

# AutoData

## NEWS AGENCY WEEKLY EDITION

Edition  
723

Weekly Brazilian automotive industry news | 02.01 to 02.05.2016 Year XII



### Production level back to 2003

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### Moan: drop in vehicle license registrations was expected.

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### Vehicle producers want free trade with Argentina

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# Production level back to 2003

André Barros | andreb@autodata.com.br

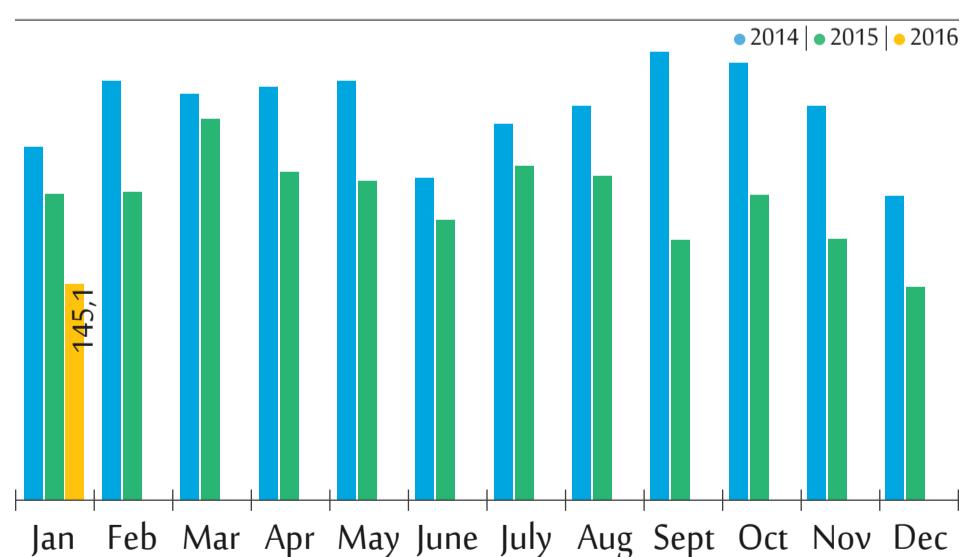


Image/Volkswagen

In January, Brazilian assembly lines produced 145.1 thousand automobiles, light commercial vehicles, trucks, and bus chassis, according to figures divulged by Anfavea on Thursday, 4. This volume for the first month of the year is the lowest since 2003, according to Luiz Moan, president of the association.

"We have backed up to the levels of 13 years ago," stated the executive, after explaining that the assembly lines kept pace

Production - Monthly (thousand units)





Image/Audi

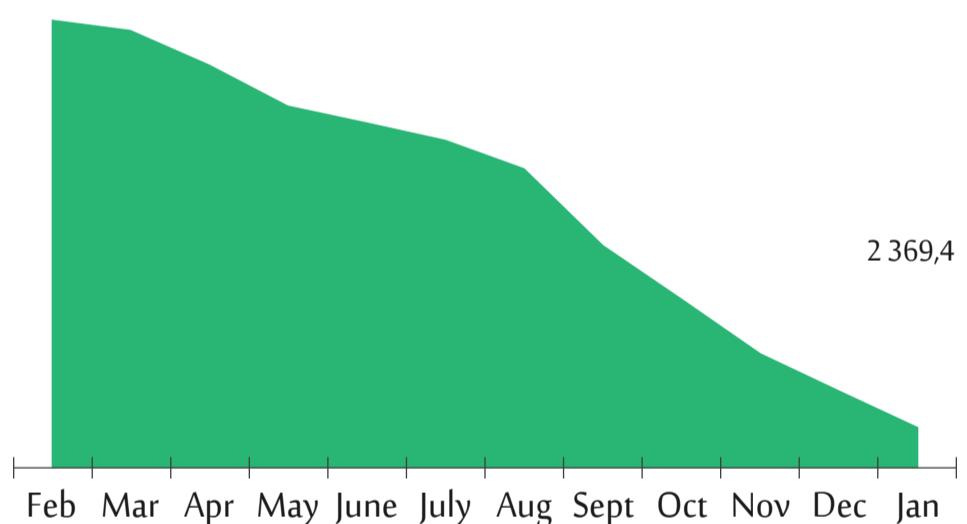
with the Brazilian consumers. "The drop is consistent with the sales retraction and the need to adjust inventories to the size of the market."

