

Brazil Watch

January IP: negative start for the year

Announced: 6 March, 8:00am ET
 Actual: -1.6% mom
 Previous: 1.1% mom
 Consensus: -1.7% mom
 BofA: -1.9% mom

January IP declined after five positive prints

January industrial production (IP) posted a 1.6% momsa decline (vs an increase of 1.6% momsa in December, revised from 1.1% momsa), slightly above market expectations (-1.7% momsa). It was the first negative print after five months of positive results. In yoy terms, IP increased 3.6% in the month (vs 1.0% previously), the highest value since Jun-21. Momentum now moved down to 0.2% 3mma saar (vs. 0.7% in December), and the sector is now back below pre-pandemic levels (Feb2020).

Monthly contraction on two main categories

Regarding monthly gains, two out of the four main categories (vs three in December) registered increases. Consumer goods output declined 1.5% momsa (from 1.3% momsa), with durable goods significant up at 1.4% momsa (from 6.4% momsa) and non-durables at -1.0% momsa (from stability). For capital goods, production rose 5.1% momsa (vs -0.7% momsa), while intermediate goods posted a fall of 2.5% momsa (from 2.0%). Despite the negative result, only 6 of the 25 industrial sectors surveyed showed monthly contraction in production in January (from 10 in December). Diffusion index (number of sectors that recorded increase in production compared to previous year) went down to 49.8% (from 44.6% in December).

We expect a better year for IP

After 4Q23 showed acceleration in industrial activity, 2024 started with a deceleration at the margin. Though real rates remain at contractionary level, looking ahead, the sector is expected to benefit from a gradual improvement in demand, declining inventory levels, as well as lower rates and a more benign condition for the labor market. In this context, despite a weak result in the month, we foresee a better backdrop for IP this year. All in, we expect GDP to grow by 2.2% in 2024, driven especially by the domestic demand.

06 March 2024

GEM Economics
 LatAm | Brazil

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