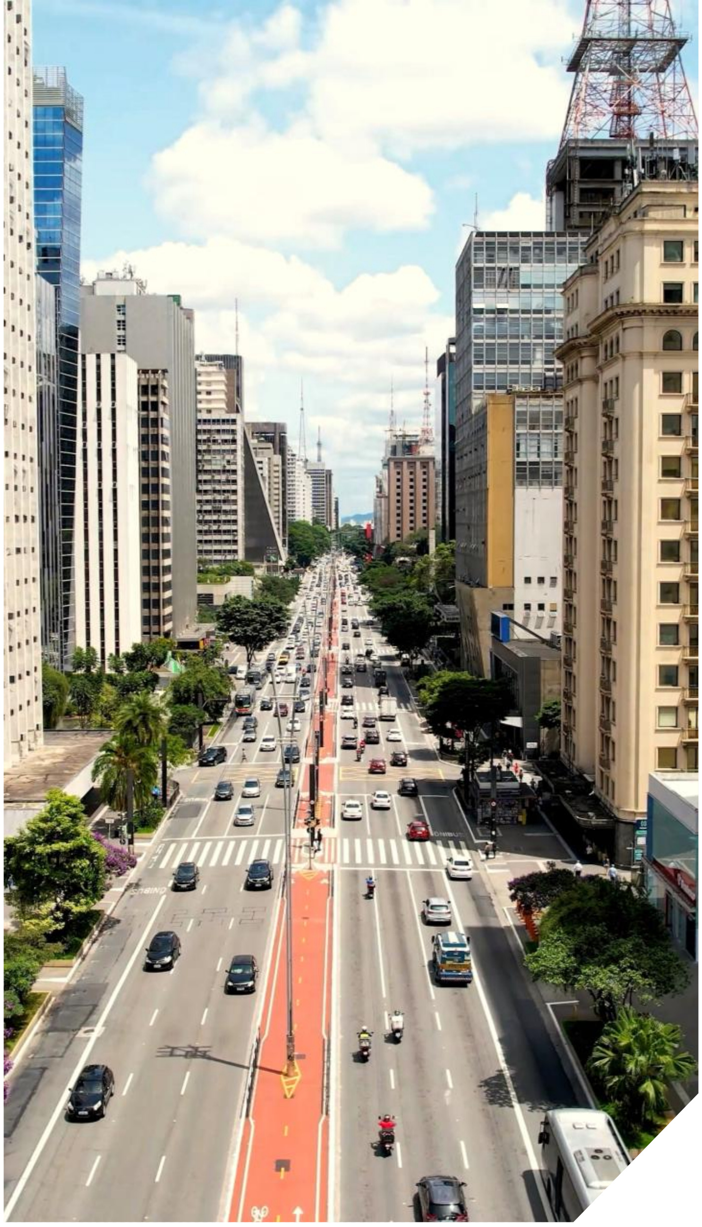
BRAZIL AUTO: HURRY UP! THE GROUND IS SHIFTING



Traditional OEMs face increasing pressure worldwide from high costs, lengthy development cycles, labor constraints, and the rapid expansion of Chinese automakers. In Brazil, two additional factors are accelerating this transformation: a relatively open regulatory environment and consumers who are highly receptive to innovation.

In our previous article, we highlighted both the challenges and opportunities shaping the Brazilian automotive market. One year later, the pace of change has accelerated significantly. Beyond the numbers, the transformation is visible on the streets, in dealership networks, and in consumers' purchasing decisions.

Regulations related to SKD and CKD assembly operations have become more flexible, import taxes have done little to slow the growth of imported vehicle sales, and the number of Chinese brands entering the market continues to increase at an unprecedented pace. New brand and model names are appearing so frequently that consumers, journalists, and industry observers find themselves engaged in ongoing memory exercise.

After a modest 2.6% growth in passenger and light commercial vehicle sales in 2025, 2026 has brought a completely different dynamic. Through August, the Brazilian automotive market has expanded by 19%. If this trajectory continues through year-end, annual vehicle sales will surpass pre-COVID levels for the first time.

However, this growth cannot be attributed to a single factor. Instead, it reflects a combination of forces, including:

The **Sustainable car Program** and **Move Brasil Program**, a federal initiative reducing tax and facilitating vehicle financing.

- The rapid expansion of electrified vehicles.
- The arrival of new Chinese brands and models.
- Improved consumer confidence.
- The strong value proposition offered by Chinese manufacturers, particularly in terms of pricing, technology, and equipment levels.

