



IHS Markit™

**AUTOMOTIVE**

# South American automotive outlook

Are we done kicking the tires?

8 March 2017 | Plymouth, Michigan

**INDUSTRY  
RESET**

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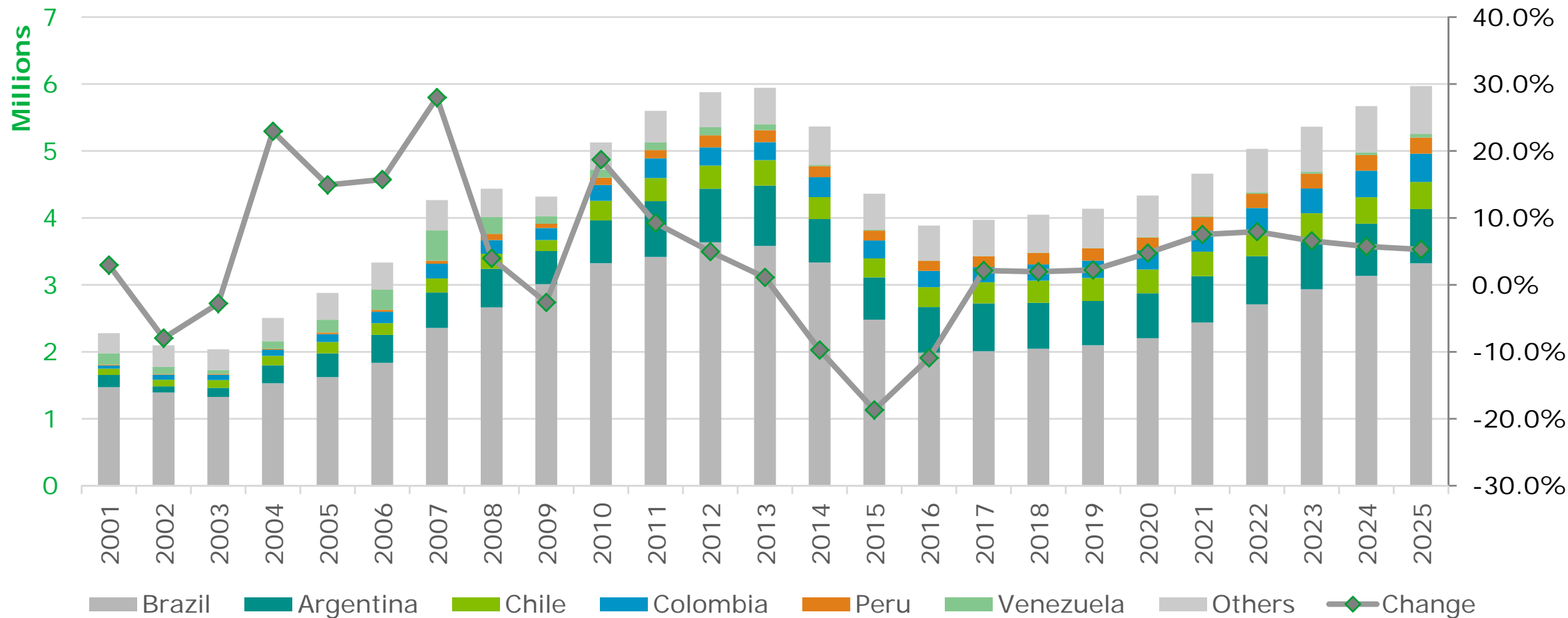
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# Regional summary

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# South America sales unlikely to recover until the next decade



