cases where bad news hides the good one, excellent news. Data show that only a small part of the customers who own three to five-year old

cars to offer as payment already had the audacity to do it for a 0 KM. Everyone else is still waiting and represents a formidable repressed market.

The excellent results of this year's first quarter are seen as a good indication of how much a higher security related to the future, interruption of firings, maintenance of interest rates and greater credit supply may represent in terms of sales boost.

It was no different in the truck market. Roberto Cortes, president of Volkswagen Trucks and Buses, believes that a projec-

BANKS, PORTS
Automotive unison at a double-dose: credit increase was essential for the market growth in 2018 and the concerns with the crisis in Argentina that has the size of a cargo ship.



tion of a higher GDP growth this year was enough to motivate transporters to return to purchases. To recover, as least, the value of the assets.

They are favorable conditions in both cases, that may or may not return next year, depending on who will be elected and what will be the economic policy. But it is certain that, sooner or later, perhaps in 2020 or in 2021, these customers will be back on the market.

And when that happens as Golfarb, from Ford, emphasizes, those who decline to invest now will run the risk of not being able to start with the others, which would represent a loss of a considerable market share that can hardly be recovered.

It should also be considered that part of the investments planned is specifically destined to the so-called Industry 4.0 and the resulting increase in productivity, considered now indispensable because of the difficulty that the automakers find in passing on increases in production costs due to idleness and global price increases regarding metallurgical and petrochemical commodities.

In this context, the unexpected exchange variation of around 30% that sharply raised the dollar to more than R\$ 4 contributed to increase even more the production costs, in this case due to the imported components.

The theoretical next step of this ballet, indicate several of the executives of the sector, is to bring rate back to the previous level in the not too distant future, because today it is not on the rhythm. It would not be justified, therefore, passing on the prices by the exchange rate increases, not even with regard to the imported cars.

There are, in this matter, several and very diverse choreographies available on the stage. The steps of each one deserve to be closely monitored for possible reflections that may be caused in the automotive sector's life.

Cortes, from VWCO, for example, as-





IF YOU'RE NOT PART OF THE PROBLEM, YOU'RE PART OF THE SOLUTION
 The general feeling is that if the new government does not do any big nonsense in the economy, Brazil has everything to continue dancing the growth dance

sumes that anyone who will be the future president in the economic area, in particular, the differences can't be significant since the candidates agree that the central problem to be faced is the public deficit.

Issao Mizoguchi, president of Honda for South America, considers that the situation tends to stabilize after the elections and goes further: "Unless the future president makes some extreme change in the economy, the possibility of Brazil continuing to grow is great".

Luiz Montenegro, president of Anef, which represents the financial companies of the automakers, understands that "the customers are not happy let alone optimistic, but they don't seem as fearful as they used to be".

In the external context, Antônio Megale, president of Anfavea, is betting that the Argentine government will be able to maintain its current economic policy, which at first, would open the possibility of the local vehicle market to stabilize and even start a resumption process in 2019, even in the second semester.

And, in any case, Bernardo Fedalto, commercial director of Volvo, analyses: "What we lose in Argentina we will win in other markets".

The synthesis of this complex dance comes from Miguel Jorge, former executive of the automobile industry and former Minister of Development, Industry and Foreign Trade in Brazil, now managing director of the consultancy company Barral M Jorge: "Whoever the candidate to win the elections, we will have a better 2019".

The dance hall is formed, although the decoration is not exactly unanimity in good taste matter. Given this scenario, from now on the best thing to do is follow the timely guidance that Luiz Pedrucci, president of Renault Brazil, offers his collaborators: "Do your job without worrying too much about the scenario beyond the walls" - or, in the case, with a slightly out of tune lyric that the band can let scape. ■

Political scenario maintains investments

For economists, an urgency of reforms approval is almost unanimous and a conciliatory government

Despite an uncertain political scenario, the projections for the Brazilian economy in 2019 indicate that, despite the difficulties that Brazil may face, there is, indeed, room for growth.

Miguel Jorge, senior partner at Baral M Jorge - also a former minister and former auto industry executive, ensures: "Whoever wins the election, we will have a better 2019".

He believes that this final phase of 2018 will continue to be marked by many uncertainties and antagonistic positions regarding the economy, but then the scenario will be much less cloudy and economic agents will start to play with more defined and clearer positions. The forecasts for GDP are not exactly high, but for Jorge, Brazil will grow more in 2019 than this year.

"Some analysts are talking about up to 1.8%, which is good because it is growth."

He still believes that growth will depend a lot on the approval of welfare and

tax reforms, mainly, so that investors invest in Brazil again. And the employment resumption, in turn, depends on growth: "Labor reform would bring new jobs if the economy was reasonable. But it may have prevented a greater decrease in job vacancies".

According to him, the dollar should decrease because he calculates that from 70% to 80% of the increase has been caused by financial speculation in recent times: "There will certainly be a fall after the elections, which can be more or less accentuated depending on the result".

Sérgio Vale, chief economist at MB Associados, sees a more tumultuous scenario: "Difficult to see growth in 2019. It will only happen if the new government is more conciliatory and measures such as the Brazilian welfare reform are approved by the Congress".

For him, the proposals of the favorite presidential candidates bring more risks



The United States has been able to redesign NAFTA, but the trade dispute with China has the potential to cause damages in Brazil and worldwide



Divulgação/ EBC

“Regardless of the candidate who wins the elections in Brazil, we will have a 2019 better than 2018.”

Miguel Jorge, of Barral M Jorge Consultoria

than benefits to the economy and, therefore, the tendency is to continue a turbulent scenario.

In the analysis of Viktor Andrade, EY's lead partner in mergers and acquisitions in Brazil, Brazil's fairly moderate growth in 2018 made that the real economy did not react as much as expected - there was the truckers' strike, world cup and elections in the middle of the road. The final score should point to GDP on the range of 1%.

For the expert, the generation of a primary surplus, with fiscal austerity, would give stability to the market and help the government get out of a debt that today is 75% to 80% of the GDP, returning to the level of 50%: “A sign of stability from the public accounts would bring investments and more peace to the market.”

Uncertainties and obstacles are also in the worksheets of Giovanni Cordeiro, research manager and economist at Deloitte: “We have captured the wasted opportunities to generate jobs, a big consumer market and growth perspectives in the medium and long term, from 3% to 4% per year, until 2030”.

For him, there are too many obstacles, regulations and bureaucracies in Brazil, aspects that discourage investments: “We realized, in a survey, that the companies don't feel safe with the Brazilian regulations.”

But even so, he sees that direct foreign investments continue to be high, with positive prospects from entrepreneurs and investors who seek acquisitions and factories expansions.

For Cordeiro, the market is worried about the reforms approval: “The candidate who wins the elections will have to present fast responses and be transparent in some actions. As this happens insecurity will start to disappear”.

Luiz Montenegro, president of Anef, an association that represents the automakers' banks, adds that trusting the economy leads to greater credit capacity: “The customers are not happy let alone optimistic, but not as afraid as they used to be. Because of the stability and certain job maintenance the consumption has been happening, there is the repressed demand of the last years. People postponed their purchases of greater value items and with that, they returned to the stores”.

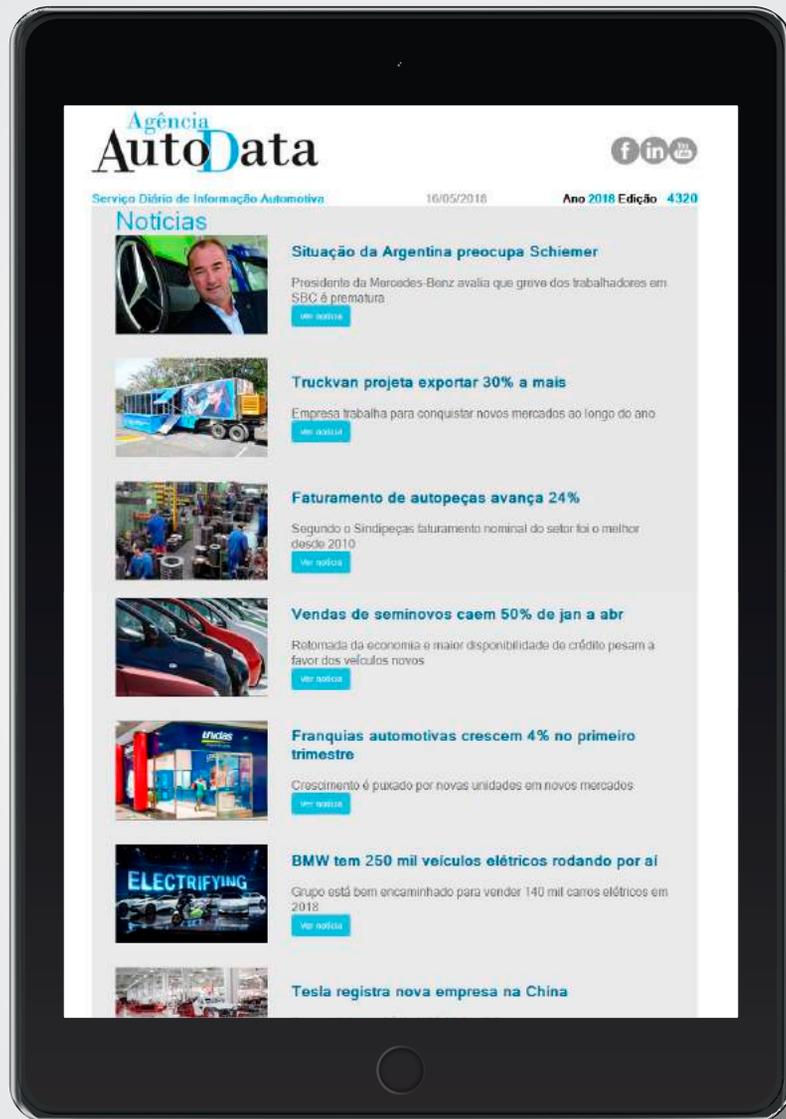
For him, 2018 is inside the expectations calculated at the end of last year: “We were surprised by the currency's behavior, but regarding the interest rate and the liquidity level of the Brazilian market, there was no change. Unemployment is still high but has slightly improved and this contributes to overall consumption”.

According to his accounts, the expected growth in the funds release for vehicle financing should be around 15% until the end of the year, with the prospect for an increase. The default of individuals is stable, which favors new customers to be able to obtain credit with less restriction and financing in up to sixty months.

In the case of the interest rate, Montenegro affirms, the prognosis is more difficult, “but the economy says it can be lowered”. ■

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ARGENTINA ON TANGO MODE

2018 was a seesaw in Brazil's Mercosur partner: a great start followed by a strong crisis. 2019 is a mystery.

The political-economic life of Argentina is so agitated that the few announcements and projections presented become outdated in a matter of days, sometimes hours. The automotive sector started the year with optimism, but the dollar increase, inflation and sharp decline in activity strongly affected the industry, which month-over-month revised its expectations downwards.

The mood of the executives of companies operating in the Argentine market is no longer the same since May, when the crisis became more evident. And the strict and unexpected official measures do not provide enough security to risk that the recovery will be coming soon.

With the impulse of 2017 the first projections for the year were positive. At the beginning of 2018 everything indicated that the production was going to grow double digits, which had not happened since 2011. And the same positive behavior was expected for domestic sales and exports.

The programming for 2018, at that time, had 565 thousand units produced, 20% more than in 2017. Shipments could reach 300 thousand units, an increase of 43%.

According to Luis Fernando Peláez Gamboa, president of Adefa, association

of Argentine manufacturers, "the improvement we have projected in the production and export programs was driven by important launches of local vehicles, the result of investments in our industry. And also by the improvement in the domestic market demand and the positive impact of the recovery of Brazil, after years of intense contraction, besides the diversification of exports to other markets".

Sales in 2018 could reach a historical record, close to 1 million units. Just as in 2017, the credit supply for the consumer, the inflation decline, and the aggressive commercial policy of the companies contributed for this result - and this scenario led many of them to advance imports to supply the chain.

But since April all the prognoses have fallen like a house of cards. Inflation jumped, the immediate rise in prices hit domestic demand and retracted credit, Brazil did not respond as expected and the Argentine government launched measures that attacked the heart of the industry: the exports.

Committed to the federal program, 1 Million Plan, which set the goal of 1 million units produced by Argentina until 2023, and in search for tools to improve com-

petitiveness, the sector was displeased by federal measures that try to contribute to fiscal balance.

The Argentine government reduced export refunds in Mercosur: companies received 6.5% over the value they exported to Brazil, and since August this rate has fallen to 2%. And it also overcharged shipments of manufactured goods at 3 pesos per dollar.

Adefa met with Dante Sica, Minister of Production, to express his concern about the impact of measures on production and foreign trade. Hernán Vázquez, president of Volkswagen Argentina, was clear: "Taking into account the export profile of the Argentine industry these measures will affect the production and, consequently, are opposed to the 1 million Plan.»

Cristiano Rattazzi, main executive of FCA Argentina, went further: "There is no doubt that Argentina is again surprised by abrupt changes in the economic cycle. Unfortunately the urgencies have led to

measures with which no government feels comfortable with, like the return of taxation on exports".

YELLOW LIGHT

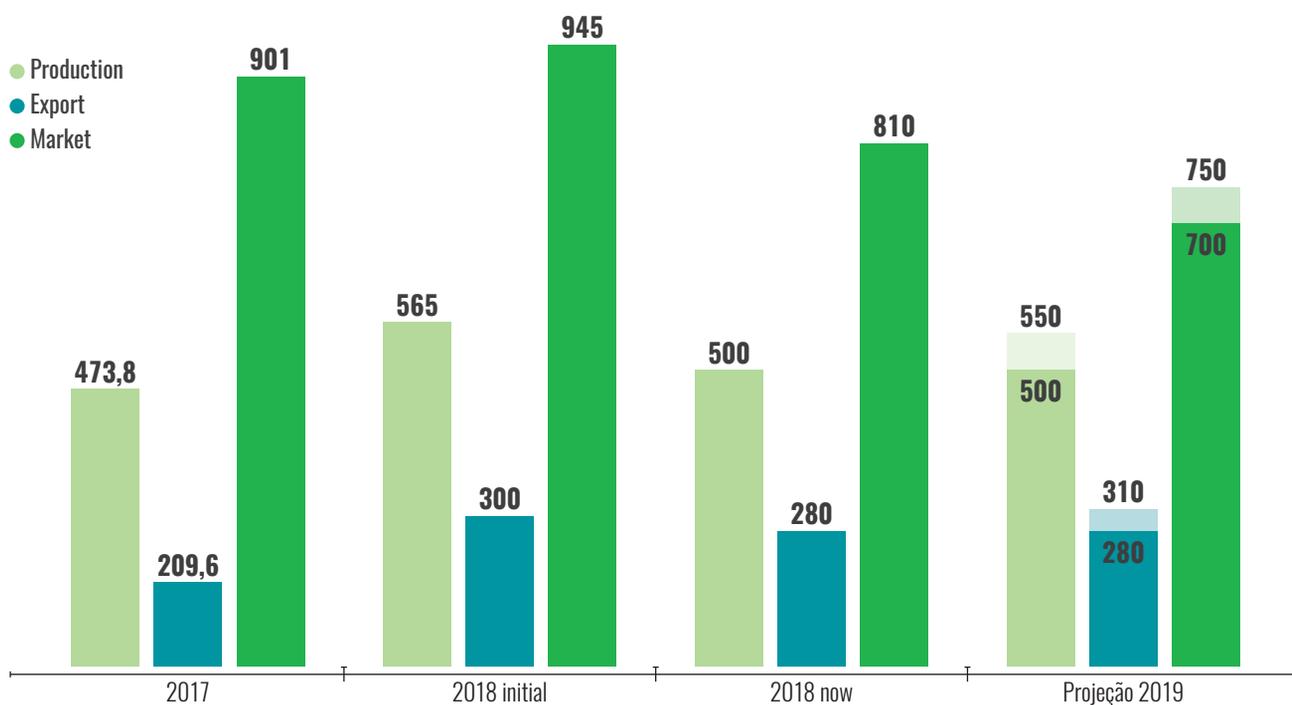
Recent measures and the government's own assertion that Argentina is in economic recession, added to high inflation rates, have definitely turned on the warning lights for the automotive sector.

