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Production feels the exports reduction effect

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Production feels the exports reduction effect

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São Paulo - The reduction in exports, caused mainly by the crisis in the Argentine market, is affecting the Brazilian production volumes faster than expected. In October (for the first time this year) the accumulated evolution was below two digits, at the limit of this analysis though, at 9.9%. The figures were revealed by Anfavea on Wednesday, 7, at the Salão do Automóvel.

From January to October, Brazil produced 2 million 458 thousand units over the 2 million 236 thousand vehicles manufactured in the first ten months of 2017, an increase of 9.9%. Comparing the last twelve months, the volume is 2 million 920 thousand over the 2 million 660 thousand of last year, increase of exact 10%.

The reduction of the expansion pace is clear: at the end of the first quarter, domestic production increased 14.6% in the accumulated of the year, 13.6% at the end of the first half and 10.5% at the end of the third quarter.

Although Anfavea's president, Antônio Megale doesn't admit it, reaching the projection of 3 million units produced this year (which would represent an increase of 11.1%) is becoming impractical. There are two months until the year's end and 542 thousand units to be manufactured to reach this goal, in other words, 271 thousand units in November and December. Only one month surpassed this volume in 2018: August, with 291.5 thousand units. The annual average this year is of 246 thousand.

There are more complications: November will have two holidays amended in one, from Thursday to Tuesday, and December usually has more modest volumes because of collective vacation. But Megale estimates that "we'll get close to the projection of 3 million anyway."

In October, 263.3 thousand units were manufactured, advance of 5.2% compared to the same month last year and 17.8% compared to September.

Employment - The number of people employed by the automotive sector declined in October compared to September. They are 131 thousand 374 now, decrease of 0.8% before 132 thousand 480 of September. Advance of 2.4% in the comparison with the same month of 2017.

According to Megale, the number of professionals in layoff fell to 490 last month compared to 827 from September. There are no workers in the EPL scheme (employment protection). As for the total reduction from September to October (total of 1.1 thousand people) Megale said that Anfavea is still "trying to understand what happened: the numbers involve the entire industry, including machines and there may have been some adjustment in some segments outside the light vehicles, because some companies hired new people".

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October was the best sales month in almost two years

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São Paulo - Vehicle sales in October totaled 254 thousand 732 units, the highest monthly volume since December 2014 according to information released by Anfavea on Wednesday, 7, in a press conference at Salão do Automóvel. In comparison with the same period last year, when 202 thousand 857 vehicles were sold, the increase was of 25.6%. Compared to September, when 213 thousand 339 vehicles were registered, growth of 19.4%.

Sales reached 2 million 100 thousand 957 units this year, increase of 15.3% in the comparison with the same period last year.

