

# AutoData

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Wilson Lirmann

## Volvo to invest R\$ 1 billion in Latin America

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Volvo Latin America began the year placing high bets. The vehicle manufacturer announced an investment plan for the region valued at R\$ 1 billion. The resources will be applied towards machinery renewal at the plant in Brazil, dealer network improvements in Chile, and product development.

Wilson Lirmann, the company's president for Latin America, is preparing for the resumption of the market, which, according to him, should begin in March and become stronger during the second half of the year. The investment value, however, is smaller than the previous cycle, which lasted from 2013 to 2015. The executive highlighted that US\$ 500 million (R\$ 1.5 billion at the current exchange rate) were invested.

"Some 90% of this value will be invested in the Brazilian operation, including a large portion towards upgrading our development centers. We are preparing for the resumption. Those who are always ahead, drink fresh water," said Lirmann.

The executive added there are economic indicators in Brazil pointing to a gradual recovery this year. "Inflation is approaching the center of the target, and there are estimates that it will be less than the 4.5% rate estimated by the government. This creates room for lowering the interest rate. All these factors cause confidence to return to the market."

Despite the reestablishment of confidence this year, 2016 was not a good year for the company. Revenues in the region went from R\$ 5.5 billion in 2015 to R\$ 4.8 billion last year. "Today, the subsidiary accounts for 5% of the overall revenue, which is far from satisfactory. We reached a 10% share of the Brazilian market when demand was highest."

Lirmann highlighted that, in 2011, Brazil was Volvo's second largest market in the world, by volume, with more than 20,000 units licensed. Last year, the country was the company's fifth largest market in the world, with 6,258 trucks sold, according to Anfavea, the Brazilian association of vehicle manufacturers. "We are behind the United States, Germany, United Kingdom and France. For this year, Volvo projects a growth of up to 10% in sales of heavy and semi-heavy trucks from producers installed in Brazil.

With the domestic market going down the slope, the plant in Curitiba has a 70% idle capacity. This caused the company to implement payroll adjustments and reduce the workforce by 400 employees at the unit. "Today, we are operating with 3000 employees, which is adequate with our new reality. Throughout practically all of last year, we were on voluntary dismissal program, with many adhesions," explained the executive. Last year, according to Anfavea, the automaker assembled 9,679 vehicles, among trucks and buses.

This production volume was largely supported by foreign markets. Last year, Volvo exported 4,369 units, which accounted for about 40% of the production output in Curitiba. In 2015, foreign sales accounted for 29% of production. "We grew our shipment volumes to Latin American countries by more than 30%. Countries such as Peru, Chile and Argentina grew a lot last year. For this year, we believe demand from these markets should continue hot. There are many projects, mainly from mining, being reactivated in Peru and Chile. Investments for the next three years call for the expansion of the dealer network in Chile to meet that demand."

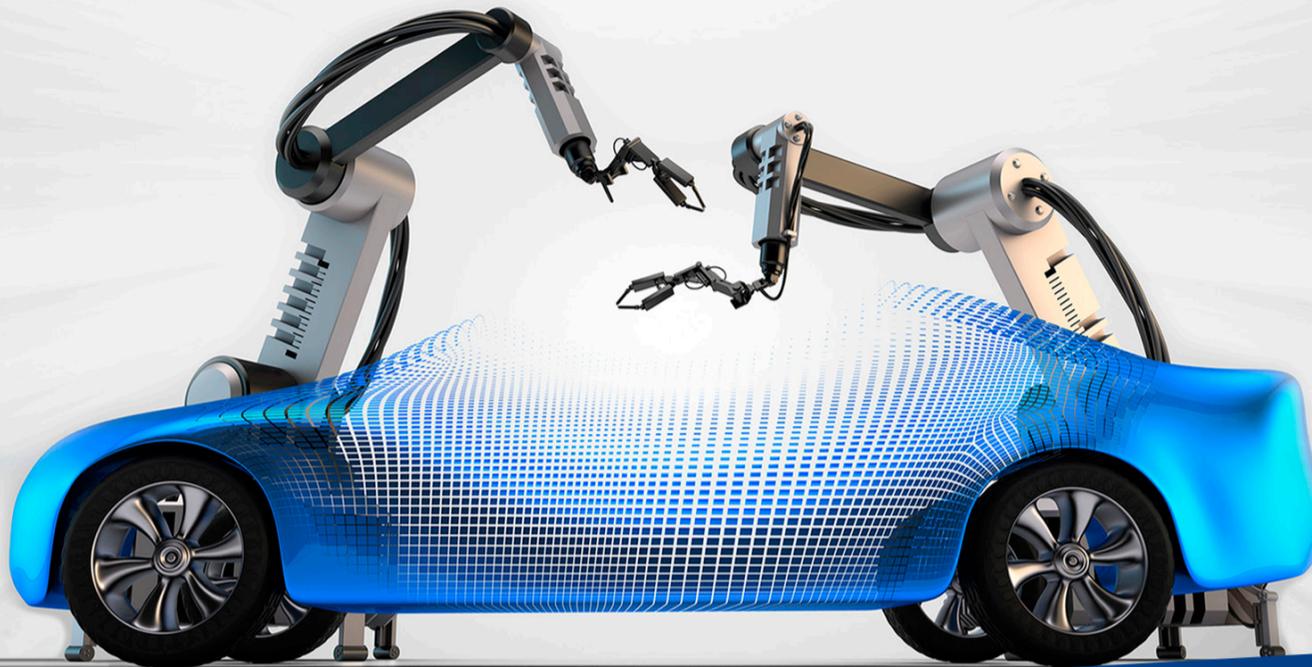
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SEMINÁRIO AUTODATA