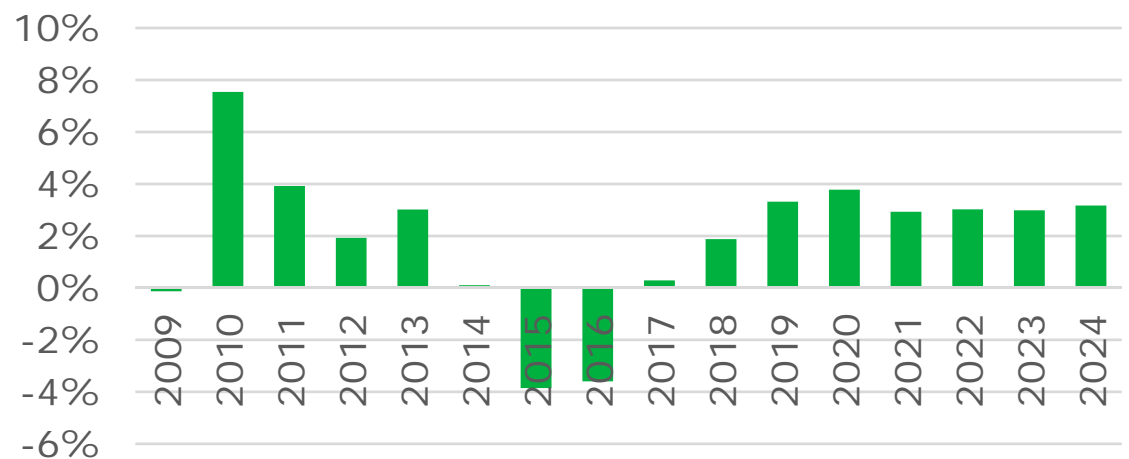
Source: IHS Markit

# Brazilian economic outlook

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# Brazil outlook summary

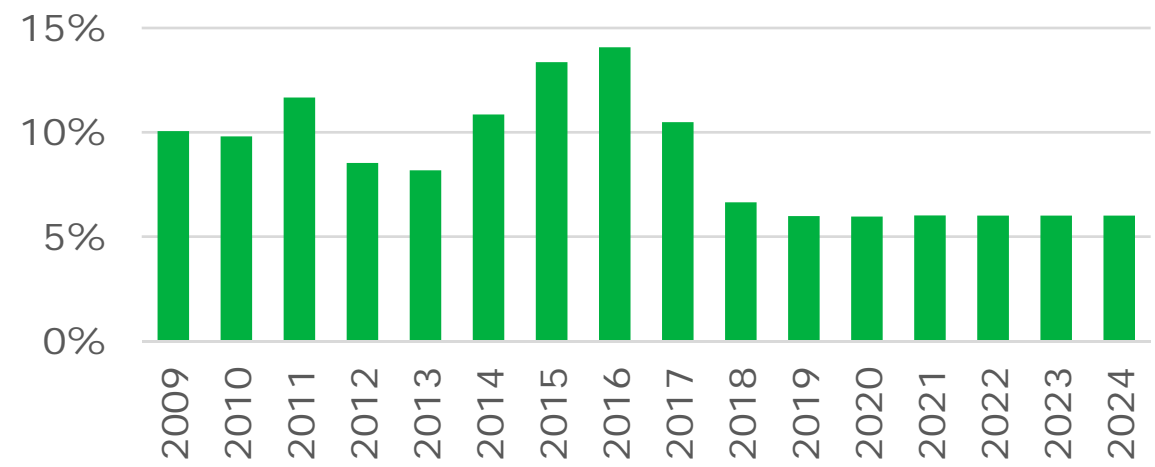
## GDP



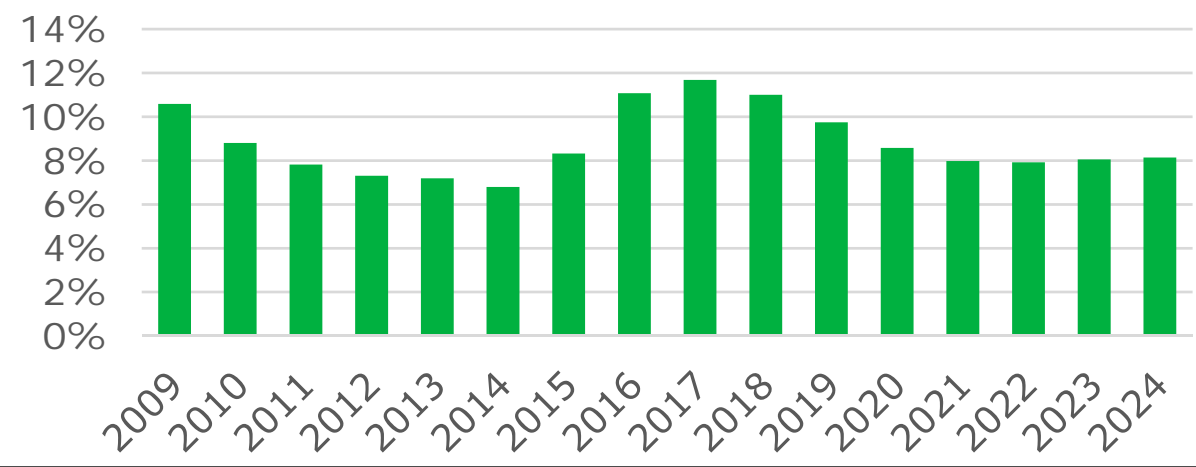
## Inflation



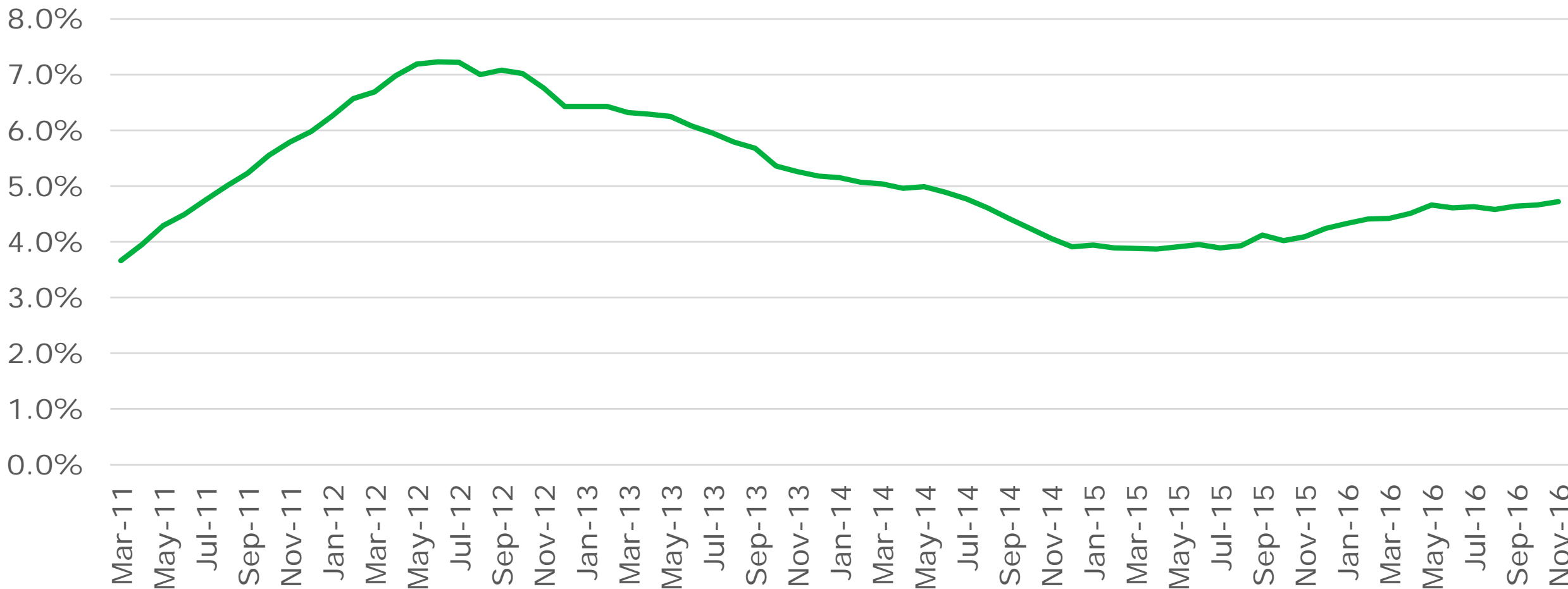
## Interest rates



## Unemployment rate

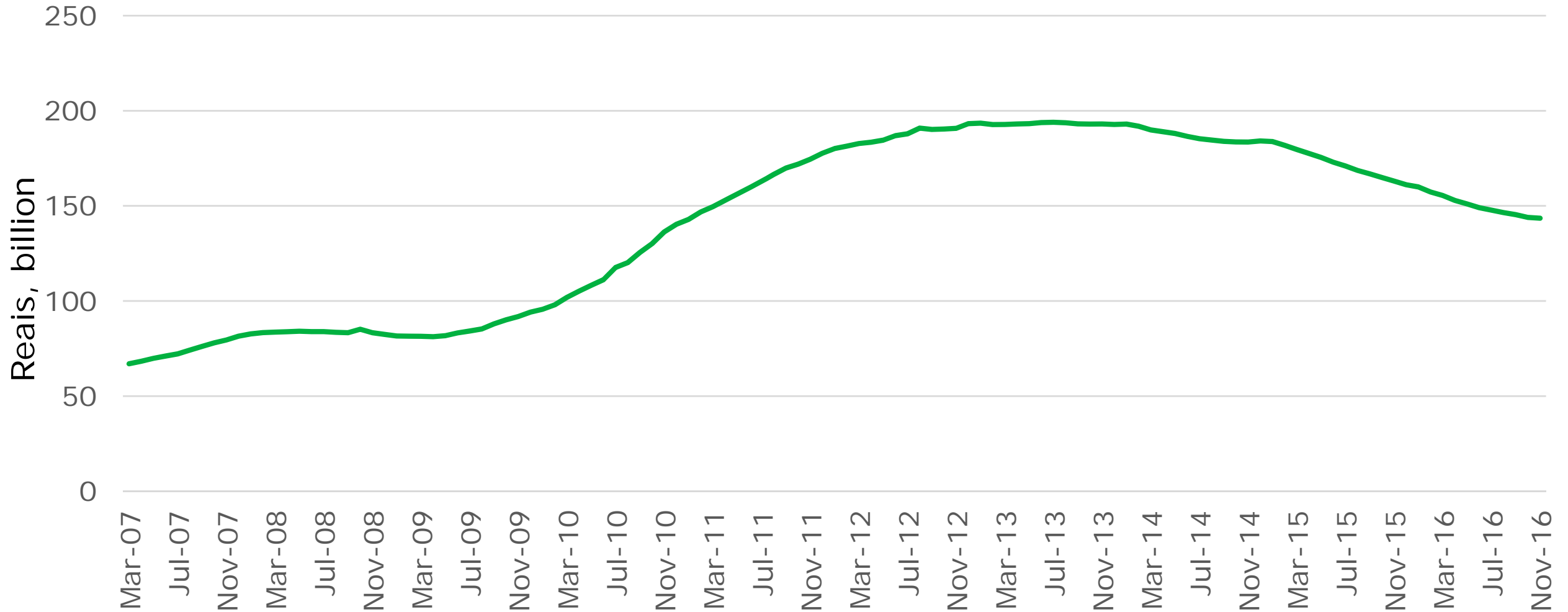


# Delayed payments increased but started to slightly deteriorate again



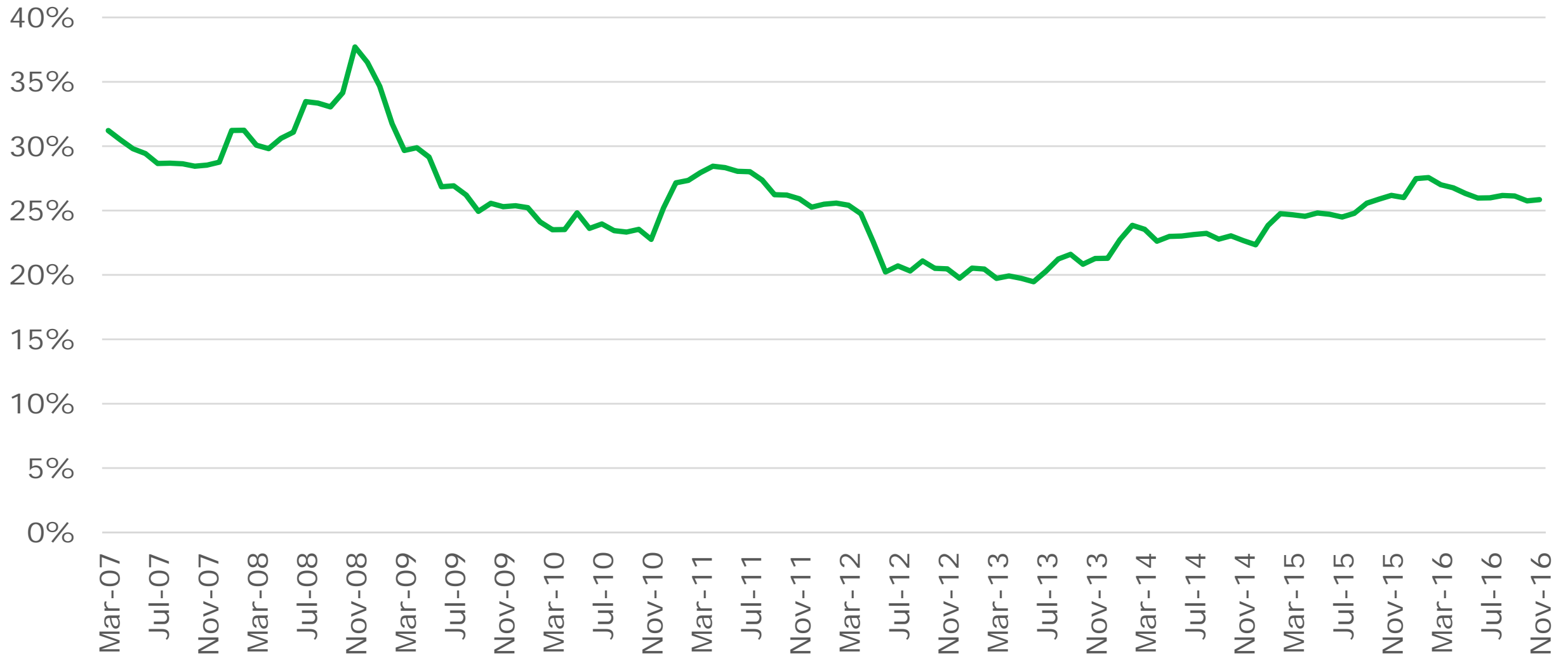
Source: Central Bank of Brazil

# Credit continued shrinking in 2016



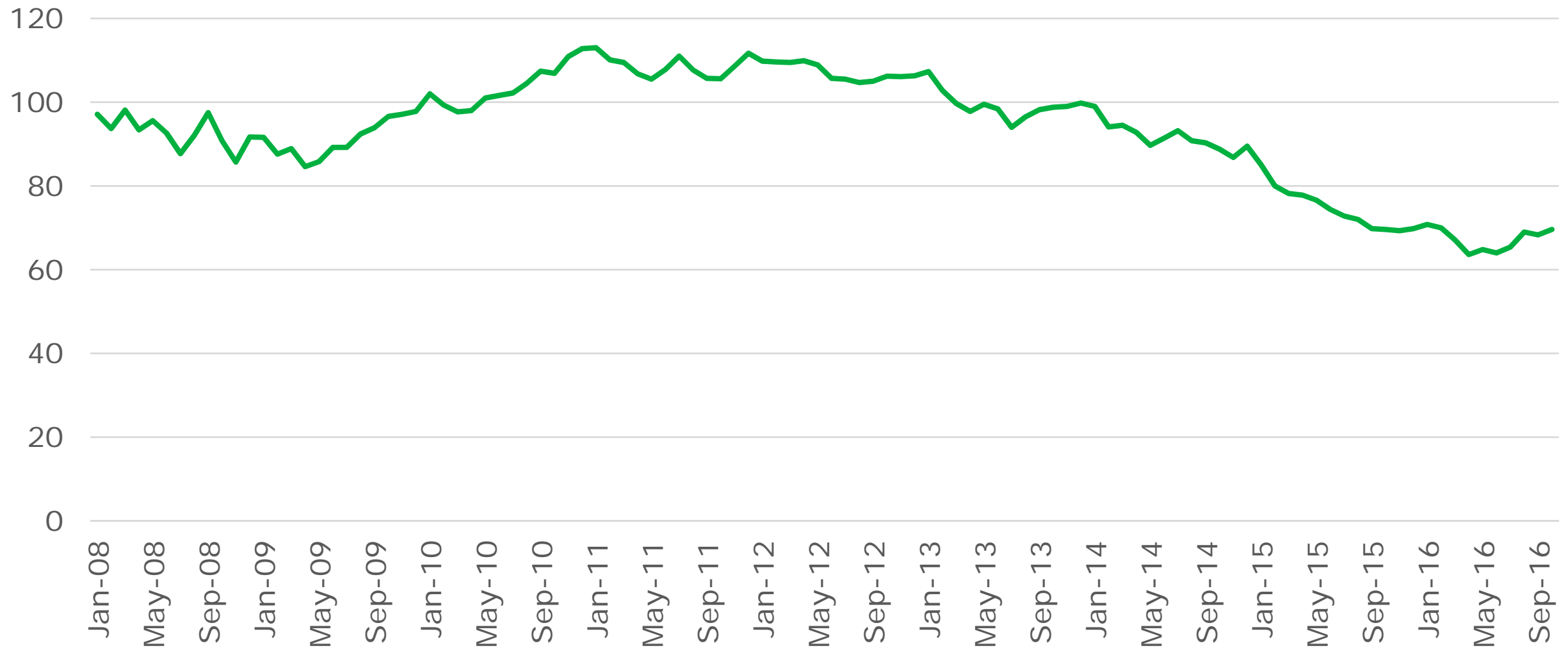