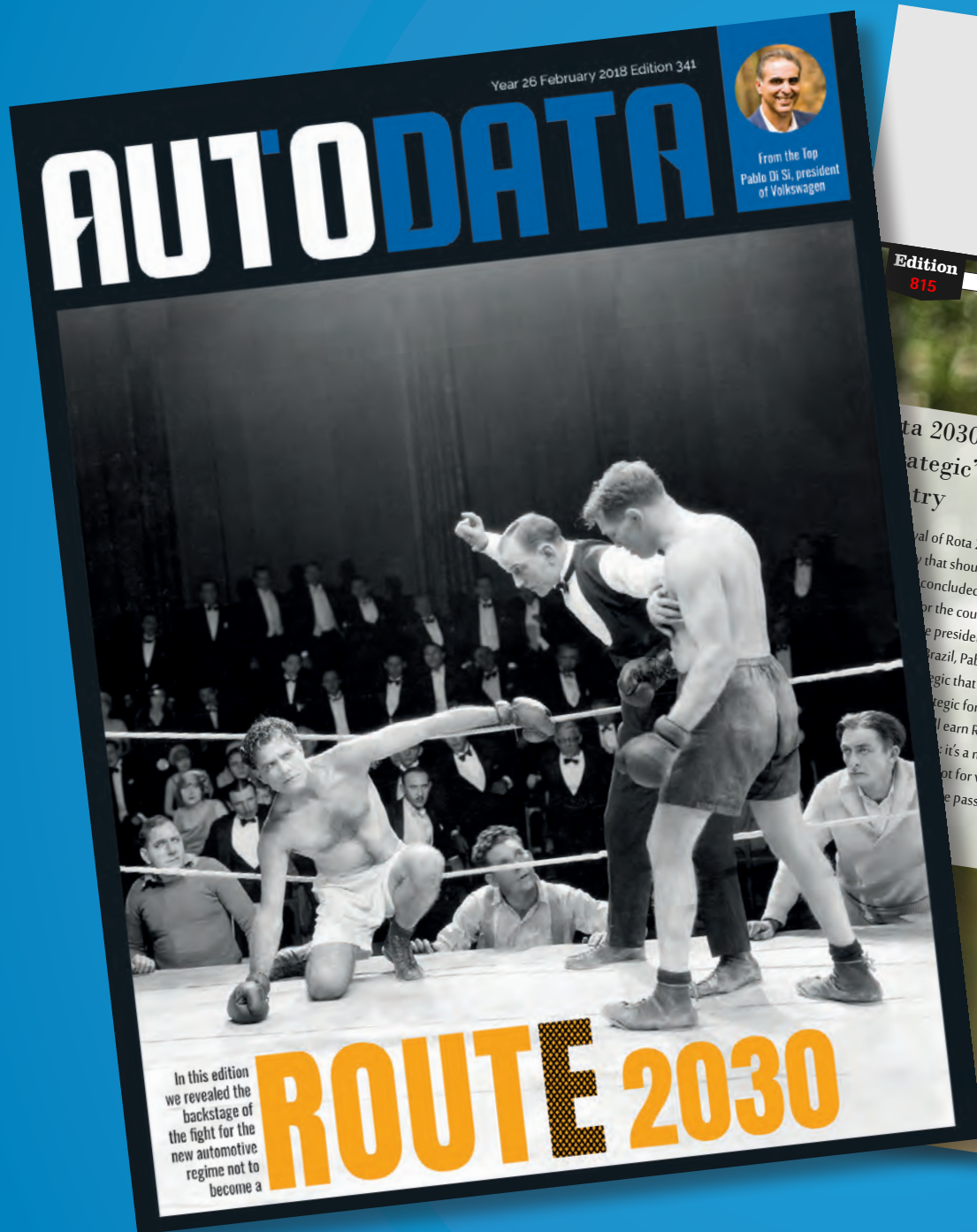
According to Antonio Megale, president of Anfavea, October is historically good. This year, however, the result was surprising because a smaller increase was expected due to the elections impact on sales - which did not happen: "The daily average of October was 11.6 thousand units, but there were some days when we registered more than 20 thousand vehicles, which shows that the industry is on track to return to the volume sold before the crisis".

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Exports keep decreasing

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São Paulo –Vehicle exports kept decreasing in October, which led to the accumulated result retreat 10.9% in volume this year compared to the ten months of last year, totaling 563 thousand 25 units. Still, the Argentine market crisis, still have effects on the automakers' shipments, Brazil's main trade partner in the automotive sector.

38 thousand 734 units were shipped only in October, the worst monthly result since January of 2017, when 38 thousand units were exported.

Facing this scenario, Anfavea takes for granted the record of export volume for the year below the seven hundred thousand units and frustrates expectations that the industry had to beat the

exported units record obtained in 2017. On Wednesday, Antonio Megale, president of the entity, said the industry hopes to offset losses outside Brazil with the domestic market while seeking new markets in South America:

“The Argentine market decreased, but there was a highlight in exports to other markets, such as Chile and Colombia. In addition to that, the automakers keep seeking business opportunities in new markets”.

According to data released by the entity, exports to Argentina from January to October were 12% lower than registered in the 10 months of last year. 387.4 thousand units were exported in the period against 438.8 thousand vehicles in 2017. Nevertheless, Argentina is the main export destination for vehicles produced in Brazil. Until October, 72% of the total exported was sent there.

Mexico, Brazil’s second largest trading partner in the automotive sector received 7% of Brazilian vehicle exports until October, which represents 40 thousand units. Chile accounted for 6%, 34.5 thousand units. Uruguay and Colombia, 4% and Peru 2% of exports.

With the decreasing exports, the automakers see a reduction in the foreign market revenues. According to Anfavea, up to October exports totaled R\$ 9 billion, 970 thousand 640, which means 6.7% lower income than in the same period in 2017.

Divided by segment, exports of light and commercial vehicles in the year totaled 533 thousand 715 units, 11% less compared to the first ten months of last year. In trucks, 6.6% decrease in volume exported, which was 22 thousand 195 units. The volume of buses exported was 6.8% lower, reaching 7 thousand 155 units in the accumulated of 2018.

