

Survey Shows Growing Pessimism among Industry

Despite May's recovery of industrial production, industry remains pessimistic for the third quarter, according to the results of a survey taken by the Getúlio Vargas Foundation.

In the survey, a preview of the Vargas Foundation's quarterly review of industry, 33% of the respondents described the current situation of their firms as "weak", up from 15% in April, while 16% called their situation "good", down from 18%. The difference of minus 17 in the two responses was the highest for the survey since July 2003.

Of the 462 companies surveyed, 29% said demand for their products in July is down compared with 15% in April and 10% in July 2004. Only 8% of the companies in the latest survey said that their sales remain strong. For 19% of the companies, their current inventories were considered "excessive", up from 12% in April.

For the third quarter, 19% of the companies predicted that demand will decline further versus 43% who are expecting an improvement. In April, 11% expected a second quarter decline and 49% predicted sales would increase. For the coming six months, the number of companies projecting a decline in sales rose from 11% in April to 20%.

When asked if they planned on hiring more workers in the next three months, 16% replied positively but 20% said they expect to reduce their work forces. The difference of minus four was the worst in the survey since April 2002.

Because of their concerns with sales, the companies also reduced plans for price increases. In April, 41% of the firms surveyed said they would raise prices in the second quarter but for the third quarter this total dropped to 24%. At the same time, the total of companies planning on lowering their prices rose from 5% to 23%, another indication that inflation will remain under control in the quarter.