Source: Central Bank of Brazil

## Interest rate above 25% a year, SELIC is going down



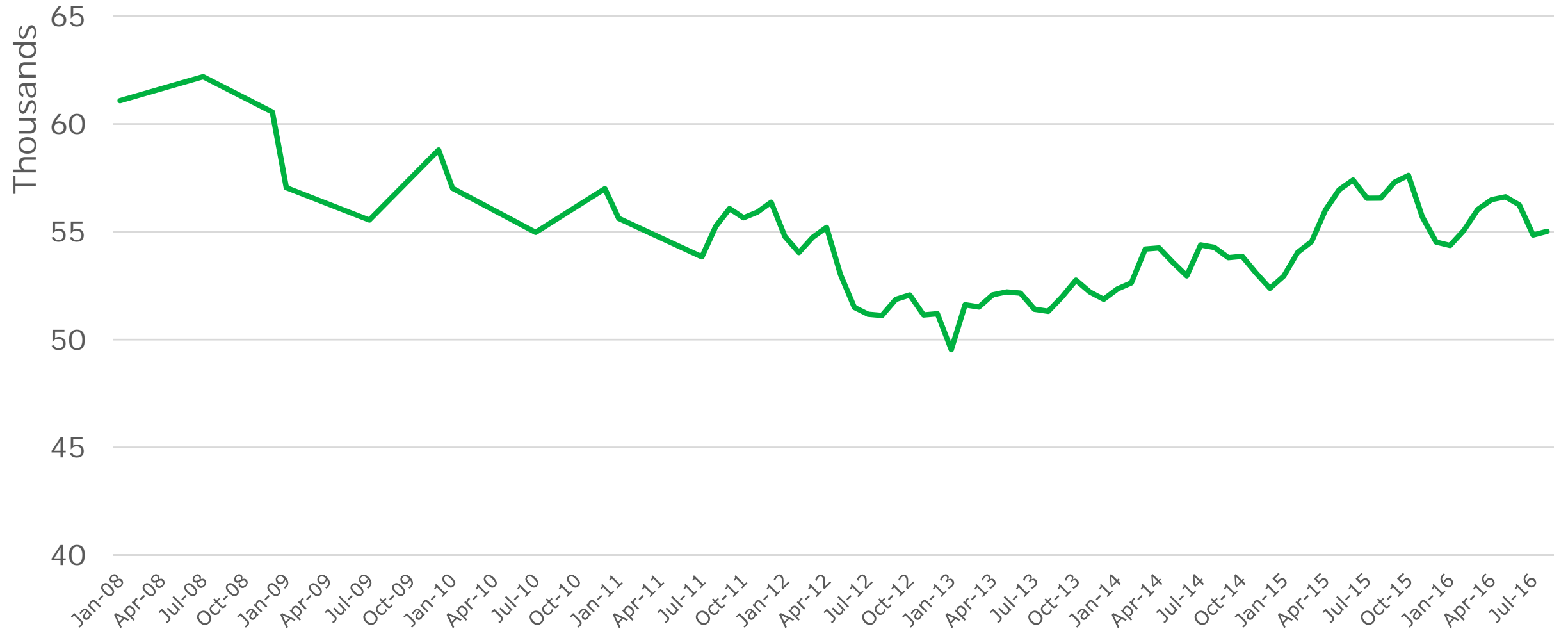
Source: Central Bank of Brazil

# Consumer confidence has reached its lowest level



Source: IBRE/FGV

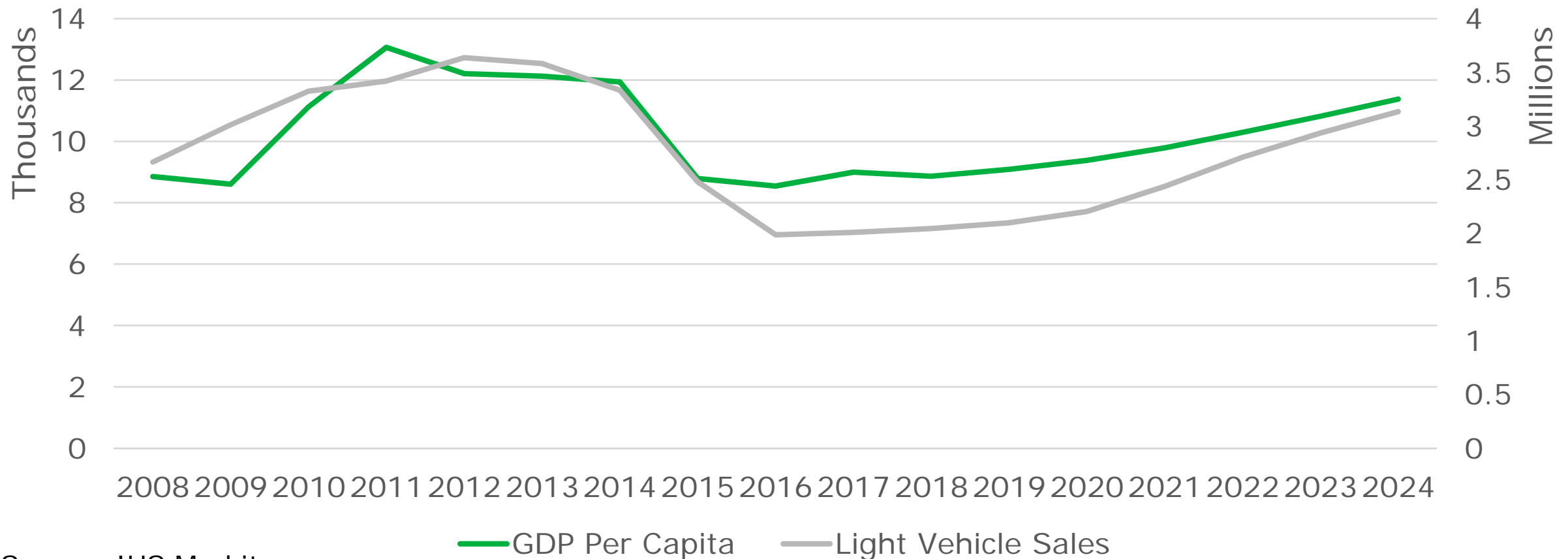
# Light vehicles are 7% more expensive than in 2012



Source: IHS Markit

# After almost a decade, GDP per capita will return to USD10,000

Light vehicles sales have followed per capita GDP

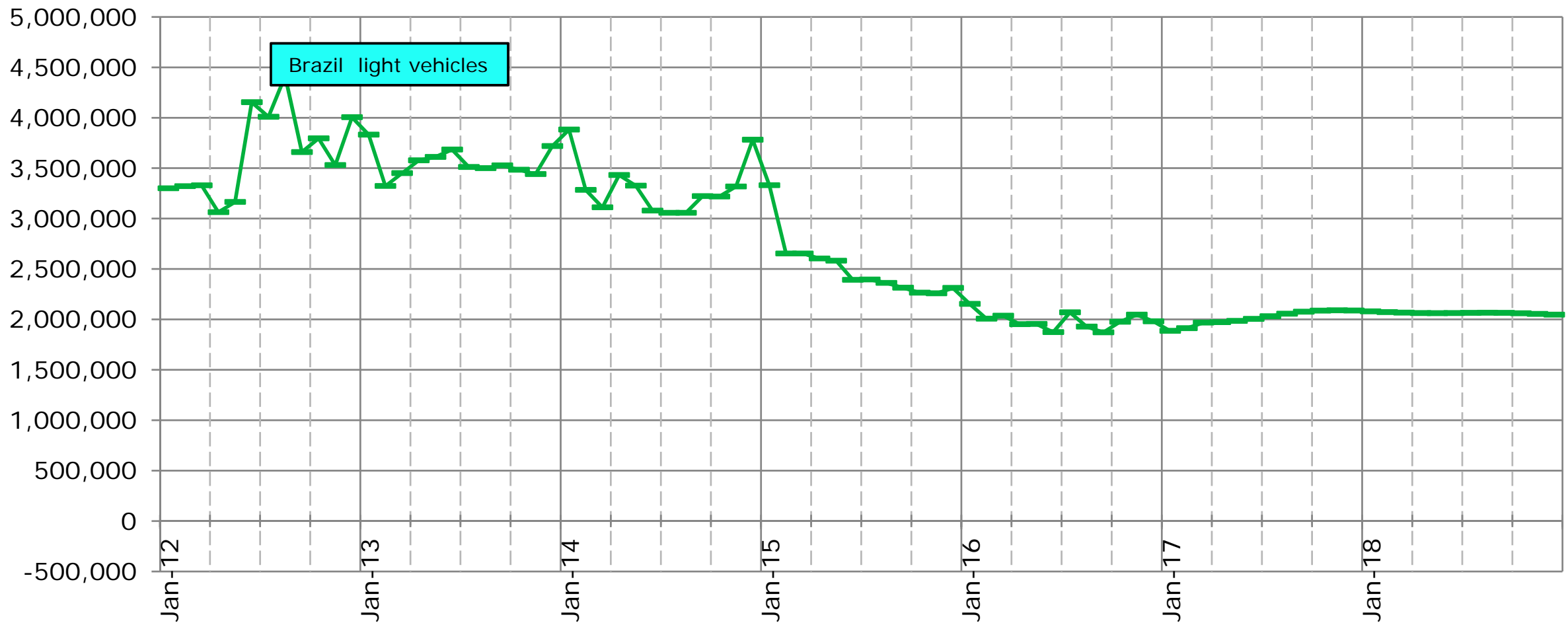


Source: IHS Markit

# Brazilian light vehicle outlook

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# Sales, seasonally adjusted annual rate



