

A POSITIVE HEADLINE WITH WEAK COMPOSITION

Lucas Maynard*
 lucas.maynard.da.silva@santander.com.br
 +5511 3553 8487

- **Industrial output inched up 0.6% MoM-sa (-0.5% YoY) in July.** This performance came in between market consensus of +0.5% MoM-sa (-0.5% YoY) and our expectation of +0.8% MoM-sa (-0.2% YoY), and places industrial output only 0.8% below the pre-pandemic benchmark (set at February 2020).
- **July's figure is due to an expansion in mining (+2.1% MoM-sa) and a rebound of manufacturing (+0.4% MoM-sa).** Across the major categories, the print was not so healthy: intermediate goods (+2.2% MoM-sa) were the highlight, while non-durable goods (+1.6% MoM-sa) contributed positively; conversely, capital goods reported a weak performance (-3.7% MoM-sa), while durable goods plummeted at the margin (-7.8% MoM-sa).
- **The details also pointed to low diffused growth.** Indeed, only 10 of 26 industrial activities surveyed posted growth at the margin (the diffusion index reached a tepid 38%, vs. 35% previously). On the bright side, food products (+0.60 p.p.), mining (+0.23 p.p.), pharmaceutical products (+0.23 p.p.), and oil and biofuel coke (+0.20 p.p.) stood out. Conversely, vehicles (-0.58 p.p.), machines and equipment (-0.51 p.p.), other chemical products (-0.47 p.p.), and repair of machines and equipment (-0.29 p.p.) were the lowlights.
- **In quarterly terms, July's positive print led to a 0.5% QoQ-sa carryover to 3Q22 (+1.0% QoQ-sa in 2Q22).** We see the industrial sector contributing positively to overall activity in the short term, but we highlight that July's print is more consistent with stagnation than with continued strengthening (mainly in more cyclical categories). Following 2Q22's GDP release, the carryover calculated to 2022 stands at +2.6%, imparting significant upside risks to our current GDP growth forecast (+1.9%). In the short term, our 3Q22 GDP tracking stands at +0.2% QoQ-sa.

Figure 1 – Industrial Production Breakdown

Industrial Production Breakdown											
	Weights	% MoM			% YoY			% QoQ			Feb-20 %
		May-22	Jun-22	Jul-22	May-22	Jun-22	Jul-22	Mar-21	Jun-22	Jul-22	Jul-22
Total Industry	100%	0.4	-0.3	0.6	0.5	-0.5	-0.5	-0.9	1.0	0.7	-0.8
Mining	11%	-6.2	2.8	2.1	-8.2	-5.4	-3.8	2.7	-0.8	-3.4	-0.6
Manufacturing	89%	0.8	-0.2	0.4	1.6	0.1	0.0	-1.3	1.4	1.2	-0.4
Capital Goods	8%	7.1	-1.9	-3.7	5.7	0.2	-5.8	5.3	2.1	1.7	8.6
Intermediate Goods	60%	-1.1	-1.1	2.2	-0.9	-1.8	0.0	-0.3	0.8	-0.5	2.9
Consumer goods	32%	0.4	0.4	0.9	1.3	1.5	0.5	-4.0	1.2	1.8	-8.9
Durable	7%	3.9	6.0	-7.8	-2.1	2.3	-0.8	-8.2	5.4	5.0	-22.7
Non-Durable	25%	0.9	-0.9	1.6	2.2	1.3	0.8	-2.4	0.8	1.3	-4.9
Construction Supplies	-	2.0	-2.8	0.1	-4.5	-7.3	-6.6	0.4	0.2	-0.1	4.0

Sources: IBGE, Santander.

IMPORTANT DISCLOSURES/CERTIFICATIONS ARE IN THE "IMPORTANT DISCLOSURES" SECTION OF THIS REPORT.

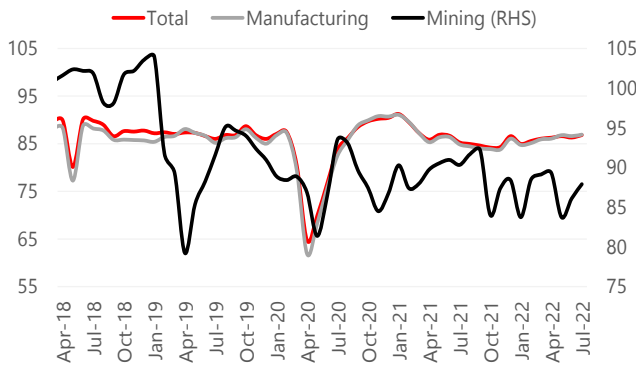
U.S. investors' inquiries should be directed to Santander Investment at (212) 350-0707.

