



BIT/2022/6 April 2022

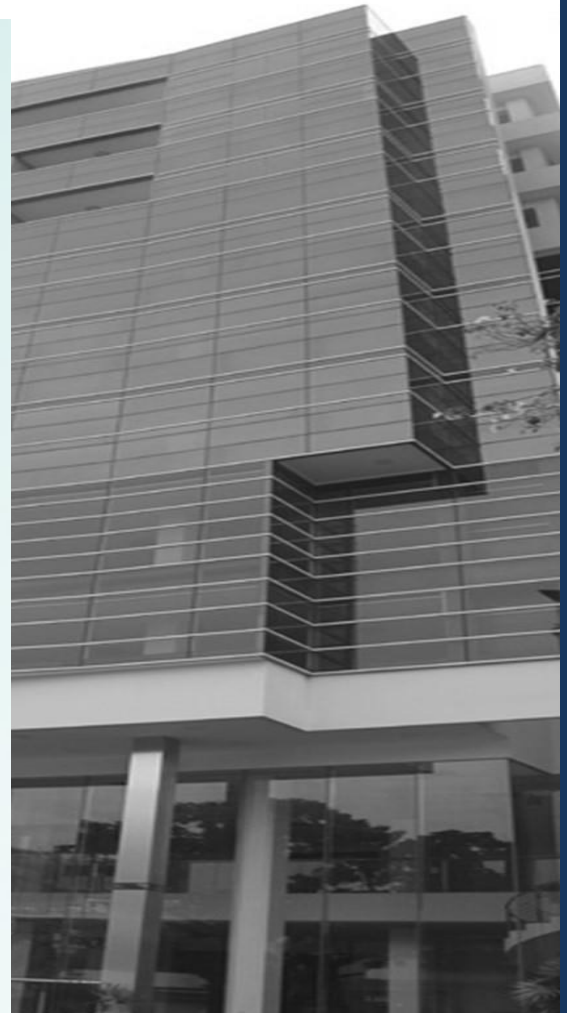
Rubber tyre market in Brazil and opportunities for Sri Lanka

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Introduction

Brazil's automotive tyre market is driven by increase in automotive production & sales across different vehicle segments and competition growth among tyre manufacturers. Recently, the automobile industry has been experiencing a rapid growth owing to speedy industrialization, which has led to an increase in the sale of commercial vehicles such as trucks, tractors, and trailers. In addition, rise in disposable income of people and improvements in standard of living are the factors that increase the sale of luxurious passenger cars and other types of such vehicles. Furthermore, sales of electrical vehicles are expected to increase as the Brazilian government promotes usage of electrical vehicles in the country to reduce usage of fossil fuel.

Brazil is the second largest tyre importer in Latin America after Mexico.

Brazil's Total sales of tyres 2015-2020

Total tyre sales in 2021 have grown by 9.6% compared to the sales in 2020. However, 2021 was still a year well below the pre-pandemic numbers, as sales averaged 4.5% lower compared to the years 2017, 2018 and 2019, since total tyre sales in Brazil closed at 56.7 million units when compared to the **average, 59.3 million tyres/units were sold during the period 2017-2019**. This decrease can be understood considering the decrease of sales of ride for automakers, which in 2019 was 10.6 million and in 2021, stood at 7.5 million.

Recent Trends

Brazil tyre market is expected to register a modest growth at a CAGR of 3.4% during the coming years. However, unstable sales of vehicles may impact the growth of the tyre industry in Brazil. **Brazil's automotive market was the fourth largest market globally with a volume of 3.8 million vehicle sales in 2012**. However, vehicle sales started falling and reached a low of 2.0 million in 2016 during the recession. A positive trend of sales was recorded in the country after 2016, and vehicle sales reached around 2.8 million in 2019. According to the statistics, the country produced about 2.7 million passenger cars in 2020 and vehicle sales amounted to 1.7 million units. Accordingly, the country is among the few major automotive markets which recorded positive growth in vehicle sales all across the globe.

Before the COVID-19 pandemic, the country recorded a flat level of sales. However, after the COVID-19 pandemic, like other countries a steep downfall in the vehicle sales as well as tyre sales was registered in Brazil. Nevertheless, the country witnesses a new opportunity for the tyre players due to its increase of export opportunities especially in the agricultural sector where agricultural exports has been recorded as USD 72 Bn with the growth of 20% (year to date – June 2020 to July 2021).