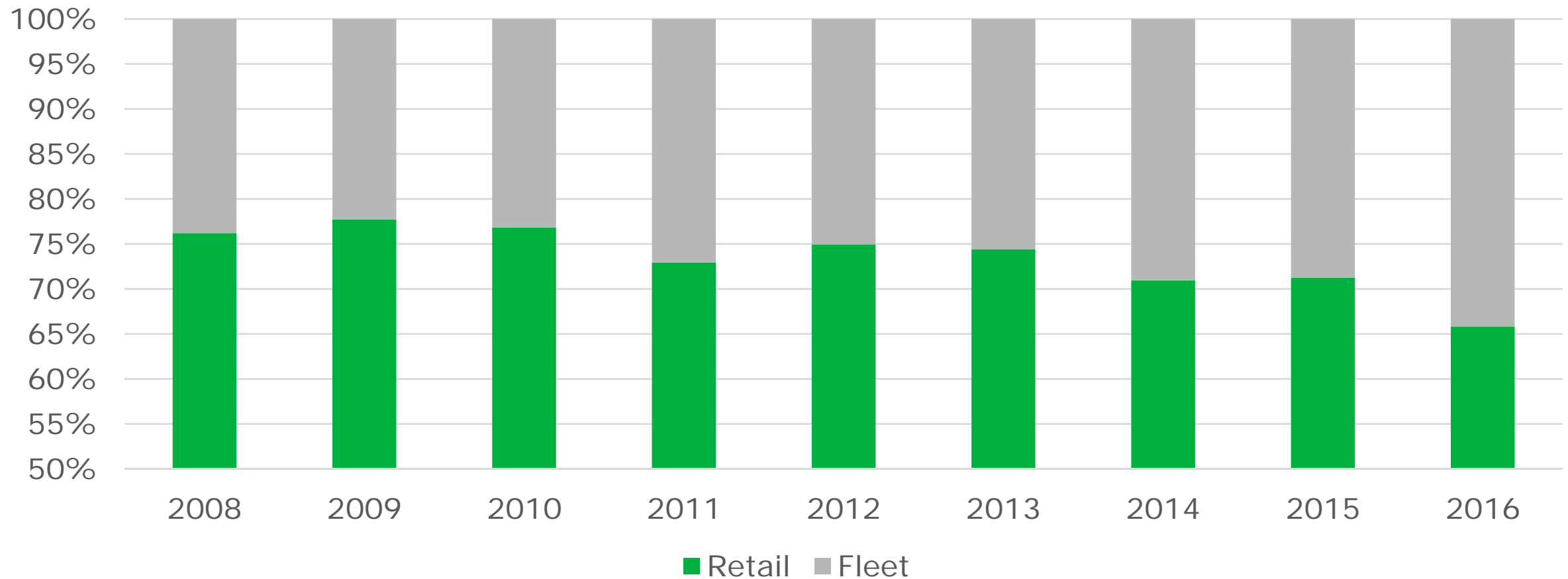
Source: IHS Markit

# Sales and production facing another strong drop

Several factors, including high unemployment rates, high interest rates, and tight credit availability are deeply hurting the automotive market



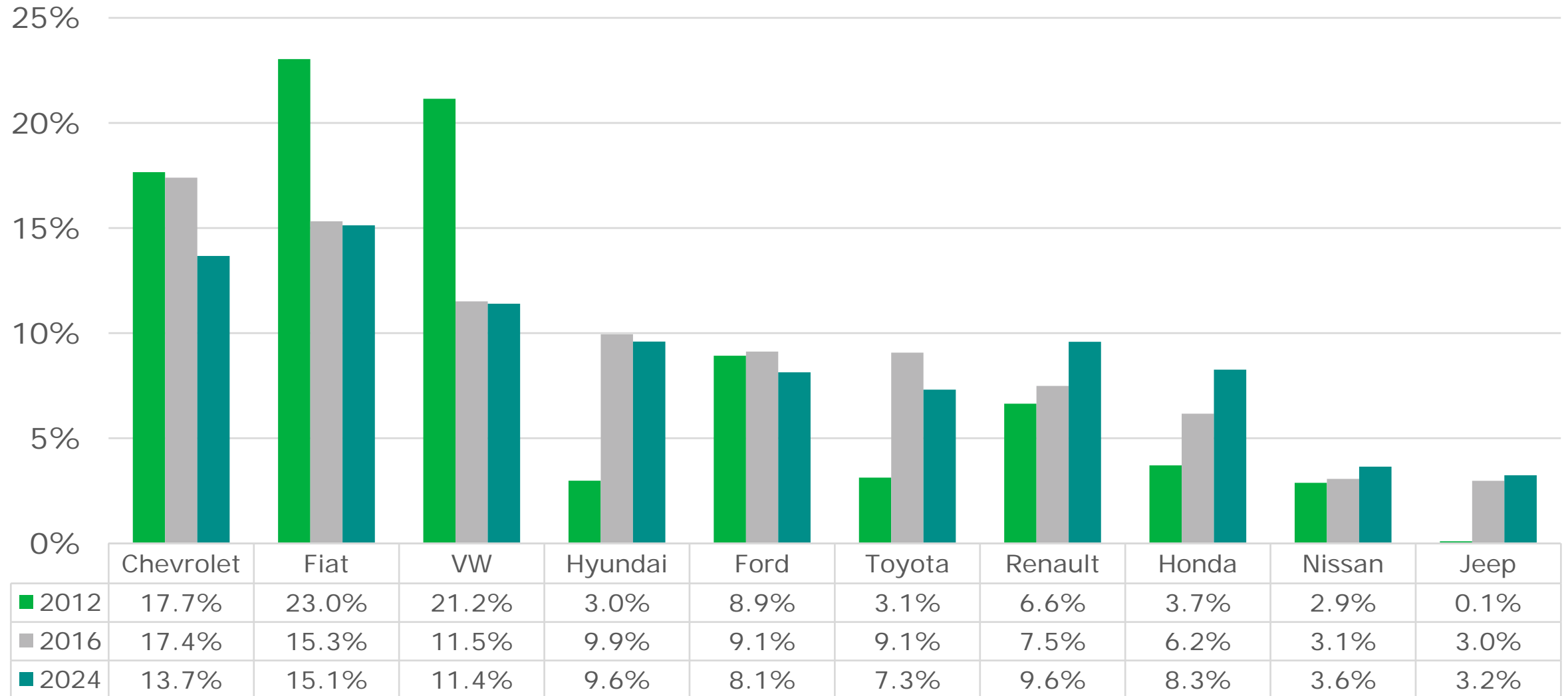
# Retail share in 2016 was down 4 percentage points from 2015



Source: IHS Markit

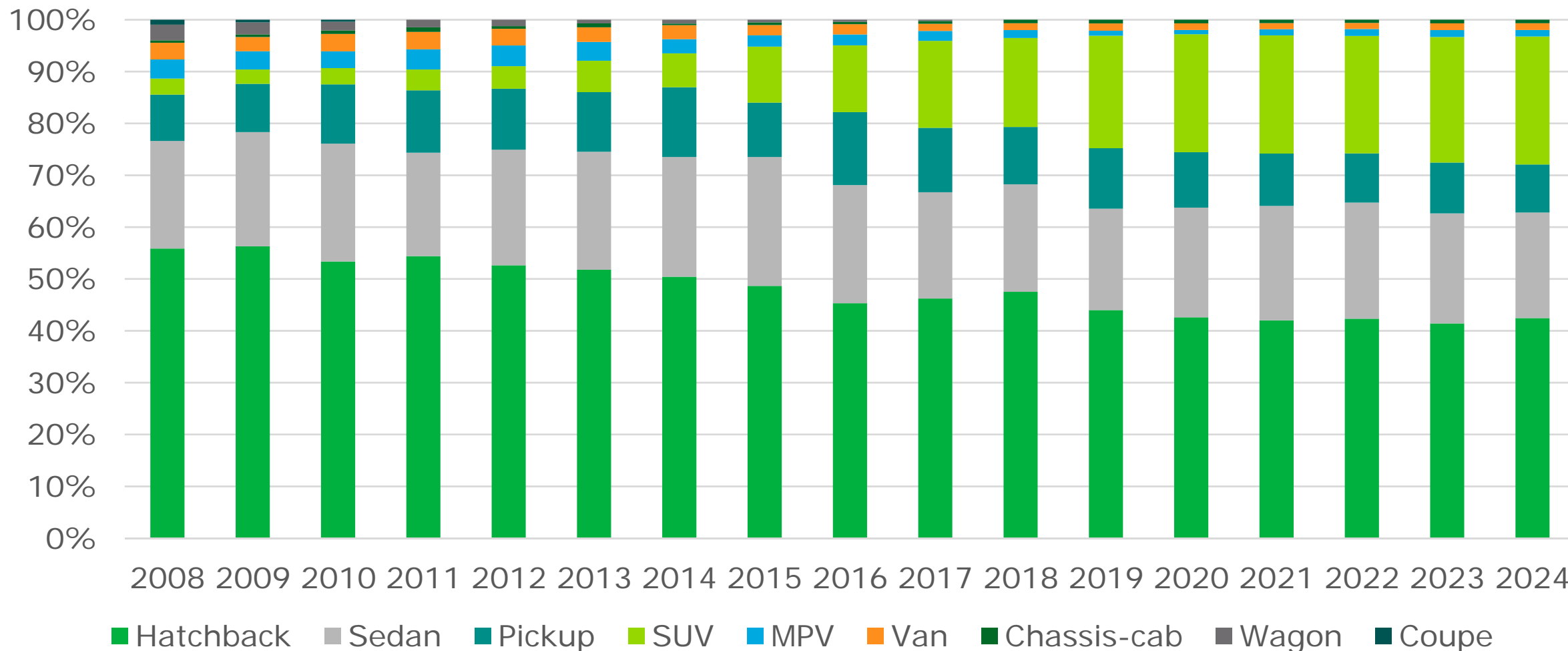
# Market keeps pressing traditional brands' market share

