



INDUSTRIAL PRODUCTION: ANOTHER INCREASE IN JUNE, THOUGH DECELERATING

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- **Industrial production (IP) increased 0.1% MoM-sa (0.3% YoY) in June.** This result was above market consensus of -0.1% MoM-sa (-0.1% YoY) but below our forecast of 0.4% MoM-sa (0.8% YoY). June's figure reflected a drop in manufacturing (-0.2% MoM-sa) and a rise in mining (2.9% MoM-sa).
- **Across major economic categories, a mixed showing.** Durable goods (-4.6% MoM-sa), capital goods (-1.2% MoM-sa) and intermediate goods (-0.3% MoM-sa) were the lowlights, while nondurable goods (0.9% MoM-sa) contributed positively.
- **In the breakdown, 9 of 25 industrial activities expanded at the margin, with the diffusion index falling to 36% (from 80% in May).** In terms of contribution, mining (0.43 p.p.), and manufacture of clothing and accessories (0.10 p.p.) contributed the most, while oil and biofuel coke (-0.49 p.p.), vehicles (-0.25 p.p.) and machines and equipment (-0.17 p.p.) contributed the least.
- **All in all, a second positive print for IP in June, though decelerating.** The breakdown shows another negative impact from manufacturing that was offset by an acceleration in mining. The diffusion index fell considerably from May's level. In quarterly terms, June's result implies a 0.4% QoQ-sa variation for IP in 2Q23 and a 0.2% QoQ-sa carryover to 3Q23. For manufacturing, there was a 0.0% QoQ-sa variation for 2Q23, and we calculate a -0.1% QoQ-sa carryover to 3Q23.
- **We believe contractionary effects of shaky financial conditions started to materialize in 3Q22, mainly affecting goods-related sectors.** In our view, restrictive financial conditions are likely to continue stifling the performance of industrial output and retail sales in the coming quarters.
- **Our tracking for June's IBC-Br broad activity index was kept unchanged at 0.5% MoM-sa, partially offsetting May's strong decrease (-2.0% MoM-sa).** Our 2Q23 GDP tracking was also kept unchanged at 0.0% QoQ-sa). Our 2023 GDP growth forecast stands at +1.9%. We continue to see signs of deceleration for broad activity ahead, as more cyclical segments indicate a continued slowing trend owing to highly restrictive financial conditions. In addition, we expect the positive impact of the record summer crops to be limited to 1Q23 and the beginning of 2Q23.

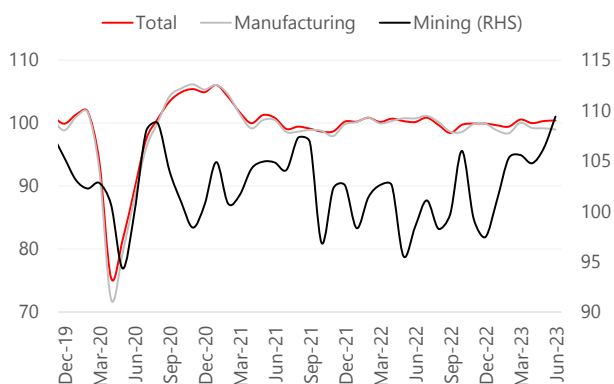


Figure 1 – Monthly Industrial Survey

Industrial Production Breakdown										
	Weights	% MoM-s.a.			% YoY			% QoQ		
		Apr-23	May-23	Jun-23	Apr-23	May-23	Jun-23	Dec-22	Mar-23	Jun-23
Total Industry	100%	-0.6	0.3	0.1	-2.7	1.9	0.3	0.2	0.0	0.4
Mining	15%	-0.8	1.4	2.9	1.7	12.0	11.0	1.2	3.1	2.7
Manufacturing	85%	-0.8	-0.1	-0.2	-3.4	0.3	-1.5	-0.5	-0.4	0.0
Capital Goods	6%	-11.8	4.1	-1.2	-15.4	-11.6	-10.3	-3.2	-2.1	-4.8
Intermediate Goods	61%	0.4	0.0	-0.3	-2.7	3.1	1.8	1.3	-0.4	1.1
Consumer goods	32%	1.3	-0.8	0.3	-0.1	2.2	-0.5	-1.6	0.9	-0.1
Durable	4%	-5.0	9.4	-4.6	0.4	11.1	-3.9	-3.2	-2.1	-4.8
Non-Durable	27%	0.9	-1.1	0.9	-0.2	0.9	0.1	1.3	-0.4	1.1
Construction Supplies	-	-9.4	10.7	-3.4	-5.2	-2.5	-2.3	-9.6	-2.2	5.2