In the opposite way of the initial expectations, the performance continues to push the industry's numbers down. Some companies already hold technical stoppages at their factories and have announced suspensions for the staff, as a rotation system, to adjust stocks. One way or another the situation will affect all factories, except Toyota, at least until the end of the year - and in some cases it may be extended until March 2019.

The stoppage, naturally, will end up being reproduced by the suppliers. Pablo Camacho, manager of the Chamber of

The Argentine drama (thousand)

Source: Adefa and executives.



“Unfortunately the urgencies have led to measures that no government feels comfortable with, like the return of taxation on exports.”

Cristiano Rattazzi

Metallurgical and Component Industries of Córdoba, says the situation is complex and warns for a “serious risk to the local auto parts sector if the scenario of productive interruption continues”.

WHAT TO BE EXPECTED

The abrupt change of situation has led to remove any optimism. Today, they are all resigned to the volume of 480 thousand to 500 thousand units produced and 290 thousand units exported, with internal sales of 800 thousand to 820 thousand.

Rattazzi complains that “the automotive sector needs predictability. Uncertainties and high rates hit hard, as evidenced by the declining market demand. Today, the ones who have buying capacity choose the dollar’s refuge and who is tied to credit

faces the future with great uncertainty. For all of this, the forecasts for a record year regarding the Argentine market have been gradually disappearing, and now, for 2019, the projections will be very conservative”.

Submerged in a scenario of uncertainties the executives do not even want to risk numbers. The most widely argument used is that the crisis and the official decisions can leave some damage to the companies and, this way, make it difficult to work with any projection at this time.

Adefa, in a statement, said: “We will have to wait for the development of the first quarter of 2019 to understand the real dimension of the market behavior”.

Unofficially, and on secrecy condition, some executives presented their visions for 2019: those who cultivate a more optimistic view understand that production can reach the range of 550 thousand units, 310 thousand exports and 750 thousand vehicles sold. And the most conservative group believes in production of 500 thousand units, market of 700 thousand and exports of 280 thousand units.

To further mess the scenario 2019 will be the year of presidential election in Argentina. This way, in a classic behavior, market volatility will put all statistics and projections to the test. ■

Car financing down

The financing for the purchase of cars, one of the main marketing tools in the Argentine market, began to register a strong retrocession because of the increase in rates and vehicle prices. According to Acara, a local association of distributors, 33.3 thousand vehicles were financed in August, which

accounted for 52% of the total, of total sales in the month. The sector claims that the retraction was basically due to the increase in interest rates, driven by the dollar’s rise. It was the fifth consecutive month in which the financings contracted. The drop started in April, down 3% comparing year by year. In May, - 14%, in June

decrease of 27% and in July, 28% less.

The value of the financing installments, obviously, is determined by the price of 0 KM vehicle. And also, the financial plans have been tightly adjusted during the year, because it is estimated that new vehicle prices increased more than 40% in 2018.

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RECOVERY AND EXPECTATION

Systems suppliers fear uncertainties but are optimistic about 2019 - and look forward to the approval of Rota 2030

A good number of the auto parts companies dedicated to the production and assembly of systems installed in Brazil can summarize their current scenario as the following: 2018 was a recovery year and 2019 is a year of expectation - and good expectation, it is important to say, with growth estimates, although relatively shy in several cases.

An important complement is the anxiety about Rota 2030: the systems suppliers are keeping their fingers crossed for its fast approval in the Brazilian Congress, which will certainly trigger new business especially in the continuity of search for greater energy efficiency by the vehicle manufacturers.

A good example comes from Aethra, which is expected to close 2018 with an increase from 20% to 30% in revenue. According to Adelírio Souza, its industrial director, "we haven't recovered everything we have lost in the past and we had some stumbles this year as well, but in any case it will be a considerable growth compared to 2017".

For 2019, the company intends to increase its market share with the next automakers' launches - it supplies most part of them, except General Motors and Toyota. Another business expansion is the

opening of a factory in the United States and, later, in Europe. In Brazil, the idea is (besides increasing the income) to reduce the dependence of unstable regional situations.

Delphi will also close this year's financial balance with a double-digit growth, although it does not mention indexes or numbers. According to Amaury Oliveira, its executive director of aftermarket for South America, "production has increased and the workforce grew around 15%". About 2019: "We have several projections on the table, depending on the political and economic scenario. But in general, we believe in a good moment along with Rota 2030. We will keep the investments and intend to boost exports even more."

NOT SO WELL, BUT GROWING

Aptiv, a spin-off from Delphi, is more cautious on the perspectives. Paulo Santos, its vice president and executive director for South America, says that the expectation for this 2018 was to reach an increase of up to 12% in business, but the final index should be at the range of 9%: "We had a good first semester, but there was a decrease in volume in the second half of the year due to the stock readjustment in our clients. We adapted by increasing the

Most of the systems suppliers are waiting for the approval of Rota 2030 by the Congress to begin their investment plan, with an eye on the automakers' orders

product portfolio and exports to Asia and North America, which helped us contain the troubles".

For next year, Santos's accounts indicate growth, but depending on the scenario evolution can vary a lot, from 3% to 7%. "We continue to believe in the region and in Brazil. We will have an important investment plan and product launches".

In the case of Basf, 2018 was going very well until the truck drivers' strike. For Gisela Pinheiro, vice president of materials and functional solutions, "it threw cold water on us" - but anyway the company estimates to close 2018 at an increase of 11% to 12%: "We will close the year well, bringing good expectations for 2019."

For her, regardless of the candidate who wins the election, there will be no extreme changes in the macroeconomic environment.

Continental has a similar case. According to Frédéric Sebbagh, President for Brazil and Argentina, 2018 should bring a growth of around 5%: "We were doing well at the beginning of the year, with a strong boost in the first four months, but the truckers' strike generated doubts not only in the automotive sector but in the Brazilian industry overall".

The executive closely follows the developments of Rota 2030: "We expect it to be regulated until November because the program is positive in fostering a search for competitiveness and technology, with a development trend for tier 2 and 3 suppliers".

Continental maintains an investment plan for the coming years in Brazil, with a special focus especially on the mandatory schedule of the ESC, Stability Control System, from 2020 on: "We see South America as a strategic market".

Another company to see a double-digit growth in its 2018 balance sheet is Schaeffler, according to Marcos Zavanella, its president and CEO for South America: from 13% to 15%. As for 2019, still cautious environment:

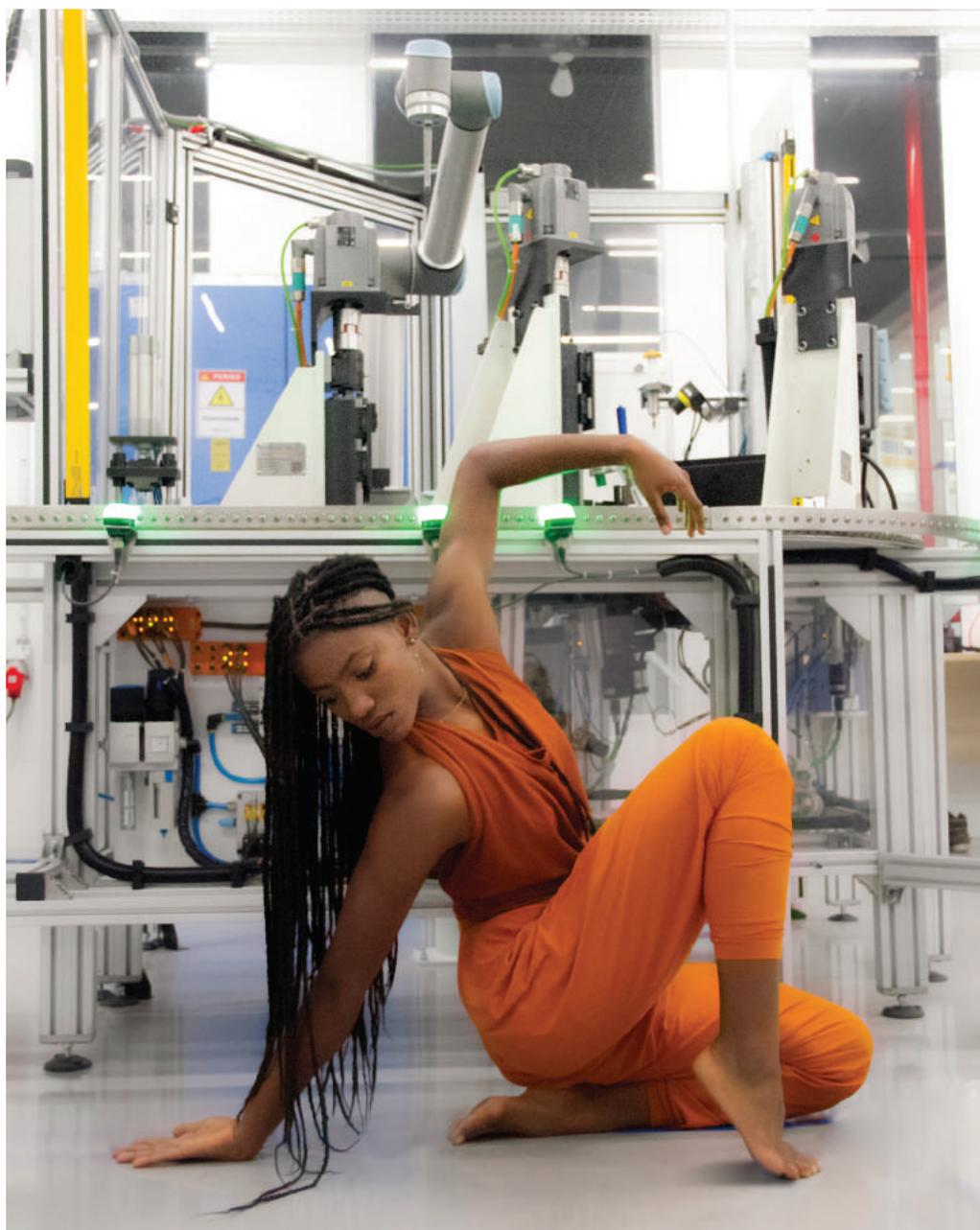
"There is an ongoing electoral process that can bring new variables to the market. The positive expectation is for the approval of Rota 2030 as an instrument to establish long-term rules and security for investments. The resumption of growth in Argentina in 2019 would also be a very positive factor".

As for Bosch, the CEO and President for Latin America, Besaluel Botelho, says that "this is a year of recovery, but we see a slowdown due to the exchange rate and the uncertainties regarding the elections. It is difficult to predict the impact, but probably our projection of a 10% increase over last year may be corrected".

For the next year he considers that "many things will depend on the behavior of the economy, the exchange, inflation and interest rate. Let's wait, but it doesn't seem to me that we will have a heated 2019, economically speaking".

Meritor, following the strong recovery of the market of trucks and buses, estimates that its production will grow close to 45% this year compared to 2017. But Kleber Assanti, its sales, marketing and aftermarket director for South America, recalls that in 2011 the company produced 15 thousand axles per month, a volume that at the height of the crisis in the commercial segment declined to 3.3 thousand units, also monthly: "Until mid-2017 we were in a productive pace of 4 thousand axles per month, and we reached an average close to 7 thousand monthly units this year".

For the coming year, the expectation is for a new rise, now 13%. Recently the company has invested US\$ 15 million in



Disclousure/Escola do Teatro Bolshoi

FOLLOW THE MOVE
 The systems suppliers that work more directly with the commercial vehicle segment are specially excited about 2019, so much more than the ones dedicated only to the light vehicle

modernization and now works on new projects with the headquarters, in the United States: "We have plans for components location and a new project. Maybe it will not come out in 2019, but the scenario is positive".

The year should end well for Eaton, a result helped by launches promoted at the end of 2017 and the increase in inter-company exports to the United States. The numbers vary according to the segment: for Marcos Janasi, director of powertrain

components business, the business for buses and trucks is expected to grow from 15% to 20% by the end of 2018, while for passenger and commercial vehicles, the expected rate is from 6% to 8%.

There will be evolution next year too, believes Janasi: "We work with the prospect of an increase of 6% to 8% in truck production and 5% to 6% for light commercial and passenger vehicles, with a greater focus on the Brazilian domestic sales and lower focus on exports". ■

Exchange rate worries premium brands

But Audi, BMW, Jaguar Land Rover and Mercedes-Benz, all with factories in Brazil, believe in a positive year for the segment in sales

The automotive sector will grow as a whole in 2018, but specifically for the luxury market the result is still uncertain. According to more optimistic executives from companies of the segment such as Frédéric Drouin, president of Jaguar Land Rover, sales on this range may grow from 8% to 10%. Helder Boavida, president of BMW, sets his bet on the 8%.

Johannes Roscheck, president of Audi, is on the cautious side. For him, the luxury market took another year to feel the crisis effects and, equally, it will take more time to grow again:

"I believe that the segment will be stable due to the scenario of uncertainties that we have for the next months. If sales grow, it will be just a little".

Philipp Schiemer, president of Mercedes-Benz, follows the same line: "All instability that surrounds the sector will make growth more difficult this year because there is no euphoria atmosphere in customers, especially in our segment".