When compared to January of last year, when production totaled 205.3 thousand vehicles, the industry registered a negative performance of 29.3%. When compared to December's 142.9 thousand units, there was a slight increase of 1.6% in volume.

According to Moan, there are currently 41.9 thousand industry workers under a reduced work week regime, among the many different types of mechanisms implemented by the vehicle manufactures. "At the end of January, 6.3 thousand workers were on layoff, and 35.6 thousand had joined the federal government's PPE (Employment Protection Program)."

According to Anfavea, the sector - vehicle manufactures and manufacturers of construction and agricultural machinery - currently has a workforce of 129.4 persons, approximately 15 thousand fewer workers when compared to January of last year. Between December and January, 400 workers lost

### Production - 12-month periods (thousand units)



their jobs.

"Clearly, there is an excessive workforce in the industry, which has used all of the possible initiatives to preserve employment in the sector."

Production during the past 12 months totaled 2.5 million vehicles, a drop of 28.2% when compared to the immediately preceding 12-month period, which registered a production volume of 3.4 million units. Anfavea projects that vehicle manufactures in 2016 should produce 2.44 million vehicles, a slight increase of 0.5% when compared to 2015.

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# Moan: drop in vehicle license registrations was expected.

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Luiz Moan, president of Anfavea, demonstrated a certain amount of tranquility when discussing the low volume of new vehicle license registrations in Brazil in January - only 155.3 thousand units. The month closed with a drop of 38.8% when compared to January 2015, and a drop of 31.8% when compared

to December of last year, returning to the levels registered in January of 2007. According to him, the results were already expected.

"It did not surprise us," he stated, alleging that during the same month in 2015 the market was further inflated by promotions offering reduced IPI



Image/Archive

tariff on vehicles sold during the previous month, when the benefits expired - at the time, the dealers still had these vehicles in inventory for sale. This, according to the president of the association, caused distortions in the comparisons.

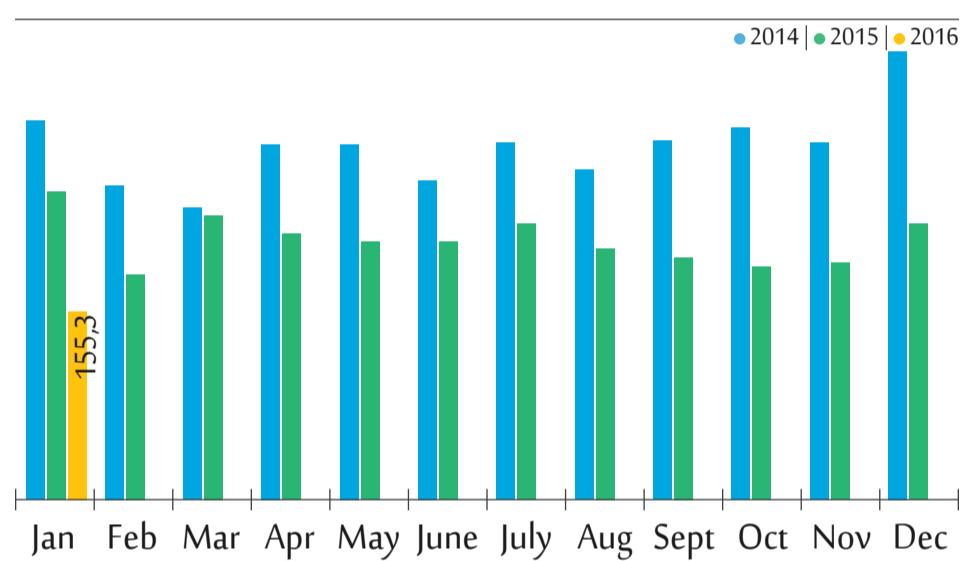
"We had already warned that this scenario could occur at the end of last year," Moan added, maintaining the forecast of a more modest drop of 7.5% in sales for this year.