Further, companies from the neighboring Argentina are shifting their plants to Brazil due to the high inflation and interest rate. **Since 2020, major global companies as BASF, Axalta, and Saint-Gobain shifted a large part of their operations to Brazil**, influencing a considerable growth to the industrial sector of Brazil.

Key Tyre manufacturers in Brazil

According to the Brazilian National Association of Tyre Industries, **there are major 20 tyre industrial plants located in Brazil** owned by leading global manufacturers including Michelin, Goodyear, Bridgestone, Continentals, Pirelli etc. Most of the tyre plantations are located in the south of the country in the states of Sao Paulo, Rio de Janeiro, Paraná and Rio Grande do SUL.

These market players are significantly contributing to the market growth by adopting various strategies including mergers, & acquisitions, collaborations, new product launch, and geographical expansion, to stay competitive in the market.

Market segments

Brazil's tire market is segmented based on vehicle type, road application, construction, tire type, and sales channel. By vehicle type, the market is further segmented into passenger cars, light & medium commercial vehicles, heavy commercial vehicles, two-wheeler, and other. In general passenger cars represent a major market share.

In 2021, passenger tire sales for automakers in Brazil showed a slight increase of 3.4% compared to 2020. However, in comparison to 2019, the drop was almost 30%, showing that the segment has not yet recovered to pre-pandemic levels. **Total tyre sales for passenger vehicles/small cars recorded as 29.6 Mn units in 2021.**

Relating to sales of light commercial vehicles in Brazil 2021, the total number of tyres was recorded as 8.1 Mn units with a sales increase of 23% and 7% compared to 2020 and 2019 comparatively. Tyre sales of cargo types of vehicles in Brazil in 2021 recorded as 8.0Mn units with a sales increase of 10.6% and 8.7% compared to 2020 and 2019 comparatively. In 2021, sales of tyres for motorcycles registered as 9.6Mn units which are 1.4% decrease in sales compare to 2020 and -0.3% to 2019.

Exports & Imports of tyres

| Code | Product label | | Value in USD Mn | | | |
|-------------|---|---------|-----------------|---------|---------|--------|
| | | | 2018 | 2019 | 2020 | 2021 |
| 4011 & 4012 | Total | Exports | 1204.053 | 1224.72 | 924.459 | 1163.6 |
| | | Imports | 970.56 | 977.161 | 690.450 | 1161.7 |
| 4011 | New pneumatic tyres, of rubber | Exports | 1134.837 | 1153.79 | 855.562 | 1080.3 |
| | | Imports | 963.284 | 970.148 | 685.43 | 1155.6 |
| 4012 | Retreaded or used pneumatic tyres of rubber; solid or cushion tyres, tyre treads and tyre flaps | Exports | 69.216 | 70.933 | 68.897 | 83.326 |
| | | Imports | 7.276 | 7.013 | 5.02 | 6.034 |

Exports & Imports of Tyres in units in Mn by Brazil 2006-2020

According to the import & export data of rubber tyres, the trade balance is always in favour of Brazil. However, the value of imports of new pneumatic tyres has shown a surplus during the year 2021. On the other hand, **the number of imported tyres (unit) is always higher than the number of units exported by Brazil during the period 2006-2020.**

Total tyre imports to Brazil in details -2018-2021 USD Mn

| Code | Product Details | Imported value USD Mn | | | |
|----------------------------------|--|-----------------------|---------|---------|----------|
| | | 2018 | 2019 | 2020 | 2021 |
| Total Rubber Tyres 4011 & 4012 I | | 970.560 | 977.161 | 690.450 | 1161.663 |
| 401110 | New pneumatic tyres, of rubber, of a kind used for motor cars, incl. station wagons | 385.954 | 399.410 | 253.033 | 364.208 |
| 401120 | New pneumatic tyres, of rubber, of a kind used for buses and lorries | 280.596 | 267.573 | 149.682 | 342.680 |
| 401180 | New pneumatic tyres, of rubber, of a kind used on construction, mining or industrial handling | 141.176 | 159.160 | 163.604 | 206.093 |
| 401170 | New pneumatic tyres, of rubber, of a kind used on agricultural or forestry vehicles and machines | 40.705 | 32.312 | 29.490 | 104.127 |
| 401190 | New pneumatic tyres, of rubber (excl. of a kind used on agricultural, forestry, construction) | 53.444 | 52.998 | 41.879 | 63.954 |
| 401150 | New pneumatic tyres, of rubber, of a kind used for bicycles | 26.835 | 25.535 | 21.074 | 37.953 |

| | | | | | |
|--------|---|--------|--------|--------|--------|
| 401130 | New pneumatic tyres, of rubber, of a kind used for aircraft | 12.008 | 15.414 | 11.656 | 18.655 |
| 401140 | New pneumatic tyres, of rubber, of a kind used for motorcycles | 22.564 | 17.746 | 15.012 | 17.959 |
| 401290 | Solid or cushion tyres, interchangeable tyre treads and tyre flaps, of rubber | 7.276 | 7.013 | 5.020 | 6.004 |
| 401213 | Retreaded pneumatic tyres, of rubber, of a kind used on aircraft | 0.000 | 0.000 | 0.000 | 0.030 |

