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IHS MARKIT BRAZIL MANUFACTURING PMI®

Output growth hits 20-month high in November

KEY FINDINGS

Marked rise in sales boosts production growth

Job creation remains marginal

Input buying increases at quicker pace

Growth in Brazil's manufacturing sector moved up a gear in November, with a robust rise in demand underpinning stronger rates of expansion in new business, output and input buying. Business sentiment also strengthened from October. Exports continued to disappoint, falling at the quickest pace in close to three years, and job creation remained marginal. As for price indicators, these signalled slower rates of both input cost and output charge inflation, though the former remained elevated.

Rising from 52.2 in October to 52.9 in November, the seasonally adjusted IHS Markit Brazil Manufacturing Purchasing Managers' Index™ (PMI®) signalled the second-strongest improvement in the health of the sector in nine months (behind September). The intermediate goods category saw the quickest rate of growth, followed by capital and then consumer goods.

Brazilian companies indicated that strengthening demand conditions supported a further increase in new work intakes. The rise in sales noted in November was marked and quickened from October.

Underlying data suggested that new work had been mainly generated domestically, as Brazilian exporters posted another decline in international sales. The fall was marked and the fastest since the end of 2016. Anecdotal evidence highlighted particularly weak demand from Latin American nations.

Brazilian manufacturing production rose for the fourth month in a row halfway through the final quarter of the year,

Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

and at the quickest pace since March 2018. Growth remained broad-based by market group and was led by intermediate goods makers.

Although greater production needs boosted input buying, job creation failed to show meaningful vigour. The increase in employment remained marginal, but quantities of purchases expanded at a solid pace.

Stronger input demand, combined with low stock levels at vendors, caused another deterioration in vendor performance during November. Conversely, latest data showed further evidence of spare capacity among goods producers as backlogs declined.

Trends for stocks were similar, with both pre- and post-production inventories falling only marginally during November. The decline in input holdings was attributed to the use of materials in the production process and longer lead times.

Input prices increased in November amid reports of unfavourable exchange rates. The rise in overall cost burdens softened, but remained elevated. Concurrently, output charge inflation moderated from October.

Brazilian goods producers expect the approval of public reforms, higher sales, better economic conditions, investment and product diversification to support output growth in the year ahead. Moreover, the overall level of positive sentiment climbed to a seven-month high.

COMMENT

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

"It's reassuring to see Brazil's manufacturing industry holding strong in November. Buoyed by an upturn in new orders from the domestic market, which was better than seen last month, goods producers ramped up output to the greatest extent in almost a year-and-a-half.

"On the one hand, the PMI results show a further welcoming improvement in the productivity of manufacturers. On the other hand, this means that job creation remained marginal, falling short of building on the strong momentum noted in September. The high unemployment rate across Brazil is seen as one Achilles heel of a sustainable economic recovery as consumers have less money to spend in the domestic market.

"One note of caution surrounds the ongoing weakness in exports. International trade fell for the third month in a row, and at the quickest pace in almost three years, with real weakness failing to generate external orders and firms continuing to mention subdued demand from Latin American nations."

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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.

November 2019 data were collected 12-22 November 2019.

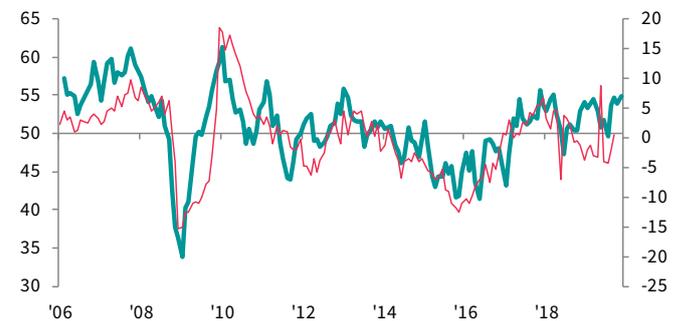
For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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Output Index

sa, >50 = growth since previous month



Source: IHS Markit, IBGE.

About IHS Markit

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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](https://www.ihsmarkit.com/products/pmi.html).