*Employed by a non-US affiliate of Santander Investment Securities Inc. and is not registered/qualified as a research analyst under FINRA rules.



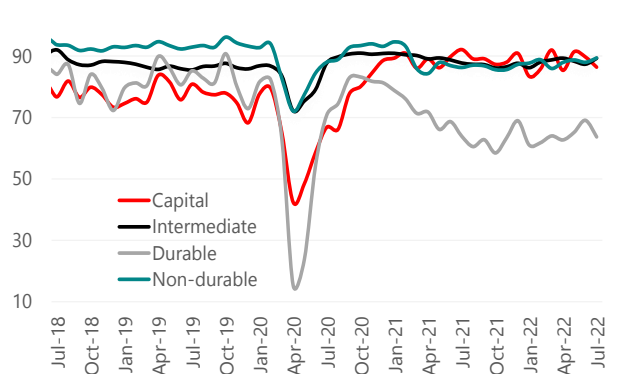
For details on Santander’s economic outlook, please refer to our last reports¹.

Figure 2.A – Industrial Production Index (sa, 2012=100)



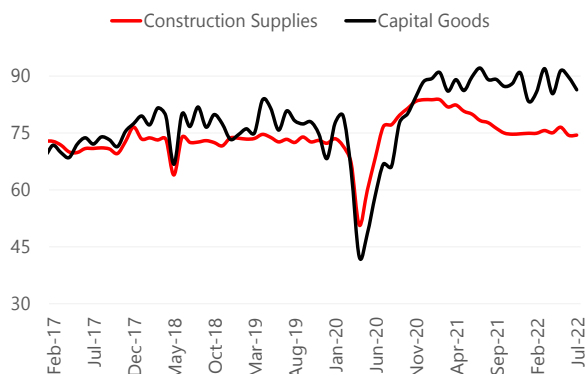
Sources: IBGE, Santander.

Figure 2.B – Economic Categories (sa, 2012=100)



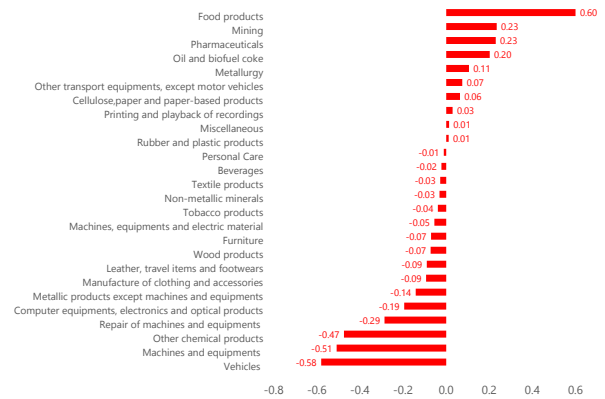
Sources: IBGE, Santander.

Figure 3.A – Industrial Production Related to Investment (sa, 2012=100)



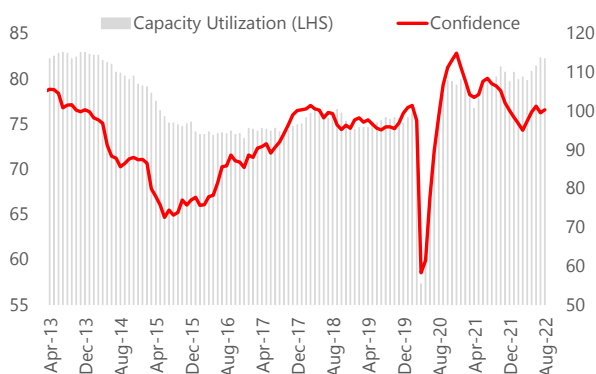
Sources: IBGE, Santander.

Figure 3.B – Contributions by Activities (sa, p.p.)