Top-10 best-selling brands in 2016



# Consumer preference shifting to SUVs/CUVs

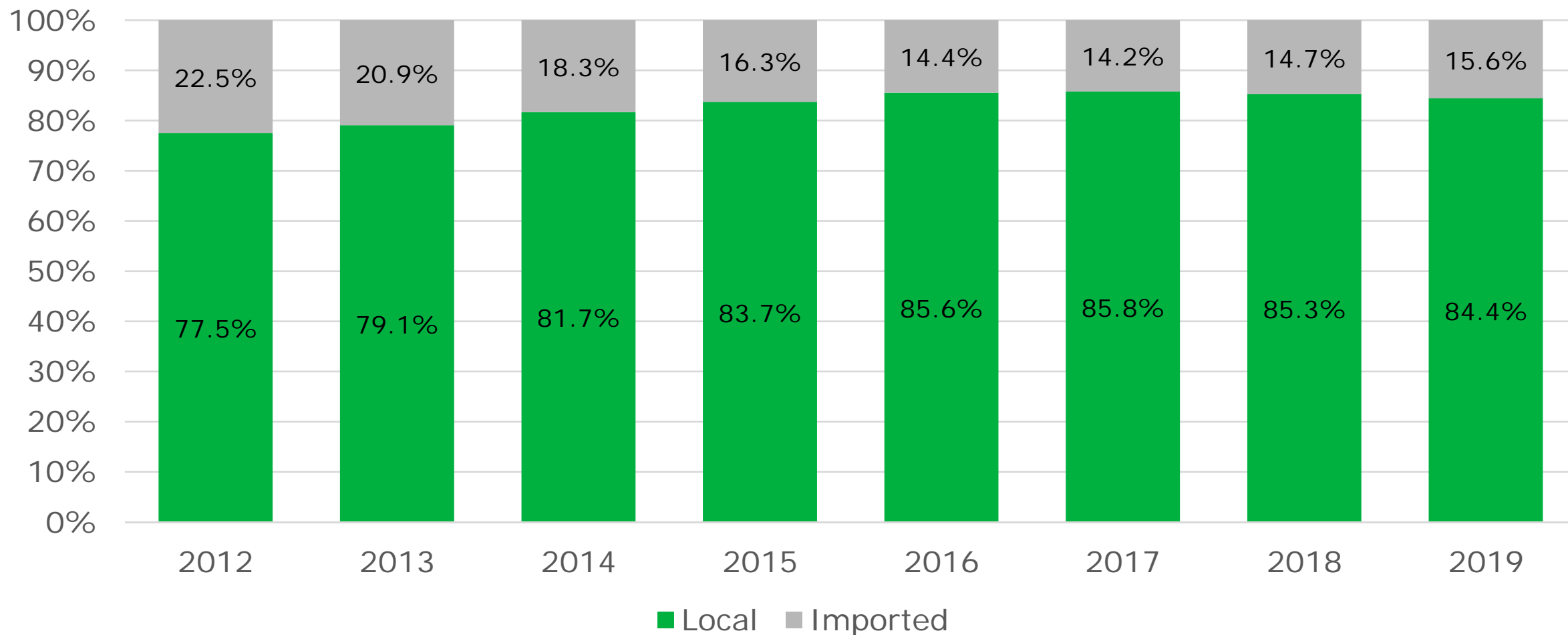
Body style production share



Source: IHS Markit

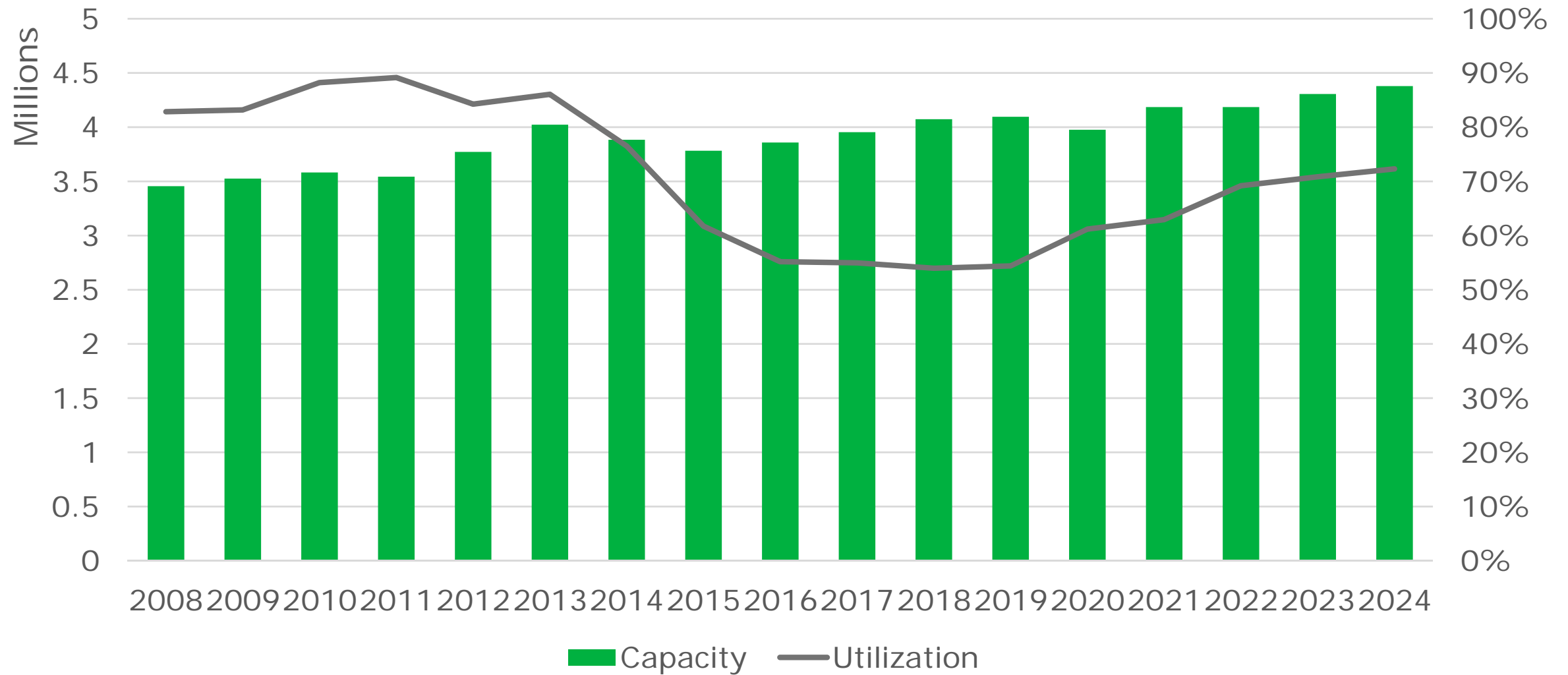
## Localization helped import rates stabilize

