

Brazil auto sales near record in August on tax break -source

* Expectations of expiring tax break spurred car sales * Gov't extended incentive on Wednesday for two more months * Focus turns to lagging output, plunging productivity

SAO PAULO, Aug 30 (Reuters) – Car sales in Brazil surged in August to what may be their best month ever, a source with access to registration data said on Thursday, as customers rushed to take advantage of a tax break they expected to end this week. The government said on Wednesday that it would extend tax incentives for most locally made cars for another two months to bolster an incipient economic recovery. Until then, August sales had climbed to the fastest pace in nearly two years. Tax breaks have provided much-needed relief for the local auto industry after credit tightened and sales stalled in the first half. But production has been slow to recover as carmakers focus on clearing inventories and bracing for a potential hangover after the temporary tax relief expires. That may have changed after sales climbed past 358,000 cars and light trucks through Aug. 29, according to the industry source, threatening to break Brazil's monthly sales record of 381,552 vehicles in December 2010. Automobile output from January to July this year dropped 8.5 percent from the first seven months of 2011, heading toward its first annual contraction in a decade. The Brazilian auto industry, which makes up more than a fifth of the country's industrial output and 5 percent of its gross domestic product, has become a focal point of President Dilma Rousseff's efforts to reignite a stalled economy. But tax relief has come on the condition that carmakers avoid layoffs, making it harder for companies such as General Motors Co to shift production to more efficient plants. The political pressure has added to plunging productivity in the auto industry. Output per employee, calculated with data from automaker group Anfavea, dropped by 12 percent in the first half of 2012 to its lowest in eight years. Brazil is the world's fourth-biggest auto market, with most local production coming from Italy's Fiat SpA, Germany's Volkswagen AG and U.S.-based General Motors and Ford Motor Co.