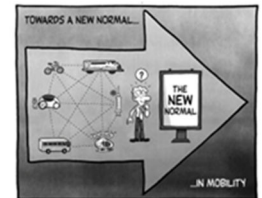
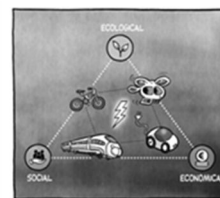


FUTURE OF THE AUTOMOTIVE INDUSTRY



Theses on the status quo and future development of the Brazilian automotive market

In 2024, Brazil ranked eighth among the world's largest automobile producers and was also the sixth-largest automobile market with sales of 2.48 million vehicles (passenger cars and light commercial vehicles, ANFAVEA 2025; Global Data 2025). The Brazilian automotive market slumped sharply during the COVID-19 pandemic and has not yet returned to its pre-coronavirus level of over three million vehicles sold annually.

As Brazil does not have any independent, internationally competitive automobile manufacturers of national origin, the Brazilian automobile market is dominated by international corporations such as Stellantis, Volkswagen, and General Motors. These companies have been present in the country for decades with their own production facilities and have an established brand image and extensive experience in the local market. They are making great efforts to revitalize and reactivate the local market, which, with a car density of only 206 vehicles per 1,000 inhabitants (as of 2025), still has considerable growth potential in international comparison.

Against this backdrop, questions arise as to how the Brazilian automotive market will develop in the future, what role electric mobility could play in this, and how increasing competition from Chinese manufacturers will influence the market structure. Here are four theories¹.

Thesis 1: The Brazilian automotive market is recovering – but slowly

The Brazilian market is gradually recovering after the slump caused by the COVID-19 pandemic. It is recovering, but only slowly. A return to the economic level seen before the pandemic is not expected

¹ The theses are based on discussions held by the Chair of Business Administration and International Automotive Management at the University of Duisburg-Essen in Brazil with, among others, managers from a German car manufacturer, the Brazilian automotive association ANFAVEA, and colleagues at the universities of Sao Paulo and Florianópolis.

until the end of the 2020s. A market volume of approximately 3.4 million vehicles is forecast for Brazil in 2035 (ANFAVEA 2025; Global Data 2025).

Despite the current challenges, the Brazilian automotive industry is regaining momentum, mainly due to rising demand in the Argentine market and increasing exports to Mexico and Colombia. On the other hand, integration efforts within the South American free trade zone MERCOSUR (Mercado Común del Sur), which includes Brazil, Argentina, Uruguay, Paraguay, Bolivia, and Venezuela, are stagnating. Additional uncertainties arise from the increased US tariffs on Brazilian exports introduced in August 2025 and the countermeasures expected by the Brazilian government in the form of retaliatory tariffs.

Thesis 2: Electric mobility is on the rise in Brazil – but only slowly

Given the still inadequate power infrastructure and the geographical size of the country, Brazil is not currently a relevant market for electric mobility. Although electric vehicles are already available in the major metropolitan areas, there are still considerable deficits in the infrastructure. Charging stations are often defective, damaged, or stolen, and in many places, there is a lack of technical service and reliable maintenance. In large residential complexes, the lack of individual electricity meters also prevents the installation of private wall boxes, which further complicates the development of a private charging infrastructure.

Against the backdrop of the still limited spread of electric mobility, so-called flex-fuel engines, which can run on both gasoline and ethanol from domestic sugar cane, continue to dominate in Brazil. Between 2015 and 2023, this technology accounted for over 90% of new car registrations. Despite the increasing market share of electric vehicles – according to the Economist Intelligence Unit (2024) 4% of the passenger car fleet, according to ANFAVEA (2025) 9% of all vehicles – flex-fuel technology is still considered the Brazilian approach to more climate-friendly mobility, which is being promoted and supported by the government's new "MOVER Program."

A key advantage of this type of drive is its cost efficiency: the fuel mixture is controlled by a so-called "Software Fuel Sensor" (SFS), which automatically detects the fuel ratio used with the aid of integrated probes. An internal algorithm continuously calculates the most economical mixture ratio without the need for additional hardware sensors.

However, the market share of so-called "Brazilian hybrid vehicles," which use a combination of electric drive and flex-fuel technology, is expected to increase in the future. This drive configuration combines the advantages of electrified mobility with the established use of ethanol in Brazil, thus offering a locally adapted, climate-friendly alternative to purely battery-electric vehicles.

Thesis 3: Traditional car manufacturers are coming under increasing pressure in Brazil

Traditional (primarily Western) automobile manufacturers will struggle with declining market shares over the next ten years as competition from new market entrants, particularly from China, increases.

New brands are aggressively entering the Brazilian market and are characterized by competitive prices in the economy and non-premium segments. The new competitors are using state-of-the-art technologies in terms of advanced connectivity and infotainment to compete with the established brands.

Traditional automakers in Brazil continue to produce predominantly low-cost but technologically outdated vehicles, with components that are largely manufactured locally. This strategy is based on the comparatively low per capita income in the Brazilian emerging market and government guidelines. Chinese manufacturer BYD criticizes this business model and provocatively describes the established suppliers as “dinosaurs” who “have just seen a meteor in the sky” (Schaal, 2025) – a metaphor for impending extinction due to technological backwardness and a lack of innovation.

Thesis 4: Chinese manufacturers: Unclear outlook, but not to be underestimated

The confidence of Chinese car manufacturers stems primarily from their strong market growth in Brazil. Sales figures have grown from 42,000 vehicles in 2023 to 120,000 in 2024, representing an increase of 187%. Forecasts by GlobalData and ANFAVEA for 2030 predict sales of nearly 300,000 vehicles for Chinese manufacturers (GlobalData 2025; ANFAVEA 2025).

Nevertheless, Chinese companies are often perceived as “masters of announcements.” Chery, for example, wants to resume production in Brazil. Geely plans to use the Renault factory in southern Brazil, in which the company holds a 26.4% stake, and has been selling Geely vehicles through the Renault distribution network since 2025. BYD intends to set up vehicle production and battery manufacturing at the former Ford factory in Bahia, while Great Wall has acquired a former Mercedes factory.

However, the long-term competitiveness of Chinese manufacturers on the Brazilian market will depend largely on the extent to which they are willing and able to meet the same requirements as established suppliers, in particular the requirement for a local content share of at least 70%. Only when this threshold is reached will it become clear whether the Chinese newcomers can actually gain sustainable market share. Until now, many manufacturers have mainly imported completely or partially knocked-down vehicles (CKD or SKD) from China, which are imported under special conditions with regard to taxes and customs duties. However, these concessions were only granted temporarily by the Lula administration to encourage investment from friendly BRICS countries and promote innovation in Brazil.

Literature

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