

Brazilian Executives Haven't Been So Gloomy in Two Years

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A survey by the Getúlio Vargas Foundation of the manufacturing sector (Sondagem Conjuntural da Indústria de Transformação) in July found that economic expectations among business leaders were the lowest since July 2003, when the country was coming out of a recession.

The survey interviewed 930 company directors between June 28 and July 25. 27% of those interviewed said that demand was weaker in July

The number of companies with high inventories jumped from 10% in April to 14% in July and although 44% of those interviewed said they expected improvements within the next six months, that number was down from 59% in July 2004.

According to Aloísio Campelo, an economist at the FGV, the survey results reflect feelings among business leaders that there will be a gradual downturn because of the government's economic policies (high interest rates and devaluation of the dollar).

This decline in turn should reduce their profit margins (the percentage of those interviewed who said they intended to raise prices fell from 43% in the last survey, to 27%; and, significantly, the percentage who said they would probably reduce prices rose from 6% to 19%).

With regard to employment, 24% of those interviewed said they intended to contract more workers (down from 35%), and 15% said they would probably reduce their workforce (up from 8%).

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