News Release

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IHS Markit Brazil Manufacturing PMI®

PMI hits new heights during August

Key findings

Record increases in output and new orders drive overall growth

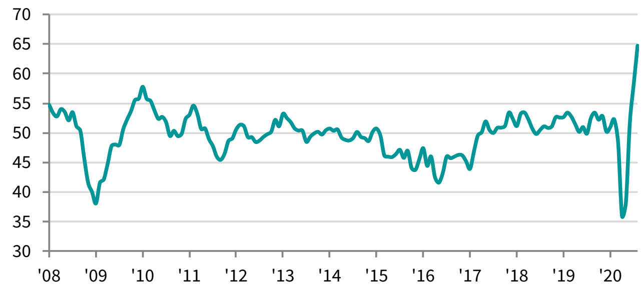
Recoveries in jobs and purchasing sustained

Acute inflationary pressures signalled

Data were collected 12-21 August 2020.

Brazil Manufacturing PMI®

sa, >50 = improvement since previous month



Source: IHS Markit.

Brazil's manufacturing economy retained considerable positive momentum during August, as fresh survey record increases in production, new orders and purchasing were all recorded. Demand and domestic market activity were reported to be strengthening in line with the recovery from the lockdown related to the coronavirus disease 2019 (COVID-19) pandemic. Jobs were again added, and to the greatest degree for ten-and-a-half years.

However, profitability was placed under considerable strain as input prices rose at an unprecedented and considerable pace on the back of unfavourable exchange rate movements and a scarcity of goods at vendors.

After accounting for seasonal factors, the IHS Markit Brazil Manufacturing Purchasing Managers' Index™ (PMI®) strengthened to 64.7 in August, up from 58.2 in July. The latest PMI reading was unprecedented in the survey history and the index has now posted above the 50.0 no-change mark for three months in a row following the lockdown related lows of April and May.

Driving the PMI higher during the latest survey period were record increases in both production and new orders. Companies reported that demand was sustaining the recovery from the lockdown related contractions earlier in the year, with market activity heating up noticeably. However, growth was principally driven by the domestic market: new export orders contracted for a twelfth successive month as foreign demand continued to underwhelm.

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Comment

Commenting on the latest survey results, Paul Smith, Economics Director at IHS Markit, said:

"Brazil's manufacturing sector continued to rapidly close the output gap that opened up when the COVID-19 pandemic took hold. Growth rates in production and new orders hit their highest ever levels and helped to drive an unprecedented rise in purchasing activity. Job hiring subsequently took off, with growth in employment the best in over a decade.

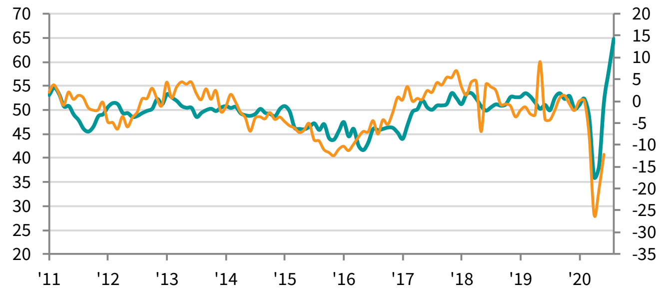
"Whilst optimism about the future remains high and suggests that firms anticipate ongoing gains in the coming months, some concerning developments were signalled by the survey. Indeed, logistical difficulties amongst suppliers led to a noticeable lengthening of lead times and placed a limit on growth during the month. Moreover, the short supply of inputs and unfavourable exchange rate factors drove an eye-wateringly high pace of input cost inflation."

The positive trends in overall new orders and production helped to drive a considerable increase in purchasing activity. Growth was also the sharpest in the survey history and put vendors under noticeable pressure. Average lead times deteriorated at an unprecedented rate, with firms reporting that vendors not only had insufficient stocks to deal with higher demand, but also continued to face noticeable logistical difficulties due to COVID-19.

Stock shortages and rising demand, plus unfavourable exchange rate factors, drove overall operating costs up at a considerable pace over the month. In fact, the latest data indicated that input price inflation was unmatched in the survey's history. Brazilian manufacturers responded by raising their own charges sharply, and at a record pace.

The strong increase in total new orders placed pressure on capacity during August as evidenced by the strongest rise in backlogs of work recorded by the survey for over two years. Employment numbers were subsequently raised, with the rate of growth accelerating noticeably to its highest level for ten-and-a-half years.

Finally, looking at the coming 12 months, confidence about the future remained high as most companies expect a rise in activity from present levels. Firms widely anticipate that sales will maintain their positive trajectory as the recovery from the COVID-19 pandemic continues.



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 12-21 August 2020.

Survey data were first collected February 2006.

About IHS Markit

IHS Markit (NYSE: 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.

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. ihsmarkit.com/products/pmi.html.