During the past 12 months, however, the ratio is far from this volume: it indicates a drop of 28.2%, that is, 2.47 million units licensed between February 2015 and January 2016, when compared to 3.44 million units licensed during the immediately preceding 12-month period.

Concern, however, became evident when the executive spoke about the inventory level: there are now 254.3 thousand units, waiting to be acquired. Despite having dropped when compared to December's 271.1 thousand units, the drop only occurred at the dealer level - from 202 thousand to 179 thousand units. At the vehicle manufacturers, however, inventory increased from 69 thousand to 75 thousand units.

The total volume in inventory dropped from the equivalent of 52 days to 49 days of sales, with inventory at the dealers dropping

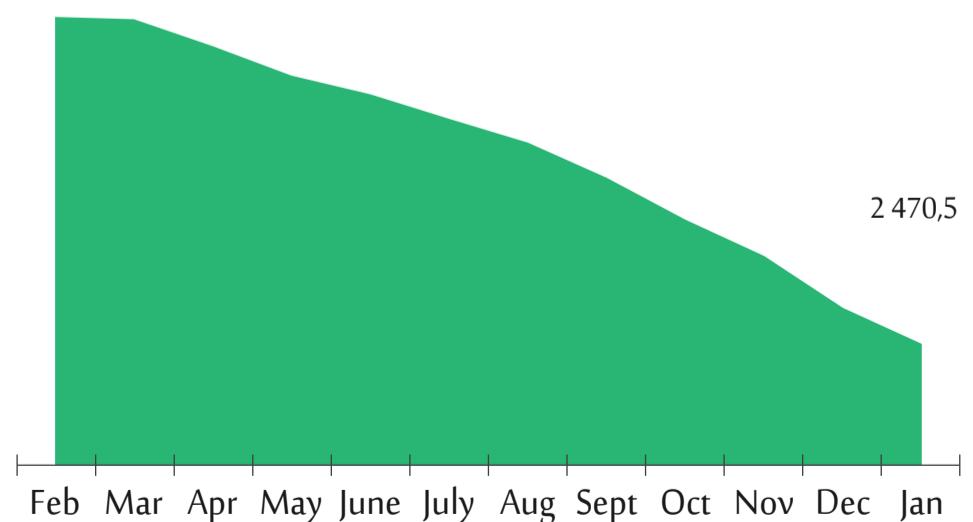
### License registrations - Monthly (thousand units)



from 39 to 34 days, while inventory at the vehicle manufacturers increased from 13 to 15 days of sales. "These ratios are still very high, and, as a result, the level of production should continue being adjusted during the coming months."

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### License registrations – 12-month periods (thousand units)