# OS NOVOS DESAFIOS

DA INDÚSTRIA

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Os principais desafios empresariais que serão obrigatoriamente enfrentados nos próximos anos para que o Brasil possa garantir um lugar de destaque entre os maiores produtores de veículos do mundo, serão analisados e debatidos no Seminário “Os Novos Desafios da Indústria Automotiva Brasileira”, que AutoData promoverá, em São Paulo.

Este será um encontro muito importante, pois debaterá os caminhos que a indústria automotiva brasileira obrigatoriamente terá que trilhar para voltar a brilhar no futuro próximo. Já estão confirmadas as presenças de diversos executivos e empresários importantes como palestrantes deste evento, tais como: Margarete Ganidini (Diretora do Departamento das Indústrias para Mobilidade e Logística do Ministério (MDIC)), Antonio Megale (Presidente da Anfavea), Antonio Filosa (Diretor Geral da FCA Argentina e Diretor de Compras da FCA Latam), Philipp Schiemer (Presidente da Mercedes-Benz do Brasil), Besaluel Botelho (Presidente da Robert Bosch), Dan Ioschpe (Presidente do Sindipeças) e Ricardo Bacellar (Diretor da KPMG).

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## GARANTA JÁ SEU LUGAR NESTE IMPORTANTE ENCONTRO!

