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The top seven reasons why Brazil's automotive sector will not rebound as quickly as hoped

1. Technology

The local supply chain will face great hardship to meet the investment levels needed to keep up with the global technological revolution, and a strong consolidation of Tiers 2 and 3 is likely to occur.

2. Consumption

Without a robust competitiveness policy, market volume in 2025 will not return to the 3.6 million units sold in 2012.

3. Capacity utilization

Current capacity is more than 4.5 million units, well beyond current demand. Idleness will weaken companies and jeopardize the supply chain.

Roughly 300 domestic suppliers will be reduced by half in 10 years, owing to mergers and acquisitions in the sector.

4. Regulation

Disregard for global regulations leads to noncompliance with nontariff barriers, which will reduce Brazil's access to export markets.

5. Prices

The rising cost of materials, incorporation of new technologies, and loss of production scale will drive car prices up by 2025.

6. Sales

The share of entry-level and low-content cars will fall from the 20% share achieved in 2010 to less than half of that in 2025.

7. Distribution network

Car dealers will have to change how they operate. As profit margins for new cars erode, revenue must come from services, parts, and used cars.

Brazil is experiencing its worst recession in 80 years.

Auto sales are down 50%↓ from what they were three years ago, and big changes will be necessary to get Brazil back to the peak reached in 2012 by 2025. However, with the country mired in both political and economic crises, will industry stakeholders be willing to work together to enact change?

Download our summary analysis that elaborates on the top seven reasons why Brazil's automotive sector will not bounce back any time soon.

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