



BUSINESS JET SALES SLUMP FORCES EMBRAER TO CUT WORKFORCE

News / Manufacturer



The Brazilian plane maker Embraer will cut nearly 8 per cent of its workforce through a voluntary buyout programme, slashing costs amid weak business jet sales and downsized defence contracts.

Embraer accepted the resignation of 1,463 employees, effective this week, out of 1,470 who volunteered for the buyouts, according to the company.

Union leaders said last week that nearly half of the workers leaving are metalworkers on Embraer's assembly lines in Sao Jose dos Campos, about 100km outside Sao Paulo.

The job cuts, along with leaves of absence starting next month, will help to bring down labour costs that rose along with double-digit inflation in Brazil last year, hurting profitability as demand flagged in two of Embraer's three main segments.

Embraer's defence unit, its fastest-growing division just a few years ago, has been forced to scale back major programmes as a federal budget crisis hit military spending. The plane maker also cut its target for executive jet sales this year on weak demand.

The layoffs at Embraer, coupled with deep job cuts by car makers and other manufacturers, underscore how unemployment in Brazil is still climbing two years into a severe downturn, sapping

the strength of an expected recovery.

Embraer shares fell 3 per cent in midday trading in Sao Paulo, contributing to a 1 per cent drop for the benchmark Bovespa stock index.

Embraer is designated a strategic defence business by the Brazilian government, which holds a so-called golden share that gives it a veto over strategic decisions such as "the creation and/or alteration of military programmes", according to the company.

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