

# IHS Markit Brazil Manufacturing PMI®

## Growth strengthens at end of second quarter

### Key findings

Quicker rises in production and new orders

Record inventory accumulation

Steep increases in input costs and selling prices

Data were collected 11-23 June 2021.

The health of the Brazilian manufacturing industry improved further in June, with a stronger increase in sales underpinning faster expansions in production, input buying and employment. Business confidence also strengthened midway through the year. PMI® data continued to point to acute cost pressures among goods producers as global shortages of raw materials and currency weakness exerted further pressure on cost burdens. Input prices and output charges increased at rates unprecedented prior to the COVID-19 crisis.

Rising from 53.7 in May to 56.4 in June, the IHS Markit Brazil Manufacturing Purchasing Managers' Index™ (PMI®) highlighted the strongest improvement in operating conditions for four months. However, the average reading for the second quarter (54.1) was below that seen in the prior three-month period (55.9).

Amid reports of strengthening demand conditions, intakes of new business increased for the second straight month in June. The upturn was marked and quickened from May.

The rise in order books was supported by sustained growth of new export work. International sales increased for the fifth consecutive month and at the fastest pace over this period. According to survey participants, the expansion stemmed from a resumption of normal activity among overseas clients and the supply of items scarce elsewhere.

To accommodate for rising new work intakes, Brazilian goods producers stepped up production in June. The increase in output was marked and outpaced the long-run survey

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Brazil Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

### Comment

Commenting on the latest survey results, Pollyanna De Lima, Economics Associate Director at IHS Markit, said:

*“June’s PMI results presented another set of positive outcomes in the Brazilian manufacturing sector. Despite the ongoing battle against another wave of COVID-19 cases, companies saw their order books expand substantially from last month. Growth of output also gathered momentum as factories worked on rebuilding their stocks to fulfil rising demand needs. Firms seemed to have achieved this goal as there were record increases in both stocks of purchases and of finished goods.”*

*“The resilience of the manufacturing industry fed through to the labour market as companies were confident in the rebound and took on additional workers. Employment increased at the quickest pace in seven months as business optimism improved.”*

*“In addition to COVID-19, raw material scarcity remains a key downside risk to the sector’s recovery. Cost inflationary pressures continued to mount, placing further strain on margins and underpinning another steep rise in selling prices. For now, real weakness meant that Brazilian goods were priced competitively at least in international markets but, as additional cost burdens continue to be transferred to selling prices, demand strength will be tested in the coming months.”*

average.

In line with efforts to safeguard against input shortages, goods producers purchased additional materials at the end of the second quarter. The expansion in input buying was solid and the strongest since February.

June data showed a further upturn in input prices. The rate of cost inflation was steep and among the highest on record, with many firms linking increases to a lack of raw material availability. Anecdotal evidence highlighted metals, packaging, plastics and semi-conductors as being in short supply.

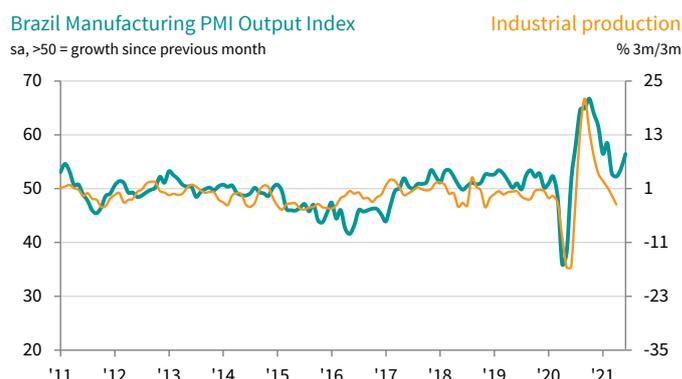
Cost increases were transferred on to clients, via upward revisions to selling prices, amid rising strain on margins. The overall rate of charge inflation was sharp and one of the strongest since data collection started in early-2006.

On the stock front, there were record rates of increase in both stocks of purchases and finished items. The latter was attributed to robust demand and greater production volumes.

Manufacturers predicted output growth in the year ahead, with the overall level of positive sentiment at a six-month high in June. Optimism was pinned on hopes of greater vaccine availability and that the pandemic will retreat. Firms intend to conduct more marketing and foresee investment growth.

Demand strength and optimism towards growth prospects supported another round of job creation in the manufacturing sector. The rate of employment expansion was marked and the quickest in seven months.

Data indicated that companies had sufficient resources to complete incoming projects, with backlogs down for the first time in a year.



Sources: IHS Markit, IBGE.

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### Survey methodology

The IHS Markit Brazil Manufacturing PMI® is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 400 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

### Survey dates and history

Data were collected 11-23 June 2021.

Survey data were first collected February 2006.

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### About PMI

Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. [ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html)