The private sales performance of each brand regarding this year reflect the expectations for the total market of the segment. BMW estimates an expansion of 10% to 13%, said Boavida: "In the accumulated of the year, until August, our sales increased 16%, but I don't believe that it will be possible to keep this growth until the end of the year".

Jaguar Land Rover grew 18% over the same period, mostly by the novelties performance of the Jaguar E-Pace and Land Rover Velar. But its president projects a little more modest increase for the year, even inside the double-digit range.

In the case of Audi, sales are expected to close steadily in comparison with last year.

Mercedes-Benz was the only one of the four companies that did not reveal sales expectations for the year. Schiemer said he "can't project a number for the end of the year in the face of so many uncertainties, but if the segment market does not grow our sales should follow the same path. We

**IN THE STEPS
OF DOLLAR AND EURO**
The luxury brands work
in Brazil with more
imported parts than the
others. So, they have no
escape: they warn that if
the exchange rate does
not fall, prices will rise

Discobourse/Escola de Teatro Bolshoi



led the market until August and our main goal is to keep this scenario".

For 2019, the four executives are betting on the luxury market growth – they all point out, however, that the uncertain scenario complicates the projections.

BMW expects a 10% increase in the final result of the segment next year and estimates that its sales will grow at least at the same level. Jaguar Land Rover is also betting on the expansion of the market for next year, but understands that a reliable projection can only be calculated after the presidential election. According to Drouin, "we will know if this expansion will be from 5% to 10% or if it could be even higher when we approach the end of the year".

Audi also estimates growth in 2019, but for Roscheck it will be essential to observe how the market will behave during the months after the announcement of the election result:

"The luxury market has the potential to grow 5% to 10% annually, but it may grow more or less than that next year. We need

OBJECT OF DESIRE
Mercedes-Benz GLA
produced in Iracemápolis,
SP: luxury models
represent music to the
ears of those who wish an
SUV in the garage.



Disclosure/Mercedes-Benz

to know who will be elected first: if the electoral scenario doesn't bring any big impacts, we'll get in the route of growth once and for all".

The president of Mercedes-Benz is the most cautious: for him "if the scenario gets more or less stable, there is a tendency for growth but everything will depend on the events after the elections".

The relatively collective optimism is justified by some points, such as the arrival of new models in the market. Drouin, of JLR, remembers that "we will have some launches next year and I believe that our rivals too, and this will help sustain the expansion that we hope".

Roscheck, of Audi, reinforces that the investment level should be higher and the automotive sector will grow after the elections. For Boavida, of BMW, "the sector's growth will continue to be driven by the strong demand for SUVs", which in the case of BMW, it already represent 60% of sales.

In addition to the political scenario, the dollar instability is another difficulty for the companies of the segment: after all, they import more components for the Brazilian production, besides the models that complete their offer in Brazil.

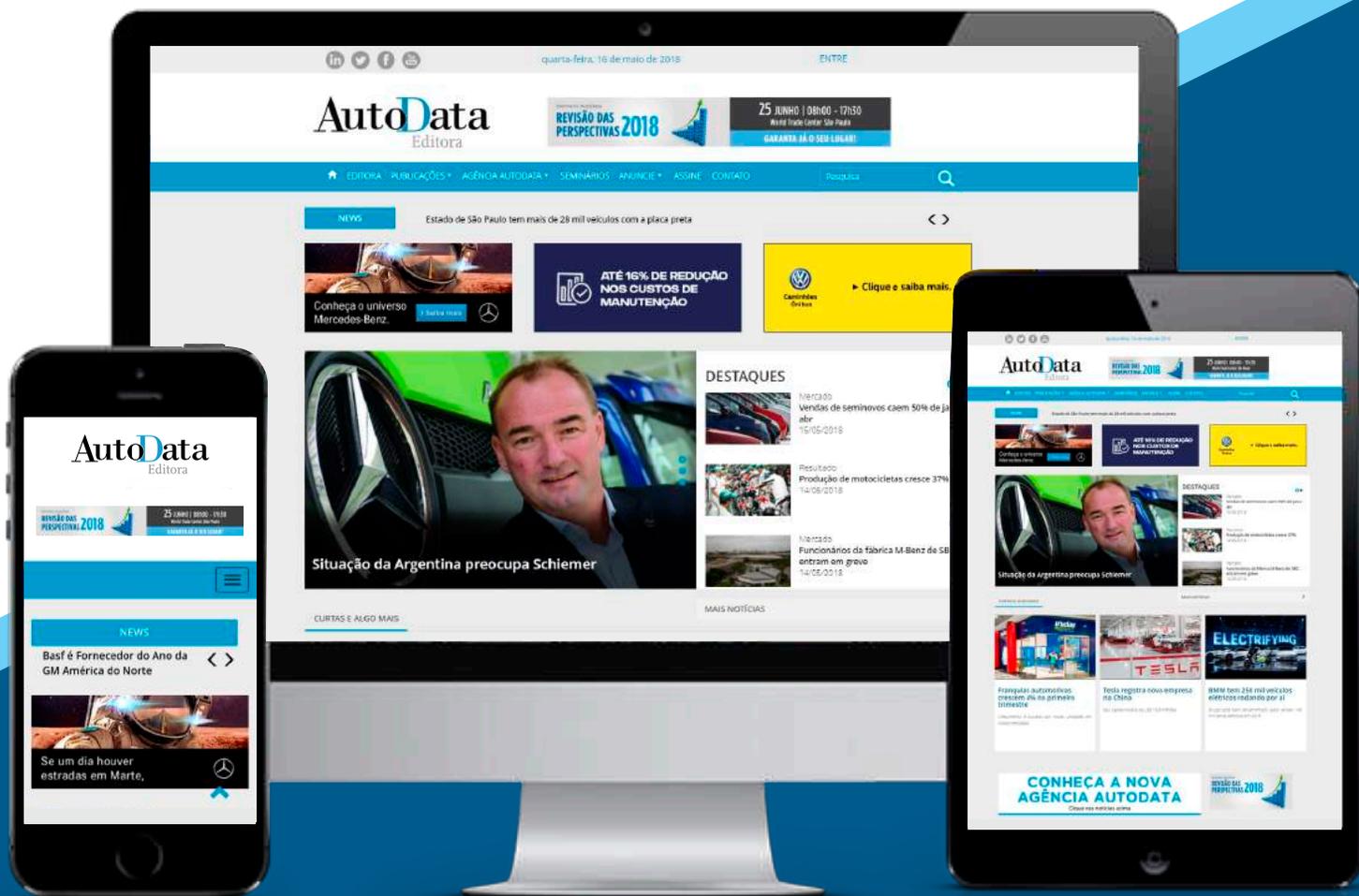
Schiemer, of M-B, insists on the need for predictability: "No matter what the dollar rate is, the important is how long it will stay at a certain level so it is possible to create an internal planning". For him, depending on who wins the presidential elections, the exchange rate can go from R\$ 3,50 to R\$ 5.

Audi has absorbed the impacts of the rising dollar rates on its business so far, but according to Roscheck, if the rate does not decrease, it will be necessary to raise the price: "Our expectation is that the dollar will return to previous levels after the elections, with a price from R\$ 3,50 to R\$ 3,80 next year".

Jaguar Land Rover and BMW have a similar reasoning regarding the exchange rate trend, expecting a reduction after the elections – a dollar value around R\$ 3,70 at the end of the year. ■

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Paving the ground

CAOA Chery wants to consolidate its presence in 2019 with three brand new models

This is the first year that Caoa Montadora presents its prospects at this annual **AutoData** special after the union with Chery.

And its president, Márcio Alfonso, affirms that next year "the challenge will be a little bigger than the one already established: we will work to consolidate the brand in parallel to the development of new vehicles".

The executive faces the moment with confidence in the result: "Everything is very intense and superlative in China, and it is good to experience this environment. They are very different in factory environment, market analysis and product configuration, but everything is very enriching. We now seek to converge on common practices".

Caoa Chery is getting ready to launch three vehicles that will be added to the already launched Tiggo 2: "We are investing in an additional production line for the Arrizo, a medium sedan, at the factory in Jacareí. And in Anápolis, the work today includes especially an extension of the final assembly area, besides a logistic transformation".

The factory in Goiás will be responsible for the production of two SUVs: Tiggo 4 and Tiggo 7.



Disclosure/Caoa

In addition to that, Chery's parts distribution center will have a new address, in Barueri, SP, "to offer greater agility and a high level service".

Alfonso's projection for the total Brazilian domestic market is of 2.6 million units in 2018, of which 9 thousand belongs to Chery. For 2019, the company's estimate is much more ambitious: to reach 34 thousand Brazilian vehicles sold, 20 thousand produced in Jacareí and 14 thousand in Anápolis.

The strategy will be to attack especially the market range from R\$ 60 thousand to R\$ 80 thousand: "There are customers at this purchase power range that are actually buying".

In the general market, Alfonso believes, he will see a "not too big" growth in 2019. The reasons, he listed, are in the macroeconomic challenges, the exchange rate and the unemployment: "We are going through a difficult period, but we believe in improvement".

“

Our goal is to sell 20 thousand vehicles produced in Jacareí and 14 thousand produced in Anápolis.

Márcio Alfonso

”

Closing 2018



Total market **2,6 million**



Market company **9 thousand**



GDP **1,4%**



1 US\$ = **R\$ 3,80**



Selic (interest rate) **6,5%**



Inflation **4,05%**

Closing 2019



Total market **2,7 million**



Market company **34 thousand**



GDP **2,5%**



1 US\$ = **R\$ 3,70**



Selic (interest rate) **8%**



Inflation **4,11%**

Perspectives 2021

FCA believes that all sales in Latin America, except Mexico, may reach 5 million units in the next three years



Disclosure/FCA

FCA is working hard to get to the next decade with a new vehicles' cycle on offer. For a simple reason: it believes in the evolution of the markets of Brazil and Argentina in the coming years.

Antonio Filosa's positive assessment, president for Latin America, is based on a global business environment "better than in other years" and on the toughness of the world's strongest economies, which drive global GDP. These factors help the emerging countries of the region, he believes: "We could have both markets with faster pace, if it wasn't for the political and local macroeconomic uncertainties."

In Brazil, Filosa understands that it is difficult to close sales at 2.5 million this year: "2 million 450 thousand units at most, even though the last months have traditionally been stronger". Until 2019 the result should be 5% to 10% higher than in 2018, he estimates.

Argentina's initial expectation was a market of 900 thousand or even 1 million units in 2018. But FCA's evaluation is that the crisis caused the automotive industry to lose 200 thousand units only in this second semester: "I believe that by the end of the year we will not surpass 760 thousand, 770 thousand units."

But Filosa is excited about the other countries in the Latin American region, which can add up to 800 thousand to 850 thousand units this year: "All markets from Tierra del Fuego to the Mexican

border have good perspectives of increasing volumes exported from Brazil and Argentina".

Because of these projections FCA factories are adjusting daily production to meet regional demand: "In Betim, the daily average is from 1,5 thousand to 1,6 thousand cars per day. In Cordoba we produce 320 units per day, but we will adjust. And in Goiana, we have been producing a little more than nine hundred vehicles a day since July".

This volume at the Jeep plant reaches the maximum capacity and will continue at this pace in 2019, while in Betim, MG, there will be an increase of 100 units/day - "And in Cordoba we need to analyze a little more: we will possibly reduce the speed of the line".

In the next twelve months, according to Filosa, FCA will have a full schedule: "We will have modifications in the vehicles and new model launches. During this period we will also work with the suppliers for the next cycle, which starts in 24 months. The first of these new products is already being developed. We are meeting with the shareholders to approve investments that will represent new segments for the Fiat brand and continue the work of raising the Jeep brand status".

All this should become reality from the second half of 2020 on - the plan sees a regional market in 2021 of up to

5 million units, "with Brazil close to 3 million, Argentina out of the recession with 1 million and other markets also with a volume of 1 million ". ■

Closing 2018



Total production **Above 3 million**



Total market
2 million 450 thousand



Production company **Increase of 10%**



Market company **Increase of 34%**

Closing 2019



Total production
Increase of 12% to 18%



Total market **Increase of 5% to 8%**

“

In 2019, the Brazilian market should be 5% to 10% bigger than in 2018.

Antonio Filosa

”



Disclosure/Ford

Many challenges, few options

The almost centennial Ford adjusts its structure in Brazil and in the South America region

The almost centennial presence offers Ford a different look regarding Brazil. Its vice president, Rogelio Golfarb, considers that "all industrial activities in the country are compromised in one way or another, including the automotive sector. We couldn't maintain the price compatible to IPCA (Extended National Consumer Price Index) compatible of 4% while we have experienced a double-digit increase in global commodities, a

“

It may be the first time in the automotive industry that volume recovery won't mean financial health.

Rogelio Golfarb

”

Closing 2018



Total production
3 million 21 thousand



Total market **2,5 million to 2 million 540 thousand**



Total export **766 thousand**



GDP **1,36%**



1 US\$ = **R\$ 3,83**



Selic (interest rate) **6,5%**



Inflation **4,09%**

scenario amplified by the exchange rate".

With the threat of idle capacity, the way to maintain production volumes was to increase the direct sales business - which, according to the executive, does not necessarily bring good returns on investments.

"This is the daily reality faced by the automotive industry for a long time."

For him, the combination of pressure on costs and a lower price of direct sales brought to the companies a difficult combination to overcome: "Those who projected the trend for 2018 from the result obtained in the last four months of 2017 should now be using the red pen in their accounts".

The perspective is even harder with the news coming from Argentina, the main external customer of the Brazilian vehicles. Golfarb remembers that in the AutoData Congress Perspectives

2018, in October 2017, he alerted for a scenario that shouldn't repeat growth registered that year, "because Argentina is macroeconomically vulnerable".

With these conditions in the main markets of South America on the radar of the company for at least three years the losses keep happening again. The diagnosis made Ford execute adjustments in the organization of the region to transpose more efficiently this difficult period, says the executive, "We have reduced the boards and we were able to achieve high efficiency with the teams available in all areas".

This way, without presenting figures, Golfarb points out the Ford directives: "Our projections indicate sales growth, with a moderate increase in production and stability with a leaning for decline in exports. That's our vision for 2018 and next year".

Closing 2019



Total market
Increase of 5% to 10%



GDP **2,5%**



1 US\$ = **R\$ 3,75**



Selic (interest rate) **8%**



Inflation **4,11%**

THE CHALLENGES OF MERCOSUR

Contrasts in the Brazilian and Argentine markets are decisive for GM projections

Despite the internal factors that generate uncertainties in the Brazilian market as a whole, and the in automotive sector in particular, the president of General Motors Mercosur, Carlos Zarlenga, turns his attention to Argentina. He, in the last case, is responsible for production and sales performance of the two main markets in the region, which, according to his analysis, go through quite

Closing 2018



Total market
2 million 550 thousand
to **2,6 million**



GDP **1,7%**



1 US\$ = **R\$ 3,95**



Selic (interest rate) **6,7%**



Inflation **3,7%**



Christian Costanzo

“

20% of Brazilian production is exported to Argentina.
And Argentina exports 80% of its production.

