

Brazil Flash

Weak industrial production at the beginning of Q4.

Industrial production declined 0.6%*m/m* in October while markets were expecting a milder drop (-0.2%*m/m*). The figure reinforces the perception that the economy continued to slow down at the beginning of Q4. However, we see some room for a slight recovery of the economy in the end of the year, especially after the [set of tax reductions announced yesterday](#).

- **Industrial production declined 2.6% in the last three months.**

The drop of industrial production in October adds to drops of 0.1% and 1.9% in August and September, respectively. The current industrial production level is 2.2% lower than that observed one year ago. Although the recent fragility of industrial productions is at a large extent due to some competitiveness problems (see an analysis about this issue in our most recent [Brazil Economic Outlook](#)), today's outturn reinforce the view that economy is decelerating significantly in the last months due to the tightening of economic policies implemented in the first half of the year and the heightening of global tensions.

- **All industrial categories contracted in October.**

The data released today shows that the moderation of industrial production was generalized: capital goods dropped 1.8%*m/m*, intermediate goods 0.5%*m/m*, and consumption goods 1.6%*m/m* (durable consumption goods grew 2.4%*m/m*, recovering part of the 10%*m/m* lost in September). This data is consistent with a moderation of both gross formation of fixed capital and private consumption. The release of Q3 GDP (next week) and October's retail sales (on December 13) will shed more light on the performance of demand components. Anyway, we expect a moderation of both private consumption and investments in Q3 and some limited recovery in Q4.

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

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