- **Quando:** 13/03/17
- **Horário:** 08h00
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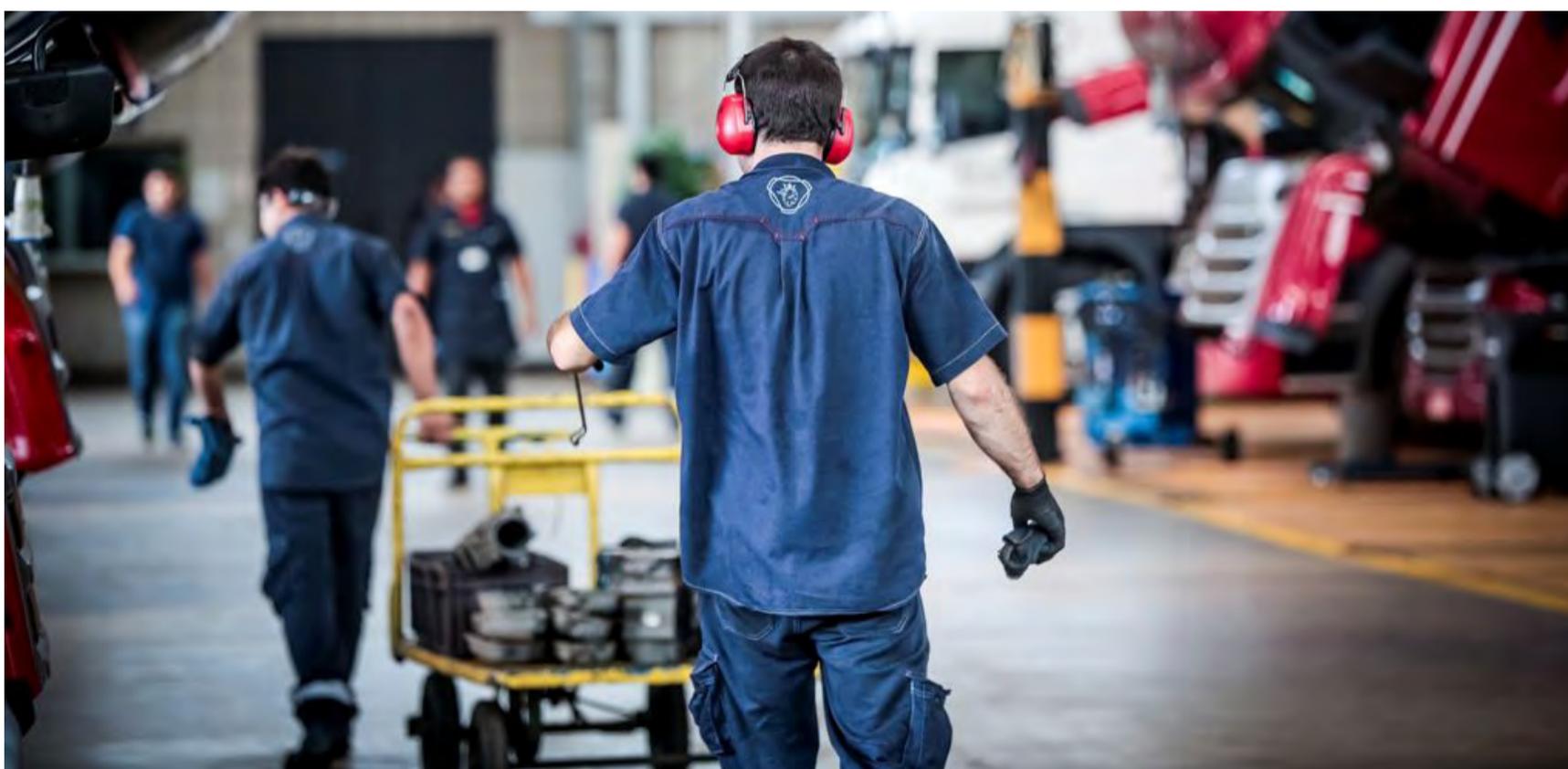
GRUPO  
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# Investments in commercial vehicles reach almost R\$ 6 billion in Brazil

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**M**anufacturers of commercial vehicles installed in Brazil have not postponed their plans as a result of the more than 30% market drop last year. Four of the leading companies have announced approximately R\$ 6 billion in investments for their subsidiary operations. Scania will invest the highest value in Brazil. According to the company, R\$ 2.6 billion should be invested between 2016 and 2020.

These resources will be used to upgrade São Bernardo do Campo plant, in the state of São Paulo, and in new products. The company's strategy has always been to produce the same products throughout all of its manufacturing units. Therefore, there is an expectation that the



Scania

new generation of Scania trucks should also be produced in Brazil, soon. In order to enable this, investments are needed to adapt the assembly lines. The value is considered substantial. Historically, the company usually invests R\$ 100 million in plant adjustments.

MAN Latin America will R\$ 1.5 billion should be invested between 2017 and 2021. At the time of the investment announcement, the company informed that it was the biggest investment cycle in the history of MAN in the country. The last investment cycle, from 2012 to 2106, was valued at R\$ 1 billion.

«We were only able to confirm this virtuous cycle thanks to the savings measures taken jointly with our employees, the union, suppliers and dealers. This allows us to address the crisis and work for the recovery of the market,» stated Roberto Cortes, president of the company for the region, in a press release.

In the most recent announcement, Volvo said it will invest R \$1 billion up to 2019. The resources will be invested in the renewal of the machinery at its plant in Brazil, improvements in the dealer network in Chile and in product development. The investments, however, are lower than the previous cycle, which lasted from 2013 to 2015. The company invested US\$ 500 million (R\$ 1.5 billion at the current exchange rate).

«Some 90% of this value will be invested in the Brazilian operation, including a large portion destined for the upgrading of our development center. We are preparing for the resumption. Those who are up front always drink fresh water,» said Wilson Lirmann, president of the company.

