

WEAK COMPOSITION BEHIND A POSITIVE HEADLINE

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- Industrial production (IP) inched up 0.3% MoM-sa (+1.7% YoY) in October.** This result was in line with market consensus of +0.3% MoM-sa (+1.6% YoY) and our forecast of +0.2% MoM-sa (+1.4% YoY). October's figure stemmed mainly from a slight rebound in mining (+0.6% MoM-sa), while manufacturing posted a flat print (0% MoM-sa), marking a discouraging streak of five consecutive weak figures.
- Weak composition across major economic categories.** Intermediate goods (+0.7% MoM-sa) was a bright spot after two declines in a row, and non-durable goods inched up (0.3% MoM-sa) after two consecutive retreats. Conversely, capital goods tumbled 4.1% MoM-sa, while durable goods shrank 4.1% MoM-sa.
- Across industrial activities, widespread drop.** Indeed, only 6 of 26 industrial activities expanded at the margin, with the diffusion index reaching 27% (vs. 23% previously). In terms of contribution, food products (+0.67 p.p.) and metallurgy (+0.25 p.p.) contributed the most, while vehicles (-0.68 p.p.), machines and equipment (-0.45 p.p.), and beverages (-0.31 p.p.) contributed the least.
- In quarterly terms, October's result implies a -0.4% QoQ-sa carryover to 4Q22.** For mining, we calculate a +0.7% QoQ-sa carryover, while for manufacturing, we calculate a -1.0% QoQ-sa carryover. The surveys for November continued to point to weak prints: FGV's industrial confidence index fell to 92.1 points (from 95.7).
- Our tracking for October IBC-Br stands at 0.5% MoM-sa (+4.2% YoY).** We are awaiting the releases of tertiary sector data, for which our tracking points to 0.8% MoM-sa growth (+1.1% YoY) for broad retail sales and a 1.0% MoM-sa (+9.6% YoY) retreat for services real revenue. We are maintaining our 4Q22 GDP growth tracking at +0% QoQ-sa (+2.3% YoY).

Figure 1 – Monthly Industrial Survey

	Industrial Production Breakdown										
	Weights	% MoM			% YoY			% QoQ			Feb-20 %
		Aug-22	Sep-22	Oct-22	Aug-22	Sep-22	Oct-22	Jun-22	Sep-22	Oct-22	Oct-22
Total Industry	100%	-0.6	-0.7	0.3	2.8	0.4	1.7	0.8	-0.3	-0.8	-2.1
Mining	11%	-3.1	1.8	0.6	-7.3	-5.7	4.5	-0.5	0.3	0.5	-1.1
Manufacturing	89%	-0.3	-1.4	0.0	4.1	1.2	1.4	1.2	-0.2	-1.1	-2.5
Capital Goods	8%	5.8	-0.7	-4.1	4.0	4.6	-0.2	1.3	1.1	1.0	10.3
Intermediate Goods	60%	-1.6	-1.0	0.7	2.1	-0.3	1.9	1.0	-0.2	-1.0	1.2
Consumer goods	32%	-1.1	-0.8	0.3	4.0	0.7	2.4	0.8	0.1	-0.9	-11.0
Durable	7%	6.1	-0.2	-2.7	13.6	10.5	11.8	5.9	2.2	2.3	-18.8
Non-Durable	25%	-2.0	-1.4	0.3	1.9	-1.4	0.4	0.2	-0.4	-2.0	-8.5
Construction Supplies	-	-2.0	-0.7	0.4	-4.3	-5.3	-3.3	0.8	-1.9	-2.8	2.7

Sources: IBGE, Santander.

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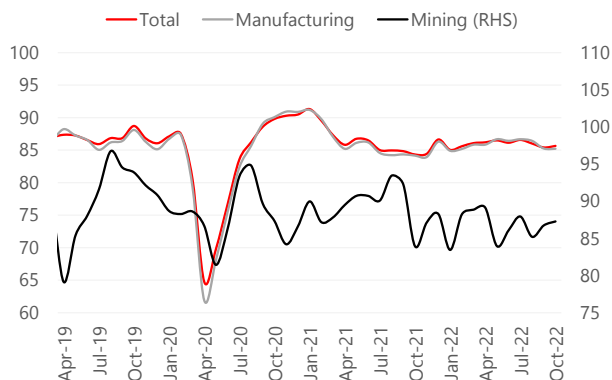
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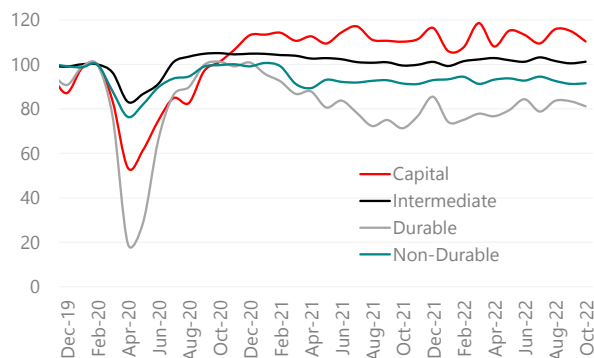
For details on Santander’s economic outlook, please refer to our last reports¹.

