



Brazilian Automotive Production July Results Bode Recovery

As one of the most important thermometers for the fastener industry, the Brazilian automotive vehicle production, in the first half of 2020, had a giant fall due to the pandemic, but the restart of industrial activities has returned some hope for the end of 2020 less disastrous than estimated in several economic analyses. Normally, the ideal way would be to show just the first half year, however it became essential to include July 2020 because it was the last complete month with normal activities in Brazil, since February.

Of course, the Covid-19 impact hit everybody, and the last result has shown a partial recovery. That is not a miracle, but already is a light at the end of a tunnel.

According to the Anfavea (the Brazilian Automotive Industry Association), the January-July 2020 period ended with 847,784 cars/light commercial vehicles produced (1,658,279 units in the same period of 2019 / down 48.8%); 41,617 trucks (66,314 units / down 37.25%); 10,211 buses (16,794 units / down 38.80%) and 24,691 agricultural/road machinery (30,875 units / down 20.03%).

Regarding the motorcycles sector, in the first seven months Brazil produced 490,137 units (628,818 units / down 22.06%), according to the Abraciclo (the Brazilian Motorcycle Industry Association).

THE BRAZILIAN AUTOMOTIVE PRODUCTION 2019 - 2020

	Cars/light commercial vehicles		Trucks		Buses		Motorcycles		Agricultural/road machinery	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Jan.	190,415	183,136	6,811	7,169	1,919	1,426	83,920	100,292	2,906	2,941
Feb.	245,782	192,516	9,631	9,131	2,526	2,556	101,305	94,442	3,448	3,585
Mar.	230,773	179,560	8,319	8,406	1,671	1,992	91,535	102,865	4,462	4,271
Apr.	255,351	1,048	9,412	403	2,798	396	91,226	1,679	4,418	1,820
May	261,742	37,807	11,230	4,054	2,775	1,219	100,998	14,809	5,072	3,649
Jun.	220,782	91,487	9,993	5,634	2,375	1,385	68,121	78,130	4,418	3,319
Jul.	253,434	162,230	10,918	6,820	2,640	1,237	91,713	97,920	6,151	5,106
Aug.	256,360		10,732		2,666		114,738		5,593	
Sep.	234,636		10,406		2,413		92,894		4,795	
Oct.	274,583		11,286		2,650		109,118		5,189	
Nov.	216,645		8,764		2,046		93,128		4,386	
Dec.	163,338		5,974		1,192		69,062		2,287	
Total Jan-Jul.	1,658,279	847,784	66,314	41,617	16,794	10,211	628,818	490,137	30,875	24,691
		-48.80%		-37.25%		-38.80%		-22.06%		-20.03%

Sources: Anfavea/ Abraciclo

Steel Production Decreased 17.9%

The crude steel production in Brazil fell 17.9% in the first half of 2020 compared to the same period in 2019, while domestic sales suffered about 10.5% drop from January to June, the same decreasing percentage of apparent consumption (-10.5%). Exports decreased 8.1% and imports decreased 17.0%.

The sector's negative performance in the 1st half of 2020 is likely due to the pandemic. However, the figures for June in relation to May were already the best, reflecting the beginning of a recovery path.

Domestic steel sales in June showed an increase of 29.6% compared to the previous month, while consumption was below 29.4% and an increase of 14.5%. Steel production in June, however, fell by 5.0% over the previous month.

Currently operating at only 48.5% of its installed capacity, that sector has 32 blast furnaces, but 10 of them are paralyzed. In the domestic market, the sector's expectation is that infrastructure and civil construction projects will be the main drivers for consumption of steel products.

Shock Absorber Nuts Induce T-Cross for Recall

A recall involving Volkswagen vehicles T-Cross, model 2020 started since July 2020. In a press release, Volkswagen Brazil reports that the possibility of fixing the upper nuts for fixing the belts on the front shock absorbers was found. The loosening of these components causes noise in the suspension and, in the case of continual use in this condition, a nut and a buckle can come loose, compromising the stability of the vehicle causing physical harm and fatality to the occupants of the vehicle. Such repair implies the replacement of nuts and application of chemical lock.

