

Economic Watch

Brazil

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Economic Analysis

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After growing 1.1%*m/m* on average in the first quarter of the year, industrial production dropped 2.1%*m/m* in April, surprising markets to the downside and supporting perspectives that the economy will slow down in the second quarter

Brazil: weak industrial production performance at the beginning of the second quarter”

- Industrial production dropped 2.1%*m/m* in April, well below markets expectations (0.2%*m/m*). In yearly terms, industrial production declined 1.3%*y/y*, also frustrating markets which expected a 0.7%*y/y* growth.
- April's monthly drop contrasts with the 1.1%*m/m* average growth observed in the first quarter of the year. This supports the view that economic activity will cool down in the second quarter of the year after a very dynamic first quarter (on June 3, Q1 GDP will be released and it should show a growth of at least 1.1%*q/q*, more than the 0.7%*q/q* growth observed in Q4 10).
- The view that the economy will moderate in Q2 need, however, be supported by demand-side indicators (as retail sales which will be released on June, 10) as the moderation suggested by the industrial production and other supply-side indicators could be a consequence of the appreciation of the exchange rate and rising wage costs and not necessarily the result of the recently implemented counter-cyclical policies.

For more on Brazil, click [here](#)

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