Six new brands started to produce locally in the past three years



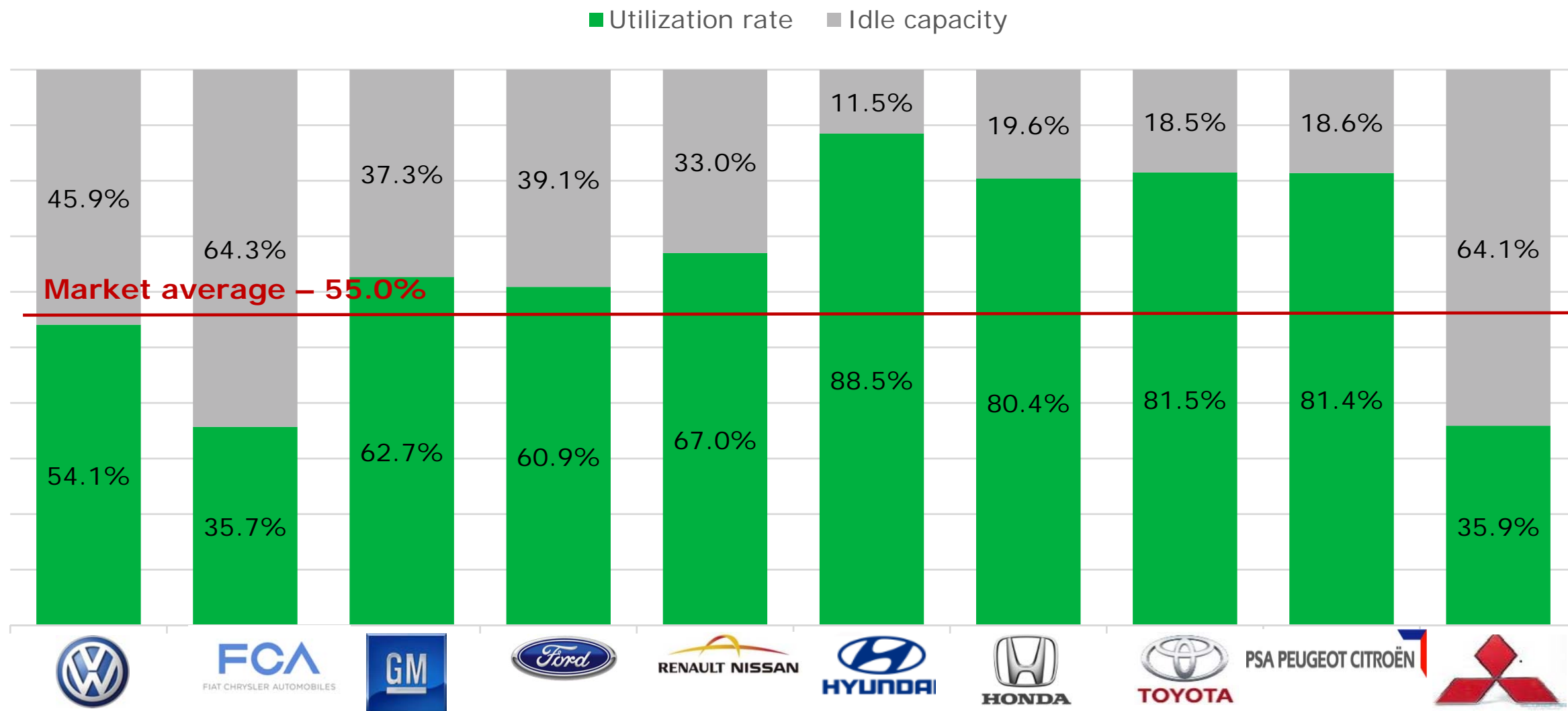
Source: IHS Markit

# Plant utilization is forecast at only 54% in 2016



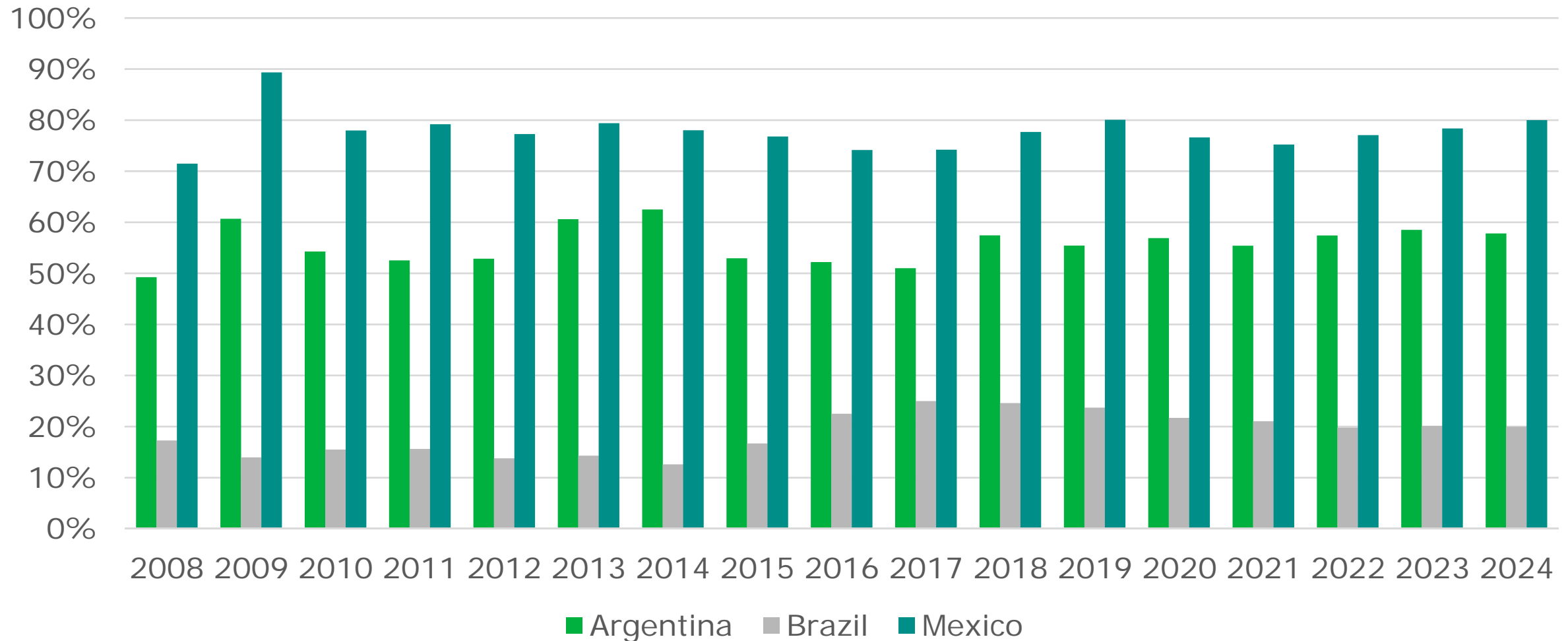
Source: IHS Markit

# FCA is strongly pushing down the average utilization rate



# Brazil will remain highly dependent on local demand

Percentage of production exported



Source: IHS Markit

# Brazil vehicle production cycle plan

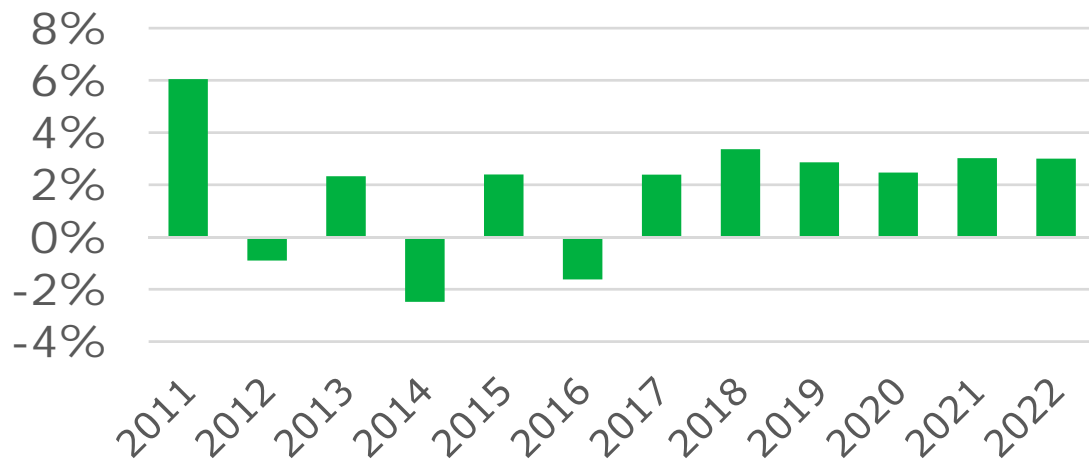
	2016	2017	2018	2019	2020	2021	2022	2023
<b>BMW</b>	X1, X4		X3	X4, X5				X1
<b>Daimler</b>	C-Class, GLA		A-Class			GLA	C-Class	
<b>FCA</b>	Mobi, Compass	Palio	Doblo, B-CUV	Strada		Uno	Mobi, Toro, Renegade	Palio, Compass
<b>Ford</b>					Ecosport		Ka	
<b>GM</b>				B-SUV, Montana, Onix, Prisma		Spin		
<b>Honda</b>	Civic, WR-V				Fit	City, Civic, HR-V, WR-V	CR-V	
<b>Hyundai</b>		Creta, Tucson		HB20				Creta, Tucson
<b>Mitsubishi</b>	Triton	Pajero Dakar		C-CUV				
<b>PSA</b>			C3 Cactus		C-Elysee		2008	
<b>Renault/ Nissan</b>	Captur	Kicks, Kwid	March, Versa, Duster	Duster Oroch		Logan, Sandero	Kicks, Captur	March
<b>Tata</b>	Discovery, Evoque	XE	E-Pace	Defender, Evoque			XE, Discovery	
<b>Toyota</b>			B-Hatch, B-Sedan	Corolla				
<b>VW</b>	Q3	Gol, Voyage	Q3, Jetta	B-CUV, Saveiro	A3, Golf	Up!		

# Argentine economic outlook

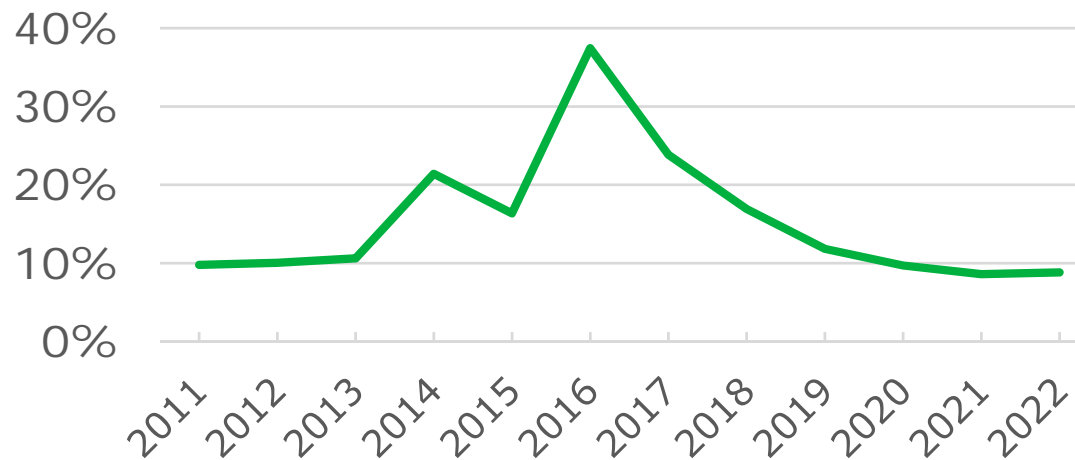
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# Argentina outlook summary

