



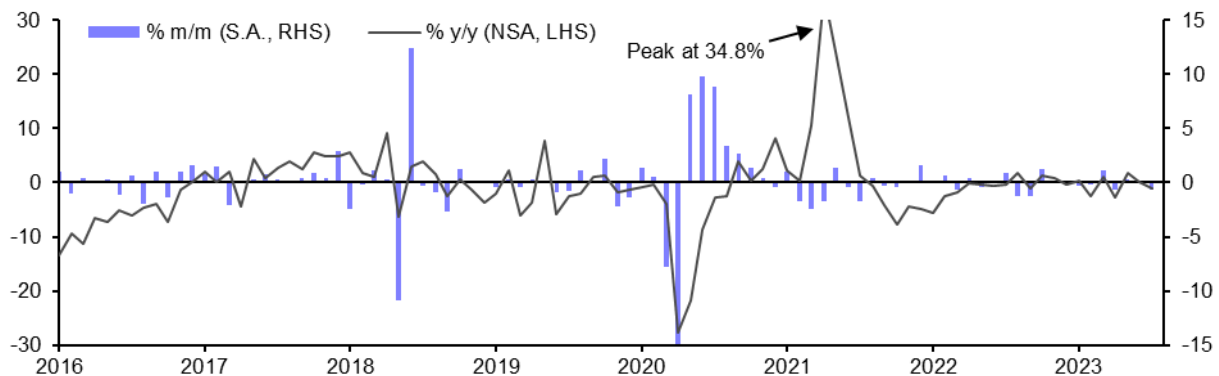
LATIN AMERICA RAPID RESPONSE

Brazil Industrial Production (July 2023)

Industry set to drag on growth in Q3

- **The larger-than-expected 0.6% m/m decline in Brazilian industrial production in July, taken together with weakness in some of the surveys for August, suggests that the sector may contract in q/q terms in the third quarter.**
- The outturn was weaker than the consensus expectation (-0.3% m/m) and came on the back of flat output in m/m terms in June (revised down from growth of 0.1% in the original estimate). In year-on-year terms, industrial production fell by 1.1%, following an expansion of 0.2% in June. (See Chart 1.)
- **A large part of the drag in July came from durable consumer and capital goods production** (down 4.1% m/m and 7.4% m/m respectively). (See Chart 2.) The statistics office's accompanying press release noted large falls in the auto (-6.5% m/m), computer and electrical equipment (-12.1% m/m) and machinery and equipment (-5.0%) sectors. Production of semi- and non-durable goods was the only sector to see an increase in output in July (of 1.5% m/m).
- Surveys for August paint a mixed picture of how Brazil's industrial sector fared in that month. The manufacturing PMI compiled by S&P Global increased, but the FGV industrial confidence index – which has tended to have a better relationship with the hard activity data – weakened further. **If right, that suggests that industry may contract in q/q terms over Q3 as a whole.**
- **Overall, these figures provide early piece evidence to supports our view that the strong growth in Brazil's economy over the first half of the year won't be sustained. In the meantime, there's little in this data release to suggest that the central bank will be swayed to do anything other than cut the Selic rate by 50bp (to 12.75%) when it meets later this month.**

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
Apr. '23	-0.7	-2.7	-12.0	-15.3	0.2	-2.8	-5.1	0.4	1.1	-0.2
May '23	0.3	1.9	4.0	-11.3	0.0	3.1	9.2	11.1	-1.0	1.0
Jun. '23	0.0	0.2	-2.3	-11.1	-0.3	1.8	-5.7	-4.0	0.7	-0.1
Jul. '23	-0.6	-1.1	-7.4	-16.9	-0.6	0.0	-4.1	-3.5	1.5	-0.3

Source: IBGE



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