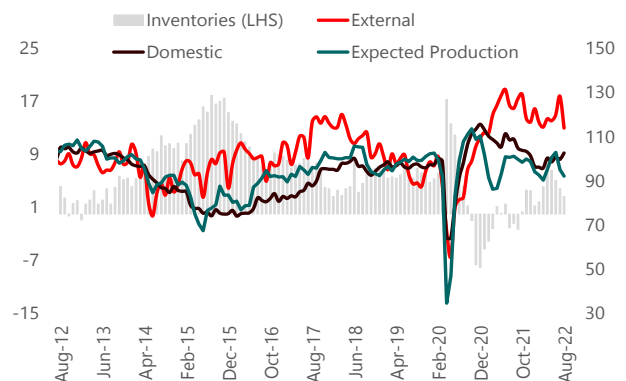
Sources: IBGE, Santander

Figure 4.A – Confidence (points, sa) x Capacity Utilization (% , sa)



Sources: FGV, Santander.

Figure 4.B – Inventories Perception (Excessive-Insufficient) and Demand (points, sa)



Sources: FGV, Santander.

¹ Santander Brazil Special Report: “A Model to Forecast Probability of Recession in Brazil” – June 08, 2022 – Available on: <https://bit.ly/Std-special-060822>

Santander Brazil Special Report: “Resilience Factors for GDP Growth: What Has Changed Since January” – June 30, 2022 – Available on: <https://bit.ly/Std-special-GDP-062922>

Santander Brazil Economic Activity: “Chartbook: Further improvements in 2022, as 2023 remains challenging” – July 20, 2022 – Available on: <https://bit.ly/Std-chart-econact-jul22>



Figure 5 - Heatmap Showing Industrial Production by Activity

		By Activity (% MoM sa)											
		Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22
11.2%	Mining	1.48	0.60	-8.88	4.03	1.14	-5.27	5.64	0.75	0.21	-6.24	2.82	2.09
13.9%	Food products	2.01	-3.33	-5.10	6.49	3.67	1.37	2.84	-2.25	-4.78	2.01	0.81	4.32
10.3%	Oil and biofuel coke	-2.04	1.38	4.42	-0.80	0.35	2.82	-2.07	-0.69	5.01	0.21	-1.32	1.96
10.1%	Vehicles	-5.28	1.08	-4.83	7.99	12.13	-15.93	4.50	6.67	-4.63	3.74	6.06	-5.74
5.4%	Metallurgy	0.13	-2.82	-2.43	-2.33	1.76	-4.02	4.52	1.26	-0.97	1.19	-1.11	1.96
5.3%	Other chemical products	-3.35	1.18	1.56	1.08	-0.29	-2.91	-0.01	7.72	3.49	-8.56	-0.69	-8.95
4.9%	Machines and equipments	0.61	1.83	-4.56	0.79	-0.20	-2.53	-0.85	5.46	-3.43	8.85	-3.80	-10.37
3.6%	Metallic products except machines and equipments	-1.58	0.64	-4.67	1.21	-0.78	-4.17	4.06	-3.90	2.55	1.31	-0.06	-3.93
3.6%	Non-metallic minerals	-0.27	-0.33	-3.38	1.96	1.83	-3.70	0.36	0.86	0.02	-0.37	-1.07	-0.86
3.5%	Rubber and plastic products	-2.20	3.18	-1.17	-1.91	-0.20	-4.87	4.09	-0.40	2.61	0.92	-0.07	0.33
3.3%	Beverages	6.71	0.27	-3.00	-1.97	3.07	-6.72	5.99	6.70	3.64	-0.82	-0.82	-0.68
3.0%	Cellulose,paper and paper-based products	0.38	1.18	1.26	-0.32	2.30	-1.11	-4.40	3.61	1.93	-1.22	4.29	2.14
2.6%	Machines, equipments and electric material	0.04	4.21	-12.39	5.92	-1.93	-3.71	2.69	-5.11	1.62	6.06	1.46	-2.11
2.5%	Computer equipments, electronics and optical products	-7.48	0.66	-7.58	7.96	14.00	-11.34	0.93	8.02	-3.35	3.36	-3.02	-7.80
2.3%	Pharmaceuticals	-10.94	8.22	-8.89	7.32	-7.62	-3.10	12.30	-8.52	4.14	0.91	-14.78	10.00
2.3%	Manufacture of clothing and accessories	0.15	1.38	-8.94	7.68	-0.67	-0.84	-0.72	-3.85	2.31	-0.53	7.09	-4.06
1.6%	Leather, travel items and footwears	-0.10	-1.20	-5.77	3.56	5.14	-5.98	-1.75	9.96	0.70	9.15	0.27	-5.64
1.6%	Textile products	2.36	-2.61	-6.17	1.66	-0.39	-1.72	-1.62	-2.30	5.06	2.20	-1.37	-1.73
1.5%	Other transport equipments, except motor vehicles	-0.25	-1.39	-2.24	6.22	3.08	-8.46	13.54	1.99	-7.73	6.82	-7.44	4.97
1.3%	Repair of machines and equipments	1.49	-1.15	-0.93	3.87	6.12	-6.40	-0.70	-0.53	6.65	5.95	0.83	-22.01
1.3%	Furniture	-1.89	-3.54	-4.22	2.07	-0.15	-4.73	2.22	-4.36	3.74	1.56	-1.62	-5.40
1.3%	Personal Care	-0.18	2.28	-4.29	-3.06	1.52	-1.27	0.26	0.36	1.31	0.64	3.61	-0.87
1.0%	Wood products	3.54	1.22	-9.98	9.06	2.14	-3.47	-1.98	-1.39	-3.16	3.51	-4.58	-7.24
1.0%	Printing and playback of recordings	-9.49	19.61	-13.51	-4.05	11.05	1.20	-13.60	1.73	8.18	6.13	-7.03	2.95
1.0%	Miscellaneous	0.61	0.43	-3.40	1.89	4.21	-2.75	5.75	-3.21	-5.33	7.59	-3.80	1.34
0.6%	Tobacco products	-4.50	2.17	7.03	5.03	4.73	0.12	0.78	17.27	-12.58	-3.97	-2.81	-6.43