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



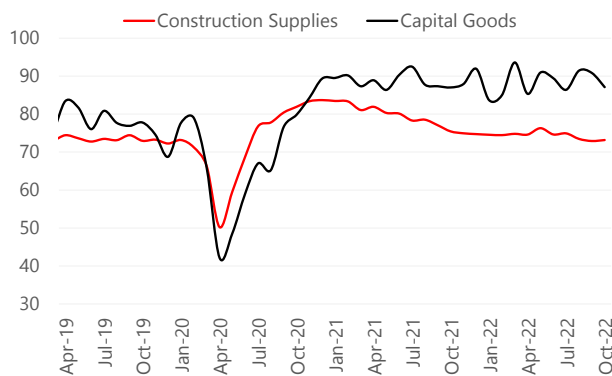
Sources: IBGE, Santander.

Figure 2.B – Economic Categories (sa, Feb/20=100)



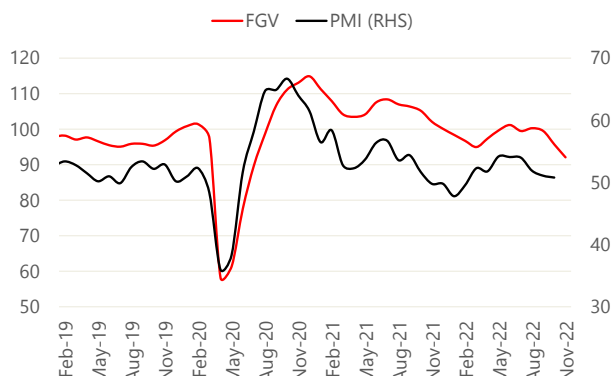
Sources: IBGE, Santander.

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



Sources: IBGE, Santander.

Figure 3.B – Manufacturing Soft Data (sa)*



Sources: Markit, FGV, Santander.

* Neutral level: 100 points for FGV and 50 points for PMI.

¹ **Santander Brazil Economic Activity: “Financial Conditions Remain Critically Restrictive”** – November 30, 2022 – Available on: <https://bit.ly/Std-FCI-nov22>
Santander Brazil Special Report: “Nowcasting Supply Sectors: Updating GDP Tracking” – October 28, 2022 – Available on: <https://bit.ly/Std-special-102822>