# Vehicle producers want free trade with Argentina

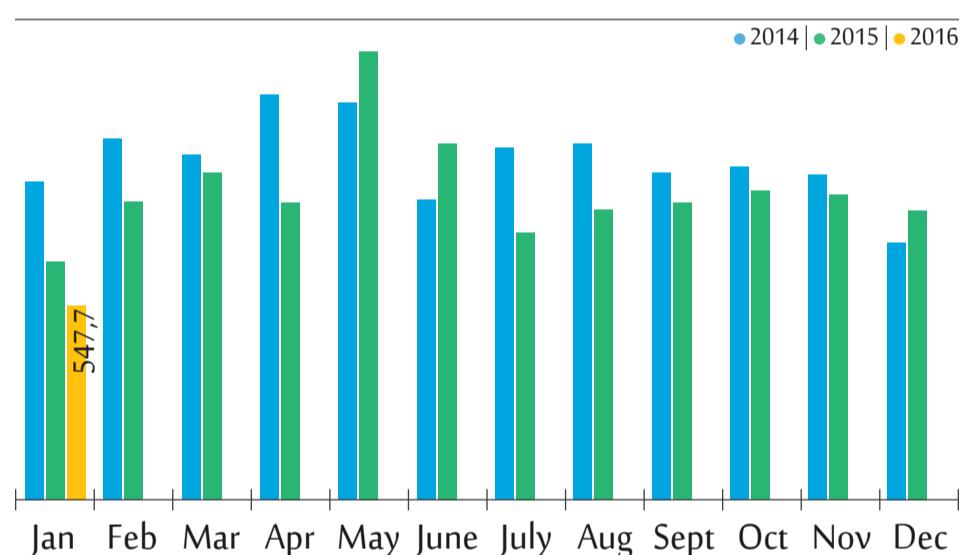
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**G**iven the decision of Argentina's new government to implement a fluctuating exchange rate concept, similar to what occurs in Brazil, Anfavea proposed to Adefa, the vehicle manufacturing industry association in the country, that both associations forward a joint proposal for free trade in the automotive sector to their respective governments. The information was divulged on Thursday, 4, by Luiz Moan, president of Anfavea, during the monthly press release in which the association provided information about the industry's performance in January.

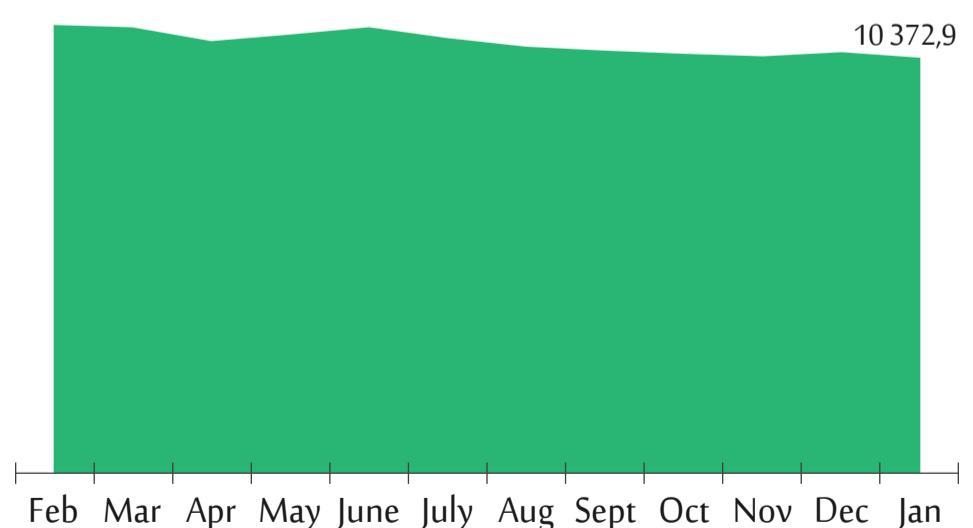
"With the implementation of the fluctuating exchange rate there, and economic fundamentals that are more adjusted to reality, I believe there is a possibility of reaching a complete free trade agreement. We have already conducted a first meeting with Adefa in January and we boldly presented the proposal to implement this new concept in our commercial relations," stated Moan. According to Anfavea, with both countries now operating under the fluctuating exchange rate regime, safeguards are no longer needed.

Vehicle exports in January totaled 22.3 thousand units, representing a growth of

Exports - Monthly (US\$ million)



Exports - 12-month periods (US\$ million)



37.1% when compared to the 16.3 thousand units shipped abroad during the first month of 2015. The passenger and light commercial vehicles segment presented the highest growth, an increase of 42.7%. The bus sector also registered a positive performance of 13% - from 285 to 322 units. Truck exports dropped from 1169 to 842 units, a negative performance of 28%, while shipments of agricultural machinery drop from 522 to 328 units, representing a drop of 40.6%.

