

Brazil Watch

November IP: surprising to the upside

Announced: 5 January, 8:00am ET
 Actual: 0.5% mom
 Previous: 0.0% mom
 Consensus: 0.3% mom

November IP surprised to the upside

November industrial production (IP) posted a 0.5% momsa increase (vs 0.0% momsa in October, revised from 0.1% momsa), above market expectations (0.3% momsa). In year-over-year terms, IP accelerated to 1.3%, against 1.1% yoy previously. Momentum moved slightly up, now at 0.2% 3mma saar (vs. 0.1% in October). The sector continues to operate below pre-pandemic levels (-0.9% from Feb2020). With November's data, statistical carry is now at 0.1% (from 0.0%).

Deceleration in main categories

Regarding monthly gains, two out of the four main categories (vs one in October) registered increases. Consumer goods output contracted 0.3% momsa (from -1.0% momsa), with durable goods significant down at -3.3% momsa (from -2.4% momsa) and non-durables at 0.2% momsa (from -0.2% momsa). For capital goods, production fell 1.6% momsa (vs -0.7% momsa), while intermediate goods posted an increase of 1.6% momsa (from 0.7%). Moreover, 13 of the 25 industrial sectors surveyed showed monthly growth in production in November (from 14 in October). Diffusion index (number of products that recorded increase in production compared to previous year) accelerated to 46.9% (from 46.6% in October).

A weaker second half in 2023

After a stable 3Q23 for the sector, though November IP figures indicated a relief for the sector, we still foresee a weak 2H23 and, therefore, a moderate print in December. The monthly result was influenced by a gradual improvement in demand, better inventories, as well as declining rates and indebtedness. All in, we foresee a weaker IP throughout the end of the year compared with 1H23.

05 January 2024

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