New Recall Involving Bicycle Crank

The Procon-SP (the local consumer protection entity) published in July 2020 a recall for failure in fastening on bicycle crank, from SIRRUS and SIRRUS X models, sold between 2019 and 2020. The responsible company is Specialized Brazil, which must provide any clarifications that are necessary, as determined by the law. In the statement, the company informs that the cranks may not have been fastened according to the factory specifications, which may come loose and result in a sudden loss of control and cause accidents.

Gerdau Gained Profit in Q2



Entering the 120th year from its founding (1901), Gerdau is the largest Brazilian steel producer and one of the main suppliers of long steel in the Americas and special steel in the world. Present in 10 countries with more than 30 thousand direct and indirect employees in all of its operations, Gerdau's shares are listed on São Paulo (B3), New York (NYSE) and Madrid (Latibex) stock exchanges.

The company ended the second quarter (Q2) 2020 with adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) around R\$ 1.3 billion, with an EBITDA margin of 15.1%. The result was influenced by the gradual recovery of steel consumption levels in Brazil, after the impacts caused by the Covid-19 pandemic. In Q2, the sales of long steel rose 10% over Q1, thanks to the resilience from building construction and exports.



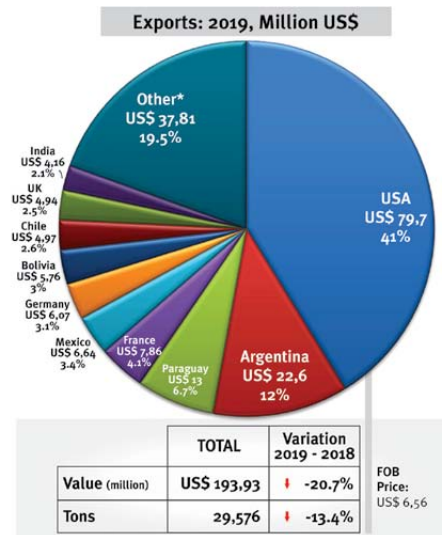
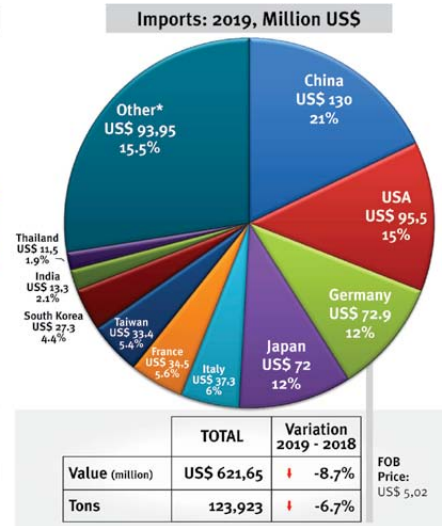
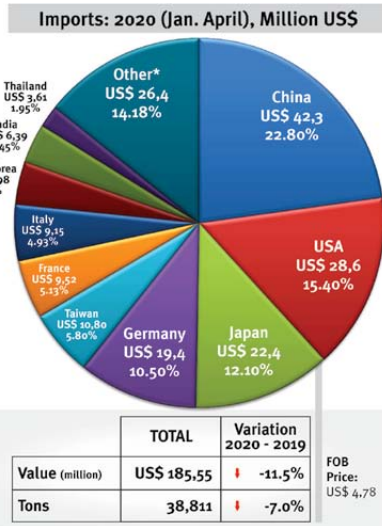
Made in / Made out- Some Recent Comparisons and Results About Brazil as a Fastener Importer and Exporter

Between January and April 2020, Brazil imported around 38,800 tons of fasteners (bolts, screws, nuts, rivets, nails and others in iron, steel, copper, or aluminium). The metallic items "made out of Brazil" cost more than US\$ 185 million during that period (11.5% lower than the same period in 2019). Among the top five supply countries were, China: US\$ 42.3 million; USA: US\$ 28.6 million; Japan: US\$ 22.4 million; Germany: US\$ 19.4 million, and Taiwan: US\$ 10.8 million.

