



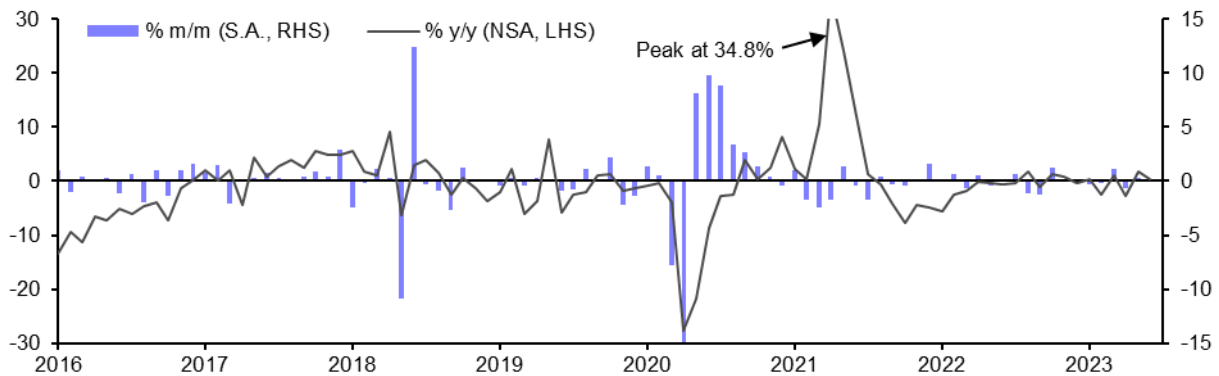
LATIN AMERICA RAPID RESPONSE

Brazil Industrial Production (June 2023)

Economy showed signs of resilience in Q2

- **The slightly better-than-expected 0.1% m/m increase in Brazilian industrial production in June indicates that the sector grew a little more quickly in Q2 than it did in Q1. Even so, there’s nothing in the data that will stop Copom proceeding with its plan to start a monetary easing cycle tomorrow.**
- The outturn was better than the consensus forecast for a fall of 0.1% m/m and came on the back of a 0.3% m/m increase in June. In year-on-year terms, industrial production increased by 0.3%, down from 1.9% in May. (See Chart 1.) **Over Q2 as a whole, the data point to industrial production rising by 0.3% q/q, compared with 0.0% q/q in Q1.**
- **The breakdown of the June data showed that industry was supported by a rise in production of semi- and non-durable consumer goods** (up 0.9% m/m). That (just) more than offset falls in output in other categories. (See Table 1.) At a sectoral level, the statistics office’s press released noted significant rises in output in mining and clothing.
- We’ll get a better sense next week of how the economy shaped up in Q2 with the release of June’s retail sales and services output figures. But given the strength of the surveys for June, as things stand it looks like growth held up reasonably well. (One important caveat is that there’s more uncertainty than usual given the potential for a partial reversal of the bumper growth seen in the agricultural sector in Q1.)
- **Even though the economy has proven more resilient than many had expected so far this year, this won’t stop the central bank from launching a monetary easing cycle at tomorrow’s meeting. We expect a 25bp cut in the Selic rate to 13.50%.**

Chart 1: Brazil Industrial Production



Sources: Refinitiv, IBGE

Table 1: Brazil Industrial Production

	Industrial Production		Of which:				Durable Cons. Goods		Semi & Non-Durable Cons. Goods	
	% m/m	% y/y	Capital Goods		Intermediate Goods		% m/m	% y/y	% m/m	% y/y
Mar. '23	1.1	1.0	8.8	-1.2	1.1	-1.1	2.3	11.2	-0.7	4.9
Apr. '23	-0.6	-2.7	-11.8	-15.4	0.4	-2.7	-5.0	0.4	0.9	-0.2
May '23	0.3	1.9	4.1	-11.6	0.0	3.1	9.4	11.1	-1.1	0.9
Jun. '23	0.1	0.3	-1.2	-10.3	-0.3	1.8	-4.6	-3.9	0.9	0.1

Source: IBGE



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