Argentina

Capital:	Buenos Aires
Population:	40,301,927
GDP:*	$691.054 billion
Currency:	Peso (ARS)
Language:	Spanish

Summary

Argentina has a well-established domestic automotive industry that was started in the mid 1950's through the importation of used plants and machine tools from the United States. U.S. exporters interested in the Argentina automotive market will find it a challenging market to penetrate. Argentina is primarily a closed market in the automotive sector due to the Bilateral Auto Pact between Brazil and Argentina. The automobiles manufactured in Argentina (and Brazil) are European-designed subcompacts and automotive parts brought into the country from other sources other than Brazil are subject to high import duties.

Market Entry

Argentina and its MERCOSUR partners established a common external tariff (CET) on goods originating in non-member countries that currently ranges from zero to 20 percent for most products. However, some categories of goods, such as automobiles, have a CET of up to 35 percent.

Certain types of special vehicles, and automobiles to be used as prototypes also require government approval prior to import into Argentina.

Current Market Trends

Overwhelmingly, Argentines prefer manual transmissions, which account for more than 90 percent of cars sold. As for engine size, 85 percent of cars in Argentina have a cylinder capacity between 1.2 and 2 liters. But this is changing gradually. Although small cars remain the most popular type of car in Argentina representing 73 percent of all new registrations in 2007, the appeal of larger-sized mini-vans is also increasing. In 2007, the Brazil-designed Ford Eco Sport mono-space was the third most sold vehicle in Argentina. There are only a few late model U.S. vehicles on the roads in Argentina. Some models however, such as the Jeep, sell relatively well in this market. Typically, the types of cars purchased in Argentina contrast sharply with the models popular in the U.S. Of the 4.5 million cars on the road today, 85 percent are of European origin (design), Japan 5 percent and Korea 4 percent.

Main Competitors

At present, nine OEMs are active in Argentina, producing automobiles and trucks of European design. In 1991, Argentina and Brazil signed the "Automotive Industry Cooperation Agreement" which allows for the integration of production but limits imports of automobiles and parts from third countries. The nine local manufacturers are FIAT with 5.6 percent of the market, Ford 12.8, General Motors 20.1, Iveco 1.0, Daimler Chrysler 5.6, Peugeot-Citroen 28.5, Renault 12.5, Toyota 11.4 and Volkswagen 7.9. In 2007 they produced 500,000 units of which approximately 60 percent is exported, mainly to other countries in the region. Annual sales, of locally made plus vehicles imported from Brazil reached 570,000 in 2007. 65 percent of the new cars sold in Argentina are imported, of which 95 percent originate in Brazil. The market for used automobiles is unusually high when you consider the total size of the market: it reached one million in 2007. One of the reasons is the delay in the delivery of new cars.

Current Demand

Best prospects for high performance and or tuning products, are wheels, exhaust systems, suspension systems, lights and body parts which, as indicated above, are adequately supplied by Argentine and Brazilian manufacturers. It is important to bear in mind that Brazilian imports enter Argentina free of duties because of the MERCOSUR customs agreement. This competitive advantage places Brazil as Argentina's single largest supplier for this type of equipment, after Asia.

Regarding the market for parts in general, the average vehicle lifespan in Argentina ranges from 10 to 15 years. Low-end buyers, who strongly favour third party rather than OEM products, dominate the market for replacement parts. More and more parts are manufactured locally or in Brazil. Aftermarket parts imports consist, again, of low cost Asian imports or high quality hoses, belts, filters, batteries, light bulbs, brake pads, a/c compressors, air bag systems and other electronic from the U.S. and Europe.

Some selected U.S. brands have a solid reputation in Argentina, yet the market presence of American auto accessories is low. This situation is not only due to the resulting high landed costs, but also to the small size of the import market. On-line advertising and shopping for cars and auto accessories is an established practice. U.S. companies offering on-line shopping options will have an added advantage of capturing some business in Argentina. This has cost advantages to individual buyers compared to purchasing locally since as a rule, customs procedures for packages received via the international mail are easier.

Another category to be considered is commercial trucks. There is a growing interest in truck accessories and enhancements, such as chrome wheel covers, spoilers, horns, trucker comforts, gadgets and stylish add-ons.

Barriers

Used automobiles, parts or components cannot be imported into Argentina. Restrictions have always existed, historically, on imported automobiles.

Available Market Research

Automotive Aftermarket Accessories and Performance Equipment (June 2008)

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