Credit Operations for Vehicle Acquisitions – Recent Developments

Table 1 – Credit for the purchase of vehicles

R$ billion[1/]

Itemization	2005	2006	2007	2008	% change 12 months	% change 36 months
Total	46.7	65.6	85.7	123.1	43.7	163.6
Financing	41.0	55.2	68.3	84.2	23.3	105.4
Leasing	5.7	10.4	17.4	38.9	123.6	582.5

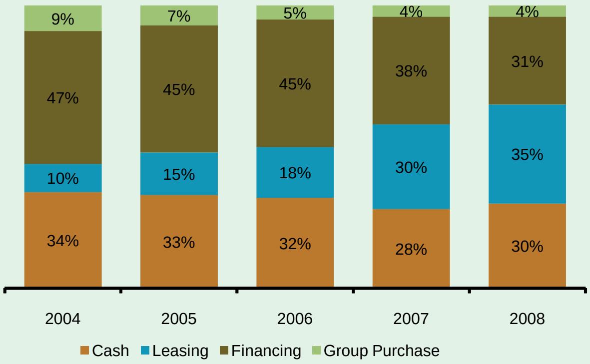
1/ Balances refer to the month of April.

In April the volume of credit channelled to acquisition of vehicles, including the modality of direct credit to consumer (CDC) and that by leasing companies, increased, 43.7% in twelve months and 163.6% in three years, reaching R$123.1 billion. This development, illustrated on Table 1, mirrored the improved conditions in the labor market, expressed in growth of formalization and of overall wages, and favorable conditions experienced by credit borrowers. In this sense, the average term of corporate credit for vehicle acquisition, excluding operations by leasing companies, reached 589 days in April 2008, against 472 days in the same month of 2005, while the average interest rate of this portfolio fell 7.2 percentage points (p.p.), in the same period, to 29.8%

The relative participation of the credit modalities intended for vehicle acquisition has changed in the latest years. The leasing companies operations, after the institutional improvements related to the recognition of the legality of installment payment within the Guaranteed Residual Value (GRV), in 2003, have shown a major upturn in activity, with a 123.6% increase in twelve months and 582.5% in the latest three years, compared to increases of 23.3% and 105.4% in the CDC type. Transforming into figures, the participation of leasing operations in the overall balance of credit for vehicle acquisition moved from 12.2%, in April 2005, to 31.6%, in April 2008.

The trend path of credits contracted with leasing companies changed significantly in the composition of disbursements for vehicle acquisition, according to Graph 1. According to the National Association of Automakers Financing Companies (ANEF), operations related to leasing were responsible, in the

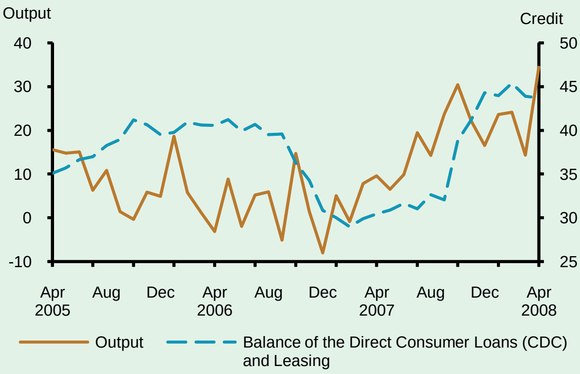
Figure 1 – Vehicle acquilition – Payment modalities1/



1/ The 2008 data refer to the 1st quater.

Figure 2 – Vehicles – Output and credit

12-month variation (%)



first quarter of 2008, for 35% of the new operations targeted to vehicle purchases, while the part related to the CDC modality corresponded to 31% of the total, against 10% and 47%, 2004. The major preference for leasing operations, observed in the latest years, were additionally stimulated by increasing of the Financial Operations Tax (IOF) on the direct financing to the consumer, since last January.

The increase in production and sales indicators of the automotive industry reflects, in a significant way, the upward trend of credit in this segment. This effect, illustrated on Graph 2, is enlarged while more favorable financing conditions foster a displacement of the demand in the automotive market, with increased search for vehicles, especially in the segment of used vehicles. As a result, the automotive market has registered consecutive records in production and sales reaching 300.6 thousand and 295 thousand units, respectively. The 12-month cumulative production summed up 3.2 million units in April. This represented 19.9% more than the total of the corresponding months in the previous year.

One should highlight that the upturn in activity of the automotive sector, even with the intensification of investments in the sector, has required increasing levels of installed capacity utilization. In this sense, the Installed Capacity Utilization Level (Nuci) index corresponding to the segment of transportation materials, which includes vehicle makers and the industries of automobile parts, reached 92.5% in May, against 86% in May 2007, while the indicator related to the Manufacturing Industry grew 1.2 p.p., to 85.6% in the period, highlighting the emergence of limits to the additional expansion of domestic supply – which has been supplemented by imports.