Mercedes-Benz has set aside R\$ 800 million for the company's commercial vehicles operation in Brazil, between 2015 and 2018. The company's investments in all of its operations in Brazil, including automobiles, is valued at R\$ 1.5 billion for the same period.

According to information from Mercedes-Benz, R\$ 730 million included in the commercial vehicles portion will be invested in the plants in São Bernardo do Campo, in the state of São Paulo, and Juiz de Fora, in the state of Minas Gerais, principally on assembly line upgrades. The remaining R\$ 70 million will be used on the construction of the testing grounds for trucks and buses in Iracemápolis, in the state of São Paulo.

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# Renault Captur made in Brazil is the same as the ones produced in Russia and India

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Renault has begun the final phase of the launch of the Captur, its new SUV, and becomes stronger in the race within the fastest growing segment in the domestic market. The car is now available for test-drive and pre-ordering from potential customers, and should arrive in the market to compete with the Honda HR-V and Jeep Renegade, both also produced in Brazil. In addition to the design, which inaugurates a new phase for the French manufacturer's

cars sold in Brazil, the highlight has been the development of this product, which was led by Brazilian engineering and design.

The Captur developed here is the same vehicle that will be produced in Russia and India – in the latter market, six months from now. In Europe, the vehicle has a few different characteristics. Its development took three and a half years of work led by Renault Technology Americas, that is, the Brazilian engineering department, and Renault Design Latin America, the brand's only design and style studio on the American continent, located in São Paulo. This project is part of the R\$ 500 million investment plan in the country from 2015 to 2019.

The result is a 4.33 meter-long SUV, with 2.67 meters between axles and a height of 212 mm from the ground. According to Renault, these are the largest dimensions for an SUV in this segment in Brazil. «This size, which is a little more bulky due to its new dimensions, is an example of our development work, which took into account the characteristics of the three markets in which the Captur will be sold,» explained Antonio Fleischmann, project director for Renault Americas.

For Russia, for example, there is a Captur with 4 x 4 traction and a smaller trunk compared to the Brazilian version. «There are specific needs in each market, which we incorporated in order to satisfy consumers. The full traction version is exclusive to Russia and, for the meantime, there are no plans to launch it here. However, there is nothing stopping it from happening. This is the advantage of a job like this: we can quickly meet a market demand in Brazil, and vice-versa,» stated Fleischmann.

After 720 thousand hours of testing and simulations, over 1 million kilometers traveled by 150 units through six countries, Renault also highlights other attributes that promise to fall into the consumers' taste. All versions will have ESP, electronic stability control, from factory. The sound insulation is one of the highlights of this new product, according to the French manufacturer, as well as the connectivity package, called Media Nav, which will also be available in all versions. In addition, the entry-level version will use the new 1.6 16V SCe engine, released on the Renault line at the end of 2016, with focus on fuel savings and driving pleasure.

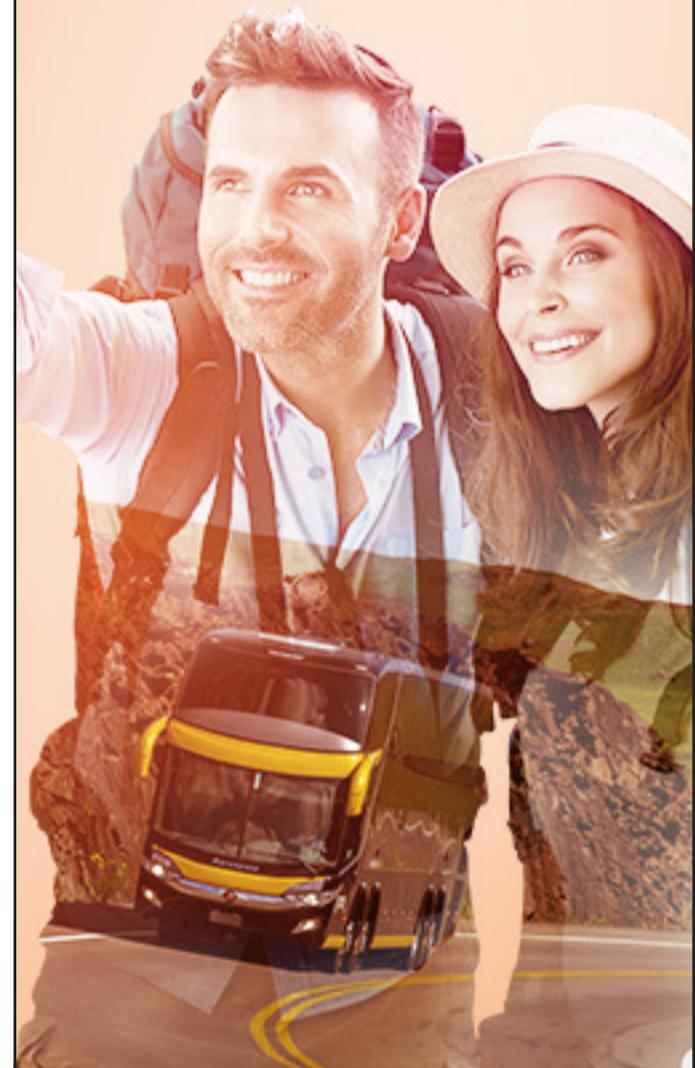
In addition to the version equipped with the 1.6-liter engine and manual transmission, Renault will initially offer another option equipped with a 2.0-liter engine and automatic transmission. Within the next six months, a new version equipped with 1.6-liter engine and CVT transmission is scheduled to arrive in the market.