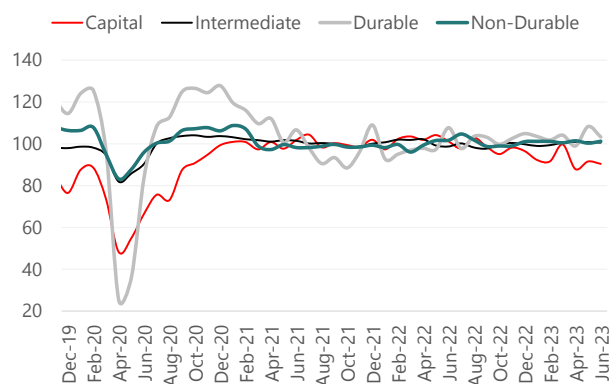
Sources: IBGE, Santander.

Figure 2 – Industrial Production Index (sa, 2022=100)



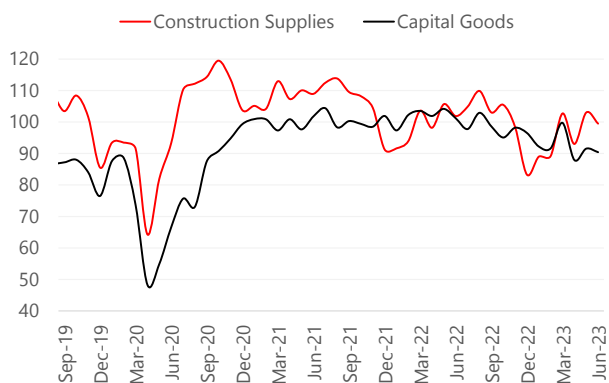
Sources: IBGE, Santander.

Figure 3 – Economic Categories (sa, 2022=100)



Sources: IBGE, Santander.

Figure 4 – Related to Investment (sa, 2022=100)



Sources: IBGE, Santander.



