

Machinery industry has optimistic forecasts for 2007

Contributed by Débora Rubin and Geovana Pagel
Friday, 13 October 2006

The machinery and equipment sector will have in 2006 a performance similar to that of last year, mainly due to the strong appreciation of the Brazilian currency, the real, against the dollar.

If estimates by the Brazilian Machinery Manufacturers Association (Abimaq) are confirmed, sector revenues this year should total R\$ 50 billion (US\$ 23 billion), slightly under the R\$ 55.9 billion (US\$ 26 billion) of 2005.

After two years of surpluses, the sector trade balance is going to return to a negative result. Up to the end of the year exports should total US\$ 9.2 billion and imports between US\$ 10.2 billion and US\$ 11 billion.

The Chinese invasion also started last year. In some segments, producers abandoned production and started dedicating themselves to imports.

"We have had examples in the past. In 1997 and 1998 we had a strong exchange crisis, with excessive appreciation of the real, and over 200 companies closed their doors. If the exchange rate continues as it is, the sector is going to suffer consequences. We have already seen that movie," warns Abimaq president Newton de Mello.

According to Mello, one figure is already concerning: the reduction of the number of jobs generated by the sector. On August 31, 2005, the sector employed 214,200 people. On August 31, 2006, this total had fallen to 208,900.

However, despite the crisis that the sector is facing, the year of 2007 is awaited with optimism. For the businessmen, the tendency is that, no matter what the new government is, the exchange policy should soon change. An inversion of development indices is expected, as is a reduction of the crisis.

In 2004, machinery and equipment producers registered the greatest growth in the last ten years. In that year, the sector had revenues of R\$ 45.613 billion (US\$ 21 billion), 30% more than the R\$ 35.1 billion (US\$ 16 billion) of 2003.

"The main challenge for the sector this year is in the inversion of this negative picture, which has caused national producers to prepare more aggressive cost rationalization and investment plans and also to improve productivity," stated André Luis Romi, the institutional relations manager at Indústrias Romi, a maker of tooling machinery and plastic injection machinery.

"For 2007, the sector is optimistic, mainly due to forecasted returns to investment in sectors like agribusiness, energy and infrastructure," pointed out Romi.

In the evaluation of the president at the Abimaq, previously announced measures have already started presenting a favorable picture, like the cancellation of the obligation of exchanging export dollars for reais.

"This is immediate. Nowadays exporters are obliged to convert just 30%. The rest may stay abroad and even be used in the purchase of inputs, without the money coming to Brazil. This may appreciate the dollar," he explained.

According to Mello, the country's north should be the return to economic development, with opportunities for greater job generation, more export of greater added value goods, and regional integration and appreciation of the Mercosur (the economic bloc that includes Brazil, Argentina, Paraguay and Uruguay).

"For this reason, we hope that the new president, whoever he may be, removes the productive sector's impediments, as it is suffering with heavy taxes, bureaucracy and exchange rates. May he begin his term in office with measures to control the entry of dollars, which does not bring direct benefits to the Brazilian society."

Union

Seeking better conditions to promote their products in Brazil and abroad, some segments in the machinery and equipment sector, like the sector of makers of equipment for gymnastic and also the sector for machinery for production of jewelry, bet on joining forces to grow and gain competitiveness.

The Sector Chamber of Gymnastics Equipment (CSGIN), established in April 2005, currently counts on 11 associates. Estimates for the sector, which has a turnover of R\$ 600 million in Brazil (US\$ 280 million) and generates around 10,200 jobs, are that in Brazil there are around 70 producers.

Since it was created, the chamber has been providing incentives to participation of its associates in national fairs like Rio Sports Show and Sports Business. Clinics for medical rehabilitation and physiotherapy, hospitals, sports clubs, Olympic gymnastics centers, sports centers, universities, schools and gyms are the main clients for sector products.

"Among the main banners defended by the chamber is the reduction of the Industrialized Product Tax (IPI) from 20% to 5% and the reduction of the value added state tax (ICMS) from 18% to 12%," stated the president of the CSGIN, José Manuel Correia. According to the businessman, in February 2004, Abimaq acted decisively, halting the modification of the basic productive process for sector products at Manaus Free Zone.

In January 2005 the director of the sector chamber met with Geraldo Alckmin, then governor of the state of São Paulo, to negotiate the reduction of the ICMS. In the month of July 2005, the group sent to the Ministry of Sports a request for the reduction of IPI on gymnastics equipment.

The sector has large national companies supplying the domestic market and has also been winning space on the foreign market. An example is Athletic, based in the state of Santa Catarina. Apart from the products under its own brand, since 1998 the organization has also been producing material for the Caloi Fitness brand and should have revenues of R\$ 250 million (US\$ 116 million) in 2006.

Vertical production is one of the Athletic characteristics. The company operates in the production of components like monitors, integrated circuits and engines and in the assembly and direct sale of equipment. "Vertical integration permits the company agility in incorporation of innovation and in the development of new products, which reach the market faster," explained company president Jaime Grasso.

According to him, nowadays the company has the largest specialized residential physical fitness equipment retail chain, with 130 points of sale - 24 shops and 106 points of sale in shopping centers, in capitals and in the largest cities in the country.

The organization exports to over 20 countries and has already sold over 2 million articles. "Entry into the European market is beginning this year. We have already made two sales to Portugal and are now searching for commercial partners in Spain, Italy, France and Germany," he celebrated. The company hopes to have revenues of one million euros in the first year exporting to Europe. Athletic is also a leader in the sector in Argentina, with 22 points of sale (16 of its own and six belonging to third parties).

Jewelry

Another sector that bets on joining forces to grow was the sector of machinery and equipment for jewelry and similar products. In December 2005, they sought Abimaq and established a Work Group of Makers of Machinery and Equipment for Jewelry and Similar Products (GTJóias).

According to Antônio David Monteiro, the coordinator of GTJóias, the objective of the group, which already includes six associated companies, is to identify the needs of each company, to seek funds to participate in fairs, to create new spaces for the promotion of products and to increase participation on the foreign market.

The development of the sector includes the search for new technologies and the orientation regarding market policies to face the growing invasion of imported machinery, for example. According to Monteiro, after the devaluation of the dollar, the sector started suffering more due to imports.

"Apart from that, our production depends only on the good performance of the jewelry market. If jewelry and costume jewelry factories are not producing, we also have a hard time," he explained.

The group wants more fairs turned to the sector, as the only fair in the country that is turned exclusively to machinery for the production of jewels is Tecnogold, which takes place in São Paulo every year.

This year, the event took place between May 10 and 12. Another space that the businessmen make use of is the International Fair of Plated Jewelry, Rough Jewelry, Machinery, Inputs and Services, Aljóias, promoted by the Limeira Association of Jewelry Producers, which took place between August 29 and September 1, in Limeira, in the interior of the southeastern Brazilian state of São Paulo.

According to Monteiro, another factor that motivated the creation of the group was the difficulty in obtaining information about the area in Brazil, prospecting domestic and foreign markets, and "building" a market identity for the sector.

Some companies in the sector have already entered the foreign market. This is the case with Máquinas Coelho, located in the city of São José do Rio Preto. Máquinas Coelho has been on the market for 28 years. The company generates 20 direct jobs and exports all its machinery to Bolivia, the United States, Argentina and Puerto Rico.

Anba - www.anba.com.br