

Embargoed until 1000 Sao Paulo (1300 UTC) 1 November 2019

## IHS MARKIT BRAZIL MANUFACTURING PMI®

### Solid expansions in factory orders and output

#### KEY FINDINGS

Production increases for third straight month...

...as new order growth continues

Business optimism remains elevated

The health of the Brazilian manufacturing industry strengthened for the third consecutive month in October, reflecting ongoing growth of new work and production. Companies responded by purchasing additional inputs, but hiring activity was muted. Looking ahead, a strong degree of optimism was sustained.

Despite falling from 53.4 in September to 52.2 in October, the seasonally adjusted IHS Markit Brazil Manufacturing Purchasing Managers' Index™ (PMI®) continued to show an improvement in overall business conditions. Moreover, growth was sustained in the consumer, intermediate and investment goods categories. Consumer goods was the best performing sub-sector.

Improving economic conditions and strengthening demand led to a further expansion in Brazilian factory orders at the start of the fourth quarter. The overall upturn in sales was solid, despite easing to the weakest since July.

While total new work increased, external sales contracted for the second month running. Among those exporters that reported lower international orders, there were mentions of demand weakness in Argentina and Paraguay.

In response to rising new orders, manufacturers scaled up production in October. The upturn was the third in as many months and solid, despite easing from September.

While goods producers increased spending on inputs, employment was broadly stable. Job creation at firms that sought to accommodate for strong sales was offset by cuts at companies that focused on cost-reduction measures. On

Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

the purchasing front, there was a solid expansion that was broadly similar to that recorded in the prior month.

Rising demand for inputs, coupled with material shortages at vendors, caused a solid increase in supplier delivery times. As a result, stocks of purchases fell at the quickest rate in 16 months.

Post-production inventories likewise decreased to the greatest extent since mid-2018 during October. According to panel members, the fall was due to sales growth.

Largely due to real depreciation, against the US dollar, average cost burdens rose further at the start of the fourth quarter. Moreover, the overall rate of inflation was at a five-month high and outpaced its long-run average.

To protect margins, Brazilian goods producers lifted their selling prices again. The rate of charge inflation picked up to the strongest since June and was solid by historical standards.

Upbeat growth projections were sustained in October, with manufacturers expecting new business gains, stable economic conditions and the approval of favourable state policies to underpin production growth in the coming 12 months. The level of positive sentiment remained elevated in the context of historical data, despite falling to a three-month low.

## COMMENT

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

*"Brazil's manufacturing industry continued to perform well in October, despite slowdowns in growth rates for factory orders input buying and output, with ongoing increases in sales and quantities of purchases boding well for the near-term outlook for production. Another factor symptomatic of future expansion was a further drop in inventories, which companies will likely look to address should the upturn in demand continue, and a robust degree of positive sentiment."*

*"On a less upbeat tone, job creation stalled as some firms sought to reduce operating expenses in light of a sharp and accelerated increase in input prices. The latter was again linked to BRL/USD depreciation, compared to earlier in the year, making imported materials costlier."*

*"More bad news came in the form of a further decline in exports. While global trade remains subdued, it was weakness in sales to fellow South American nations that mostly impacted on international orders, according to monitored firms. As long as new business can continue to be generated domestically, goods producers should nevertheless enjoy a merry ending to 2019."*

## CONTACT

### IHS Markit

Pollyanna De Lima  
Principal Economist  
T: +44-1491-461-075  
[pollyanna.delima@ihsmarkit.com](mailto:pollyanna.delima@ihsmarkit.com)

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

October 2019 data were collected 11-24 October 2019.

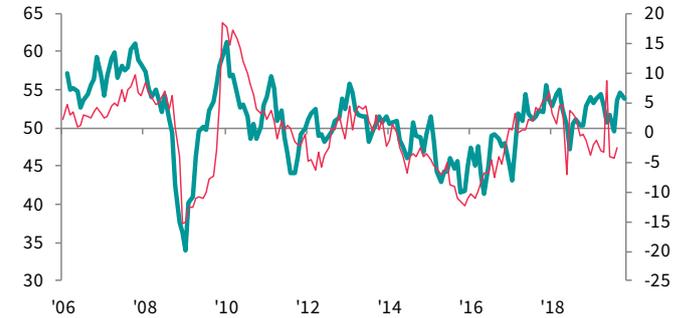
For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

### 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.

### Output Index

sa, >50 = growth since previous month



Source: IHS Markit, IBGE.

### 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.

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](mailto: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](http://ihsmarkit.com/products/pmi.html).