Carlos Zarlenga

”

distinct moments – although equally challenging.

Argentina, he believes, will live through indispensable macroeconomic adjustments to get caught up on bills. These, allied with customer's trust and resources to cope with a potential recession, will be decisive in 2019. Zarlenga, in any case, says he is confident about the recovery.

“Sales were very good in the first half in Argentina. We still don't know if the next months will be difficult: in local currency, in pesos, business may seem unattractive, but on the other hand, in dollars, purchases tend to become more interesting.”

The executive believes that Argentina will close 2018 with 750 thousand units sold and that this volume will grow in 2019, even slightly, to something in the range of 760 thousand to 780 thousand vehicles.

For Brazil, the executive believes that the market is located inside a context of long-term expectations today: “Discounting ups and downs we are in the standard of a growth line. The 3.8 million vehicles of 2013 were above it and 2018 is below”.

About numbers, Zarlenga believes in total domestic sales of up to 2.6 million in 2018 and an increase of 7.7% in 2019 – in other words, something close to 2.8 million units sold in Brazil next year.

“Customer's trust is showing

unshakable behavior and the interest rates continue to be attractive. This reflects on growth, which will also be helped by the arrival of new vehicles.”

The GM moment, now, is the development of twenty brand new Chevrolet models, a process that, according to Zarlenga, is keeping everyone “very busy around here”.

Consequently, because of possible numbers imbalance during this process, GM preferred not to present projections for 2019 regarding production and export. ■

Closing 2019



Total market **2,8 million**



GDP **2,5%**



1 US\$ = **R\$ 3,85**



Selic (interest rate) **8,1%**



Inflation **4,4%**



Disclosure/Honda

2019, ITIRAPINA, YEAR 1

Conservative, Honda will maintain the same levels of 2018 in 2019. And factory moving begins.

It is a fact: Honda knows that it will lose market share in Brazil in 2018 and next year as well. But that does not seem to worry Issao Mizoguchi, its president for South America.

"Being conservative, I believe we will maintain the same 2017 levels of production and sales in 2018, while the total market will increase. And this picture will be repeated in 2019."

The calm of the executive before the scenario is justified in the following reasoning: "It is an expected movement. This year, the market will grow especially due to the increase in sales of the most affordable models, which were the ones that decreased

“

Total production may be a little lower in 2019,
due to the decrease in exports.

Issao Mizoguchi

”

the most during the crisis. When other manufacturers stopped selling models at this range Honda gained market because the company remained stable. We didn't have a significant decrease during the crisis: so, on the other hand, we will not live the recovery atmosphere".

In numbers, this means something close to 136 thousand Honda units sold in Brazil.

For 2019, Mizoguchi projects total market growth of one digit compared to 2018: "I do not believe it will reach double digits". For him, "next year will really depend on the consequences of the elections and the external

movement, but I believe that the situation should stabilize after the election, with a slightly better exchange rate than the one we have". Anyway, he says, "Unless the future president does something very extreme in the economy, Brazil will have a great possibility to keep growing."

Honda understands that an intern market of about 4 million units will only be repeated around 2024 or 2025 in Brazil.

For the current moment, the situation in Argentina worries the president of Honda: "The total Brazilian production may be slightly lower in 2019 due to the decrease in exports. The crisis in Argentina affects here (Brazil) too because if they produce less there, we will also export less".

In the private Honda universe, 2019 will be an important year because the production transfer from Sumaré to Itirapina (both in the countryside of São Paulo) starts in January- the whole process continues until 2020.

According to Mizoguchi, the moving will not bring additional production levels, but on the other hand, even with the inherent complexity, it will not reduce manufacturing volumes either. ■

Closing 2018



Production company **From 0% to 5%**



Market company **From 0% to 5%**



Export company **Increase of 40%**

In June, just a few weeks after the truck drivers' strike, the president of Nissan, Marco Silva, presented at the AutoData Review of Perspectives Seminar the company's new visions for the Brazilian vehicle market. At that time he reduced the total sales estimate for 2018 by 50 thousand units, adjusted to 2 million 450 thousand automobiles and light commercial vehicles.

And nothing has changed so far: despite the fast sales reaction at the beginning of the second semester, the uncertainties generated by the elections and the explosion of another crisis in Argentina his estimates regarding Brazil continue placidly unchanged. And he projects growth for next year: "The market will not decrease again. It may even go sideways, but it has a great potential to increase. Up to two digits."

Silva reveals to be working with the possibility of opening the third shift at the factory in Resende, RJ, for next year, when the pace of the lines is expected to grow from 10% to 15%. If his expectations for a total market of 2.7 million cars and light commercials vehicles sold in Brazil in 2019 become reality, certainly the decision will be made.

"We will have to be quick to react to any increase in demand. We aim to grow above the market average because we will have additional volume by the Frontier model, which will come from Argentina with more versions."

The Argentine situation, however, worries the executive. He admits that the Argentine market will not reach the 900 thousand units estimated at the beginning of the year, closing at 750 thousand. To keep Resende's factory exports pace, from which 15% of the production supplies Argentine dealers, Nissan is already looking for other markets to sell its Brazilian models, especially Kicks, in other markets in Latin America.

The component nationalization plans in Brazil, begun in 2015, are expected

Heading for the third shift

Nissan plans: when the market reaches 2.7 million/year, it will expand production in Resende.



Disclosure/Nissan

Closing 2018



Closing 2019



to accelerate next year, in particular for the recent dollar rise - "The location is strategic".

The Brazilian Nissan was able to get from the headquarters an advance of its next investment cycle: resources will be destined for technical improvements of production lines in Resende and for

vehicle updates, notably March and Versa models. The total investment value is under discussion with the headquarters, to be applied in the 2018-2023 cycle - and the announcement should not take too long. ■

“ The market will not decrease again. It may even go sideways, but it has the potential to increase up to two digits. ”

Marco Silva

TWO DIGITS, DESPITE THE UNCERTAINTIES

Boosted by its new vehicles, PSA Group calculates an increase of more than 10% in its volumes sold in 2019



Disclosure/Nissan

Among the many uncertainties of Fabricio Biondo, vice president of communications, external and digital relations of the PSA Peugeot Citroën Group in Latin America, there is at least one certainty: production at the Porto Real unit, RJ, as well as the sales regarding the brands' models will grow at the double digits range in the Brazilian market in 2019.

The bets are in the latest Citroën launch, the C4 Cactus. The model will account for 50% of the brand's domestic sales in Brazil, besides initiating the vehicles' attack (produced in the Rio de Janeiro unit) on Latin American markets - in addition to Argentina, which will continue with the difficulties found this second semester, the companies are targeting exports to the Chilean, Colombian and Peruvian markets.

"Negotiations have been under discussion for markets in the North of Africa as well, but we still haven't closed anything."

Until August, Peugeot and Citroën sales totaled 34.5 thousand units together, a volume that gave the eleventh position in the Brazilian ranking. The tenth position, Nissan, had 63.7 thousand sales in the period.

In addition to the Cactus, Biondo

Closing 2018



Total production **3 million**



Total market **2,4 to 2,5 million**



Total export **750 thousand**



GDP **1% to 1,5%**

Closing 2019



Total production **3,1 million**



Total market **10% a 15%**



Total export **Decrease compared to 2018**



Production company **Above 10%**



Market company **Above 10%**

believes that the commercial vehicles line of both brands - the Peugeot Partner and Expert and the Citroën Berlingo and Jumpy - and the SUVs Peugeot 3008 and 5008 will help to grow the group's sales.

But with regard to the general market, the uncertainties emerge: according to the executive, everything will depend on how and when the new Brazilian president will be able to advance the reforms. Biondo understands that an eventual support from the Congress, in order to accelerate these measures adoption, could make the market grow faster.

«In an optimistic scenario the automotive market detaches from politics and grows double digits at the range of 10% to 15%, which would be extremely healthy. In the intermediate frame it evolves one digit.»

The executive also adds, however, the possibility of a negative scenario if the reforms do not advance: «Then things will get worse. The detachment would be more complicated».

Biondo's biggest bet facing these three scenarios is the middle one: «It's the most plausible. We will keep growing.»

“

In an optimistic scenario the automotive market detaches from politics and grows two digits, from 10% to 15%.

Fabrício Biondo

”

MISSION: 10% SHARE UNTIL 2022.

Renault wishes for a repetition of 2018 for 2019 – wants, again, to grow above average.



Disclosure/Renault

The message that Luiz Pedrucci, president of Renault of Brazil, passes to his teams every day is: do your job without worrying excessively about the scenario beyond the walls. According to the executive what happens outside the company is not within reach of the employees: "Of course we need to be attentive to what happens outside, but the real performance comes from inside our house".

The recipe is working: in 2018, the year it celebrates 20 years of Brazilian production, Renault sales are more accelerated than the national average in Brazil. With that, of course, the share

Closing 2018



Total market **2 million 450 thousand**

“

We have been growing year after year since 2010. We have maintained the investments even during the crisis.

Luiz Pedrucci

”

in the segment of automobiles and light commercial vehicles has grown. And in the accumulated of the year until August, it reached the best result of the history for the company, 8.5%.

“We have been growing year after year since 2010. We have maintained the investments even during the crisis.”

By the end of this year, in terms of total domestic market, Pedrucci believes that the volume will be close to the range of 2 million 450 thousand units in Brazil. And by 2019, he estimates that sales will continue to grow. Even not establishing an index he only considers that: “there will be constant evolution next year and in the following years.”

For the president of Renault, the Brazilian market will still require a few more years to return to a record volume such as Brazil registered in 2013.

As for Renault in particular, the idea is (again) to increase volumes of production and market share: “Our

ambition is to reach a 10% market share in 2022, a goal that will be supported by vehicles range renovation and the inclusion of new vehicles. I can't say how much we will be able to advance from the 8.5% to 10% next year, but we will grow above the market average once again”.

Regarding exports, Pedrucci believes that the 2018 pace can be maintained in 2019, compensating a possible volume loss for Argentina with new sales in other markets of the region such as Colombia, Mexico, Peru and Uruguay.

This way, considering the Brazilian domestic market and exports, the assembly lines of the factory in São José dos Pinhais, PR, will have a stronger pace next year: there will be 307 thousand units produced this year, 17% more than in 2017. The president of Renault, however, chose not to risk a growth rate for 2019 in terms of production. ■

Happy R\$ 1 billion

Toyota announces heavy investment for Indaiatuba factory, but not even for that the company will make concessions to maintain its market share in 2019

It is Toyota's tradition to maintain a modest but continuous growth in the Brazilian market. Historically, there are no big ups and downs. And in this pace, slowly and steady, that the company will continue next year according to Miguel Fonseca, its executive vice president.

Limited by the production capacities of its two factories, Indaiatuba and Sorocaba, both in SP, the company does not intend to recover this year's lost market share in 2019, which grows below the market average. Not even with the addition of the third shift in Sorocaba:

"The production increase will basically be directed to supply Yaris's exports to Argentina and other markets".

In 2018, Toyota will produce 209 thousand vehicles in both of its factories, or 12 thousand more than last year. Regarding 2019, 225 thousand units will leave the assembly lines according to Fonseca's schedule.

And not even with the recent announcement of the R\$ 1 billion investment to modernize Indaiatuba, since the company talks about improving flexibility and competitiveness but not necessarily of larger volumes.

In 2018, Toyota will produce 209 thousand vehicles in its two factories, 12 thousand more than in 2017. In 2019, 225 thousand units left the assembly lines, according to Fonseca.

In the domestic market the idea is to keep the sale volume of 2018, sacrificing, again, the market share. The explanation



Divulgação/Toyota

Closing 2018

 Total market **2 million 510 thousand**

 Production company **209 259**

 Market company **203 030**

 Export company **65 954**

 GDP **1,4%**

 1 US\$ = **R\$ 3,67**

 Selic (interest rate) **6,5%**

 Inflation **3,9%**

Closing 2019

 Total market **2 million 630 thousand**

 Production company **225 654**

 Market company **206 400**

 Export company **79 518**

 GDP **3,2%**

 1 US\$ = **R\$ 3,66**

 Selic (interest rate) **9%**

 Inflation **4%**

of the vice president: the direct sales are the one that pull the Brazilian market upwards, and (in this modality of sales) Toyota does not concentrate big efforts and not even intends to.

Until August, Toyota registered a 5% market share of total direct sales, which is 11% on retail: "It's out of our policy to grant exaggerated discounts to sell a vehicle. It is something that devalues our models and this way penalizes the customer in resale."

The company projects market of 2.5 million cars and light commercial

vehicles in 2018, which will grow to 2 million 630 thousand units next year – even with some uncertainties pointed out by the executive:

"We adjusted a little the projection we had for 2019, reduced by 50 thousand units. We believe in stabilization of the Brazilian economy after the elections, but we are worried about the exchange: even with the increase of the components produced in Brazil, it is more complicated to reach stability in our trade balance." ■

“

We will increase production in Sorocaba, but basically only to meet Yaris's exports

Miguel Fonseca

”

Latin America towards 5 million per year

For Volkswagen, the Brazilian market will account alone for market of 3 million vehicle sales in 2020



Disclosure/VW

Reserving its right to take a cautious stance on the possible consequences of the Brazilian presidential elections, the president and CEO of Volkswagen South America and Brazil, Pablo Di Si, believes he has no reason to fear the future in the short and medium term in Latin America, both in terms of sales and production.

"It is obvious that we follow all the movements very closely and can adapt quickly to any situation, but today we have to recognize that the Brazilian economic team and the Central Bank of Brazil have done a good job in the last years and this is why we don't have many reasons to doubt about

Closing 2018



Total production **Above 3 million**



Total market **2 million 450 thousand**



Production company **Increase of 10%**

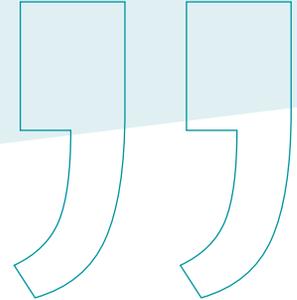


Market company **Increase of 34%**



We can adapt rapidly to any situation, but we don't have many reasons to doubt about the future.

Pablo Di Si



the future. Customers have gone back to the stores, default has fallen and the banks are financing. I believe we have total conditions to maintain the growth of 14% that we projected until December."

If everything goes well, therefore, the Brazilian market will close 2018 at around 2 million 450 thousand vehicles sold and with production of more than 3 million units. Volkswagen (at the moment of deep renewal of its vehicle portfolio) will see its sales increase around 34% this year.

In terms of production the company calculates that it will grow 10% in vehicles and 60% in engines.

