

Embargoed until 1000 Sao Paulo (1300 UTC) 3 June 2019

IHS MARKIT BRAZIL MANUFACTURING PMI®

Brazilian manufacturing sector heads towards stagnation in May

KEY FINDINGS

At 50.2, PMI only fractionally in growth territory

Upturn in production slows amid renewed fall in sales

Employment contracts

Operating conditions in the Brazilian manufacturing industry improved only fractionally during May amid softer output expansion, a renewed decline in sales and job shedding. The slowdown was accompanied by intensified inflationary pressures, with both cost burdens and selling charges rising at faster rates. At the same time, business sentiment weakened to the lowest in over one-and-a-half years.

The seasonally adjusted IHS Markit Brazil Manufacturing Purchasing Managers' Index™ (PMI®) fell for the third month running in May, from 51.5 in April to 50.2. The latest figure was close to the no-change mark of 50.0, sliding to its lowest in the current 11-month stretch of improving business conditions.

The health of the capital goods sub-sector strengthened to a lesser extent, while intermediate goods was in contraction for the first time in close to two years. Consumer goods bucked the trend and saw a stronger improvement in operating conditions compared to April.

Aggregate manufacturing output expanded for the eleventh straight month, though slightly and at the weakest pace since last October. According to survey members, the upturn was curtailed by market uncertainty, high unemployment, political issues and weak underlying demand.

Although factory orders decreased only marginally, the contraction interrupted a ten-month spell of growth. Weakness came from the domestic and international markets, with exports down for the sixth month in succession.

Manufacturing PMI
sa, >50 = improvement since previous month



Faced with fewer workloads, companies resumed job shedding, with employment down for the first time in 2019 so far. According to monitored firms, cost consciousness, economic uncertainty and weak demand all contributed to the fall in payroll numbers.

Still, evidence of spare capacity persisted as outstanding business decreased for the eleventh consecutive month. Moreover, the fall in backlogs was the fastest since February 2018.

Lower output needs led companies to scale down their input purchasing. Buying levels decreased for the first time since last October, though marginally. Subsequently, stocks of purchases rose at the slowest pace in the current four-month period of accumulation.

Meanwhile, real weakness continued to translate into greater cost burdens faced by producers. Input price inflation hit a seven-month high in May. As a result, factory gate charges were raised to the greatest extent since October 2018 as firms sought to protect margins.

Companies maintained an optimistic view towards growth prospects, but sentiment weakened to the lowest in over one-and-a-half years. Worries about trade and economic uncertainty were among the factors weighing on confidence.

Continues...

COMMENT

Commenting on the PMI data, Pollyanna De Lima, Principal Economist at IHS Markit said:

"Brazil's manufacturing sector headed towards stagnation halfway through the second quarter, with comments from survey participants highlighting a concerning political landscape, high unemployment, subdued confidence and weak economic performance in key export destinations for their goods."

"Production rose only marginally, and to the least extent since last year's election, as factory orders dipped into contraction. Exports fell for the sixth month in succession, despite accelerated BRL/USD slide in May."

"These developments made a dent on business sentiment, impeding job creation in the country. Optimism was down to its lowest level in over one-and-a-half years, with manufacturing employment contracting for the first time in 2019 so far."

Output Index

sa, >50 = growth since previous month



Source: IHS Markit, IBGE.

CONTACT

IHS Markit

Pollyanna De Lima
Principal Economist
T: +44-1491-461-075
pollyanna.delima@ihsmarkit.com

Katherine Smith
Corporate Communications
T: +1 (781) 301-9311
katherine.smith@ihsmarkit.com

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.

May 2019 data were collected 13-23 May 2019.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

About IHS Markit

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2019 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email joanna.vickers@ihsmarkit.com. To read our privacy policy, click [here](#).

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. To learn more go to ihsmarkit.com/products/pmi.html.