Sources: IBGE, Santander.

Figure 6 - Heatmap Showing Industrial Production by Economic Category

		By Activity (% MoM sa)											
		Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22
Capital Goods	Computer equipments, electronics and optical products	-7.5	3.4	-6.3	2.7	12.6	-1.2	-14.1	22.0	-2.7	-1.7	-4.3	-4.2
	Machines, equipments and electric material	7.7	1.9	2.1	-0.2	-4.5	0.3	-1.9	-2.9	0.6	11.0	0.2	-0.3
	Machines and equipments	2.8	1.2	-1.9	-2.2	-1.3	-1.1	-5.5	10.6	-7.1	11.7	-3.8	-4.9
	Vehicles	-3.7	-16.7	11.1	-5.9	13.0	-24.5	14.0	14.5	-11.1	9.5	-3.1	3.0
	Other transport equipments, except motor vehicles	-17.2	3.5	-0.1	1.4	15.6	-6.4	23.7	3.8	3.1	2.2	-3.4	6.5
	Miscellaneous	0.9	-3.0	4.2	5.3	2.8	-3.4	7.0	-5.8	-3.7	4.0	-7.0	13.9
Intermediate Goods	Mining	1.3	0.3	-5.9	3.7	0.5	-6.3	6.8	0.1	0.3	-3.9	0.5	1.5
	Food products	2.1	-1.0	-16.3	19.5	7.1	0.0	1.5	-4.9	-9.9	6.3	1.3	3.9
	Textile products	5.3	-0.4	-4.9	1.2	-0.2	-1.5	-0.6	-1.3	1.7	-0.3	-0.5	-0.6
	Cellulose,paper and paper-based products	-0.5	1.9	1.2	-0.4	2.4	-1.5	-5.4	4.4	2.5	-0.4	4.3	2.6
	Oil and biofuel coke	-4.1	1.3	6.7	0.2	-1.2	2.4	0.1	0.4	2.8	-0.3	1.5	-0.8
	Other chemical products	-3.4	-0.7	4.5	0.6	-0.5	-1.6	-0.2	7.9	1.8	-8.0	-1.9	-6.6
	Rubber and plastic products	-3.1	3.6	2.0	-5.0	-1.1	-1.7	2.1	-1.7	4.2	0.6	-0.4	0.4
	Non-metallic minerals	0.5	-1.2	-1.7	0.2	2.1	-3.1	0.7	-0.3	-0.2	0.6	-1.8	-0.1
	Metallurgy	0.5	-3.1	-2.8	-2.8	1.9	-4.5	5.5	1.2	-1.5	1.8	-1.7	2.8
	Metalic products except machines and equipments	-0.6	-0.8	-1.0	-2.0	-0.7	-0.8	-1.4	-3.4	3.8	1.6	0.0	-1.2
	Machines and equipments	-2.3	1.0	-1.1	0.1	2.5	-1.2	4.0	4.1	-5.4	3.4	-2.4	-12.2
	Vehicles	1.3	-0.5	-4.3	4.4	2.5	-1.0	3.4	1.1	-3.3	5.8	0.3	4.8
	Miscellaneous	-2.0	3.1	-1.9	-1.7	4.4	-1.8	1.4	-1.8	-0.9	1.4	-1.5	-0.5
Durable Goods	Computer equipments, electronics and optical products	-9.7	-4.7	-1.5	0.7	13.6	-7.3	1.0	3.5	-5.6	19.3	-9.5	-9.2
	Machines, equipments and electric material	2.1	3.2	-19.2	8.1	-3.9	-4.3	2.9	-12.3	11.1	-0.3	3.8	0.3
	Vehicles	-15.3	17.2	-4.5	16.8	27.6	-19.4	0.1	12.5	-11.1	-0.3	17.4	-12.7