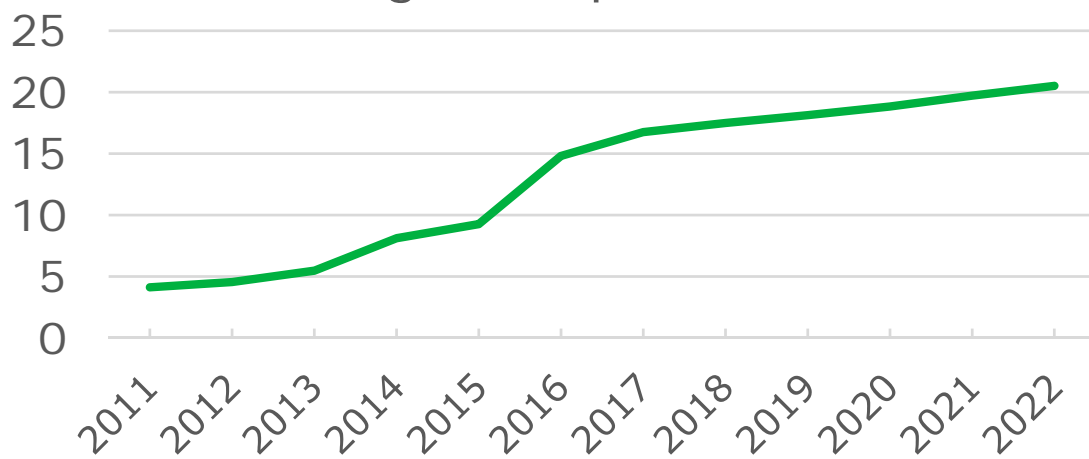
Real GDP growth



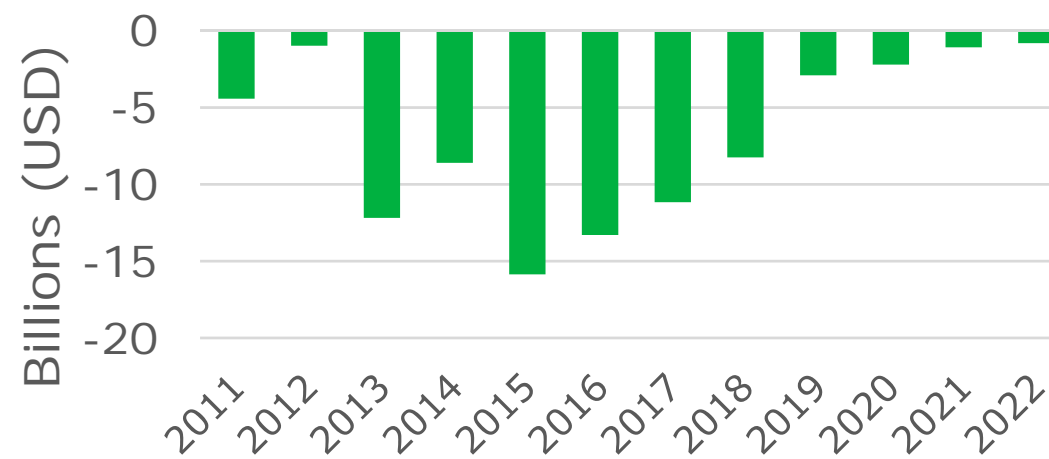
Consumer price inflation



Exchange rate per US dollar



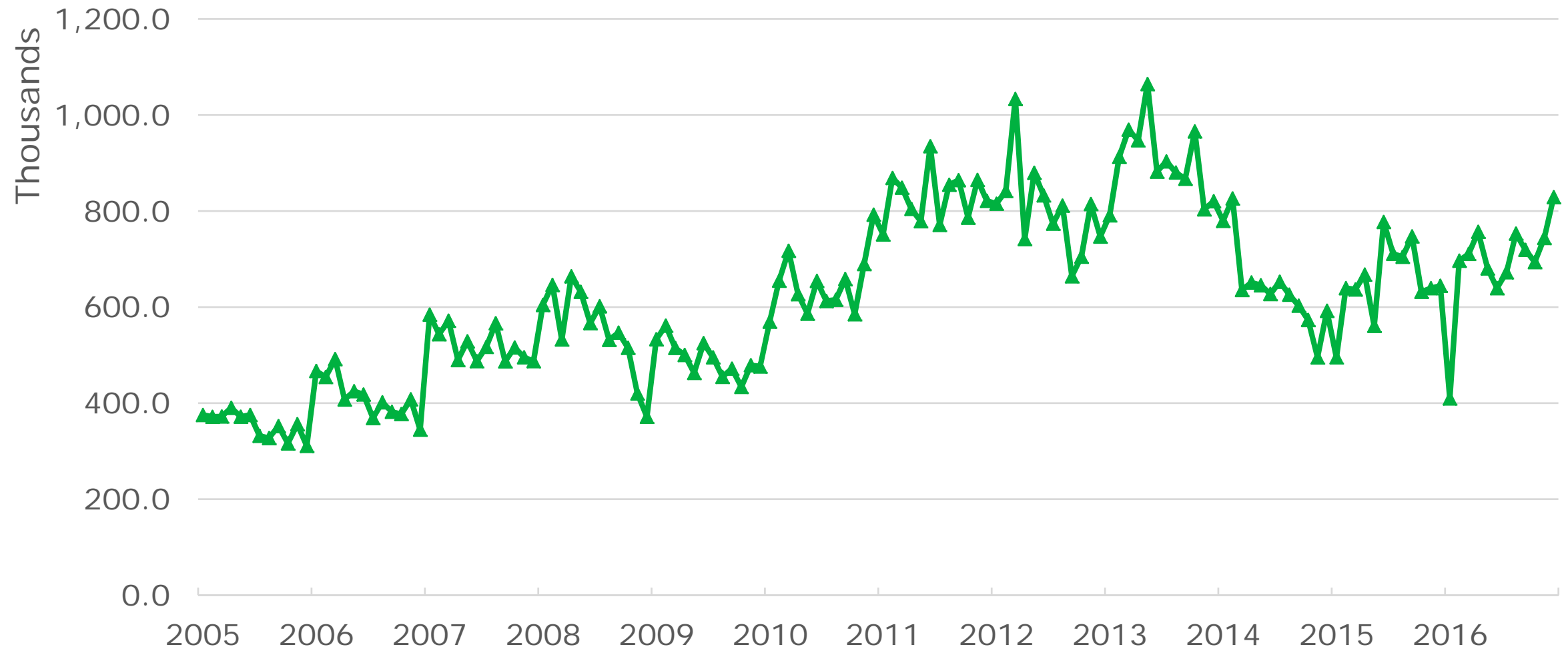
Current-account balance



# Argentine light vehicle outlook

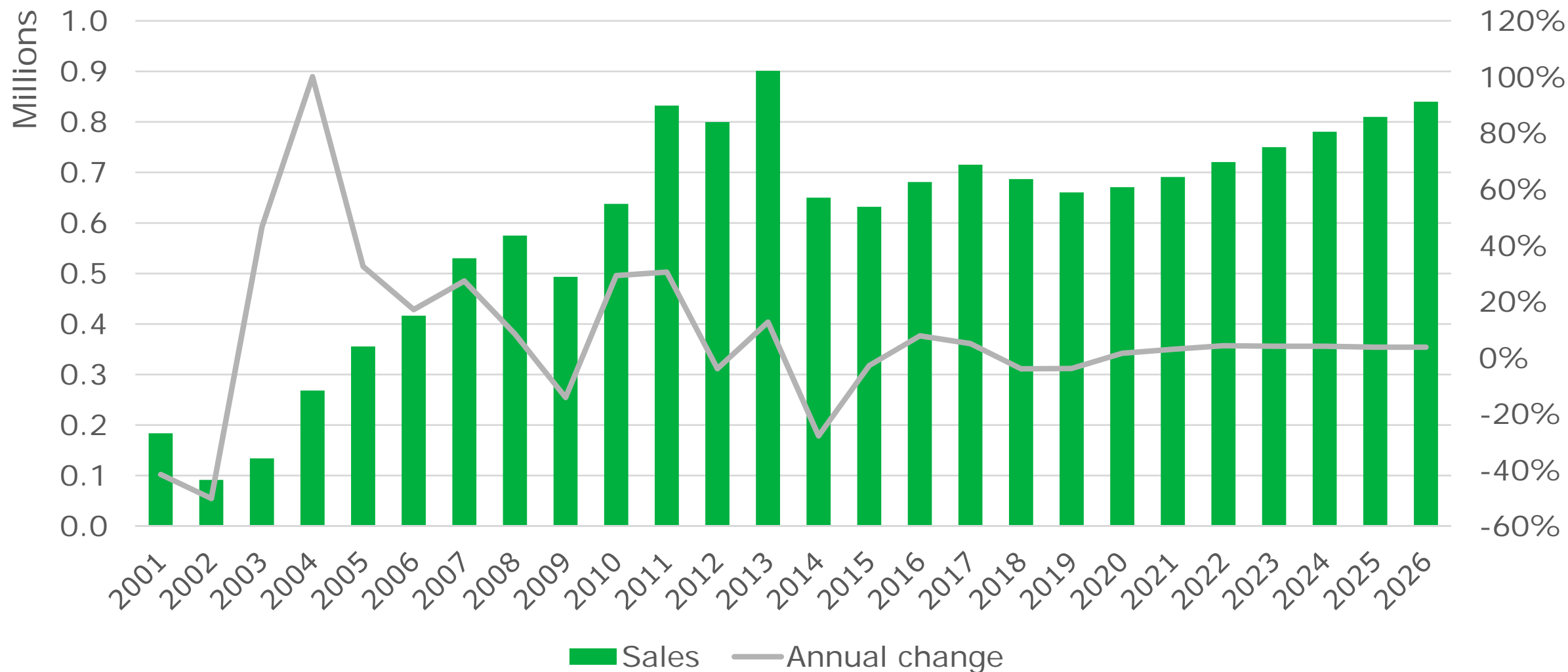
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# Argentine light vehicle monthly sales