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Sales of trucks and buses kept increasing in October

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Disclosure.

São Paulo - Truck sales keep increasing in the Brazilian domestic market, a movement that has been possible due to the good moment experienced by the sector in the heavy vehicles segment during the year. Until October, 60 thousand 673 heavy vehicles were sold in Brazil, a result that represents a 50.6% increase compared to the volume sold in the 10 months of last year.

According to the balance sheet released by Anfavea on Wednesday, 7, heavy vehicles sales in the accumulated of the year registered an 87.7% growth compared to the result presented in the ten months of last year. There were 27 thousand 248 units sold. Mercedes-Benz leads the segment sales reaching October at the range of 7 thousand 674 units. The result recorded by the company was 93.6% higher than sales in the same period of 2017.

Volvo registered the second best trading performance until October, with 7 thousand 155 heavy trucks sold in the period, increase of 91%. About Scania, the company sold 6 thousand 134 units in the first six months of the year, 54% increase.

Sales of semi-heavy trucks totaled 14 thousand 383 units in October, which in practice represents a 36.5% increase compared to the result obtained by the sector in the ten months of 2017. The third category with the highest number of units sold was the segment of light trucks, which had an increase of 5.2% from January to October last year, totaling 9 thousand 627 units.

Buses - 12 thousand 159 units was the number of sold buses in Brazil this year, which represents a 28.7% increase compared to the ten months of 2017. In October, 1 thousand 676 units were registered. According to Anfavea, the sales of city buses have sustained the positive commercial performance of the segment.

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Agricultural machinery sales increase 35%

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São Paulo - Sales of agricultural machinery in October reached 5 thousand and 48 units, a volume that made it the best month since November 2014, according to data released by Anfavea on Wednesday, 7, at the Salão do Automóvel. According to President Antonio Megale the grain combines had a positive impact over the month result at the beginning of the harvest season.



Disclosure.

In a comparison with the same period last year, there was a 35.3% increase and (compared to the previous month) the expansion was of 2.6%. This year, 39 thousand 611 units were sold, up 10.6% from January to October 2017. Megale recalled that this segment registered a decrease of around 10% at the beginning of the year, which shows the recovery: "Our expectation is that this growth will be maintained until December, still driven by grain combines".

Machinery production in October was of 7 thousand 440 units, increase of 72.1% over the same period last year and 28.9% over the previous month. 53 thousand 582 machines were produced this year, growth of 14.9% compared to the same period last year: "The production numbers, in the month and in the accumulated year as well, show the good moment that agribusiness lives in Brazil".

Meanwhile, machinery exports fell in October to 1 thousand 20 units against 1 thousand 402 in the same period last year, decrease of 27.2%. Compared with the previous month, there was a decline of 6.6%. In the cumulative year, 10 thousand 733 units were exported against 11 thousand 358 in the same period of last year. According to Megale, the decline can be justified by the economic crisis that Argentina is experiencing, the main buyer of Brazilian machinery, which has been reducing the number of orders.

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Salão do Automóvel is indeed electric

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São Paulo - An important step for an eventual electrification process of the Brazilian vehicles was taken on Tuesday, 6, the first day of novelties presentation to the press at the Salão do Automóvel 2018. General Motors, Nissan and Renault announced the sales (in the Brazilian market) of electric cars - still imported.

By the morning, Carlos Zarlenga, president of General Motors of Brazil, revealed that Chevrolet Bolt will be sold in the dealerships for R\$ 175 thousand in 2019. In the afternoon, it was Nissan's turn to formalize the sales of the Leaf model, which already ran in its previous generation in taxis of São Paulo and Rio de Janeiro, RJ, for R\$ 178,400. Minutes later, Renault reported that Zoe (already sold to legal entities) will also be offered to the regular customer for R\$ 149 thousand.

No company risked estimating a sales volume regarding the models. GM, which already works with public authorities for partnerships that aim to create infrastructure to recharge these models, has talks with the State of Rio Grande do Sul and, according to Zarlenga, other states and municipalities in Brazil and Argentina – it works with the hypothesis that electric vehicles will be produced in Brazil in the next five years due to the arrival of the first models and with the market consolidation: “It would not be a surprise if the production of electric models started to exist in Mercosur until 2023”.

Nissan expects that most part of the recharging process will happen at the driver’s own residence. At least that is what experience in other markets has demonstrated, according to its president Marco Silva: “The recharge in domestic outlet takes about eight hours. It can be recharged while not in use”.