The president of Volkswagen foresees growth of 5% to 8% for the Brazilian market for 2019, with sales reaching 2 million 650 thousand - Di Si emphasizes that this projection involves a scenario of political and economic balance. In total production, he estimates an increase from 12% to 18%, being possible to reach, consequently, 3,6 million units.

Regarding Argentina, the VW executive says that the fiscal adjustment currently undertaken by the local government will only show positive results in 2020 and that, due to this, its automotive market will decrease by 20% this year, to nearly 800 thousand units. For 2019, he is waiting for another

decrease without, however, projecting an index.

"Since most of the production is exported from our factory in Pacheco, the domestic market decrease will not influence our final production forecast there, which will also be positive. About 60% of Argentine vehicles are exported, an index that reaches 95% in the case of the transmissions that we also manufacture there."

Di Si drew attention to the fact that the market share of Brazilian and Argentine vehicles is growing in the other Latin American countries. He foresaw that from 2020 on the region (as a whole) will account for about 5 million units sales annually: 3 million in Brazil, 1 million in Argentina and 1 million in other countries in the region, except Mexico. ■

Closing 2019



Total production **Increase from 12% to 18%**



Total market **Increase from 5% to 8%**

For a more encouraging 2018, a 2019 of expectation

Segment of trucks and buses recovers part of this year's losses, and the tendency is to maintain this scenario next year



No one has suffered more from the crisis that has been taking place since 2014 than the truck segment. Last year, the number of sales was 70% lower than the best year registered in history, 2011, when there were 173 thousand units sold.

A start of reaction was seen in the second half last year, which was fully confirmed this year. Despite the truck drivers' strike, the first half ended with 32 thousand units sold, increase of 49% compared to the first half of 2017. The confirmation of the 2018-2019 Safra Plan and its injection of R\$ 194.3 billion to finance the planting structure, encouraged even more the manufacturers.

Until August, considering all segments, truck sales increased 49.5% and production jumped 31.7%. But for next year, cloudy due to the electoral scenario and the crisis in Argentina, the manufacturers' projections are not so optimistic – even because, unlike 2017, the comparative base of 2018 will be much higher.

Some truck manufacturers expect to see a fleet renewal process performed by the big transporters in 2019. VWCO, of the Traton Group, is the most optimistic of the companies with regard to the coming event of a vehicle buying wave.

Roberto Cortes, CEO, says that the situation has reached the limit where fleet owners are under pressure to buy new trucks because the assets devaluation assets reached a critical point: "Those who have an asset-based business model will buy vehicles in 2019 because the fleets are old enough to reflect on their operations".

Ford and Iveco follow the same line, but with expectation around the fleet renovation in the medium term, depending on the results of the elections.

Another business vector pointed is the return of some sectors from inactivity, specifically the construction industry. For Mercedes-Benz, a new president and a new government team may lead to investments in infrastructure projects: according to Philipp Schiemer, its president, "it's a missing demand and that we have been really waiting for".

Recognized as companies with a strong export profile, Scania and Volvo believe in maintaining the planning that has the search for new markets as a pillar. In the case of Scania, which has its capacity almost full occupied by demand from other markets, the bet will be to intensify the attack of its new line of trucks in South American markets.

Today, 70% of factory production in São



Disclosure/VWCO

Sales of trucks and buses together are expected to close 2018 at a 25% increase. With this, the comparative basis will be higher, but double-digit growth is likely to continue.



Disclosure/MBE

THE RS 0,20 AGAIN?
In buses, 2019 should bring talks about recomposition of urban transport tariffs: municipal election is only two years from now.

Bernardo do Campo, SP, is destined abroad. Christopher Podgorski, CEO, believes that the level will continue in 2019. Volvo follows the same line but has more room to grow: half of its production is exported. With the Argentine crisis, the solution to export more next year, according to companies, will be to knock on other doors.

In the case of the Argentine market (main destination of vehicles produced in Brazil, and where Iveco, Scania and Mercedes-Benz maintain factories) the fear is a little more intense than the Brazilian

elections. For Ricardo Barion, director of sales for Latin America, "it became more expensive to produce vehicles there. If the Argentine market stops decreasing, it account for 28 thousand trucks in 2018".

As for buses, the need for fleet renewal, new bids and regulations are factors that should determine the maintenance of the sales resumption in 2019, which this year keep at the two-digit increase: until August, the volume sold is of 16.7% over the same period last year, while production increases 44%.

According to Gilberto Vardânega, commercial director of Volvo Bus in Brazil, 2018 is watching a hiring wave in the industry that helps to drive sales: "With the increase in hirings, the charter service has grown, to transport employees. This helped the market". The charters are also pointed out by Iveco, which operates in the field with its portfolio of minibuses, as a niche with interesting opportunities next year.

In the case of city buses, the end of the electoral process may resume the conversations about tariffs and bids in Brazilian municipalities - in theory, there is room for that, since the election for the City Halls representatives will take place only two years from now. ■



Disclosure/Ford



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Good surprise aboard

Bus body market was surprised by the resumption of 2018. Which should continue in 2019.

In five of the last ten years the Brazilian bus body industry reached an average production volume of 33 thousand units. The best performance was in 2011, when it hit a record of 35,5 thousand units. The last result within this range occurred in 2013, when 32.7 thousand bus bodies were produced. Since then, the volumes have decreased dramatically, hitting bottom in 2016 with 14,1 thousand, a decline of 60% in relation to the best moment.

The reaction was minimal in 2017, something close to 3,5%, of 14.6 thousand units, which 4.8 thousand won the foreign market - according to the best volume in these ten years, only behind the year of 2008, of 6.6 thousand. Due to this tiny

increase, the expectations for 2018 were also timid, especially due to the economic situation in Brazil: a volume projection was not even designed.

Moreover: no one in good conscience would risk indicating a 40% increase already consolidated from January to August this year, compared to the same period of last year, with a total of 13 thousand 177 bodies, or 90% of the total volume of 2017.

"We would never expect a reaction with this intensity", recognizes José Antônio Fernandes Martins, president of Fabus, Brazilian National Association of Bus Manufacturers. "It exceeded every expectation."

Based on the accumulated volumes, the leader now projects production close



Disclosure/Marcopolo

“We would never expect a reaction with this intensity. It exceeded every expectation.”

José Antônio Fernandes Martins, of Fabus

to 21.5 thousand units as final result for 2018, domestic market from 16.3 thousand to 16.5 thousand and 5.2 thousand more in exports.

For 2019, Martins calculates a 15% to 20% increase in production, close to 25 thousand units, approaching 2014 results, when the sector produced 27 thousand 967 bodies. The Brazilian domestic market is expected to advance 20%, close to 20 thousand units, and exports from 10% to 15%, at the range of 5,7 thousand units.

There are several bases to sustain the estimated growth for 2019. One of them is the program Caminho da Escola (Way to School), which bid 6 thousand buses in 2018 and only half was delivered. The Refrota, managed by Caixa, has R\$ 3 billion to finance the purchase of urban vehicles and was delayed this year because of the bureaucracy and the restructuring of the institution's vice-presidencies. Still, according to Martins, it accounted for 1 thousand units. The available value, he calculates, allows the purchase of up to 8 thousand vehicles.

And besides, with the drastic drop in purchases in recent years, the fleet has aged, resulting increased maintenance costs, which threatens the operation: “The companies are forcing themselves to a renovation because the city bus is a vehicle that wears out more quickly due to continuous use and infrastructure conditions”.

On road buses, which almost doubled sales in 2018, interstate operators must acquire around 2 thousand units per year until 2021 to meet the demand of the ANTT, the Brazilian National Land Transport Agency, to reduce the average fleet age from 9,8 years to 5.

“Regardless of who is the elected president we have programs and demands that will sustain the growth of the sector in 2019. But it is a certain that we will have to dialogue to find alternatives for the future: public-private partnerships will be necessary to rebuild and modernize the infrastructure.”

Regarding exports, the growth expectation is basically due to the exchange variation. According to Martins, Brazil has recovered market in recent years because its price became more competitive compared to other rivals. He believes that the current rate, in the house of R\$ 4, is specific and should not be maintained: “I believe it will stay from R\$ 3.60 to R\$ 3.80. And until R\$ 3.50 the sector can be competitive abroad”.

For Martins, the next government will, necessarily, have to carry out the welfare reform, tax, political and administrative reforms as well: “Without reforms, Brazil will not grow”.

Martins does not believe in economic and financial disruption, with the inflation's jump, the Selic interest rate and the dollar raises, as it is happening in Argentina. What can be problematic, he said, are the trade disputes of the great powers, such as the United States and China: “If they lose space in the US market, it is certain that the Chinese will look for other solutions. And Brazil is one of them.” ■

Closing 2019



GDP **3%**



1 US\$ = **R\$ 3,70 to R\$ 3,80**



Selic (interest rate) **7% to 8%**



Inflation **3,9% to 4%**

FROM GRAIN TO GRAIN



Agribusiness will be decisive for the recovery of the industry of road implements recovery next year

The segment of heavy vehicles, formed by trailers and semi-trailers, will keep driving the Brazilian intern sales of road implements in 2019, as it happens in 2018. The expectation is due to, in the short term, the Brazilian economy will keep having, as main growth indicator, the agribusiness, a great buyer of this implement.

Another activity with an increase indicator, in the industry leaders' view, is the fuel transport, which also earn im-

portant numbers of heavy implements.

Norberto Fabris, president of the Brazilian Association of Road Implements Manufacturers, Anfir, affirmed, during the AutoData Commercial Vehicles Forum in Caxias do Sul, RS, to believe that regardless of the election result, the segment's economic activity will continue in an upward curve - but chose not to point an index.

While the consumption of the families, which drives the majority of the industrial sectors, is still weak, interfering in the



Disclosure/Randori

business of light implements on chassis, agribusiness presents positive results, favoring the sales of trailers.

According to data from Companhia Nacional de Abastecimento (Brazilian Company of Supply), Conab, grain producers - cotton, rice, beans, corn and soybeans - consolidated, over the previous harvest, gross revenues of almost R\$ 209 billion, increase of 25.5% compared to the previous year. For the new harvest, it is expected 229 million tons of grain, a decrease of 3.8%, but still, the second largest historical volume.

Unlike other segments, which experienced a timid reaction even in 2017, the implements industry had the fourth decrease in a row, of 2.4%. Sales fell 65%, from almost 178 thousand in 2013 to 60,5 thousand units in 2017.

The reaction of 2018, which was consolidated by 53% until August, with 55 thousand 804 sales, is based on trailer vehicles, which became more representative, also in volumes, in total sales.

The sales of heavy implements account for 28 thousand 133 units, increase of 84%. Of the fifteen families of trailers only three have negative numbers: log transport, silos and stainless steel tanks. In the light trailers line, they are 27 thousand 671, increase of 30.5%. Of the seven families, only concrete mixers, which are heavily dependent on construction, one of the sectors with the worst performance in the Brazilian economy has a negative variation.

Fabris's projection for the whole year is from 78 thousand to 83 thousand sales, an increase of 28% to 37% compared to volumes of 2017. The segment of trailers and semi-trailers will vary from 56% to 64%, totaling 39 thousand to 41 thousand trailers. The performance of bodies on frame will be lower, ranging from 10% to 18%, with sales between

39 thousand and 42 thousand vehicles.

The executive highlighted the market share reversal of sectors regarding road implements sales: heavy vehicles, which in the previous years had an average representation of 35%, reached 40% in 2017. And for 2018 the estimated market share is 50%.

The estimate is that the sector has installed capacity for 180 thousand units per year, a number that was reduced by 20% during the crisis due to some brands' closure and adjustments in the production level of several companies. According to Fabris, the ideal sales volume is at the range of 120 thousand units, being 50 thousand to 55 thousand of trailers and from 70 thousand to 80 thousand of bodies on frame. For him, this volume can be reached within four to five years.

MOVEBRAZIL

Around three years back, Anfir put in practice, together with the Brazilian Trade and Investment Promotion Agency (Apex-Brasil), the Internationalization Program for the Road Implements Industry, named MoveBrazil. During this period, the more than fifty participant companies have totaled values over US\$ 40 million in business.

"We already supply an expressive part of Latin America, mainly South America and Central America. A good goal to export something around 20% of what is produced in Brazil", projects Fabris. This number is currently around 5%.

The best period of exports was from 2011 to 2013, with exports above 5 thousand units per year. Since 2014, the average has been of 3,6 thousand units a year. In 2018, until August, there were 2 thousand 235 sales, decrease of 8% compared to the same period of 2017, which reached 3 thousand 421 units (considering this number) a decline of 16%. ■

With an eye on construction

For Ford Trucks the resumption in stagnant sectors is expected to promote growth in Brazil's domestic market in 2019

Ford Trucks works internally with the possibility of producing and selling more vehicles in 2019, a scenario supported by two realities: repressed demand during the years of crisis in the sector, which should generate a fleet renewal movement, and opportunities in still stagnant sectors that should come out of lethargy, such as construction. According to its operations director, João Pimentel, if this picture is confirmed, the truck market should jump from 72 thousand sold units in 2018 to 85 thousand until December 2019.



Disclosure/Ford Caminhões

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We believe that new business waves can take the Brazilian domestic market to the level of 85 thousand units.”

João Pimentel

”

“Some renovation has already occurred in segments that were less affected by the crisis, such as beverages and agribusiness. We believe that this business wave will also come from other areas, to the point of making the domestic market reach a level of 85 thousand units.”

Pimentel affirms that the demand return in these sectors has begun to show signs since July, which made the company calculate total production, this year, 5% higher than last year, something around 9,3 thousand trucks. For the coming year the expectation is to increase the production volume: “For 2019, we project to produce 12 thousand vehicles only to serve the Brazilian market”.

There is expectation for a decrease in foreign sales due to the economic scenario lived in Brazil's second largest market in South America, Argentina: “Exports to Argentina will be smaller, we will stop sending approximately 1 thousand units. This loss, however, will be compensated by shipments to other markets such as Chile and Peru, not mentioning the increase expected for Brazil itself”.

Despite the downturn Pimentel awaits good expectations for the

Argentine market, including competition for the leadership in the segment of trucks above 3.5 tons thanks to recent launches: “The exchange and flex allowed us to sell, in Argentina, vehicles that were once exclusive to the Brazilian market. So we diversified the offer there, which in turn enabled us to act on more business fronts”.

Closing 2018



Production company **9,3 thousand**

Closing 2019



Total market **85 thousand**



Production company **12 thousand**

2019 will depend on Argentina

Situation in the Brazilian neighbor difficults projections for Iveco next year, the company has factories in both countries



Disclosure/Iveco

The Argentine market will be determining for the main Iveco's indicators in 2019. The severe economic crisis that the country has faced produced direct effects on the production and exports of the company, enough reasons for the adoption of the waiting time for projections.