Duties and Taxes for Tyres in Brazil

| | |
|---|---------------------|
| MFN Duty Rate | – 16% (In general) |
| Internal tariffs – | |
| IPI (Tax on Industrial products) | - 11.25% |
| PIS (Contribution for Social Integration programme) | – 2.68% |
| COFINS (finance for social security tax) | – 12.35% |

Main competitors for tyres in Brazilian Market

When considering the tyre exports from Asia to the Brazilian market, **China is the major supplier with a share of 36% of the total imports**, while Japan represents 7.2%, India- 4.9%, Vietnam- 4.4%, Indonesia- 3.3%, Thailand- 2.9%, Malaysia- 2.6% and **Sri Lanka 0.7%**.

It is interesting to mention that **all leading countries enjoy the same import duty for New pneumatic tyres** in Brazil except Argentina, Mexico and Colombia as these countries enjoy duty free benefits under preferential trade agreements.

The export growth of these countries in the Brazilian market, Malaysia shows a remarkable growth of over 300% during the last five years, followed by Indonesia and India with 26%. Vietnam also shows 7% growth while **Sri Lanka shows 3% export growth**.

Sri Lanka is the major supplier for Retreaded or used pneumatic tyres of rubber; solid or cushion tyres in the Brazilian Market with over 30% of market share. However, Sri Lanka's market share shows a decreasing trend during the period of last 5 years.

Market Opportunities for Sri Lanka

Brazil is home to one of the most prominent automotive markets. Serving a population of 210+ million people, the South American nation ranks **as the sixth largest car market globally**, based on new vehicle registrations. The country does not only stand out for its high demand for vehicles, but also it is amongst the ten leading passenger vehicle manufacturers worldwide.

Currently, the Brazilian automotive industry has a production capacity of about 66% of South American automotive production. Brazil produced about 2.7 million passenger cars and vehicle sales amounted to 1.7 million units in 2020. Fiat, Chrysler Automobiles, General Motors, Renault-Nissan partnership, and Volkswagen Group are some of the leading manufacturers in the light vehicle segment, based on market share.

Following the effects of the Covid 19 pandemic, the industry has been witnessing positive growth in the demand and sales of vehicles due to the improvement of the economic indexes directly influencing consumer confidence along with increased credit availability to support the country's light-vehicle market, growing investment in the country and strong export demand from the South American countries. Accordingly, a promising demand for tyres for light vehicles, agricultural & industrial vehicles, as well as for bicycles and motorcycle tyres can be seen in the Brazilian market.

Opportunities for Market interaction

EXPOBAR is a leading International Rubber Technology Show in Brazil, organized in biennial by the Brazilian Association of the Rubber Articles Industry (ABIARD) together with the Brazilian Rubber Technology Association (ABTB) and the Sao Paulo's Association of Natural Rubber Producers and Processing Plants (APABOR). www.expobor.com.br/en-gb

The 12th show in 2018 was exhibited by 170 companies including 70 tyre exhibitors. During the EXPOBOR there is a separate show ``PNEU`` is held exclusively for Rubber tyres.

The key international exhibitors represented by the USA, China, Germany, Columbia, Taiwan, Poland and Italy participated at the 2018 show. The show was marked by 8,600 visitors from Brazil and other countries which was a 30% increase compared to the show in 2016. The 2020 show was cancelled due to the pandemic and the 2022 show will be held during 22-24 June in Sao Paulo, Brazil.



``EXPOBOR`` provides a good platform for international companies who seek market access to Brazil.

Sources:

01. ITC Trade Map –Data Extracted 10-03-2022
02. Brazilian National Association of Tire Industries (ANIP)
03. Ministry of Trade Brazil (<https://www.gov.br/mre/en>)
04. Brazilian Institute of Geography and Statistics (IBGE)
05. Brazilian Development Bank (BNEDS)

Acknowledgment of Content Contribution:

Commercial Division, Sri Lanka Embassy, Brazil

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