Leaf’s battery range varies from 270 to 380 kilometers depending on the way of use. Imported from the UK, it is already pre-sold and will reach the first buyers in the first half of next year: “We believe that hybrids and electric sales can represent up to 15% of the Brazilian market until 2015”.

Luiz Pedrucci, president of Renault, said that Zoe will be sold in two dealerships: Sinal, in São Paulo, and Globo, in Curitiba, PR. Produced in France, the model will also be sold on the internet, in the same way as Kwid - “Sales start from today”.

For now, the 100% electric vehicles and the hybrids represent a thin slice in the Brazilian vehicle market. 2 thousand 754 units were sold in Brazil from January to September according to data from Anfavea, , which represents 0.2% of the total market.

André Barros collaborated

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Fastback concept brings traces of the future Fiat models

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São Paulo - Of the fifteen launches promised by Fiat in the Latin American market until 2023, three will be SUVs - or UVs, as its president, Antonio Filosa prefers to call them: for him, SUVs are models of the other FCA brand: Jeep. Some of these models' future traces are in the Fastback concept, the main FCA attraction at the Salão do Automóvel 2018, which opens its doors on Thursday, 8, at São Paulo Expo.

Large-sized, Fiat Fastback is the eighth concept car developed by FCA and has wide participation of FCA Latin America's design and engineering teams. Filosa said that just like Toro - which also debuted as a concept two years ago- it is possible that a model can be produced from this concept. But more importantly, it's the design traces that will guide its future models.

Announced in June, FCA's R\$ 15 billion investment plan for the region until 2023 begins to leave the drawing board. Around R\$ 7 billion will be invested in Fiat and another R\$ 7 billion in Jeep - the other R\$ 1 billion (dedicated to powertrain and infotainment technologies) will be used by both brands.

In Betim, MG, the investment has already been officially announced. For Goiana, PE, where it intends to attract 38 suppliers to an area of 11 million m² near the factory, Filosa awaits the official announcement of Rota 2030 - which, if everything goes according to the industry and government expectations, will be made by the president of Brazil at the opening of the Salão do Automóvel on Thursday, 8.

"We want to help develop the region of the Goiana factory. Not only Pernambuco but also Paraíba and other Northeastern states as well. These suppliers will generate around 8 thousand jobs, directly and indirectly", said Filosa. "We will make investments in the social area as well. We have data which shows that crime rates in Goiana have decreased since the Jeep factory inauguration."

Attracting suppliers is nothing new. Filosa recalls that he was in charge of the purchasing area when the factory in Pernambuco was announced - and local suppliers in the region was one of the promises: "There is a 20% logistics gap in the factory compared to units in other regions. We need to attract suppliers closer in order to reduce this gap".

The executive maintained his optimistic perspective for 2019, when he believes in a market of 2.7 million automobiles and light commercial vehicles – before 2,5 million until this year's end. The choice for the new president helped to clear the horizon and, in his opinion, the first signs indicate the economic recovery maintenance: "Ibovespa (Brazil Stock Market) reached its highest mark and the exchange rate volatility was reduced. All the indicators have remained positive and help to reaffirm my optimism".

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BMW to invest R\$ 125 million in Araquari

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São Paulo - BMW took advantage of the first day of the Salão do Automóvel on Tuesday, 6, to announce an investment of R\$ 125 million in its factory in Araquari, SC. The value will be applied to produce the new generations of the SUV X4 next month and the Series 3 from the second half of 2019. The current versions have already been produced there, along with the X1 and X3 model as well.

According to Helder Boavida, president and CEO of BMW Group Brazil, the total

investment of the plant in Santa Catarina since its inauguration reached R\$ 1 billion in 2014 without counting this new contribution. Also in the factory, the company celebrates production milestone of 50 thousand units this year.

Boavida affirmed that the investment is already decided independently of Rota 2030's approval. However, he complained about the delay in the process to define a new Brazilian automotive regime. "The Inovar-

Auto's substitute should have been in force since last year. If the program was already in progress we would have more new projects than these to announce now."

According to the executive, the Brazilian factory participated in an internal competition of the global BMW to receive production of other models, but without an automotive policy defined in Brazil it lost the dispute to another unit in the world, which he did not want to reveal. "We lost time and, because of that, we lost projects."

