

**51st Annual Appliance Industry Forecast**

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# Bouncing Back in Latin America

If all goes well, economies in Latin America are expected to recover from recession, political unrest, and financial turmoil in 2003.

"Although the next few years are not going to be fantastically good (for Latin American growth), we hope there is going to be a gradual recovery that will turn into a sustained one," Sebastian Edwards from the National Bureau of Economic Research told *Reuters* in November. He said a financial crisis in Argentina, political upheaval in Brazil and Venezuela, and a slower-than-expected recovery from recession in Mexico affected 2002 regional growth, but that export outlooks and expected U.S. economic improvement would contribute to a "moderate" growth.

## Brazil: Keeping it Real

By November 2002, Brazil's currency, the real, lost about 37 percent of its value against the U.S. dollar, and inflation had exceeded the Brazilian government's "tolerance level" of 5.5 percent and was expected to jump even further. A *New York Times* article attributes the real's loss largely to investor worries on the rise of Luiz Inácio Lula da Silva of the left-leaning Workers' Party to president, although he vowed to keep a lid on inflation with a tight monetary policy.

Shipments of small appliances and brown goods, such as VCRs and sound equipment, have suffered in Brazil with estimates of a 1-percent drop of brown goods in 2002, when compared with 2001, and a 12-percent drop in small appliances, according to **Datamark Ltda**, a research firm in Brazil. White goods were estimated to increase 4 percent in 2002, and IT equipment, such as PCs and printers, were expected to see a 10-percent increase by the end of 2002.

"Brown goods are static, white goods are recovering, and small appliances are not doing well," said **Graham Wallis**, CEO of **Datamark**.

"Things may improve in 2003 if the Brazilian government manages to redistribute income without fueling inflation...Brazil is expecting a bumper Christmas so that may help," he told APPLIANCE. "The 5-year projection suggests that things will improve for electrical appliances, but with the current over-capacity, investment is unlikely."

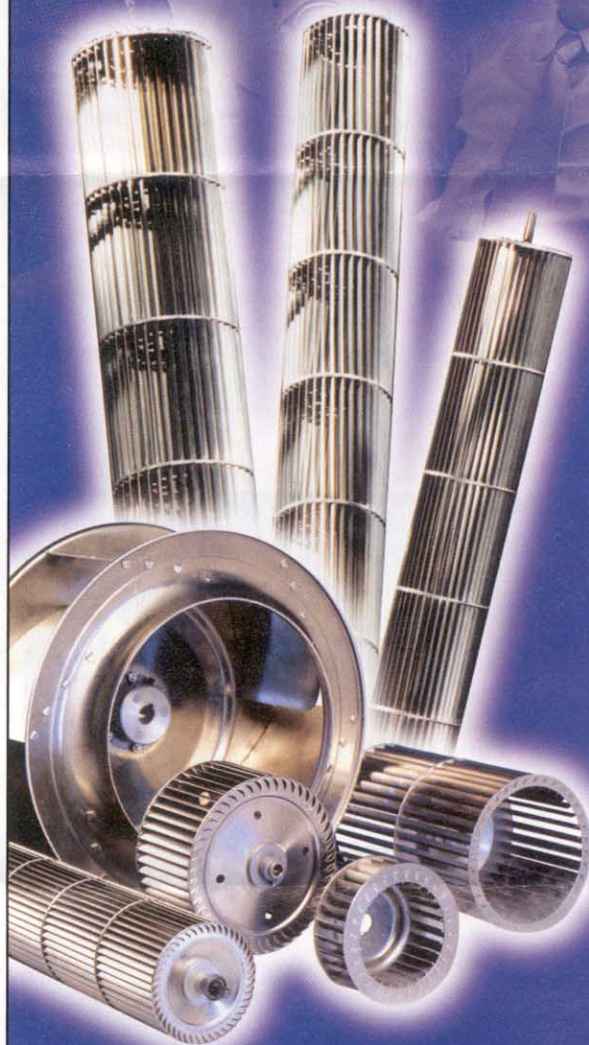
Whirlpool Corp. (Benton Harbor, MI, U.S.) was also carefully optimistic about the outlook for Brazil. The company reported in October that its third-quarter Latin American appliance industry shipments increased 1 percent. Whirlpool had utilized Brazilian government export incentive tax credits (Befiex) in 2002, but did not anticipate using additional credits in the first quarter of 2003.

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