The strong drop evidence in the truck and agricultural sectors, higher value-added products, contributed decisively to lower export revenues in the sector. "It's an issue of mix," commented Moan while revealing that, in January, exports totaled US\$ 547.7

million, a drop of 18.3% when compared to foreign revenues of US\$ 670 million in January of last year.

When compared to December, volumes dropped in every segment. Overall vehicle exports in January totaled 22.3 thousand units, representing a drop of 51.7% when compared to the 46.2 thousand units shipped abroad during the previous month. Exports of agricultural machinery in January totaled 328 units, representing a drop of 40.6% when compared to the 590 units shipped abroad in December. In terms of exports, however, the monthly comparison has a lower weight when compared to the annual comparison because it involves seasonal shipment situations.

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Image/Archive

# Truck sector performance is disheartening

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The “situation in the truck sector continues dramatic.” This is how Marco Antonio Saltini, vice president of Anfavea, who defined the sector’s situation in January during the association’s monthly press conference on Thursday, 4. “While the country’s economy continues to be cold, the heavy vehicles market will continue suffering.”

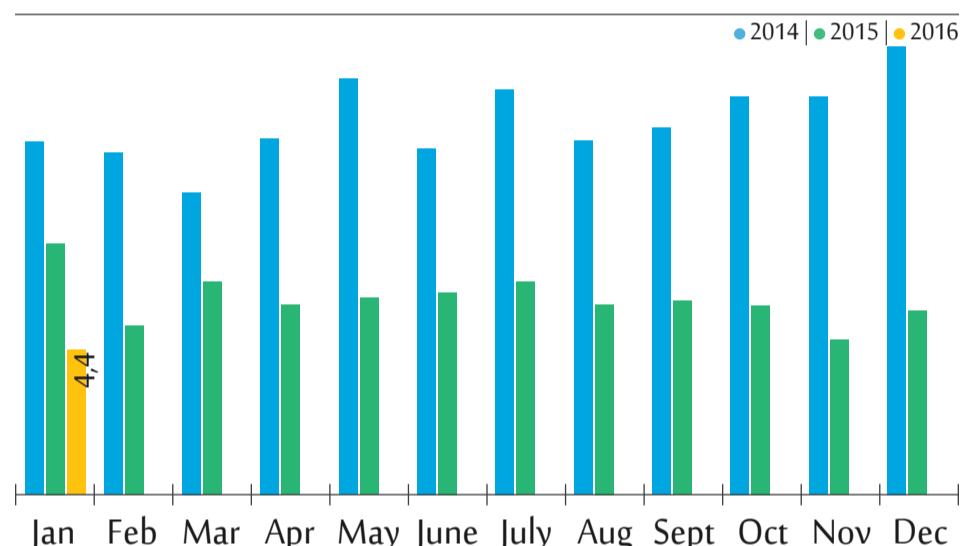
During the first month of the year, 4417 trucks were licensed, representing a drop of 42.4% when compared to the 7662 units licensed in January of last year. When compared to December, there was a drop of 21.4%. According to the Anfavea representative, the performance still reflects investors’ uncertainties regarding the current political/economic scenario.

“Similar to what occurred last year, with doubts regarding the PSI, 2016 also began uncertain, with nothing in the horizon that indicates a turnaround. The market also needs new and predictable rules.”

Production also reflects the market’s performance. In January, 1106 trucks were produced, representing a drop of 50.5% when compared to the same month last year. When compared to December, however, there was an increase of 59% in production, a reflection of workers returning to their jobs from collective leave vacations taken in December 2015.