In 2018, Araquari is expected to produce 10 thousand units (far below 2017) when it produced 15 thousand helped by a contract to export to the United States. Anyway, the unit currently accounts for 65% of BMW's sales in Brazil, an index that may slightly fall in 2019 by the transition period from the current generation of Series 3 to the next one: the model will come to the market imported from Germany in the first half of next year.

Other premium brands - In the Salão do Automóvel, only BMW highlighted its Brazilian operation. Audi and Mercedes-Benz only emphasized imported models and Jaguar Land Rover did not even participate in the show.

Regarding Audi, its president and CEO Johannes Roscheck has complained for

the lack of definition on Rota 2030 as well, which has even specific mechanisms for manufacturers in the luxury segment. "The new automotive regime creates the basis for premium vehicles domestic production. Without it, it is unfeasible due to the low volume "- Audi should close the year at the range of 6 thousand units produced in São José dos Pinhais, PR, being that the production capacity there is 25 thousand units.

Roscheck said that Audi "is studying hard" to nationalize more models in Paraná, but will wait for Rota's definitions to make any decision about it - the promised use of IPI credits that have left from Inovar-Auto (one of the items in Rota 2030) is also waiting to be approved by the National Congress of Brazil.

The executive even complained about the automotive trade rules with Argentina. "Mercosur does not work, it's an illusion because each market has a minimum local content that we can't reach because of our low-volume production characteristic. Argentina is next door and even the models we sell there are imported from Europe. It's an absurd."

As for Mercedes Benz, the president Philipp Schiemer did not participated in the Salão do Automóvel press conference. The company presents eight launches at the Salão do Automóvel, all imported models. WE

Honda to start engines in Itirapina

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São Paulo - Honda will start the production of the Fit model at its plant in Itirapina, SP, in January, the first stage of the lines' transfer from Sumaré, SP, to the new unit. Its president Issao Mizoguchi said (on Tuesday, 6, during his presentation at the Salão do Automóvel) that the factory's capacity will be of 120 thousand units in two shifts – but (at first) only one will be installed.

All models - City, Civic, Fit, HR-V and WR-V - will leave the new factory's lines, like what happens in Sumaré. Asked about a possible increase in production volume, the president said it is possible to expand the unit's capacity, which occupies part of a large land - even produce in Sumaré again is in the plans.

Mizoguchi estimates growth next year based on its vehicles range and chain and aftermarket structure: "Our projection this year is to grow 2% and maintain next year's growth level".

Novelties in the Salão - Honda has announced the HR-V Touring with 1.5 turbo engine, which will arrive in Brazil early next year. It also presented the Honda Accord 2019, priced at R\$ 198.5 thousand, which brings the Honda Sensing as a relevant novelty, a safety package that offers adaptive autopilot with speed reduction based on the car ahead, braking system for collision mitigation, lane assistance system, lane departure mitigation system and traffic sign recognition system performed by sensors that equip the car.

During the press conference, Honda also announced that will start selling the WR-V model in Argentina this year.

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Mitsubishi to produce Eclipse Cross in Catalão

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São Paulo - HPE Automotores, the Mitsubishi vehicles manufacturer in Brazil, announced on Wednesday, 7, during a press conference at the Salão do Automóvel, an investment of R\$ 300 million in Catalão, GO, to nationalize the SUV Eclipse Cross, launched in the market (still imported) this year. According to its president, Robert Rittscher, the first units will begin to leave the assembly lines in the second half of next year.

The ASX, L200 Triton, Lancer and Suzuki Jimny models are currently produced at the factory in Catalão, which completed 20 years old in August. Rittscher said that the money will be applied specifically to Mitsubishi products, for line customization, infrastructure, licenses and training: "Most will go to Eclipse Cross, but the value also includes the evolution of other products, such as pickup trucks".

Hirings are also in the unit's planning, which works on a shift but operates only with 30% of its capacity of 100 thousand vehicles/year - achieved after the investment of more than R\$ 1 billion applied from 2010. The president said that HPE employs a total of 2 thousand people in Brazil and is expected to expand its workforce by around 10% after the investment.

This year, Mitsubishi plans to sell 27 thousand vehicles in Brazil, a volume that represents an increase of 18% over last year. Rittscher said he expects similar performance for 2019: "We will have new vehicles, some changes in the lines and we are optimistic about the market. We think we will be able to repeat this growth level in 2019".

As for Suzuki, HPE will bring the new generation of Jimny to Brazil from next year. It will live with the current model produced at the factory in Goiás.

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