At least in exports, the future scenario depends (according to its Latin American sales director, Ricardo Barion) on how the Brazilian partner will react on the automotive sector after the measures taken by the local government: "The Argentine situation is as relevant for the future scenario as the elections in Brazil. It became more expensive to produce vehicles there. If the Argentine market stops decreasing, it will account for 28 thousand trucks in 2018".

Iveco has had its presence in Argentina since 1969 and maintains its production at the Córdoba plant with capacity for 15 thousand units/year. The same models of the Brazilian unit in Sete Lagoas are produced there, except the Daily van. It was the way that the company chose to depend less on the regional markets oscillations.

The scenario of decreasing sales in Argentina can not be reversed exclusively by exports to other countries, says Barion: "Our market share in Argentina is 25%, with all segments added together. How to maintain growth, for example, with the dollar above R\$ 4?"

This concern about the exchange rate is due to the imports of components used to supply production in Brazil and Argentina. A high dollar also compromises the export of the Daily models to Argentina: "The exchange, as it is today, sends a warning signal because there are imported components that become more expensive. A dollar rate above R\$ 4 is alarming".

With regard to the Brazilian domestic market, there is optimism: Iveco

estimates a 5% to 10% increase in its sales next year compared to this year's performance. The total market in 2019, it estimates, is expected to reach 80 thousand trucks above the 3.5 tons range.

"The market was strong because there was repressed post-crisis demand. There will be stability in this movement in 2019". ■

Closing 2019



Production company **Increase of 10%**



Market company **Increase of 10%**



Export company **Increase of 5%**



GDP **2,5%**

“The market was strong because there was repressed post-crisis demand. There will be stability in this movement in 2019.”

Ricardo Barion

When the universe conspires in its favor

For Volkswagen Trucks and Buses, 2019 will be positive independent of the electoral scenario



Divulgação/MAN

Roberto Cortes is now the regional president of Volkswagen Trucks and Buses and MAN, two of the brands that form Traton Group, commercial vehicles enterprise that was born independently but has its origin from Volkswagen Group. The executive sees the future in an optimistic way: "We will grow two digits in 2019 because everything conspire in our favor".

The executive's confidence is bases on three points: continuity of labor and tax reforms, post-crisis repressive demand on large fleet owners and GDP growth - this, according to Cortes, is the most important of them:

Closing 2018



Total market **Increase of 40%**

Closing 2019



GDP **2,5%**

“Even if there is any doubt regarding the situation of Brazil, the big fleet owners will need to renew their fleets.”

Roberto Cortes

“Except for the construction industry all sectors are demanding new trucks, mainly heavy. With a higher GDP next year, at 2.5%, there will be more sales and business opportunities”.

Cortes's optimism contrasts with the caution of his colleagues from other companies of the segment, who in their vast majority prefer to wait for the presidential election result to definitively establish their projections for 2019 - including restrictions for the macroeconomic scenario depending on the Brazilian president elected.

The president of Volkswagen Trucks and MAN, however, has the belief that, regardless of the candidate who becomes the winner, the objective of his mandate will be to pursue

economic growth.

“We will have a pro-market president, anyway. The industry will grow 40% this year, which paves the road for the double digits next year.”

He also believes that, even in a scenario in which the GDP takes a little longer to reach a 2.5% growth, the market will have evolution guaranteed by repressed demand in 2019:

“We will see a series of fleet renovation, because the business model of the big fleet owner is also based on the assets valorization. The older the truck the more devalued it is and, therefore, worse for the result. Even if there is any doubt about Brazil's situation, these companies will need to renew their fleets”.

REPEAT IN 2019 THE ADVANCE OF 2018

Mercedes-Benz expects new market growth for commercial vehicles, but everything will depend on the election's result



Disclosure/MBB

For Mercedes-Benz the effective 2019 planning will start only after the definition of who will be the president of Brazil. Before that, according to Philipp Schiemer, president of the Brazilian operation, there is not enough solid base for assertive projections: "After the election all rules of the game can change. Facing this situation, what we expect from the market for 2019 may be something that has great possibility of not being materialized."

The executive is especially concerned about a positive reversal in the commercial vehicle segment noticed since last year: "The election

“

The market should close 2018 with sales at the range of 65 thousand units, which is little for Brazil's potential.

Philipp Schiemer

”

may represent changes in the interest rate, inflation, exchange rate... this can stop many things. We will only be able to size the risks after the result".

The company anyway expects to maintain the current scenario after the announcement of the winner and (in this scenario) the coming year for the truck market should repeat the 2018 advances in terms of sales and production.

"The market should end this year with sales at the range of 65 thousand units, which is little for Brazil's potential."

Schiemer understands that the Selic (interest rate) at a level of 6.5%, where it is today, favors financing – a sufficient factor to boost the market, along with repressed demand and opportunities in agribusiness:

"These three factors combined justify the growth we have seen so far, which is still small in absolute terms. In any case, business has reappeared in companies that have business based in assets. About distribution, regarding the small fleet owner, the market has not grown yet. The natural path for next year is the continuity of the trend".

In exports, however, the repetition of performance seen in the first half of 2018 is considered improbable due to

the economic situation in Brazil's main automotive partner in Mercosur:

"If Argentina does not recover, we will become stagnant. We are growing in other markets, such as Chile, Peru, Ecuador and Colombia, but the great partner is indeed Argentina. We have already exported 40% of the production there and now, because of this situation, we will stay at 30% ". ■

Closing 2018



Total market **65 thousand**
(above 14 T)



Selic (interest rate) **6,5%**



Disclosure/Scania

Russia, our biggest client

Only 30% of the Brazilian Scania production stays in Brazil, but the company is optimistic with the domestic market

Henrik Henrikson, president and CEO of Scania, illustrated well the company's sentiment regarding its future in Brazil during the IAA 2018 in Hannover, Germany: «Our factory in São Bernardo do Campo is one of the most important in the world. We know that Brazil is going through a troubled moment, but we have full confidence that this will pass.»

In Brazil, Christopher Podgorski, CEO of Scania Latin America, revealed that the factory will close 2018 with 27 thousand produced units, trucks and buses together, occupying practically the entire capacity.

The volume will represent a growth

of more than 20% compared to the 21 thousand units of 2017. Thanks to the global production philosophy, only 30% of the vehicles manufactured in Brazil are destined for the Brazilian market: of the 70% exported, half goes to Latin American countries and the other half to 30 markets in other regions of the world, such as Russia – which, by the way, will be the country that will receive the biggest number of Scania trucks made in Brazil this year, 5,6 thousand units.

Roberto Barral, its managing director, believes that the Brazilian truck market is expected to grow about 40% this year to approximately 65 thousand units, with a slightly greater emphasis

Closing 2018



Total market **50 thousand**
(Above 16 T)



Market company **Increase of 60%**



GDP **1,40%**



1 US\$ = **R\$ 3,90**



Selic (interest rate) **6,50%**



Inflation **4,10%**

Closing 2019



Total market **Increase of 10%**



Market company **Increase of 10%**



GDP **2%**



1 US\$ = **R\$ 3,90**



Selic (interest rate) **8%**



Inflation **4,20%**

on the heavy-duty segment, exactly where Scania operates. The executive sees good odds for growth to continue, but still considers that it is still early to establish an index.

Regarding buses, Scania bets on good growth this year, mainly regarding coach buses, around 60%. Since the city buses (of larger volume) will grow less, the segment should evolve close to 20%, on average. Expectation is also positive for 2019, but again still without a defined number either.

To meet deliveries of the new PGR trucks, Scania is accelerating its production: the company opened a second shift, 170 new employees, Podgoski recalls: "We haven't operated in two shifts since 2013".

Of the R\$ 2.6 billion from the investment plan for the period 2016-2020, R\$ 1.5 billion has already been consumed - the new NGR line will start to be produced in the beginning of 2019 and, until then, the pace will be of 100 units/day. ■

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We know that Brazil is going through a troubled moment, but we have full confidence that this will pass.

Henrik Henrikson

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HEAVY VEHICLES RULE THE GAME

Volvo believes to maintain truck growth in 2019, attached to heavy vehicle sales



Disclosure/Volvo

The truck market closed the first half of 2018 at a 49% increase, a scenario due to the strong demand for heavy vehicles – until June, it increased by 87% in the same comparative and account for 44% of the total segment sales. Provided by these numbers – and counting on a new super crop – Volvo, one of the main heavy truck manufacturers in Brazil, projects 2019 with the vehicles of the segment, again, increasing the numbers upwards.

The company sold 3,8 thousand units in the first half of the year, 88% higher in the annual comparison, of a very low base. Bernardo Fedalto, commercial director, linked this performance to the

process of renewing the companies' fleet in the agribusiness and mining sectors: "Next year, something similar to what we have seen today will happen, with the heavy vehicles dictating sales pace. The expectation of a new record harvest makes us believe that".

In this second semester, the market shows signs that the projected scenario could be confirmed. According to the executive: "The safra plan was announced in June, and this encouraged the market to invest more in the grain transport, which precisely demands heavy vehicles" – R\$ 191 billion to finance the 2018-2019 agricultural and livestock plan. According to the accounts of the Ministry of Agriculture the harvest in the period may account for 250 million tons.

If the company sees a positive

outlook in the Brazilian market, regarding the foreign market, however, there are uncertainties. The crisis in Argentina already affects the company's exports, says Fedalto without mentioning numbers that indicate the size of the reduction:

"The situation in that market affects exports, but we still can't dimension how much. We need to look at how Brazil will react to the economic measures adopted by the government first".

Faced with the Argentine drama, the company must intensify the search for business opportunities in other markets of the region, whose demand, Fedalto says, is also responsible for keeping the factory installed in Curitiba, PR, operating in two shifts: "What we lose in exports to Argentina we will win with sales in other markets". ■

“

What we lose in exports to Argentina we will win with sales in other markets

Bernardo Fedalto

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HIGH ROTATION LINES

Production of engines advances even more than vehicle production, thanks to investments in the factories

It would be more than natural to assume that the production of engines in Brazil grows at a pace similar to vehicle production, but the truth is that the acceleration in this segment has been even a little higher. The investments made in engine factories are happening intensely - today, of the big automakers installed in Brazil, only Hyundai does not produce engines.

Companies like Volkswagen, General Motors, Renault, Nissan, Ford and Toyota recently have applied good amount of resources in their engine factories and, this way, increased the Brazilian production figures.

Cássio Pagliarini of ECTek Consultoria says that the life cycle of an engine family is much longer than a family of vehicles, which presupposes evolutions in technology over the years and application flexibility within the same architecture:

"While a vehicle factory works with modules from 150 thousand to 200 thousand units per year, an engine or transmission

plant is only feasible from 400 thousand units per year, considering full integration".

The consultant, who has previously worked at Ford, Renault and Hyundai, foresees that investments in smaller and more modern engines, with turbocharger, will continue because of the new emission targets of Rota 2030.

VW IS THE BIGGEST

Today, the largest engine producer in Brazil is Volkswagen. Its factory in São Carlos, SP, produced 450 thousand units from January to August of this year - 110 thousand for export. The company's forecast is to close the year with 600 thousand, 50% above 2017.

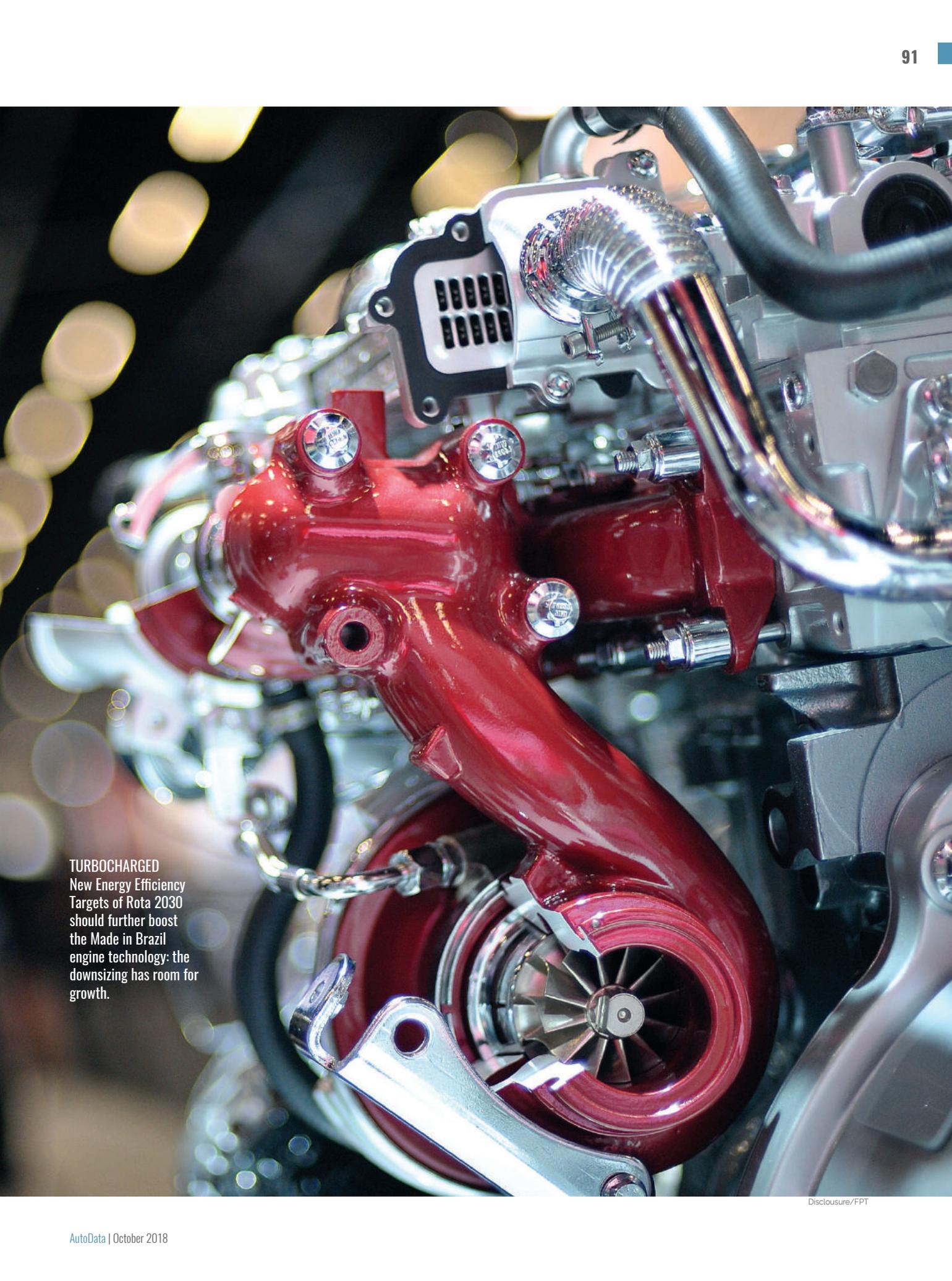
This increase is boosted by export contracts for 1.4 TSI engines to Mexico, where they are installed in the Jetta and Golf models. In addition to that, its latest launches such as Polo and Virtus, have engines made in São Carlos.