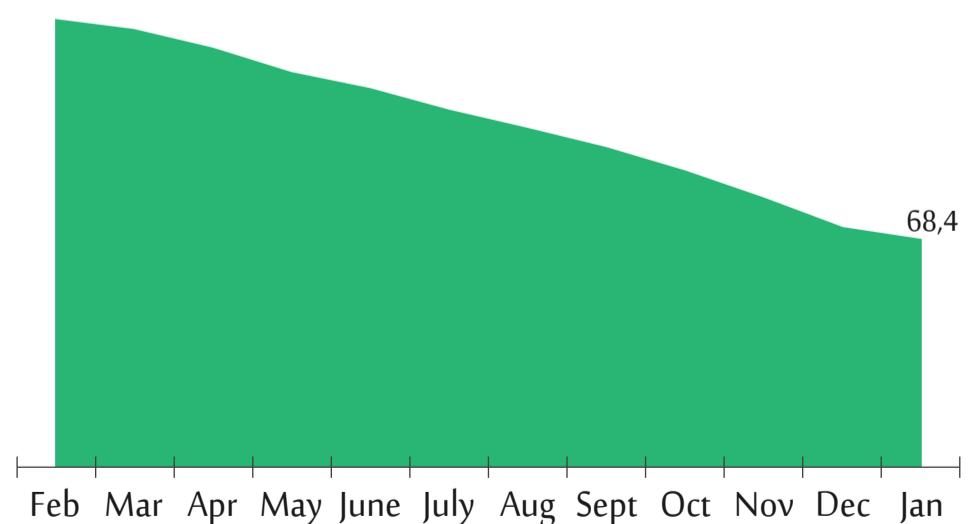
Not even exports were capable of saving

Trucks - Monthly (thousand units)



the negative results. During the first month of the year, the industry shipped 842 units abroad, representing a drop of 28% when compared to January of last year, and a drop of 17.2% when compared to December. WE

Trucks - 12-month periods (thousand units)



# Bus chassis market continues to drop



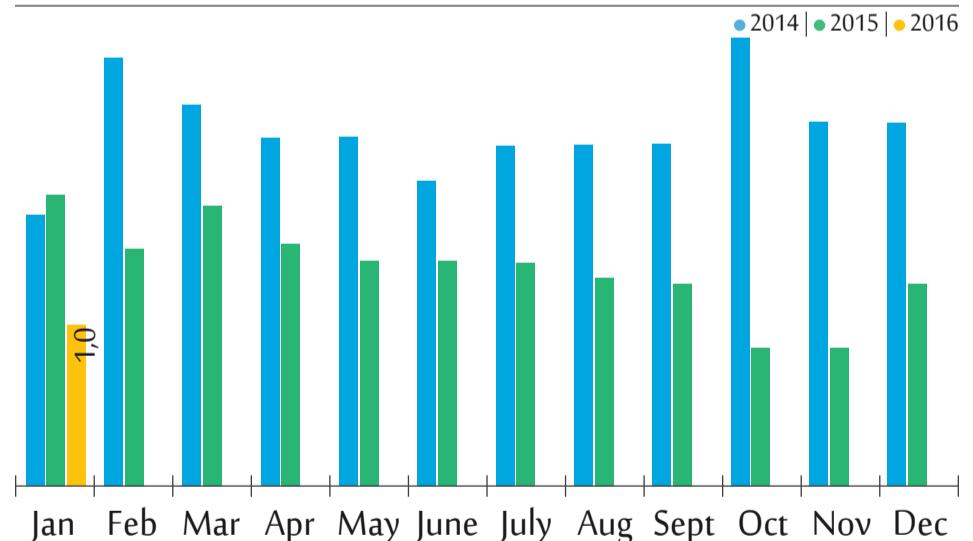
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**S**imilar to the truck market, the bus chassis market is also marked by negative results, despite increased export shipments. In January, the industry registered sales of 1033 units, representing a drop of 44.9% when compared to the same month last year, and a drop of 20.4% when compared to December 2015.

During the first month of the year, production totaled 1176 units, a drop of 48.9% when compared to January of last year. When compared to December, however, the volume represented an increase of 117.4%, resulting from the return of the workers from collective and end-of-year vacations.