Figure 4 - Heatmap Showing Industrial Production by Activity

		By Activity (% MoM sa)											
		Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22
11.2%	Mining	3.81	1.30	-5.47	5.73	0.72	0.30	-5.81	2.55	2.15	-3.11	1.81	0.61
13.9%	Food products	6.97	3.67	1.09	3.37	-2.77	-4.51	1.34	0.43	4.97	-3.05	-4.18	4.82
10.3%	Oil and biofuel coke	-1.15	0.16	2.72	-2.18	-0.76	4.85	0.20	-1.23	2.16	-4.76	-2.55	0.16
10.1%	Vehicles	6.39	12.12	-15.94	4.51	6.80	-4.56	3.87	5.95	-6.00	10.78	-0.13	-6.71
5.4%	Metallurgy	-2.41	1.80	-4.32	4.43	1.11	-1.17	0.89	-2.02	1.54	0.16	-7.55	-4.57
5.3%	Other chemical products	0.79	-0.06	-2.72	-0.02	7.76	3.62	-5.92	0.70	-7.71	9.46	0.06	-3.04
4.9%	Machines and equipments	0.00	-0.13	-2.53	-0.85	5.79	-3.64	7.22	-3.21	-10.36	12.54	3.86	-9.12
3.6%	Metallic products except machines and equipments	1.14	-0.81	-4.17	4.05	-3.92	2.49	1.80	-0.85	-4.23	1.38	-0.67	-0.10
3.6%	Non-metallic minerals	0.79	1.76	-3.68	0.36	0.86	-0.02	-0.48	-0.86	-0.68	1.37	-1.74	-1.76
3.5%	Rubber and plastic products	-1.81	-0.37	-5.09	4.29	-0.43	2.50	0.96	-0.44	-0.06	-0.06	-1.32	-2.58
3.3%	Beverages	-1.94	2.59	-6.87	6.22	6.41	3.53	-0.47	-1.25	-0.84	2.73	-5.68	-9.27
3.0%	Cellulose,paper and paper-based products	-0.78	1.99	-0.66	-4.07	3.30	1.78	-1.91	4.98	1.85	-0.50	-1.24	-1.64
2.6%	Machines, equipments and electric material	3.98	-1.95	-3.71	2.52	-5.07	1.61	6.02	1.26	-1.79	-1.05	-1.26	-3.54
2.5%	Computer equipments, electronics and optical products	7.29	14.15	-11.41	1.02	8.21	-3.21	3.96	-2.11	-6.13	5.66	1.49	-0.17
2.3%	Pharmaceuticals	9.21	-7.88	-2.79	12.35	-8.32	4.95	3.40	-16.62	12.05	9.73	-1.54	0.90
2.3%	Manufacture of clothing and accessories	4.81	-0.80	-0.81	-0.76	-4.24	2.22	-0.40	5.88	-5.02	1.37	-3.70	-7.06
1.6%	Leather, travel items and footwears	1.97	4.57	-6.13	-1.71	9.64	1.00	9.38	-0.43	-5.54	0.22	-2.08	-13.24
1.6%	Textile products	1.55	-0.52	-1.68	-1.65	-2.69	5.31	1.84	0.17	-1.81	-5.08	-2.81	-3.20
1.5%	Other transport equipments, except motor vehicles	7.69	3.21	-9.00	14.21	3.04	-7.38	7.58	-5.56	5.06	7.81	2.83	2.62
1.3%	Repair of machines and equipments	3.09	6.12	-6.43	-0.59	-0.62	6.55	5.78	0.59	-19.43	3.14	-0.49	-5.67
1.3%	Furniture	0.97	-0.20	-5.47	2.10	-4.62	3.55	1.04	-1.75	-5.59	-1.01	-1.65	-4.67
1.3%	Personal Care	-3.84	1.57	-1.12	-0.02	0.35	1.19	0.31	3.11	-1.54	-0.22	-3.60	-2.15
1.0%	Wood products	8.00	1.51	-3.49	-2.07	-1.75	-3.48	3.66	-6.07	-6.50	1.75	-9.46	-8.80
1.0%	Printing and playback of recordings	-4.87	11.31	1.65	-14.19	0.31	9.73	1.46	-7.67	3.34	-1.49	-2.58	1.83
1.0%	Miscellaneous	1.35	4.45	-5.48	5.48	-3.50	-5.44	6.82	-4.24	1.41	9.51	-8.34	-12.46
0.6%	Tobacco products	6.01	5.56	0.13	0.96	15.99	-10.71	-3.82	-2.32	-3.58	3.55	7.12	-2.53

Sources: IBGE, Santander.

