

Easier Credit Gives Brazil Record Year in Vehicle Production

Contributed by Marina Sarruf
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Brazil has broken records in sales and production of vehicles in November and in the accumulated result for the year. 237,000 vehicles were licensed last month and the total from January to November has reached 2.2 million. Production totaled 267,500 units in November and 2.75 million in the first eleven months of the year.

"These are very positive figures," said the president of the National Association of Vehicle Manufacturers (Anfavea), Jackson Schneider.

In this total the organization also includes buses and trucks. According to Schneider, the growth was greatly influenced by the increase in credit in the country, by lower interest rates and by new rules for financing, which may be extended.

According to the executive, in October, for example, there was a 27% increase in the volume of credit available, in comparison with the same month last year.

Another sector that also presented a significant increase in sales was that of agricultural machinery, which totaled 3,700 units in November, which represents growth of 70% over the same month last year, and 35,500 units in the period from January to November, an increase of 48.4% in comparison with the same period in 2006.

"The increase in sales of agricultural machinery reflects growth in the agricultural sector. We have been noticing increases in the prices of commodities on the foreign market and this strengthens the decision of cultivating products," stated Schneider.

He also said that there are forecasts for a greater harvest, which also causes expansion in the purchase of tractors, agricultural machinery and other vehicles.

The production of agricultural machinery rose from 43,360 units from January to November 2006 to 60,950 units in the first 11 months of this year, representing growth of 40.6%. With regard to exports, 24,000 tractors, tillers, harvesters and backhoe loaders were exported up to November, against 20,470 units from January to November last year, growth of 22.2%.

Foreign sales of vehicles and agricultural machinery totaled US\$ 12 billion up to November, which represented an increase of 8.2% over the same period last year. Exports of vehicles in terms of numbers, however, posted a 6.6% drop. Sales fell from 778,640 units in 2006 to 727,240 units from January to November this year.

According to forecasts by the organization for the end of the year, the volume of vehicles exported should drop 7.5%. "Exporting is a challenge," stated Schneider.

According to him, exports need to have their competitiveness boosted. "I understand that exchange rates are part of a successful macroeconomic policy, which is clear, so this effort for competitiveness could come through investment in infrastructure, making it possible for Brazilian products to compete more efficiently on the foreign market," he said, referring to the appreciation of the Brazilian real against the dollar.

The main destinations for Brazilian sector exports were Mexico, Argentina and Chile, which represent around 65% of sales. Apart from these nations, Brazilian cars, trucks, buses and tractors are also shipped to the Arab nations. From January to October this year, Brazilian sales to the Arab world totaled US\$ 247 million.

For 2008, Schneider forecasts that vehicle sector sales will grow 17.5%, totaling 2.88 million units. The estimate is that 2.5 million national vehicles should be traded, as well as 380,000 imported ones. In the case of agricultural machinery, the executive also expects growth. From the 37,000 units sold in 2007 to 42,500 in 2008, which should represent an increase of 14.9%.

With regard to exports next year, the Anfavea forecast is that foreign sales should remain stable, at US\$ 13 billion. In terms of volume, however, the forecast is for a reduction of 5.1%, from 780,000 units to 740,000.

Regarding vehicle production in 2008, the organization forecasts an increase of 8.9%, with production of 3.24 million units. According to Schneider, the installed capacity is currently 3.5 million units. "This shows full capacity for supply of the demand," he said. For agricultural machinery, Anfavea forecasts growth of 9.5% in production, totaling 69,000 units.

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