

Latin America Passenger Car Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

Market Report | 2023-01-23 | 90 pages | Mordor Intelligence

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Report description:

Currently, the Latin America Passenger Car Market is valued at USD 129.14 billion, and it is expected to reach USD 161.74 billion in the next five years at a CAGR of 4.61% during the forecast period.

The Latin American passenger car market is recovering at a steady pace after most of the countries were strongly affected by currency deviation, economic crisis, and COVID-19. The overall passenger car market was boosted by the Mexican market, which accounts for the major market share in terms of exports, production, and sales.

The Latin American market slowly recovered from the pandemic, with an overall market of 2.21 million vehicles in H1 2021. Although it continues to have an impact on the region's economies, the vehicle market saw a 35% increase in sales compared to the first half of last year. Stellaris was able to lead and capture a 20% market share in this environment.

In terms of unit sales, Brazil is by far the largest market for passenger cars in Latin America. More than 1.5 million cars were expected to be sold in Brazil last year. Mexico came in second, with approximately 520,110 thousand cars sold last year.

Key Highlights

With the increasing penetration of the internet and smartphones in the Latin American (LATAM) region, OEMs are finding innovative ways to connect with consumers and are focusing on offering e-commerce platforms and new service models. E-commerce is expected to have a significant positive impact on the automotive aftermarket. This leads to the optimization of services and growth in the sales of automotive parts. For instance, in October 2022, BYD, the leading Chinese new energy vehicle (NEV) manufacturer, formed a partnership with Saga Group, Brazil's largest dealer group, and their first cooperative store opened in Brasilia, Brazil's capital.

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Latin America Passenger Car Market Trends

Zero Emission Vehicles Gaining Traction in Latin America

Although the passenger car industry in Latin America is dominated by gasoline, ethanol-driven cars recorded good sales during the last three years.

Electric vehicles (EVs⁴) are being adopted in some Latin American passenger car markets. Due to their larger market sizes, Mexico and Brazil have higher EV sales but lower market shares. Among Latin American countries, Mexico is the only ZEVTC member. In Latin America, as in other developing regions, electric passenger car adoption is still in its early stages. Major EV players are trying to enter the market in Brazil.

For instance, in November 2022, BYD Co. Ltd, a Chinese automaker, announced that it would begin selling two new electric vehicle models in Brazil, banking on positive political and environmental developments in Latin America's largest vehicle market.

International financial agencies and development organizations such as the Global Environment Facility (GEF), the United Nations (UN), the National Finance Corporation (CFN), the Central American Bank for Economic Integration, and the European Union have provided financial and technical assistance to Latin American countries for ZEV transitions. Over the last five years, these organizations have provided non-profit funding of USD 7.4 million and a loan of USD 7.6 million to at least six countries for technical and financial feasibility studies of electric vehicles, fleet deployment, and policy interventions and demonstration projects. Non-profit funding ranges from USD 40,000 to USD 2.4 million per country, depending on the area of intervention.

The current level of international support falls far short of what is required to enable non-ZEVTC countries in the region to leapfrog to ZEVs. A five-year goal of increasing cumulative ZEV sales to 10% of 2020 passenger vehicle, bus, and 2 and 3-wheeler sales would necessitate funding at a rate of USD 30 per kWh¹¹ of battery capacity, or approximately USD 1.1 billion. This is a rough estimate, but it demonstrates the disparity between existing and needed international assistance. The funding could be used for a variety of purposes, including, but not limited to, technical assistance, policy interventions, R&D, infrastructure, financial incentives, localization of the ZEV value chain, and loan service to help Latin America leapfrog ZEVs.

Recovering Automotive Industries in Brazil, Argentina, and Peru

The Latin American market has enormous potential for the automotive industry as car ownership is low in the region, and disposable incomes are growing faster than in the Asia-Pacific region. The automotive industry experienced healthy growth. In terms of unit sales, Brazil was the largest market last year. Mexico came in second, with approximately 520,110 thousand cars sold that year.

Brazil has traditionally used protectionist policies as part of its Inovar Auto Policy to protect domestic automakers from imports by offering tax breaks and other incentives. However, the policy's impact was boosted by increased domestic competitiveness and a decrease in imports. The policy made no provision for export promotion, which harmed the industry when domestic demand fell.

Moreover, major players are indulging in collaboration with finance companies in Brazil to provide financial support to the customers and support the growth of the market in the coming years. For instance, in October 2022, BYD, the Chinese new energy

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vehicle and battery giant, formally signed a strategic cooperation agreement with Santander's Brazilian division, a domestic auto finance industry leader.

Argentina is the Brazilian auto industry's largest export market, but sales have dropped due to the Argentine economy's downturn. In September 2019, Brazil and Argentina renewed their auto trade agreement, allowing increased Brazilian exports to its neighbor through 2029 but postponing free trade in motor vehicles for the next decade.

Furthermore, Peru has experienced rapid economic growth over the last five years and is poised to become one of Latin America's leading automotive players. This is due to factors such as Peru's open market strategy, which has resulted in the establishment of new free trade agreements (FTAs) with Asian countries, the Association of Southeast Asian Nations (ASEAN), and North America.

Several major automakers, including General Motors, Subaru, and Land Rover, have made investments in the Latin American market. Furthermore, with the implementation of new vehicle tax breaks, automobile sales are expected to skyrocket.

Latin America Passenger Car Market Competitor Analysis

Some of the major manufacturers in the market include Nissan-Renault, General Motors, Volkswagen AG, FCA Group, Hyundai-Kia, Toyota Motor Corporation, and Ford. Further ongoing plant expansion, mergers, and acquisitions between the vehicle manufacturer are witnessing major market growth.

For instance, in November 2022, BYD signed a letter of intent with the State of Bahia to take over Ford's Camacari plant facility in order to establish three new assembly lines. The government claims that BYD would invest BRL 3 billion to produce fully electric buses, trucks, and passenger cars in addition to electric and hybrid vehicles and a unit for processing lithium and iron phosphate. Additionally, in July 2022, Hyundai announced a BRL 200 million investment in the Piracicaba plant in Brazil to renew its HB20 compact range, just as the hatchback is becoming the country's best-selling passenger car.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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