Exports were the only segment in the category that presented a positive performance. In January,

Buses - Monthly (thousand units)



322 bus chassis were shipped abroad, representing an increase of 13% when compared with the same month last year, and a drop of 59.7% when compared to December.

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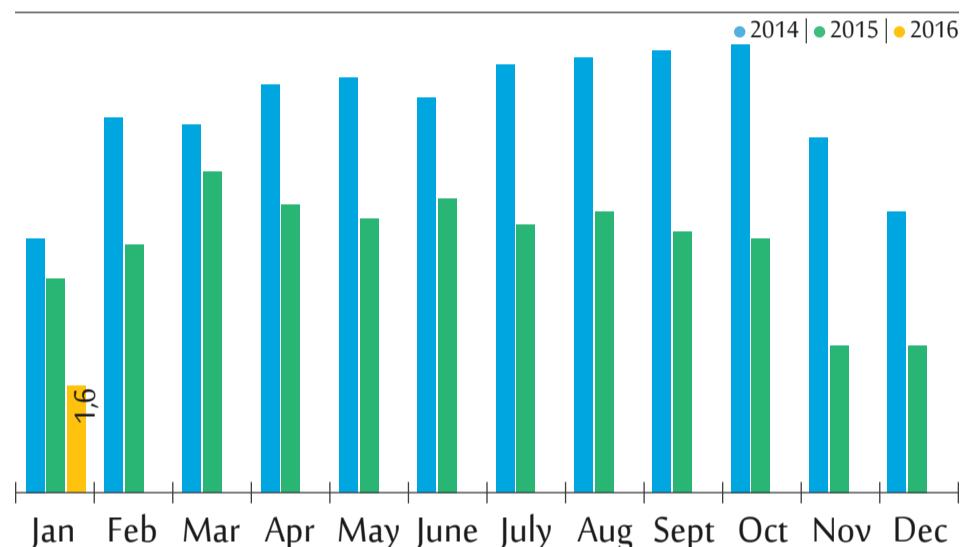
# Machinery sector continues down

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In January, the agricultural and road machinery equipment registered sales of 1570 units, according to figures divulged by Anfavea on Thursday, 4. This volume represents a drop of 53.2% when compared to January 2014 and a drop of 29.4% when compared to December of last year - which had already registered a low performance.

Luiz Moan, president of the association, stated he was unable to identify the reasons for the drop based on economic data. "If we look to the agribusiness sector as a whole, we see that it is moving ahead well: there are expectations of record harvest, not only for 2015/2016, but also for the 2016/17 harvest season, with good productivity and profitability." According to the executive, the country's political issue is harming the sector. "It has contaminated

Machinery - Monthly (thousand units)



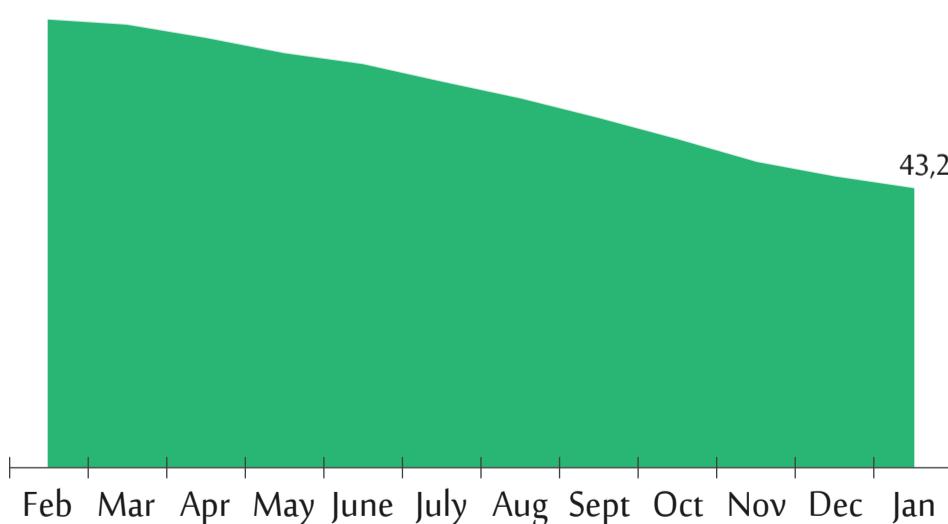
the confidence of the investor and that is the cause for the drop." The president of Anfavea believes, however, the scenario should change in the coming months. The association is projecting sales of 45.8 thousand units this year, representing a 2% growth when compared to 2015.

