

IHS Markit Brazil Manufacturing PMI®

Brazilian manufacturing industry ends 2021 on weak footing

Key findings

Sales and production fall for third straight month in December

Buying levels contract amid elevated purchasing prices

Rates of inflation remain sharp, but ease to

Data were collected 06-16 December 2021.

Brazilian manufacturers recorded lower volumes of sales and output during December, as was the case throughout the final quarter of 2021. Input purchasing decreased further and job creation slowed to a negligible pace. Price pressures showed signs of abating, with both input costs and output charges rising at the slowest rates since July 2020. Companies were more upbeat towards growth prospects for 2022, evidenced by business sentiment recovering to a six-month high.

Posting 49.8 in December, unchanged from November, the IHS Markit Brazil Manufacturing Purchasing Managers' Index™ (PMI®) highlighted back-to-back deteriorations in the health of the sector and rounded off the worst quarterly performance since Q2 2020.

The two largest contributors to the headline figure, new orders and output, remained in contraction territory during December. The latest fall in sales was associated with subdued domestic demand for goods, ample stocks among clients and troubles in the automotive sector. Rates of reduction in production and new orders were moderate, however, and eased from November.

Muted demand, coupled with price pressures, led manufacturers to restrict input buying in December. The fall in purchasing activity was modest, albeit the second in successive months.

Input costs increased at the slowest rate in 17 months during December, albeit one that was sharper than any seen prior to that. The same trend was seen for output charges. According to panellists, energy, raw material and transportation costs

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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:

"Despite starting 2021 on a strong footing, the manufacturing sector ended the year in contraction territory. Companies scaled down production and generally paused restocking efforts as a previously-anticipated upturn in demand failed to materialise. With clients having sufficient products in their warehouses, new orders decreased in December."

"Brazilian manufacturers foresee better times ahead, with production expected to expand in 2022 amid forecasts of healthier demand, greater investment, favourable weather and improvements in the automotive sector."

"But, recent setbacks made companies somewhat cautious in their assessments, with many adopting a wait-and-see approach on spending decisions. Input buying was reduced again in December and job creation nearly stalled."

"Offering some respite to manufacturers, input cost inflation moderated in December. In turn, there was also a slower increase in output prices. Rates of inflation eased to 17-month lows, but nevertheless exceeded those seen prior to that period."

"Should the central bank be successful in curbing inflation next year, following successive periods of aggressive interest rate hikes, an improvement in real wages among households could support a recovery in consumption."

rose since November amid lingering supply-chain problems, raw material scarcity and US dollar strength. Part of the additional cost burden was in turn shared with clients via upward revisions to selling prices.

Brazilian manufacturers indicated that input holdings rose in December, as previous restocking drives propelled by forecasts of better sales that failed to materialise boosted inventories. The pace of accumulation was solid and faster than that registered in November.

Similarly, post-production inventories increased further at the end of 2021. The expansion was the ninth in as many months, but the slowest since last April.

Faced with another reduction in sales, manufacturers diverted resources towards the completion of outstanding business. Backlogs of work decreased for the seventh successive month, and at a quicker pace than in November.

With companies able to stay on top of workloads amid faltering demand, job creation nearly stalled in December. The latest rise in employment was the weakest in the current nine-month sequence of expansion and marginal overall.

While domestic demand waned, firms saw a solid and accelerated upturn in international orders. External sales rose for the second month running and at the fastest pace in over a year.

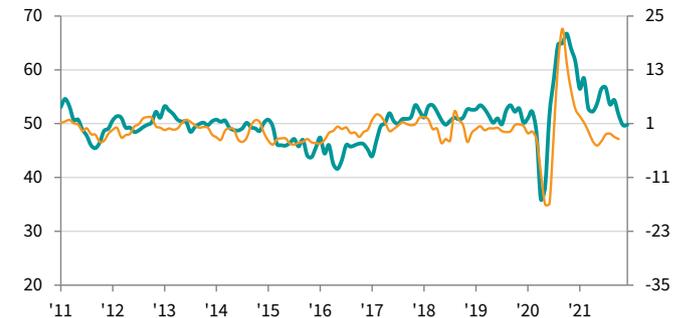
Looking ahead, manufacturers were optimistic that demand and investment trends would improve in 2022, supporting production growth. Optimism was also pinned on hopes that climate conditions would be better and that the automotive sector would recover. The overall level of positive sentiment strengthened to a six-month high in December.

Brazil Manufacturing PMI

sa, >50 = growth since previous month

Industrial production

% 3m/3m



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.

Survey dates and history

Data were collected 06-16 December 2021.

Survey data were first collected February 2006.

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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