

Brazilian Industry Running Close to Full Capacity

Contributed by Vitor Abdala
Friday, 29 October 2004

The latest survey of the manufacturing segment by the Getúlio Vargas Foundation (FGV) has found that the level of use of installed capacity has risen to levels that have not been seen since 1976.

At the moment, installed capacity use is running at 86.1% (in October 1976, it reached 89%).

The survey also found that 35% of the businesses surveyed intend to contract new workers between now and the end of the year. Only 9% said they would be reducing their workforce.

On the other hand, the number of businesses that said they would be raising prices fell from 44% to 38%.

Finally, 24% of the businesses interviewed said demand in their sector was strong, compared to 9% who said it was weak.

That is the biggest difference between the two answers since October 1994.

And when the survey asked if business was good, 43% responded positively, while only 7% said it was weak.

The difference of 36 percentage points between the two answers is the biggest in the FGV survey since 1995.

Unheard Of

The cumulative growth of 7.8% in industrial production in Brazil over the past six months is a feat unparalleled since the second half of 1994, according to Sílvio Sales, Coordinator of the Industrial Department of the Brazilian Institute of Geography and Statistics (IBGE).

In Sales' opinion, the outlook is "very favorable." Industry, which grew 1.1% between July and August, completed six consecutive months of expansion, and there is no indication that this process will be reversed in the short run, he affirms.

"In this trajectory, there is a clear leadership on the part of capital goods (machinery and equipment for industry) and durable goods (household appliances, automobiles, cell phones), sectors that are setting the pace.

Intermediate goods (raw materials and inputs) are growing at the average rate for industry, and non-durable goods (medications, clothing, and beverages), at a more modest rate," he reveals.

Sales says that there is a set of indicators pointing to the maintenance of this growth in the short term, including statistics already available from other sources: exports and imports continuing strong; the FGV's (Getúlio Vargas Foundation) Conjunctural Survey with favorable year-end perspectives; and a declining volume of debt defaults.

Agência Brasil
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