The plants are keeping up with the market's rhythm: in January, production totaled 1673 agricultural and road machines, a drop of 64.8% when compared to the same month last year, and an increase of 79.1% when compared to December, when many plants were on vacation.

Exports also registered negative performances, with only 328 units shipped abroad in January, representing a drop of 40.6% when compared to the first month in 2015, and a drop of 44.4% when compared to December.

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Machinery - 12-month periods (thousand units)



# Sindipeças updates 2016 projections

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Image/Archive

Sindipeças divulged on Thursday, 4, new projections for the Brazilian automotive parts industry for this year, and next. According to the association, nominal revenues should increase 1.3% this year when compared to 2015, reaching R\$ 64 billion. However, in the press release, Sindipeças stated that it "(is) important to take into account that the nominal growth projection is significantly lower than past and forecast inflation and exchange rate variations. However, this nominal growth probably means lower real revenues, adjusted to inflation and the exchange rate."

The estimate for 2017 calls for revenues reaching a total of R\$ 67.1 billion.

The association expects a stronger drop in the segment's foreign trade balance, which closed 2015 at US\$ 5.6 billion, a drop of that is 7.8% when

compared to 2014. In 2016, the estimate calls for a new significant drop of 28%, totaling US\$ 4 billion - based on an export growth ratio of approximately 5%, totaling US\$ 8 billion, while imports are expected to drop approximately 9%, totaling US\$ 12 billion.

The share of sales to vehicle manufacturers is expected to drop even further this year, according to Sindipeças, representing 58.8% of the total, returning to the level of 2015, and 59.4% in 2017 - in 2014, this ratio was 29.5%. Sales to the aftermarket market should represent 18.2% of total sales this year, when compared to 17.7% last year, and should drop to 18% in 2017.

Investments should drop by 7.6% this year when compared to 2015, totaling R\$ 575 million, and to R\$ 571 million in 2017.

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# FCA consolidates its commercial area in Brazil

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**F**CA, Fiat Chrysler Automobiles, decided to unify its commercial departments in Brazil. Sérgio Ferreira, director-general of Chrysler/Jeep for Latin America, became the commercial director on Thursday, 4, responding for all sales operations of the FCA brands in the country - Fiat, Jeep, Chrysler, Dodge and RAM.

Ferreira will continue being responsible for the Jeep brand in Latin America, having been assigned priority to expand it within the continent, as was recently done in Brazil, with the launch of the Jeep Renegade. The Fiat

brand will be coordinated by the product director of FCA Latam, Carlos Eugênio Dutra. Lélio Ramos will leave the position of commercial director of the Fiat brand, but will continue in the Group as the person responsible for new strategic projects in the commercial department.

The announcement was made by the president of FCA Latin America, Stefan Ketter, through a press release. According to the release, the dealer network will maintain their separate identities and should continue to operate separately according to brands. The entire structure of the commercial department, including eight regional offices, will now provide services to all of the brands in the group.

The change, according to Ketter, is part of a consolidation project for the company in Brazil and Latin America, "in line with the new necessary global practices for a group that, during the past years, incorporated some of the most significant brands in the world, as Jeep itself."

The executive stated that the objective is to increase the value the brands that compose the group's portfolio even further, focusing on the construction of a more dynamic, integrated, and modern sales area structure: "The brands will be strengthened through focused leadership that will work together in a commercial area to create increased value to the brands." **WE**



Image/FCA

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