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# ANEF suggests faster recovery of goods

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The banks belonging to vehicle manufacturers that operate in the country are participating in the discussions to adjust the law that addresses the recovery of financed goods financed in default in the Brazilian market. The Minister of Finance, Henrique Meireles, has already announced that he expects the bill to increase the guarantees for financial institutions in the event of default to be sent to Congress still this month. One of the measures advocated by ANEF, the association that groups the automakers' financial companies, is the reduction in the amount of time required before the goods can be recovered, which currently stands at around two years for commercial vehicles, and one year for cars.

The idea makes both sides, public and private sectors, focus on the same target. It is believed that a smaller recovery period can induce the fund providers to have more confidence and, as a result, offer more credit, moving the market and warming up the economy. If the plan is implemented, the industry expects approximately R\$ 86.7 billion should be released by December of this year, which would represent an increase of 5.5% when compared to 2016.

The banks belonging to the automakers expect portfolios to increase 2.5% this year, which would grow from R\$ 162.7 billion last year – an 11.4% drop over 2015 - to R\$ 166.7 billion.

To the vehicle manufacturers, lowering the required time for the recovery of the goods would also have a direct impact on the burden associated to the lawsuit. According to Gílson Carvalho, president of ANEF, a decrease the time required would also imply, for example, on a smaller depreciation of the vehicles seized, enabling it to be resold or auctioned for higher prices.

«After two years, a truck can be sold for 40% of the price when it left the factory.»

In 2016, 54% of the vehicles licensed acquired through financing offered by banks, including

those owned by the vehicle manufacturers, according to Anfavea, an organization that represents the manufacturers of vehicles and agricultural machinery. Historically, the ratio has fluctuated from 60% to 65%, but, in recent months, the results signal a market in a recession. In November of last year, 50.3% of the vehicles licensed were funded by a financial institution.

Diego Marin, director of credit at the Brazilian operation of the Mercedes-Benz Bank, stated that the volume of funding should give the first signs of resumption by December because of demand for road transport in important sectors of the economy, such as agribusiness and mining.

“There still is idle capacity because, in the past, the purchase volume was high with respect to market demand, in constant decline. However, it is expected that the strongest sectors of the economy can invest again, and that’s going to have a sensitive impact on the volume of financing.”

Commercial vehicles plants have an idle capacity of approximately 70%.

**Heavy vehicles** – According to data from Anef, the financing of new and used trucks and buses registered a 30.6% drop in 2016 when compared to 2015. The volume was 372,400 units of used commercial vehicles, and 63,900 new units. In the heavy vehicles segment, Finame accounted for 62% of the deals, followed by the Direct Consumer Credit, with 17%, cash purchases, with 14%, consortium, with 5%, and leasing, with 2%.

For cars and light commercial vehicles, despite credit restriction, financing is still the path chosen by consumers at the time of closing the purchase of a new vehicle. Last year, 49% of the deals involved DCC operations. Cash purchases accounted for 44% of total 2016 sales, the best result since 2008. The consortium mode accounted for 5% of the contracts, and leasing, 2%. WE