As for the FCA Group, it produced (in 2017) almost 331 thousand Firefly and Fire engines in Betim, MG, and 161 thousand E.torQ in Campo Largo, PR. The production in 2018 is at a better pace, although the exact figures have not been revealed, and "for 2019, the perspectives are optimistic because the strategic plan of the group strengthens the presence of Fiat and Jeep vehicles in Latin America", guarantees Cláudio Rocha, industrial powertrain director at FCA

According to him, the production will be even more boosted until 2022, by the arrival of 25 brand new or updated vehicles, which will require a new engine family.

General Motors sustains its expansion with a recent investment of R\$ 1.9 billion at the factory in Joinville, SC, opened in 2013. The 1.0 and 1.4 liter engines that equip Chevrolet Onix and other models are produced there.

The expansion inaugurated this year quadrupled the area of the factory in Santa Catarina, which jumped from 15 thousand m² to 62 thousand m². With the new structure the production lines go from six to nine and, from 2021 on, annual production



TURBOCHARGED
New Energy Efficiency
Targets of Rota 2030
should further boost
the Made in Brazil
engine technology: the
downsizing has room for
growth.

capacity jumps from 120 thousand to 420 thousand engines.

GM also produces 1,8 liter and 2,8 liter engines in São José dos Campos, SP. The company doesn't reveal engine production numbers, but by the sales volume of vehicles that use these components in Brazil and Argentina, it may be estimated a production of 335 thousand engines in 2017 and more than 350 thousand in 2018.

Ford produces in Taubaté, SP, the 1.0 and 1,5 liter Ti-VCT Flex engines, both three cylinders, in addition to the 1,6-liter Sigma engines. The 1,5 engine was launched in April, an investment that expanded the plant's capacity from 430 thousand to 500 thousand engines and transmissions per year. The automaker also does not disclose production figures, nor does it make estimates, but in any case, the vice president, Rogelio Golfarb, states that «the outlook for engines in 2019 will follow the vision of car sales in Brazil, bringing a moderate growth indicator.»

In addition to the four automakers that have been installed in Brazil for the longest time, the ones that came in the 1990s also accelerate the Brazilian engine production. Nissan, which produces (in Resende, RJ) the 1.0 liter 12V three-cylinder and the 1.6 16V four-cylinder engines, plans to close 2018

with 120 thousand manufactured units, a volume that is expected to advance to 140 thousand in 2019.

Its alliance partner, Renault, prefers not to disclose figures of the 1.0 and the 1.6 liter SCe engines, produced at the Curitiba Motores unit, which has a capacity of 600 thousand motors a year. They equip the entire Renault range in Brazil and are exported to Argentina and Colombia. Taking into account only the passenger car engines sold in Brazil, Renault is expected to increase from 150 thousand to 180 thousand units this year, thanks to Kwid's good results. Its production in Brazil exceeds 200 thousand engines in exports.

PSA is suffering the effects of the crisis in Argentina, destination of 13% of the 1.6 liter engines produced in Porto Real, RJ. Last year, 92,6 thousand engines were delivered according to Victor Bialski, general manager of Communication: «The expectation is of 90 thousand units this year, due to the strong retraction in Argentina.»

Without making projections for 2019 the company expects a demand increase in Brazil because of the first full year with the new Citroën C4 Cactus.

Honda produces (in Sumaré, SP) all the flex engines that equip their Brazilian models, in other words, 1,5, 1,8 and 2 liters,



Disclosure/MBB

GOING WITH THE FLOW
The expected demand for diesel engines in 2019 is linked to an expected increase in volumes of trucks, buses and machinery in the Brazil



50% MORE
Volkswagen's engine
factory in São Carlos,
SP, strongly increased
the volume produced in
2018 thanks to an export
contract with Mexico

besides the Argentine HR-V. For 2018, the expectation is for stability compared to the previous year's numbers, when it produced 129,5 thousand engines. According to the industrial vice president, Carlos Eigi, the economic situation in Argentina affects the export activities, which makes it difficult to have projections for 2019; in any case, the expectation is for stability.

While Honda is close to its production capacity's limit, Toyota is undergoing expansion at the Porto Feliz, SP, motor plant which will be inaugurated in 2016. The unit will end 2018 with 124,6 thousand units produced, 10% more than in 2017, and the company plans to raise that volume next year, the first complete year of Yaris. For this, the factory will already start a third shift in November.

EXPECTATION FOR THE DIESEL ENGINES

With regard to the diesel engines Cummins's forecast is to end 2018 close to 47 thousand engines produced. Its president, Luís Pasquotto, reveals that "the scenario is moderately optimistic for 2019. There are many uncertainties due to elections, exchange rate variations and tensions on the global market that may have repercussions in Brazil, but we

work with the hypothesis of some growth".

In numbers, the production volume estimate is about 50 thousand units, increase of 6% compared to 2018. The estimate is still less than half the peak reached by the company in 2011, 111 thousand engines. Part of the current reaction, according to Pasquotto, is due to investments made during the economic downturn - the company has invested around R\$ 400 million in Brazil since 2015:

"Our objective is to keep applying resources to diesel engines and also in new technologies such as ultra-clean diesel, natural gas, biofuels and even hybrids and electrics".

Marco Rangel, president of FPT Industrial Latin America, says that the diesel segment has suffered a lot from the recession but it is beginning to recover mainly due to the good moment of the agricultural sector:

"Despite this improvement many agribusiness companies have not yet renewed their fleet, which is expected to start happening in 2019. In addition to that, when the resumption begins with the heavy vehicles, as occurred this year, it tends to reverberate later in the medium and light vehicles, which makes us optimistic, still in a cautious way, for the coming year".

The company, part of CNH Industrial, estimates to produce 46 thousand engines in 2018, 10% more than in 2017, and grow another 2% in 2019 - the crisis in Argentina is the biggest reason for the reduced index.

MWM follows the same line of moderate optimism: in 2011, its best year, the company produced 148 thousand diesel engines and 25 thousand last year, a number expected to grow 30% this year. Thomas Püschel, director of sales and marketing, announces that "for 2019, we expect to increase our production in another 25%, considering that the Brazilian economy is recovering. We have expanded our customer base in other markets, reaching 45 countries, where we destine 18% of our current production".

Another manufacturer of diesel engines, Mercedes-Benz, has chosen not to disclose production figures or projections for next year. ■



AGRICULTURE IS POP. CONSTRUCTION... NOT YET.

*Agricultural machinery has encouraging prospects for 2019.
As for construction, not so much.*

It is a relief: for the first time since 2015 the production of agricultural and highway machinery will close the year with at an increase rate. The projected volume, of 60,4 thousand units, is still far from the one presented in 2013, when it exceeded the mark of 100 thousand, but it is a start to encourage the sector and project a promising 2019.

Alfredo Miguel Neto, vice president of Anfavea and director of corporate issues at John Deere for Latin America, believes that (in 2019) numbers and indexes should grow equally or slightly more than the 14% expected for this year.

"The soy at a very favorable price is a great incentive for the producers, and the high dollar favors grain exports. Cotton



Disclosure/CNH Industrial

production is also having a great moment. Commodities in general are having positive prices and there is a purchase movement of lands in Mato Grosso and Rio Grande do Sul, which should expand the cultivated areas."

In 2015, almost 56 thousand machines were produced, a volume that decreased to 54 thousand in 2016 and to 53 thousand in 2017.

For domestic sales and exports in Brazil as well, the projection is to grow 7% in 2018, with a gain of 5.4% in shipments in value.

According to Christian Gonzalez, director of CNH Industrial for Latin America, the agricultural base have been very strong for a long time, shielding the segment against political, economic and foreign exchange disturbances:

"The elections in Brazil and the sudden crisis in Argentina generate a series of uncertainties for the 2019 forecasts, but in general, we foresee a slightly positive scenario, although still cautious."

As for Case and New Holland, divisions of CNH, the expected evolution is 5% to 10% in 2019. For Gonzalez "a better scenario would allow growth of up to 15%, but the political and economic variables suggest a somewhat more conservative scenario".

For Gonzalez, "a better scenario would allow an up to 15% growth, but the political and macroeconomic variables suggest a little more conservative picture".

About the concerns, Argentina in the lead by far, since its market accounts for approximately 25% of the CNH Industrial's business in Latin America.

As for John Deere, one of the biggest

global groups in the agricultural area and originally from the USA, projects growth for 2018 in South America due to the Brazilian economy resumption. The sales of tractors and grain combines are expected to grow by an average of 5%, and this growth outlook will be maintained in 2019 - perhaps with an even greater recovery than in 2018, according to Miguel Neto.

This analysis is shared by AGCO, which has six factories in Brazil for the production of agricultural machines in the Valtra and Massey Ferguson divisions. According to Alfredo Jobke, marketing director for South America, the company's outlook for agricultural machinery and implements sales at the end of 2018 is close to the the general industry, growing 5% to 7% over last year.

"Regarding 2019, we keep optimistic with the sector's development, but for now it is still not possible to make estimates."

CONSTRUCTION ON STAND BY

If the agricultural sector maintained its grounds during the height of the crisis the same can't be said about construction and infrastructure sectors, which have experienced a dramatic period, observes Miguel Neto:

"We have more than 7 thousand stopped works in Brazil, which are expected to be resumed by the next government but probably at a slow pace".

Sales of loaders and backhoes this year were 63.5% higher than last year in the accumulated year until August, but growth takes place on a very low base - there were 1.2 thousand units. The numbers

of track-type tractors are measured in a few hundred, while wheel tractors, used in construction and mining, have larger volumes.

According to Gonzalez's accounts, of CNH, R\$ 60 billion have no longer been invested in infrastructure in the last four years. He estimates a market of 10 thou-

sand machines sold in Brazil in 2018 and a little more in 2019.

"We will have a clearer overview after the final result of the presidential and governor election. Although government officials promise to resume infrastructure works, I believe that this process will be timid in the first year, due to the need for priority adjustments in the public accounts."

Komatsu, originally from Japan, installed in Suzano, SP, since 1975, is also on a recovery route - its production is almost entirely focused on construction and mining machinery. The company closed 2017 with 1.8 thousand units produced for the Brazilian domestic market and exports, and plans to end 2018 at least with 2 thousand. For 2019, the calculated increase is of 11% in comparison with 2018. ■

Manufacturers' calculations indicate about seven thousand works stopped in Brazil. Resumption of at least part of them in 2019 would stimulate the business for the construction machinery.



Linda Jackson, global CEO of Citroën



Divulgação/Citroën

British, started her career in the area of sales and finance at the European MG Rover in 1977. She joined Citroën in 2005 as a financial director of the English division. In 2009, acted in the same position in the French Citroën. From 2010 to 2014, she worked as Citroën general director of the United Kingdom and Ireland and, soon after, was named as global CEO of the brand. She was in Brazil (for the fourth time) at the end of September.

1

Citroën celebrates its centennial birthday in 2019. What does the brand prepares in special?

The exact centenary will be on June 4, 2019. Throughout the year we will do several actions, physical, as a meeting with collectors of the brand's vehicles in Europe, and digital as well. We will use social media a lot, which is very important in our current strategy.

2

What are Citroën's plans, globally speaking, for the future?

We have a strong, historical and lasting brand. In France, we are the most respected car brand. We want to use this advantage to grow, now, outside Europe, being different from others in terms of design and offering a lot of connectivity. Our portfolio will be formed by eight global styles and C4 Cactus, recently launched in Brazil, is the first example of that.

3

Is Latin America an important part of this strategy?

We sold 573 thousand cars in the world in the first semester. In China, we grew 50%. It is a focus there, but Latin America is very important. Today, the region accounts for 6% of our global sales, with Europe accounting for more than 70%. We want that more than half of sales takes place outside Europe until 2023 and in that context we intend to reach 10% in Latin America.

4

What is the plan for the hybrid and electric vehicles?

From 2020 on, all new models will have combustion-powered versions, hybrid and plug-in hybrid. In 2023, we want 80% of our portfolio to have this flexibility and, from 2025 on, 100%. Brazil is part of these plans.

5

Citroën invests in vehicle sharing in Europe. Are there any plans to bring something like this to Brazil?

We will place three hundred C-Zero to run in sharing system in Paris. In Brazil, there are some projects and studies with City Halls, but nothing has been closed yet.

ELECTRIC VEHICLES DOMINATE HANNOVER

The International Exhibition of Commercial Vehicles presents what future will come from the trucks and buses

IAA, the International Automobile Exhibition of Commercial Vehicles, held every two years in Hannover, Germany, is the most important exhibition of trucks and buses in the world. In its last edition, at the end of September, the event made the chosen theme clear, Driving Tomorrow.

The event worked as a watershed for the European commercial vehicles market: the vast majority of automakers took advantage of the event to break up almost in a definite way with the past and show the world their electric or hybrid vehicles - they should arrive to the continent's streets at the beginning of next year already.

The secret is very simple: according to the goals set by the UN Sustainable Development program and by the Paris Agreement, the electric vehicles will be

fundamental for the creation of a free of fossil energy commercial transport system by 2050. And for this, the technical evolution (especially regarding urban passenger transport) has to start now.

Daimler was obviously one of the main attractions: it presented the Actros 2019, renamed as New Actros, equipped with sixty intelligent assistance systems which, according to the manufacturer, "anticipate the future". Autonomous steering controls the entire vehicle, including its speed and route, there is active emergency braking and side view cameras that replace the mirrors and eliminate blind spots.

Regarding vans, special attention for the Vision Urbanetic, which is already tested in partnership with Basf. A futuristic design allows total body change for cargo or passengers with extreme easiness.



“IAA showed that they are all searching for new ways to mold the transport of the future.”

Bernhard Mattes, president of VDA

E-DELIVERY AND E-FLEX

A surprise via the Brazilian Volkswagen Caminhões e Ônibus, which has gained strength in the international scenario. In its ninth consecutive participation at the IAA it shared equally the space in the Traton pavilion with its partners Scania and MAN for the first time.

