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## IHS MARKIT BRAZIL MANUFACTURING PMI®

### Buoyant demand conditions drive employment growth to near nine-year peak

#### KEY FINDINGS

Joint-quickest expansion in sales for 11 months...

...leads to sharpest rise in jobs since April 2010...

...and marked upturn in production

Brazilian factories geared up to satisfy upbeat domestic demand, creating jobs at the quickest rate in close to nine years and rebuilding stocks to the greatest extent in a decade. February data also showed a marked and accelerated upturn in production, but highlighted ongoing export weakness as global trade remained subdued. Despite ticking higher, the rate of input cost inflation was among the weakest in the past three years.

Boosted by stronger contributions from four of its five components – output, new orders, employment and stocks of purchases – the seasonally adjusted IHS Markit Brazil Manufacturing Purchasing Managers' Index™ (PMI®) climbed to an 11-month high in February. Rising from 52.7 in January to 53.4, the latest figure was indicative of a solid improvement in the health of the sector.

Sales increased at the joint-fastest rate in almost one year, matching that seen last December. Companies that reported growth noted stock-building initiatives at clients, strengthening demand and a generally upbeat domestic market.

While total order books rose, new export work fell for the third successive month. Anecdotal evidence highlighted challenging global trade conditions and troubles in Argentina as key factors leading to the downturn.

Not only did production rise for the eighth straight month midway through the first quarter, but also at the second-fastest pace since March 2018. According to monitored firms, this reflected buoyant demand conditions.

Manufacturing PMI  
sa, >50 = improvement since previous month



Amid reports of greater sales, higher production needs and an upbeat outlook towards growth prospects, employment expanded for the second month in a row. Furthermore, the rate of job creation was the strongest since April 2010.

Companies also increased their outlays via the purchasing of additional inputs. Buying levels rose at the sharpest pace in 11 months as firms pursued stockpiling initiatives. In turn, holdings of raw materials and semi-finished items expanded to the greatest extent seen for just over nine years.

The rate of input cost inflation remained mild relative to those seen over the past three years, despite accelerating from January. Steel, glycerol, cotton, leather and resin were among the items reported to be up in price, while there were reports of reductions for aluminium, dye, oils thread and polyethylene. Meanwhile, charge inflation softened in February.

Business sentiment remained elevated, underpinned by improvements in Brazil's economy, new business wins, planned product launches and expectations of better government policies such as tax simplification.

Finally, there was evidence of pressures on supply chains, as signalled by a further lengthening of lead times on inputs. Backlogs at factories were broadly unchanged.

## COMMENT

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

*"The upturn in Brazil's manufacturing sector continued to gain steam. February saw the second-fastest expansion in production volumes in just under a year, reflecting higher order intakes from the domestic market. Factories remained firmly in hiring mode, with job creation hitting a near nine-year peak as businesses prepared to meet the upswing in demand."*

*"Following a prolonged period of inventory depletion, from January 2015 until late 2018, it was welcoming to see companies loosen the purse strings and rebuild their stocks. A marked rise in input buying drove the fastest accumulation in pre-production holdings for nine years, while stocks of finished goods displayed the quickest uptick in a decade."*

*"Adding to the positive overall picture, optimism in the sector was among the strongest seen in the series history, thereby suggesting that Brazil is likely to sustain this positive momentum in the near-term."*

## CONTACT

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### 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.

February 2019 data were collected 12-21 February 2019.

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

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### Output Index

sa, >50 = growth since previous month



Source: IHS Markit, IBGE.

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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. To learn more go to [ihsmarkit.com/products/pmi.html](http://ihsmarkit.com/products/pmi.html).