Figure 6 - Industrial Production by Activity

	Industrial Activities Breakdown									
	Weights	% MoM			% YoY			% QoQ		
		Apr-23	May-23	Jun-23	Apr-23	May-23	Jun-23	Dec-22	Mar-23	Jun-23
Mining	14.6%	-0.8	1.4	2.9	1.7	12.0	11.0	1.2	3.1	2.7
Food products	15.1%	-2.9	-2.6	-0.2	2.0	5.8	4.9	10.9	1.2	-5.1
Oil and biofuel coke	13.5%	3.3	7.4	-3.6	3.2	7.1	4.3	-5.4	0.1	9.0
Vehicles	6.2%	-2.6	7.2	-4.0	-6.9	2.8	-6.2	-2.1	-5.9	0.3
Metallurgy	4.9%	-0.4	2.1	-0.1	-4.7	-1.2	0.7	0.6	-3.0	1.9
Chemical products	7.4%	0.6	-0.2	0.0	-12.2	-6.4	-9.4	-3.3	-2.8	-0.1
Machines and equipments	3.8%	-11.9	12.6	-4.5	-14.5	-3.0	-7.3	-4.6	0.4	-2.0
Metallic products except machines and equipments	3.0%	-5.3	6.9	1.2	-8.7	-4.4	-1.8	1.1	-0.7	-1.5
Non-metallic minerals	2.7%	-2.0	2.3	-0.5	-10.5	-6.2	-5.7	-5.8	-0.2	0.5
Rubber and plastic products	3.4%	-0.5	0.2	1.2	0.0	-1.2	1.1	-2.3	2.0	0.3
Beverages	3.0%	-2.9	0.4	-0.4	-7.2	-3.3	-2.1	-5.0	5.5	-1.3
Cellulose,paper and paper-based products	3.7%	0.1	0.4	0.6	-2.0	1.8	-2.5	-2.9	-1.1	0.3
Machines, equipments and electric material	2.3%	-3.9	1.7	0.4	-14.3	-16.7	-13.0	-2.3	-5.5	-2.9
Computer equipments, electronics and optical product:	2.0%	-9.7	0.9	-2.8	-13.5	-13.6	-12.6	-3.9	2.4	-4.4
Pharmaceuticals	2.4%	-0.5	-9.2	-4.9	18.3	1.4	-6.5	8.7	-2.4	-8.5
Manufacture of clothing and accessories	2.0%	-0.1	0.3	4.9	-11.9	-9.6	-4.6	-8.7	6.1	-1.2
Leather, travel items and footwears	1.4%	1.2	4.6	-6.8	-2.2	-0.9	-10.5	-8.4	5.1	4.0
Textile products	1.3%	0.6	-0.4	0.1	-4.6	-2.6	-3.5	-4.2	4.0	1.2
Other transport equipments, except motor vehicles	1.1%	-6.3	10.4	-5.5	17.0	23.9	10.1	3.3	6.5	1.4
Repair of machines and equipments	1.6%	0.4	3.0	0.0	-2.2	-2.4	-2.0	-4.4	1.1	2.8
Furniture	1.2%	-0.2	-2.2	-2.4	-2.5	-5.8	-7.9	-1.6	7.3	-5.1
Wood products	1.1%	-0.3	1.7	-0.5	-16.3	-15.3	-12.3	-10.9	5.4	0.3
Printing and playback of recordings	0.6%	6.4	7.3	-4.4	12.9	18.8	23.7	1.7	4.6	13.6
Miscellaneous	1.2%	0.6	6.5	-2.0	-7.5	-2.5	-2.6	-9.0	3.6	3.7
Tobacco products	0.4%	-4.9	3.5	-1.1	-3.9	5.1	5.1	0.1	5.7	-2.7

Sources: IBGE, Santander.

Figure 7 - Heatmap Showing Industrial Production by Activity (% MoM-sa)

