

IHS Markit Brazil Manufacturing PMI®

Firms lift inventories at near-record rates to safeguard against shortages

Key findings

Input stocks rise markedly amid substantial increase in purchasing activity

Holdings of manufactured goods expand at near-record rate

Quicker upturn in sales boosts output growth

Data were collected 13-23 September 2021.

The combination of rising demand and stock-building initiatives supported a further improvement in the health of the Brazilian manufacturing industry during September. Firms purchased additional materials amid efforts to rebuild input stocks, clear their backlogs and lift production volumes. Output expanded at a marked and accelerated pace and there was another upturn in employment.

Supply-side issues persisted, as signalled by a further deterioration in vendor performance and a substantial increase in input costs.

Registering 54.4 in September, the IHS Markit Brazil Manufacturing Purchasing Managers' Index™ (PMI®) was above the neutral mark of 50.0 for the sixteenth straight month. Moreover, rising from 53.6 in August, the latest figure pointed to a stronger improvement in overall operating conditions.

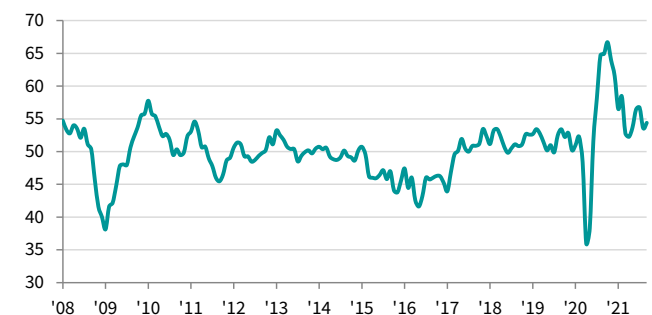
September data highlighted substantial increases in both pre- and post-production inventories, with rates of accumulation the second-fastest in the survey history. According to panel members, intentional stock building initiatives stemmed from efforts to safeguard against shortages and ensure that production schedules could go ahead as planned so that orders are fulfilled.

Companies sought to add to their inventories by scaling up input purchasing at the end of the third quarter. Buying levels rose at a marked pace that was stronger than in August.

Demand conditions remained favourable in September, with companies able to add to their order books. Moreover, sales

continued...

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:

"Brazil's manufacturing industry expanded in September due to two main factors. Firstly, underlying demand remained conducive to growth. Secondly, firms are planning ahead and trying to ensure that they hold sufficient levels of stocks to meet future sales and planned production schedules."

"While recent efforts to rebuild inventories were dampened by supply-side constraints, companies were more successful in September. Delivery times continued to lengthen, but did so to the least extent in roughly a year-and-a-half. As such, a marked rise in buying levels underpinned a near-record increase in pre-production inventories."

"Upbeat growth projections continued to bode well for the labour market, with many manufacturing vacancies filled over the month."

"Rising input costs again fed through to factory charges, a situation that could deter demand in the coming months and eat into corporate earnings. Rates of inflation softened to the weakest in 14 months, but were nevertheless sharper than any seen prior to the onset of the COVID-19 pandemic."

"Finally, exporters saw another drop in international sales as reduced shipping availability hampered external demand for Brazilian goods."

expanded at a solid pace that was above the long-run series average.

However, firms struggled to secure new work from international clients, which they commonly associated with the inability to ship items in a timely manner. The contraction in new export orders was mild, but quickened from August.

Ongoing increases in total sales, however, led firms to step-up production. Output rose for the fifth month in a row and at a marked rate that was well above its long-run average.

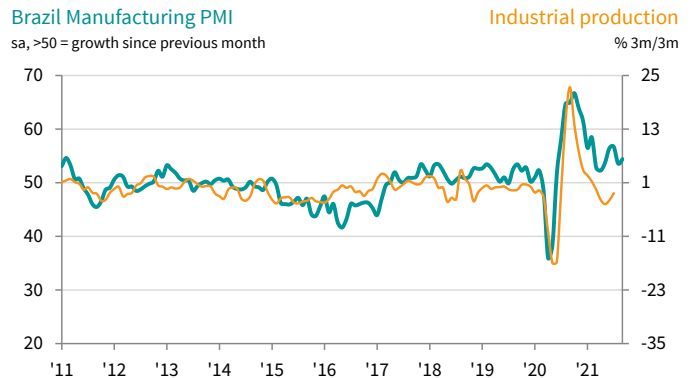
Looking at the coming 12 months, firms anticipate higher output compared to present levels. Optimism was underpinned by planned investment on capacity, marketing, sales departments and product diversification.

Favourable demand conditions and upbeat growth projections boosted hiring activity in September. Employment increased for the sixth consecutive month and at a marked pace that was the fastest in three months.

Efforts to deliver manufactured goods to clients and growing workforces underpinned another reduction in outstanding business levels at goods producers.

Survey participants continued to report longer lead times on inputs. In most cases, delays were linked to raw material scarcity, issues at global logistics firms and challenges importing items due to constrained shipping availability.

With demand for inputs outstripping supply, raw material prices continued to increase. This in turn led manufacturers to lift their own selling charges. The rates of input cost and output charge inflation were sharper than any seen prior to the pandemic, despite softening to 14-month lows.



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 13-23 September 2021.

Survey data were first collected February 2006.

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