	Other transport equipments, except motor vehicles	5.2	-3.7	-4.4	5.3	-3.4	-10.0	12.4	11.0	-14.0	21.2	-7.5	-6.3
	Furniture	-1.4	-4.0	2.8	-8.0	0.8	-7.8	5.2	-2.8	7.1	-1.4	-3.0	-4.3
	Miscellaneous	-4.2	-1.1	-20.1	20.4	0.1	5.5	-5.7	1.6	-3.9	9.0	-4.6	-5.4
Non Durable Goods	Food products	1.4	-4.2	2.3	-1.2	3.9	0.3	2.2	0.2	0.0	-0.8	1.2	1.0
	Beverages	-1.0	-1.9	-3.3	0.5	6.9	-6.3	5.7	1.2	3.3	1.4	-0.4	-3.1
	Textile products	-3.4	-2.7	-13.4	8.2	-1.8	-3.6	2.1	0.4	-1.3	1.0	3.5	-16.5
	Manufacture of clothing and accessories	0.4	-0.7	-3.0	-0.8	-0.6	3.4	-3.2	-1.3	2.4	-0.3	5.0	2.4
	Leather, travel items and footwears	1.5	0.3	1.0	0.8	3.3	-1.8	-0.7	-0.9	2.9	6.9	3.4	-5.7
	Printing and playback of recordings	-5.6	25.0	-38.4	11.1	24.4	-31.7	-37.7	4.3	12.1	10.3	3.7	1.4
	Oil and biofuel coke	0.4	0.5	-6.1	3.9	3.9	6.1	-7.0	-5.4	7.9	0.8	-2.3	0.6
	Personal Care	1.0	1.8	-2.3	-6.5	2.0	1.2	-0.2	-0.9	1.7	1.0	4.0	0.8
	Pharmaceuticals	-16.1	11.0	-6.8	6.5	-8.7	-4.1	15.5	-12.2	6.0	2.8	-15.5	12.1
	Miscellaneous	-1.0	-1.9	-3.3	0.5	6.9	-6.3	5.7	1.2	3.3	1.4	-0.4	-3.1

Sources: IBGE, Santander.



CONTACTS / IMPORTANT DISCLOSURES

Brazil Macro Research

Ana Paula Vescovi*	Chief Economist	anavescovi@santander.com.br	5511-3553-8567
Mauricio Oreng*	Head of Macro Research	mauricio.oreng@santander.com.br	5511-3553-5404
Jankiel Santos*	Economist – External Sector	jankiel.santos@santander.com.br	5511-3012-5726
Ítalo Franca*	Economist – Fiscal Policy	italo.franca@santander.com.br	5511-3553-5235
Daniel Karp Vasquez*	Economist – Inflation	daniel.karp@santander.com.br	5511-3553-9828
Tomas Urani*	Economist – Global Economics	tomas.urani@santander.com.br	5511-3553-9520
Lucas Maynard*	Economist – Economic Activity	lucas.maynard.da.silva@santander.com.br	5511-3553-7495
Felipe Kotinda*	Economist – Commodities	felipe.kotinda@santander.com.br	5511-3553-8071
Gabriel Couto*	Economist – Special Projects	gabriel.couto@santander.com.br	5511-3553-8487
Fabiana Moreira*	Economist – Credit	fabiana.de.oliveira@santander.com.br	5511-3553-6120
Gilmar Lima*	Economist – Modeling	gilmar.lima@santander.com.br	5511-3553-6327