Source: IHS Markit

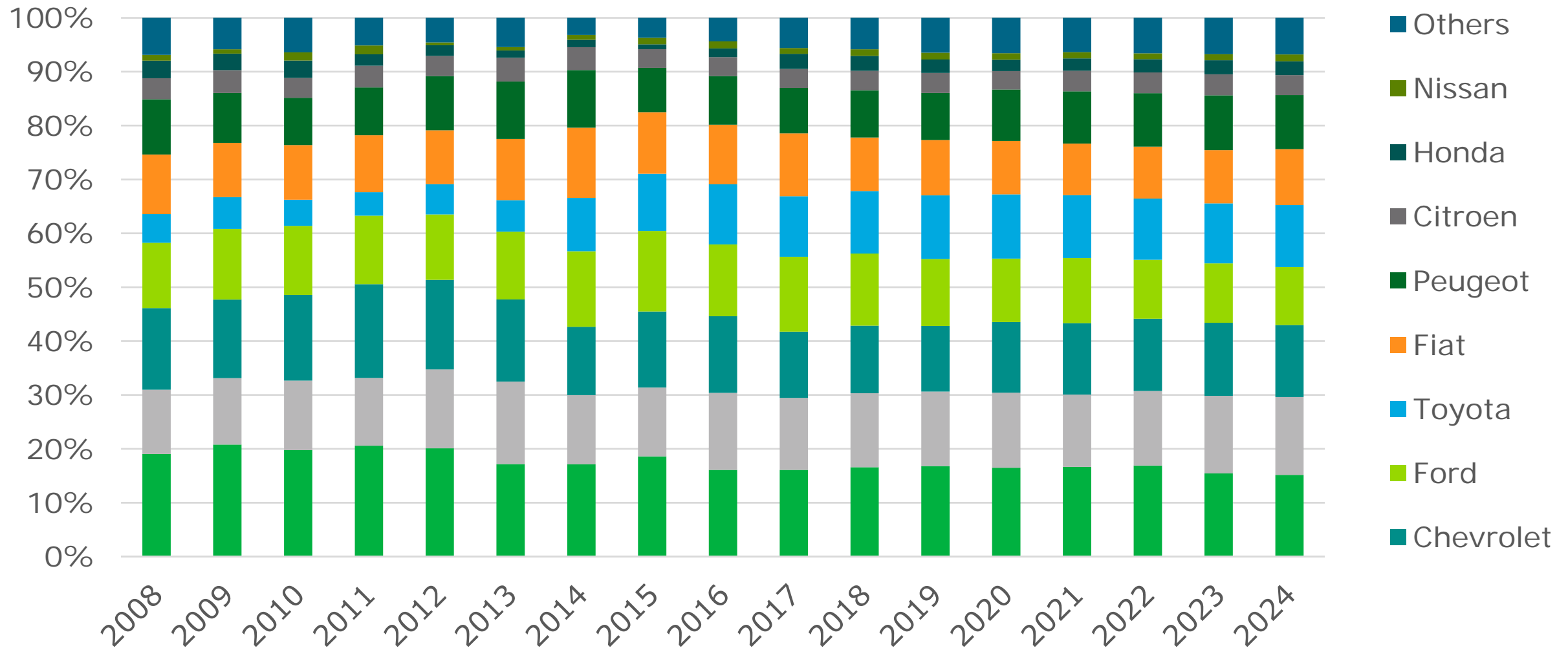
# Argentine light vehicle sales



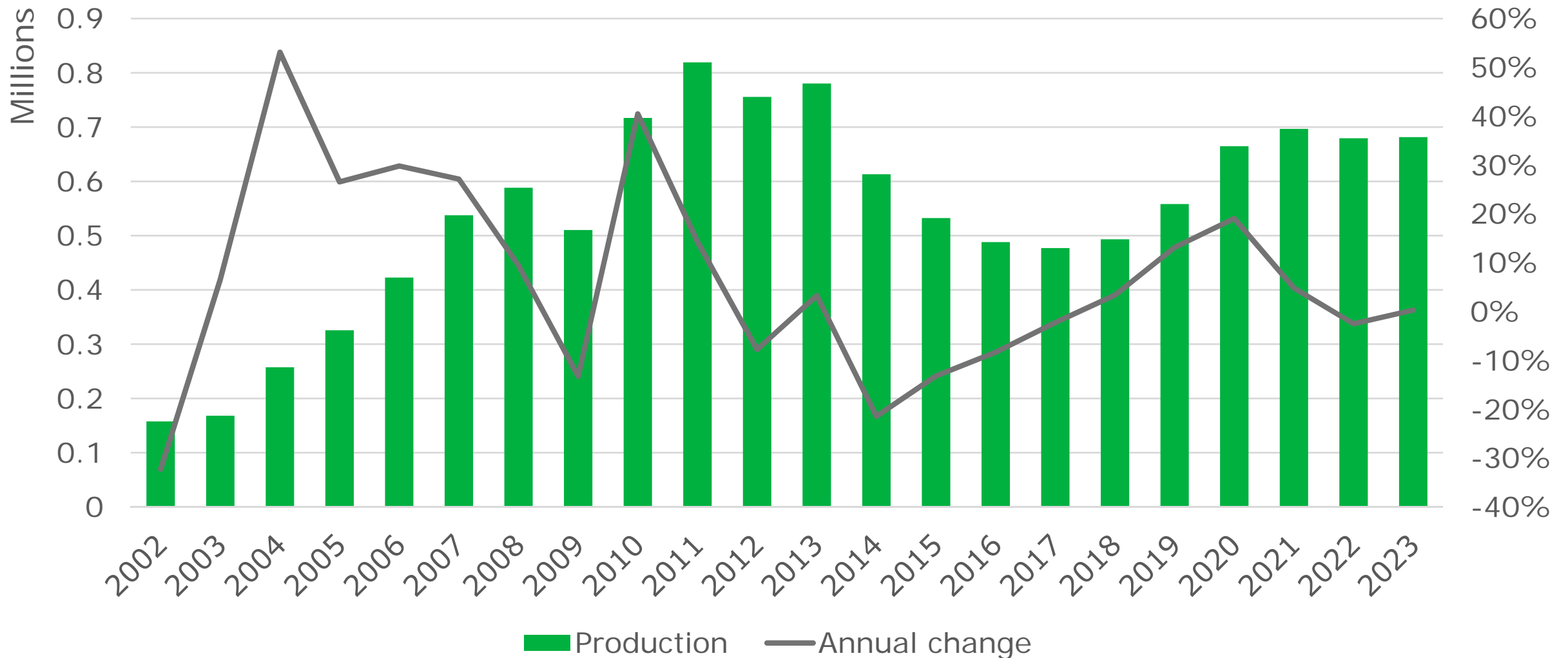
Source: IHS Markit

# Argentine market share

## Sales by brand



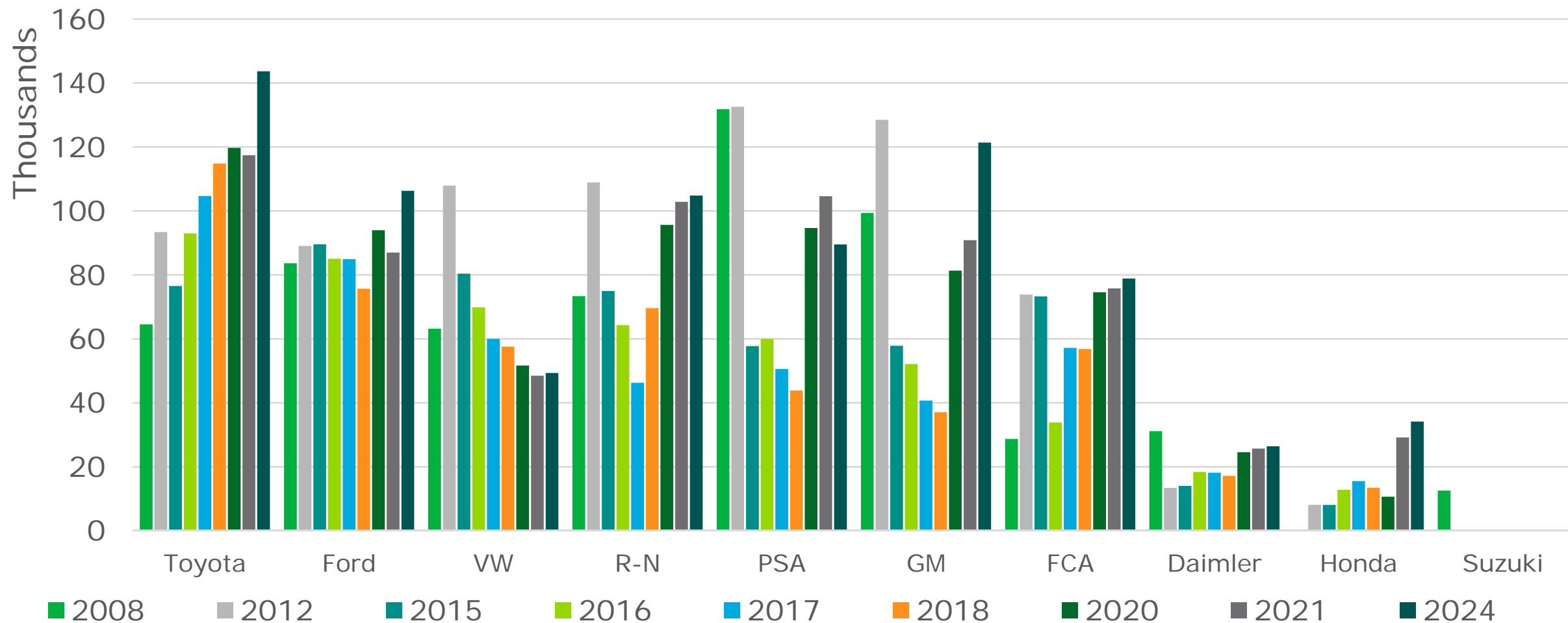
# Argentine light vehicle production



Source: IHS Markit

# Argentine light vehicle production

## Production by OEM



Source: IHS Markit

# Key takeaways

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## Key takeaways

The region will stabilize in the first half of 2017, although it will happen at very low levels

- Brazil's recession is abating as inflation and interest rates come down, but conditions for a rebound are not yet established.
- Consumers are not in a position to boost the economy—unemployment is still high and real wages are declining.
- High interest rates are a severe constraint to economic growth.
- We are facing a new automotive scenario with more competition and changing consumer preferences.
- Sales will pass through a long period with vegetative growth.
- With depressed local demand, OEMs are seeking to increase exports.
- OEMs will continue to deal with low utilization rates, hurting their profitability.
- Argentina is giving Mercosur a much-needed lifeline but may not be sustainable.

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