Figure 5 - Heatmap Showing Industrial Production by Economic Category

		By Activity (% MoM sa)											
		Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22
Capital Goods	Computer equipments, electronics and optical products	2.6	12.5	-1.4	-14.4	21.7	-3.6	-1.2	-4.2	-4.2	-1.6	-1.6	5.4
	Machines, equipments and electric material	1.0	-4.4	0.3	-1.5	-3.1	-0.1	11.5	-0.3	-0.1	-2.6	-1.3	3.5
	Machines and equipments	-3.2	-1.0	-0.5	-5.6	11.1	-6.5	8.2	-2.7	-5.5	5.7	5.0	-7.9
	Vehicles	-3.2	13.8	-25.5	15.1	18.3	-14.5	9.1	-2.4	-0.4	6.4	-3.6	-2.1
	Other transport equipments, except motor vehicles	0.3	14.6	-7.6	23.8	3.6	2.6	3.0	-3.3	6.5	-4.8	3.4	1.1
	Miscellaneous	4.6	2.4	-3.5	6.8	-5.9	-4.2	2.5	-6.8	12.0	-1.5	-3.8	-0.4
Intermediate Goods	Mining	4.5	0.4	-6.6	7.0	0.1	0.4	-3.9	0.6	1.4	-5.3	3.3	2.2
	Food products	21.0	8.3	-0.5	1.6	-5.0	-9.9	6.7	1.0	3.9	0.2	-6.5	6.8
	Textile products	1.3	-0.2	-1.4	-0.4	-1.7	1.6	-0.4	0.9	-0.8	-2.3	-2.4	-0.2
	Cellulose,paper and paper-based products	-0.6	2.2	-1.4	-5.0	4.1	2.5	-0.6	4.6	2.0	-0.7	-1.7	-2.5
	Oil and biofuel coke	-0.4	-1.2	2.4	-0.4	0.4	2.5	-0.5	2.2	-1.2	-3.9	0.1	-3.3
	Other chemical products	0.0	-0.3	-1.5	-0.5	7.5	2.3	-4.6	-0.9	-5.2	7.5	0.3	-2.6
	Rubber and plastic products	-5.0	-1.6	-1.2	2.3	-2.0	4.1	0.6	-0.6	0.3	-1.3	-0.8	0.4
	Non-metallic minerals	-0.2	2.0	-2.9	0.5	-0.1	-0.5	0.5	-1.4	0.0	0.0	-0.9	-0.9
	Metallurgy	-3.4	1.9	-4.4	5.4	1.2	-1.7	1.8	-2.5	2.4	0.0	-6.5	5.2
	Metalic products except machines and equipments	-1.8	-0.9	-0.8	-1.5	-2.7	3.0	3.8	-1.7	-1.5	-3.5	0.7	-0.5
	Machines and equipments	0.5	2.4	-1.3	4.2	4.2	-5.5	3.9	-2.6	-11.9	15.2	-0.3	-2.3
	Vehicles	3.0	5.7	-3.1	2.5	2.0	-5.9	7.0	0.3	2.4	5.5	12.4	-19.6
Miscellaneous	-2.4	4.1	-1.8	1.5	-1.9	-1.1	1.3	-1.3	-1.5	-1.9	-1.5	-4.4	
Durable Goods	Computer equipments, electronics and optical products	1.9	14.0	-10.3	4.0	6.5	-4.5	15.8	-8.1	-3.9	4.6	14.9	0.5
	Machines, equipments and electric material	7.3	-3.9	-4.2	2.4	-11.9	10.6	3.3	0.2	-1.3	-5.1	-0.5	-4.7
	Vehicles	15.4	27.2	-19.6	-0.3	12.5	-10.6	-0.1	17.6	-11.2	5.9	-1.2	-3.1
	Other transport equipments, except motor vehicles	5.1	-3.5	-9.4	11.5	11.7	-13.1	20.0	-5.9	-6.5	14.2	2.4	2.5
	Furniture	-8.6	1.1	-7.4	4.2	-3.0	6.5	-2.4	-3.1	-5.2	-6.8	4.5	-4.5
Miscellaneous	14.3	0.2	5.2	-5.8	1.6	-5.0	10.2	-4.7	-5.4	15.1	-8.5	-11.5	
Non Durable Goods	Food products	-1.6	3.9	0.1	2.2	0.0	-0.2	-1.7	0.9	1.3	-2.4	-1.3	0.7
	Beverages	-0.8	12.3	-9.3	5.1	0.3	2.4	2.2	-0.5	-1.6	-1.9	-0.7	1.7
	Textile products	-1.2	1.0	1.1	0.2	-1.9	-2.9	2.8	0.5	-11.9	-2.9	-0.9	3.8
	Manufacture of clothing and accessories	-1.5	-1.5	3.4	-3.0	-0.8	1.6	-0.4	3.5	1.0	-5.4	-3.5	-5.4
	Leather, travel items and footwears	0.7	2.0	-0.9	-2.6	-0.7	2.6	7.7	3.2	-6.7	0.0	2.9	-10.9
	Printing and playback of recordings	-2.9	20.0	22.7	-37.0	-6.4	15.1	6.9	0.4	1.5	-5.2	0.1	4.1
	Oil and biofuel coke	6.5	3.9	6.1	-7.3	-5.8	8.0	0.3	-2.7	0.2	-3.2	-3.0	2.4
	Personal Care	-6.8	2.1	1.1	-0.2	-1.1	1.6	0.6	4.1	-0.3	-2.8	-3.3	-0.3
	Pharmaceuticals	8.3	-8.7	-3.6	15.0	-12.0	6.2	6.2	-16.5	12.9	6.6	2.0	-0.4
	Miscellaneous	-0.8	12.3	-9.3	5.1	0.3	2.4	2.2	-0.5	-1.6	-1.9	-0.7	1.7

Sources: IBGE, Santander.



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