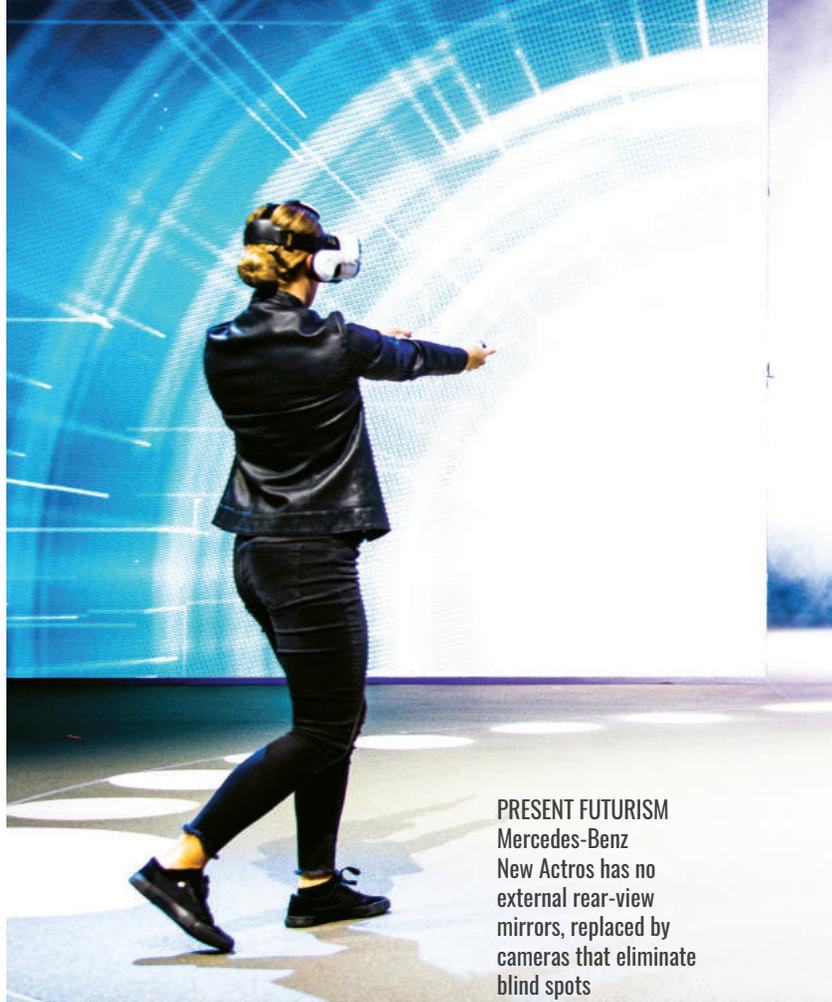
The company showed the e-Delivery, a light cargo electric vehicle recently presented in Brazil and that has already been ordered by Ambev, and the brand new Volksbus e-Flex, equipped with innovative system of flexible architecture: the bus can run as an electric vehicle powered by its extended range battery, as a hybrid electric vehicle or plug-in hybrid electric. The model is equipped with 1.4 TSI flex engine, the same as the VW Golf.

The two vehicles are expected to be available in the Brazilian market until December – interval between the two launches is expected to be six months.

Still on Traton, Scania chose to adopt a slightly more conservative stance - at least with regard to the electrification of vehicles intended for cargo transport. Henrik Henrikson, president of Scania Trucks and Buses said: «It is obvious that, for the transport of passengers segment, we are investing heavily in this type of solution too, but regarding trucks, we prefer not to think so much in the future. We want solutions that can be used today».

The other Swedish, Volvo celebrated 25 years of the FH heavy vehicle, its most successful model in history. It also gave special attention to the electric buses and announced that next year the company will start to market, in Europe, 100% electric trucks for urban operations such as garbage collection.

And as concept, it presented the Vera, totally autonomous created to carry heavy loads in logistics centers of industrial areas. It carries up to 40 tons for 100 kilometers at 40 km/h. ■



PRESENT FUTURISM
Mercedes-Benz New Actros has no external rear-view mirrors, replaced by cameras that eliminate blind spots



NUMBERS THAT CAN SPEAK
Four hundred launches, 250 thousand visitor: that's how IAA is.





Systems suppliers also called the attention in Hannover

It is no exaggeration to say that the IAA 2018 made it clear: the future of the commercial vehicles segment is coming much faster than expected – soon, it will be normal to coexist with autonomously driven buses and trucks.

The auto parts companies, and systems suppliers, developers or new equipment investors had a remarkable presence in the event alongside the big automobile manufacturers. Attentive to the fact that they will not be just simple auto parts or systems manufacturers anymore in the near future, they are now dedicating much of their development efforts to the advanced technologies.

ZF presented products that can help make trucks smarter and safer in urban traffic: one of them monitors the side of the vehicle and immediately alerts the driver about possible risks, eliminating the challenging blind spots. The technology is connected to the autonomous driving system and, if necessary, can slow the vehicle's speed or even stop it in case of emergency.

Bosch focused its presentation on electro-mobility for semitrailers: the trailer's axles have an electric motor, of recoverable energy while braking that can be transferred to electrical needs of the implement. By the manufacturer's calculations, in the case of the cooling trailer the technology can save 9 thousand liters of diesel per year.

THE FOURTEEN FAVORITES

Ford promoted the 2018 edition of its recognition award to the best suppliers in South America: the company received the partners at home, its factory in Taboão.

Although very traditional, the Ford factory in Taboão neighborhood, São Bernardo do Campo, the ABCD region of São Paulo, place where Willys was born from the blue oval brand in 1967, had never hosted a supplier recognition ceremony. Until now.

Representatives of 150 companies that sell systems, parts and services to Ford in South America gathered at the Taboão unit at the end of August - and fourteen of them were awarded by the Ford Top Supplier 2018.

According to Allan Guimarães, direc-





Disclosure/Ford

tor of Purchases in South America, the choice of the place was not for nothing. "The suppliers are responsible for 70% of the vehicles' cost, and the partnership we have with them is very important. When we planned this event our goal was precisely to bring them into our factory."

The recognition is annual and according to Ford the best are selected from broad assessment based on several criteria: indicators of quality, delivery, competitive costs, business relationship, working conditions, product development, customer service, logistics and manufacturing.

At the meeting, suppliers had access to Ford's business results and plans for the South America region, as well as information about product strategy, marketing and sales actions, and the segment of trucks.

Another novelty in the 2018 edition of the Ford event was an interactive panel: participants were able to send questions and doubts to the automaker's executives via an online system – they were, besides Guimarães, Lisa Drake, the global vice president of powertrain and purchases, Burt Jordan, global vice president of vehicles and indirect purchasing, Joe Smyth, global executive director of quality engineering to the supplier, and Lyle Watters, president for South America.

And finally, the event brought a third novelty: Troller was part of the recognition in an exclusive category for the first time. ■

Ford Top Supplier 2018

Body and Exterior

ITW Delfast

Body and Interior

Magna do Brasil

Chassis

Fric Rot Saic

Electrical and electronics systems

Yazaki do Brasil

Powertrain Components

Mahle

Powertrain Installation

Faurecia Emissions Control

Stamp Raw Material

Usiminas

Industrial Materials

Iturri Coimpar

Services

Bradesco Saúde

Logistics & Transport

Rodoviário Líder

Machines and Equipment

Prodismo SLR

Parts and Accessories

Cosan Lubrificantes

Trucks

Denso do Brasil

Troller

Alpha Metalúrgica

RECICLANIP

The Brazilian tire manufacturers, by Reciclanip (a tire-recycling organization), collected more than 458 thousand tons of waste tires in 2017: they exceeded the target set by IBAMA by almost 2%. In volumes, there were 91.6 million tires. They are crushed and reused as alternative fuel for cement industries, such as shoe soles manufacturing, rubber seals, rain pipes, multi-sport and industrial block floors, car mats and asphalt-rubber production.



Disclosure/VW

ELECTRIC FOR ALL 1

Volkswagen is showing that its global attack of electric vehicles is really serious. The company presented its modular electric propulsion architecture, named MEB, developed specifically for this type of vehicle. It will be the program's productive base named Electric For All, which promises "attractive models with affordable prices", according to a company statement.

ELECTRIC FOR ALL 2

The first model to use the MEB will be the ID., whose production is scheduled to start at the end of next year - it has not even been born yet and already has a sales target of 100 thousand units in 2020. It will be produced at the Zwickau plant, in Germany, which will be MEB's exclusive: the unit receives investment of € 1.2 billion.

ELECTRIC FOR ALL 3

Other factories in Germany are also directly involved with the production of VW electric vehicles: Wolfsburg is responsible for the development and production of pre-series models. In Braunschweig, the system of batteries will be manufactured in a volume of 500 thousand/year. Salzgitter will be responsible for MEB rotors and stators. And the electric motor of the platform will be manufactured in Kassel.



By Marcos Rozen

Suggestions of issues for this section can be directed this the email rozen@autodata.com.br

ABRACAF IN THE CONSORTIUM

Abracaf, the Brazilian Association of Fiat Automobile Dealers, through its commercial arm Abracom, entered into a partnership agreement with Consórcio Nacional Unifisa to create a new consortium option for the Fiat cars and commercial vehicles. Credits from R\$ 26 thousand up to R\$ 250 thousand, terms from 24 to 100 months.

IN GERMANY

Sindipeças took 38 Brazilian companies to Automechanika Frankfurt in partnership with Apex. The Brazilian pavilion at the show received 1,6 thousand visitors during five days: exhibitors closed deals of about US\$ 2.2 million and are expected to earn US\$ 18 million more over the next twelve months.



Disclosure/Volvo CE

CHUEIRE

Afrânio Chueire assumed the presidency of Projeto Pescar, a Brazilian NGO that assists young people in situations of social vulnerability. Ex-president of Volvo CE Latin America.



Disclosure/Randon

PRIGNOLATO

Paulo Prignolato is the new CFO of Randon Companies. He will answer for the areas of finance and controllership, reporting directly to the Presidency and also integrating the Executive Committee.



Disclosure/CCR

BOAVENTURA

Marcelo Boaventura assumed the command of CCR ViaOeste and CCR RodoAnel. The executive has been in the CCR Group since 2006, as planning coordinator.



Disclosure/BMW

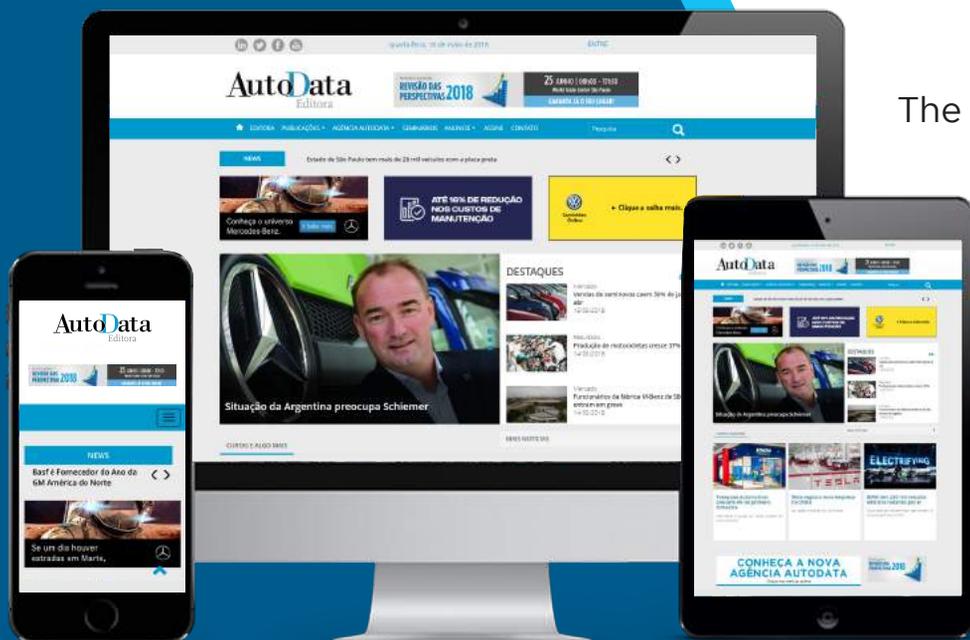
NEGELE

Herbert Negele is the new engineering director for BMW Group Brazil. Succeeding Elmar Hockgeiger, now in charge of the Engineering of BMW Group in South Korea.

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MARELLI SPARK PLUGS

Magneti Marelli Cofap launches line of spark plugs for automobiles and light commercial vehicles in the aftermarket: 59 codes, which cover about 90% of the current fleet. It complements the company's range for ignition system, formed by spark plugs for motorcycles, cables and coils.



Disclosure/MBB

R\$ 1 MILLION FOR THE M-B AMG G

The new Mercedes-AMG G 63 will be one of the highlights on the brand's booth at Salão do Automóvel de São Paulo (São Paulo Auto Show), in November: classic lines with a modern touch and 4 liters V8 biturbo engine, 585 hp. The ones who do not want to wait until then can buy it now for R\$ 1 million 50 thousand.



Disclosure/VW

ANCHIETA, THE FIRST

The Anchieta factory of Volkswagen, in São Bernardo do Campo, in the ABCD region of São Paulo, has achieved the ISO 50001:2011 certification for its Energy Management System (or SGE) regarding the continuous improvement of energy performance, contributing to a reduction in energy consumption and carbon emissions. It is the first VW factory in South America to receive the certification. In addition to that, the unit underwent an audit that approved maintenance of its ISO 14001: 2015, related to the Environmental Management System.

INTERNSHIP AT GOODYEAR

Goodyear opens registrations for its 2019 internship program in the areas of sales and marketing, supply chain, manufacturing, finance, purchasing and HR. The candidates must be attending higher education at night, with graduation expected from December 2020 to December 2021 in the courses of Administration, Engineering, Law, Advertising and Propaganda, Accounting, Psychology, Economics and Foreign Trade. Until November 16th on <http://recrutamento.ciadeestagios.com.br/goodyear>.

PNATRANS

The Ministry of Cities presented the Brazilian National Plan for the Reduction of Traffic Injuries and Deaths, the Pnatrans, with the objective of reducing the number of traffic accidents by half in a period of 10 years. Created by Law 13.614/2008, Pnatrans establishes joint work of transit, transportation, health, justice and education, besides grouping surveys made by government bodies and private institutions.

“Compared to Europe and Asia, our volumes are much smaller. We have to build businesses that are profitable in this scenario.”

Márcio Alfonso, president of Caoa Chery

Caged, General Register of Employees and Unemployed Persons of Brazil, registered

1 353 000 - 1 242 000 = 111 000

Hirings in August

Firings

Best positive balance for the month in the last five years.

50 000 000

chargers will be needed to power the global fleet of electric vehicles in 2030, according to a McKinsey consultancy study.

“The automakers will lose a few million dollars for keeping the price of the vehicles.”

“The ones that are losing are not losing little.”

From two executives of the Brazilian automotive industry (who asked not to be identified) about the absence of exchange variation transfer to the price of vehicles.

2 h 43 m

is the average daily time spent by a citizen of São Paulo in displacements, according to a survey by the NGO Rede Nossa São Paulo. According to the same survey, if there was quality public transport in the city

41%

would leave their cars at home and

32%

probably would not even use the car.