

Rio Grande do Sul effect impacts production in May, but average daily sales and employment levels encourage the sector

June 7, 2024 – The pace of production growth was interrupted in May due to the effects of flooding in Rio Grande do Sul. Factories either shut down or slowed their operations not only in that state but also in other regions of the country, given the strategic importance of various suppliers from Rio Grande do Sul.

According to the National Association of Motor Vehicle Manufacturers (ANFAVEA), production of motor vehicles in May closed at 166.7 thousand units, a decrease of 24.9% compared to April. Strikes at some factories and the standard operation of employees from IBAMA (Federal Environmental Agency) and the Ministry of Agriculture and Livestock (MAPA), responsible for clearances of vehicles and component containers, also had a negative effect on production.

The production of heavy vehicles, unlike light vehicles, brought good news in May. Truck production exceeded the 50,000-unit mark for the year, with an increase of 30% over the first five months of 2023. The 12,000 buses produced during the period represent the best cumulative result for the segment since 2015.

Although the absolute numbers of registrations showed a decline compared to April, this was the best May in terms of average daily sales since 2019, with 9,250 units registered per day. This is despite a 64% drop in Rio Grande do Sul, which represents 5% of the national market, and the extended holiday at the end of the month. Total sales were 194.3 thousand units, 12% less than the excellent April, but 10% more than May 2023. Year-to-date, 930 thousand units have already been registered, 15% more than in the first five months of 2023.

The level of direct employment in auto vehicle factories also brought good news. In May, the number of direct job positions reached 103,299, an increase of 1,300 jobs compared to April and 3,100 over May 2023. "This is the best level since November 2022, indicating the first positive effects of investments announced by



manufacturers since last year," celebrated President Márcio de Lima Leite, highlighting the power of generating indirect jobs in the automotive chain, at a rate of 10 for every direct job.

Trade Balance

The growth in imports continues to be a point of concern for the Brazilian automotive sector. The volume of registrations of motor vehicles coming from other countries reached 160 thousand units from January to May, 44 thousand more than the same period in 2023, an increase of 38%. Electric and hybrid models of Chinese origin, still enjoying a lower Import Tax compared to other vehicles, accounted for 82% of this year's growth in imports.

Conversely, exports continue to be far below expectations. The cooling of markets in South America persists, as well as the growth of the presence of Asian products in these countries. In May, only 136.3 thousand units were shipped. From January to May, the 193.8 thousand units exported represented a decline of 29.7% over the same period last year.

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