Weight	By Activity (% MoM sa)													
		Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
14.6%	Mining	3.06	2.66	-2.79	1.49	6.30	-6.34	-1.86	3.79	4.11	0.29	-0.77	1.43	2.95
15.1%	Food products	-0.80	2.05	-1.62	-2.80	6.98	7.05	4.43	-3.00	-1.09	-0.23	-2.91	-2.56	-0.24
13.5%	Oil and biofuel coke	-0.86	6.00	-5.21	-4.16	-1.49	1.17	-0.48	-1.33	0.92	2.15	3.35	7.42	-3.59
6.2%	Vehicles	6.47	-6.68	13.22	0.52	-9.44	7.36	-3.91	-5.44	0.05	-0.43	-2.64	7.15	-4.03
4.9%	Metallurgy	-2.44	2.53	1.13	-7.68	5.18	4.36	-6.81	-0.96	1.51	0.62	-0.36	2.07	-0.08
7.4%	Chemical products	2.32	-4.33	1.17	-0.47	-4.02	1.32	-0.73	-1.40	-2.15	0.31	0.60	-0.25	0.01
3.8%	Machines and equipments	-0.13	-4.24	4.47	-2.83	-3.41	0.25	-2.89	0.51	-0.79	6.92	-11.89	12.65	-4.51
3.0%	Metallic products except machines and equipments	-1.24	-4.24	-0.64	2.19	-1.13	-1.78	6.78	-3.48	-0.88	-1.00	-5.29	6.87	1.24
2.7%	Non-metallic minerals	-1.42	-1.11	2.40	-3.37	-2.12	-1.34	-4.26	2.55	0.16	1.60	-1.99	2.33	-0.50
3.4%	Rubber and plastic products	-0.85	-0.39	0.99	-0.83	-3.01	1.59	-0.19	1.49	-0.13	0.51	-0.46	0.18	1.16
3.0%	Beverages	-1.69	-0.46	1.47	-4.88	-6.40	7.43	-1.55	1.45	3.87	0.33	-2.89	0.37	-0.39
3.7%	Cellulose,paper and paper-based products	5.62	2.47	-1.95	-1.81	-1.54	0.58	0.22	-1.35	-0.02	-0.29	0.07	0.36	0.58
2.3%	Machines, equipments and electric material	-4.15	-4.64	1.24	-0.46	-2.69	0.03	0.93	-4.03	-4.05	1.70	-3.92	1.72	0.45
2.0%	Computer equipments, electronics and optical products	-4.66	-3.97	-1.53	-2.36	-0.71	-2.92	2.53	-2.34	1.76	8.71	-9.72	0.89	-2.81
2.4%	Pharmaceuticals	3.64	2.20	5.37	-6.51	0.69	7.27	17.30	-12.78	-2.17	0.56	-0.54	-9.23	-4.89
2.0%	Manufacture of clothing and accessories	1.26	-5.81	4.47	-3.64	-9.41	-3.04	11.97	1.07	-0.25	-4.14	-0.12	0.29	4.93
1.4%	Leather, travel items and footwears	1.74	-9.39	3.89	-1.27	-9.88	-1.04	5.67	0.31	0.62	2.73	1.21	4.61	-6.81
1.3%	Textile products	-0.27	-1.17	-5.52	-1.58	1.08	-4.83	2.93	2.53	1.64	0.31	0.63	-0.39	0.12
1.1%	Other transport equipments, except motor vehicles	6.75	-4.37	3.38	3.61	-0.04	-1.43	2.39	3.57	0.32	4.48	-6.25	10.45	-5.48
1.6%	Repair of machines and equipments	-0.38	-3.30	1.87	-2.67	-4.40	0.58	2.37	0.00	-1.58	1.31	0.39	3.01	0.03
1.2%	Furniture	-0.34	-5.66	-0.32	-0.80	-7.54	7.48	5.89	2.14	0.36	-4.14	-0.21	-2.20	-2.39
1.1%	Wood products	-4.48	-4.82	0.94	-10.13	-11.08	11.38	-0.45	1.96	0.60	-0.76	-0.32	1.66	-0.50
0.6%	Printing and playback of recordings	-7.19	2.48	0.06	-7.32	5.19	-0.27	5.93	-5.25	9.20	0.75	6.40	7.27	-4.42
1.2%	Miscellaneous	-1.79	-3.46	6.53	-6.54	-8.42	10.67	-14.24	10.54	1.82	-1.73	0.63	6.53	-2.03
0.4%	Tobacco products	-1.74	-3.03	2.29	9.52	-4.80	1.26	-7.36	7.97	4.88	-1.88	-4.89	3.50	-1.13

Sources: IBGE, Santander.



Figure 8 - Heatmap Showing Industrial Production by Activity (contribution)

