

IHS Markit Brazil Manufacturing PMI®

Unprecedented rise in inventories of finished goods

Key findings

Manufacturers focus on building up safety stocks

Solid, albeit softer, increase in production

Sustained growth of new work supports hiring activity

Data were collected 12-23 August 2021.

Brazil's manufacturing industry continued to expand in August as companies scaled up output in line with a further upturn in factory orders. The improvement in demand also supported job creation, but in all three cases rates of growth softened from July. Meanwhile, the clearing of backlogs of work underpinned a record increase in stocks of finished goods.

Firms again suggested that global shortages of raw materials and real depreciation pushed up cost burdens and in turn led to upward adjustments to selling charges, a factor that reportedly curbed demand growth. The rates of inflation remained historically high, despite easing in August.

The IHS Markit Brazil Manufacturing Purchasing Managers' Index™ (PMI®) slipped from July's five-month high of 56.7 to 53.6 in August, pointing to a solid yet softer improvement in the health of the sector. Growth was sustained across the three broad areas of the manufacturing industry — consumer, intermediate and investment goods — but eased in all three cases.

Manufacturers reported a record increase in stocks of finished goods midway through the third quarter. The upturn stemmed from attempts to meet delivery deadlines, efforts to lift safety stocks and the clearing of backlogs of work. Indeed, outstanding business volumes declined markedly in August.

August data highlighted a fourth successive monthly increase in manufacturing production, with growth associated with rising sales. However, the rate of expansion softened to the

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:

"The PMI data brought the desirable news that Brazil's manufacturing industry remained in expansion mode during August. With their order books rising, companies lifted output and continued to hire additional workers."

"Evidence that businesses are sizing up their inventories in anticipation of better demand conditions bodes well for the outlook. Stocks of purchases rose as previously bought inputs started to arrive and there was a record upturn in holdings of finished products as panellists cleared their backlogs."

"Firms again faced many hurdles, however. Raw material scarcity, a key theme of most PMI reports published globally, yet again caused a steep rise in input costs. Thus, companies restricted their input buying in hopes of fairer prices in the future."

"Selling charges were lifted as a result but this move constrained sales, particularly in international markets where Brazilian firms struggled to beat competition."

weakest since May amid shortages of key raw materials and subdued international demand.

Total new business continued to expand in August, while international orders decreased for the first time in seven months. Growth of aggregate sales was reportedly curbed by adequate stock levels at clients and a reluctance among them to place orders due to price rises.

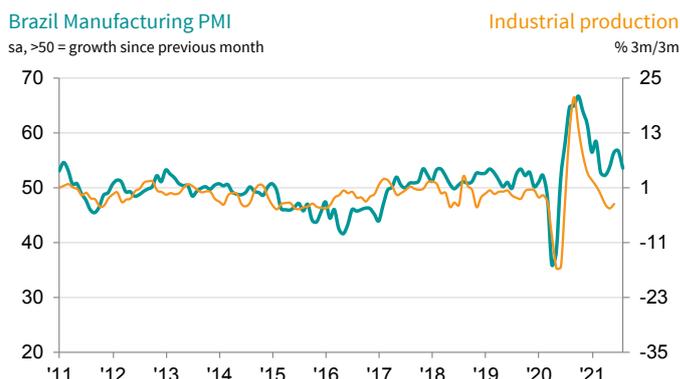
Ongoing increases in new work intakes and upbeat growth projections backed another round of job creation in the manufacturing industry. Although the slowest in three months, the rate of employment expansion was marked.

While some companies purchased additional materials to prevent future shortages of inputs, and in anticipation of price hikes, others refrained from doing so due to already elevated supplier fees. Aggregate buying levels rose markedly, although at a softer rate than that seen in July.

Another factor that encouraged stock-building initiatives was a common view that future prospects look brighter. Forecasts of further improvements in demand, higher investment, the purchase of new equipment, capacity expansion and greater vaccine coverage all boosted optimism towards the year-ahead outlook for production.

Stocks of purchases increased at a marked pace, albeit one that was the weakest since May as some raw materials remained difficult to source. Some companies indicated an influx of deliveries of orders placed several months ago.

Average lead times on inputs lengthened at one of the least marked extents seen over the past year. However, the deterioration in vendor performance remained sharp.



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 12-23 August 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