



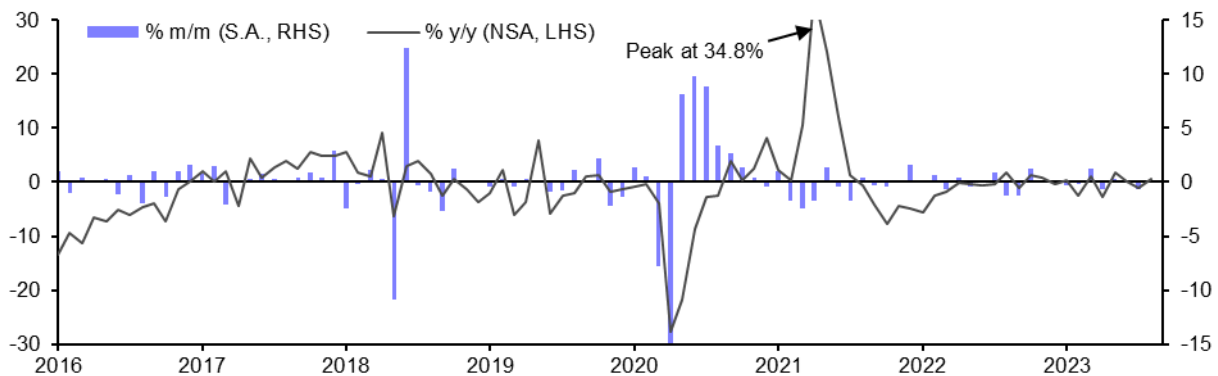
LATIN AMERICA RAPID RESPONSE

Brazil Industrial Production (August 2023)

Industry stumbled in Q3

- **The 0.4% m/m rise in Brazilian industrial production in August failed to fully offset the decline in July and suggests that the sector was as a drag on growth in Q3. Services sectors are faring better, but it still look like GDP growth last quarter was weaker than in Q2.**
- The outturn was a touch below consensus expectations (+0.5% m/m) and came on the back of a 0.6% m/m decline in industrial production in July. In year-on-year terms, output rose by 0.5%, following a 1.1% decline in the previous month. (See Chart 1.)
- Capital and consumer goods production rose sharply (up 4.3% m/m and 8.0% respectively) after a couple of weak outturns in the previous two months. The detailed breakdown provided in the press release noted particularly large increases in production of pharmaceuticals, autos and computer equipment.
- But that was partly offset by a decline in intermediate goods production, a lot of which appears to be related to weakness in the mining sector.
- More timely surveys such as the manufacturing PMI and the FGV industrial confidence survey point to further weakness last month. **And while services sectors appear to have fared much better in the third quarter, it looks like the economy’s recent run of strong GDP outturns will come to an end.**
- As [we’ve noted before](#), the central bank is paying more attention to economic activity, whether it will remain resilient and the knock-on impact on services inflation. With the economy cooling, policymakers will continue to lower interest rates. But we don’t think there’s enough here to suggest that larger interest rate cuts than 50bp will lie in store.

Chart 1: Brazil Industrial Production



Sources: Refinitiv, IBGE

Table 1: Brazil Industrial Production

	Industrial Production		Of which:							
	% m/m	% y/y	Capital Goods		Intermediate Goods		Durable Cons. Goods		Semi & Non-Durable Cons. Goods	
	% m/m	% y/y	% m/m	% y/y	% m/m	% y/y	% m/m	% y/y	% m/m	% y/y
May '23	0.3	1.9	4.0	-11.3	-0.1	3.1	9.3	11.1	-0.8	1.0
Jun. '23	0.0	0.2	-2.3	-11.1	-0.3	1.8	-5.5	-4.0	0.7	-0.1
Jul. '23	-0.6	-1.1	-7.7	-16.9	-0.5	0.0	-3.9	-3.5	1.7	-0.3
Aug. '23	0.4	0.5	4.3	-15.4	-0.3	0.4	8.0	2.8	1.0	3.5

Source: IBGE



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