Global Macro Research

Maciej Reluga*	Head Macro, Rates & FX Strategy – CEE	maciej.reluga@santander.pl	48-22-534-1888
Rodrigo Park *	Economist – Argentina	rpark@santander.com.ar	54-11-4341-1272
Ana Paula Vescovi*	Economist – Brazil	anavescovi@santander.com.br	5511-3553-8567
Juan Pablo Cabrera*	Economist – Chile	jcabrera@santander.cl	562-2320-3778
Guillermo Aboumrad*	Economist – Mexico	gjaboumrad@santander.com.mx	5255-5257-8170
Piotr Bielski*	Economist – Poland	piotr.bielski@santander.pl	48-22-534-1888
Mike Moran	Head of Macro Research, US	mike.moran@santander.us	212-350-3500

Fixed Income Research

Juan Arranz*	Chief Rates & FX Strategist – Argentina	jarranz@santanderrio.com.ar	5411-4341-1065
Mauricio Oreng*	Senior Economist/Strategist – Brazil	mauricio.oreng@santander.com.br	5511-3553-5404
Juan Pablo Cabrera*	Chief Rates & FX Strategist – Chile	jcabrera@santander.cl	562-2320-3778

Equity Research

Miguel Machado*	Head Equity Research Americas	mmachado@santander.com.mx	5255 5269 2228
Alan Alanis*	Head, Mexico	aalanis@santander.com.mx	5552-5269-2103
Andres Soto	Head, Andean	asoto@santander.us	212-407-0976
Walter Chiarvesio*	Head, Argentina	wchiarvesio@santanderrio.com.ar	5411-4341-1564
Mariana Cahen Margulies*	Head, Brazil	mmargulies@santander.com.br	5511-3553-1684

Electronic

Bloomberg
Reuters

SIEQ <GO>
Pages SISEMA through SISEMZ

This report has been prepared by Santander Investment Securities Inc. ("SIS"; SIS is a subsidiary of Santander Holdings USA, Inc. which is wholly owned by Banco Santander, S.A. "Santander"), on behalf of itself and its affiliates (collectively, Grupo Santander) and is provided for information purposes only. This document must not be considered as an offer to sell or a solicitation of an offer to buy any relevant securities (i.e., securities mentioned herein or of the same issuer and/or options, warrants, or rights with respect to or interests in any such securities). Any decision by the recipient to buy or to sell should be based on publicly available information on the related security and, where appropriate, should take into account the content of the related prospectus filed with and available from the entity governing the related market and the company issuing the security. This report is issued in Spain by Santander Investment Bolsa, Sociedad de Valores, S.A. ("Santander Investment Bolsa"), and in the United Kingdom by Banco Santander, S.A., London Branch. Santander London is authorized by the Bank of Spain. This report is not being issued to private customers. SIS, Santander London and Santander Investment Bolsa are members of Grupo Santander.

ANALYST CERTIFICATION: The following analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed, that their recommendations reflect solely and exclusively their personal opinions, and that such opinions were prepared in an independent and autonomous manner, including as regards the institution to which they are linked, and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report, since their compensation and the compensation system applying to Grupo Santander and any of its affiliates is not pegged to the pricing of any of the securities issued by the companies evaluated in the report, or to the income arising from the businesses and financial transactions carried out by Grupo Santander and any of its affiliates: Lucas Maynard*.

*Employed by a non-US affiliate of Santander Investment Securities Inc. and not registered/qualified as a research analyst under FINRA rules, and is not an associated person of the member firm, and, therefore, may not be subject to the FINRA Rule 2242 and Incorporated NYSE Rule 472 restrictions on communications with a subject company, public appearances, and trading securities held by a research analyst account.

The information contained herein has been compiled from sources believed to be reliable, but, although all reasonable care has been taken to ensure that the information contained herein is not untrue or misleading, we make no representation that it is accurate or complete and it should not be relied upon as such. All opinions and estimates included herein constitute our judgment as at the date of this report and are subject to change without notice.

Any U.S. recipient of this report (other than a registered broker-dealer or a bank acting in a broker-dealer capacity) that would like to effect any transaction in any security discussed herein should contact and place orders in the United States with SIS, which, without in any way limiting the foregoing, accepts responsibility (solely for purposes of and within the meaning of Rule 15a-6 under the U.S. Securities Exchange Act of 1934) for this report and its dissemination in the United States.

© 2022 by Santander Investment Securities Inc. All Rights Reserved.