Chinese Brands Have Moved Beyond the Entry Stage

The expansion of Chinese automakers in Brazil is no longer an emerging trend. It is now a significant market reality.

In 2025, Chinese brands accounted for 9.6% of market share. By August 2026, they represented 21% of monthly sales and approximately 18% year-to-date.

Chinese OEMs have established leadership positions in EV, HEV, and PHEV segments thanks to a combination of competitive pricing, advanced technology, and high perceived quality. As a result, traditional manufacturers have been forced to react. Strategic partnerships, SKD and CKD operations, badge-engineered products, and accelerated hybrid development programs have become increasingly common responses.

The Brazilian consumer is experiencing what could be called the **fourth wave of automotive chairs dancing**:

- The arrival of European brands.
- The expansion of Japanese brands.
- The growth of other Asian manufacturers.
- The rise of Chinese automakers.

Yet this fourth wave differs from the previous ones.

This Is Not Only a Brand Transition. It Is a Powertrain Revolution.

The current transformation goes far beyond new designs, body styles, features, or brand positioning.

It marks the beginning of a new propulsion era.

Electrification is no longer restricted to premium or niche segments. New technologies are becoming accessible across multiple vehicle categories and income groups.

In a country where personal mobility plays a central role in daily life, fuel expenditure remains one of the most important components of household budgets. Consumers are increasingly attracted by technologies that reduce operating costs, especially when combined with affordable financing and competitive pricing.

Ipsos Navigator study shows that customers "reasons to buy" a BEV model is 32% by economy and 29% by appearance. However, for PHEV customers, engines represent 43% and economy 28%.

Innovation Cycles Are Accelerating Dramatically

The market is being reshaped by a continuous stream of product launches.

Almost every quarter brings a new Chinese brand to Brazil, while multiple new models are introduced each month.

Industry pioneers such as BYD and GWM have recently launched flex-hybrid technologies adapted to local market conditions, joining established innovators such as Toyota and Stellantis. Meanwhile, several traditional automakers still do not offer comparable technologies in Brazil.

The impact is already visible:

- **One out of every four new vehicles sold in August 2026 was electrified.**
- **Ten of the Top 15 EV brands are Chinese.**
- **Nine of the Top 15 hybrid brands (HEV, PHEV, and MHEV) are Chinese.**
- **Electrified vehicle sales increased by 134% versus 2025 between January and August.**

These figures illustrate not only market growth but also a significant shift in consumer preferences. The Ipsos Navigator study shows that hybrid vehicle (HEV) customers prioritize brand (32%) and engine (24%), reinforcing recent moves by BYD and GWM in this regard.

The Used-Car Market Is Becoming a Hidden Casualty

The effects of this transformation extend beyond new vehicle sales.

Brazil's used-car market has recently slowed and, in some segments, entered negative territory. Vehicles priced around BRL 100,000 (approximately USD 19,000) and above are experiencing declining residual values and longer inventory turnover periods.

This trend is largely driven by:

- Aggressive pricing strategies from Chinese manufacturers.
- Price repositioning by traditional OEMs.
- The addition of new technologies and features in new vehicle offerings.

As new vehicles become more competitive and technologically advanced, the attractiveness of used vehicles diminishes, placing downward pressure on resale values.

Where Does It End?

Predicting the final outcome remains difficult.

While the number of brands and models available in Brazil continues to expand rapidly, sales volumes are not growing at the same pace. The market simply may not be large enough to sustain every participant unless demand expands substantially.

As competition intensifies, some brands may struggle to achieve break-even volumes or long-term profitability. Others may reposition themselves toward niche segments, operating through import-based models, partial localization strategies, or specialized product portfolios.

What is already clear, however, is that Brazil's automotive industry is entering one of the most transformative periods in its history.

For manufacturers, success will depend on building flexible strategies capable of responding to rapidly evolving consumer expectations and market conditions.

Understanding consumer behavior, identifying emerging needs, and monitoring competitive dynamics are becoming critical capabilities rather than optional investments.

At **Ipsos**, we help manufacturers navigate these transformations through robust consumer and market intelligence, enabling more informed products, brand, and business decisions in an increasingly complex automotive landscape.

Endnotes:

1. RENAVAN – National Registry of Motor Vehicles – August 2026

2. IBV Auto - Banco BV price index

3. NAVIGATOR – Ipsos study - February through March 2026

THANK YOU

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