Throughout 2019, the total imports hit US\$ 621.65 million (8.7% lower than 2018), accumulating 123.9 thousand tons (6.7% lower than 2018). The top five export countries were, China: US\$ 130 million; USA: US\$ 95.5 million; Germany: US\$ 72.9 million; Japan: US\$ 72 million and Italy: US\$ 37.3 million.

On another note, in the same four months of 2020, the fasteners "Made in Brazil" achieved 6,726 tons on export (33.1% lower than the same period in 2019), totalling a revenue of US\$ 45.42 million (30.8% lower than the same period of 2019), in which China bought only US\$ 233 thousand (0.51%). The top five Brazilian customers were the USA: US\$ 20.6 million; Argentina: US\$ 5.71 million; Paraguay: US\$ 2.8 million; France: US\$ 2.11 million; and Mexico: US\$ 1.87 million.

During 2019, Brazilian fastener export revenue reached US\$ 193.93 million (20.7% lower than 2018), accumulating to 29,576 tons (13.4% lower than 2018). The top five customers were the USA: US\$ 79.7 million; Argentina: US\$ 22.6 million; Paraguay: US\$ 13 million; France: US\$ 7.86 million; and Mexico: US\$ 6.64 million.



Source: The Brazilian Ministry of Industry, Foreign Trade and Services

*Info: In the infographics there are some discrepancies in percentage, due to added values conditions.



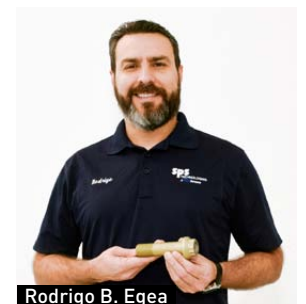
Belenus Acquires the Tellep Brand

On May 29, 2020, the Belenus S/A (Vinhedo town, SP State) reported the official acquisition of Tellep, a renowned fastener brand owned by Metalac SPS Ind. e Com. Ltda. (Sorocaba, SP), a Precision Castparts Corp member group. The brand offers a line of hexagon socket screws with several head kinds (cylindrical, flat, bulging and others), made to application in fastening systems with high resistance demand.



"We are so proud and optimistic about this important investment that will bring great know-how and high quality for us and will be more solid and complete the name of Belenus on the fastener market. Meanwhile, we are going to keep the trading of Tellep lines produced by Metalac. Soon, we will start a process involving technology and knowledge transfer for us and get all conditions to produce in our modern industrial plant," told Ezio Ruocco Jr., the Belenus Vice-President.

"The sale involves brand, technology transfer and current stocks, not including other assets, such as machinery and tooling. Tellep sale is totally aligned with Metalac business strategy which consists of growing business in the automotive industry, local and overseas, as well as settle the presence in the aerospace sector, both with ongoing investments despite the Covid-19 crisis", said, Rodrigo B. Egea, the Metalac General Manager.





Personal Watercraft Announced Recall Caused by Fasteners

In the end of February 2020, the BRP Brazil Motorsports started a recall involving personal watercraft models, from Sea-Doo brand, due to the risk of a fastening on a grid coming loose while in use.

According to the BRP, if this vehicle was at a speed greater than 88 km/h (55 MPH) without its grid at the structure the driver may get problems to keep the control. The occupants can be ejected, resulting in serious injury or even death.

The Sea-Doo series involve three models: GTX, RXT and Wake PRO, model 2019 and equipped with engines 230 or 300 HP. The maintenance demands a replacement of the grid and the fasteners.

Vonder Launches Socket Ratchet with Telescopic Handle and Hinged Head

A tool for use in tightening and removing bolts and hex nuts, the "socket ratchet, 1/2 fit", telescopic, hinged head from Vonder provides greater agility and ease in fastening work due to its easy action in difficult spots. Made of chrome vanadium steel, it has greater resistance and durability, with a rubberized handle and 450 mm total ratchet length.



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