		By Activity (Contribution p.p. sa)												
Weight		Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
14.6%	Mining	0.44	0.39	-0.41	0.22	0.92	-0.92	-0.27	0.55	0.60	0.04	-0.11	0.21	0.43
15.1%	Food products	-0.12	0.31	-0.24	-0.42	1.05	1.06	-0.67	-0.45	-0.16	-0.04	-0.44	-0.39	-0.04
13.5%	Oil and biofuel coke	-0.12	0.81	-0.70	-0.56	-0.20	0.16	-0.06	-0.18	0.12	0.29	0.45	1.00	-0.49
6.2%	Vehicles	0.40	-0.41	0.82	0.03	-0.58	0.46	-0.24	-0.34	0.00	-0.03	-0.16	0.44	-0.25
4.9%	Metallurgy	-0.12	0.12	0.06	-0.38	0.26	0.22	-0.34	-0.05	0.07	0.03	-0.02	0.10	0.00
7.4%	Chemical products	0.17	-0.32	0.09	-0.03	-0.30	0.10	-0.05	-0.10	-0.16	0.02	0.04	-0.02	0.00
3.8%	Machines and equipments	-0.01	-0.16	0.17	-0.11	-0.13	0.01	-0.11	0.02	-0.03	0.27	-0.46	0.49	-0.17
3.0%	Metallic products except machines and equipments	-0.04	-0.13	-0.02	0.07	-0.03	-0.05	0.20	-0.10	-0.03	-0.03	-0.16	0.21	0.04
2.7%	Non-metallic minerals	-0.04	-0.03	0.06	-0.09	-0.06	-0.04	-0.11	0.07	0.00	0.04	-0.05	0.06	-0.01
3.4%	Rubber and plastic products	-0.03	-0.01	0.03	-0.03	-0.10	0.05	-0.01	0.05	0.00	0.02	-0.02	0.01	0.04
3.0%	Beverages	-0.05	-0.01	0.04	-0.15	-0.19	0.22	-0.05	0.04	0.12	0.01	-0.09	0.01	-0.01
3.7%	Cellulose,paper and paper-based products	0.21	0.09	-0.07	-0.07	-0.06	0.02	0.01	-0.05	0.00	-0.01	0.00	0.01	0.02
2.3%	Machines, equipments and electric material	-0.09	-0.11	0.03	-0.01	-0.06	0.00	0.02	-0.09	-0.09	0.04	-0.09	0.04	0.01
2.0%	Computer equipments, electronics and optical products	-0.09	-0.08	-0.03	-0.05	-0.01	-0.06	0.05	-0.05	0.04	0.18	-0.20	0.02	-0.06
2.4%	Pharmaceuticals	0.09	0.05	0.13	-0.16	0.02	0.18	0.42	-0.31	-0.05	0.01	-0.01	-0.22	-0.12
2.0%	Manufacture of clothing and accessories	0.03	-0.12	0.09	-0.07	-0.19	-0.06	0.24	0.02	-0.01	-0.08	0.00	0.01	0.10
1.4%	Leather, travel items and footwears	0.03	-0.14	0.06	-0.02	-0.14	-0.01	0.08	0.00	0.01	0.04	0.02	0.07	-0.10
1.3%	Textile products	0.00	-0.01	-0.07	-0.02	0.01	-0.06	0.04	0.03	0.02	0.00	0.01	-0.01	0.00
1.1%	Other transport equipments, except motor vehicles	0.08	-0.05	0.04	0.04	0.00	-0.02	0.03	0.04	0.00	0.05	-0.07	0.12	-0.06
1.6%	Repair of machines and equipments	-0.01	-0.05	0.03	-0.04	-0.07	0.01	0.04	0.00	-0.03	0.02	0.01	0.05	0.00
1.2%	Furniture	0.00	-0.07	0.00	-0.01	-0.09	0.09	0.07	0.02	0.00	-0.05	0.00	-0.03	-0.03
1.1%	Wood products	-0.05	-0.05	0.01	-0.11	-0.12	0.12	0.00	0.02	0.01	-0.01	0.00	0.02	-0.01
0.6%	Printing and playback of recordings	-0.04	0.01	0.00	-0.04	0.03	0.00	0.04	-0.03	0.06	0.00	0.04	0.04	-0.03
1.2%	Miscellaneous	-0.02	-0.04	0.08	-0.08	-0.10	0.13	-0.17	0.13	0.02	-0.02	0.01	0.08	-0.02
0.4%	Tobacco products	-0.01	-0.01	0.01	0.04	-0.02	0.01	-0.03	0.03	0.02	-0.01	-0.02	0.01	0.00

Sources: IBGE, Santander.



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