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IHS Markit Brazil Manufacturing PMI®

PMI reaches new record in September

Key findings

Health of manufacturing industry strengthens sharply

Further marked rises in sales and production

Employment growth accelerates

Data were collected 11-23 September 2020.

The recovery of the Brazilian manufacturing industry from the effects of the coronavirus disease 2019 (COVID-19) pandemic continued in September. Survey participants reported near-record expansions in new orders and production, alongside a return to growth of export sales. Companies stepped up hiring and purchasing activity, with optimism towards future output also strengthening. At the same time, both input and output price inflation reached survey peaks.

Rising from 64.7 in August to 64.9 in September, the IHS Markit Brazil Manufacturing Purchasing Managers' Index™ (PMI®) signalled the strongest improvement in the health of the sector since data collection started in February 2006. Quicker expansions in employment and stocks of purchases as well as a sharp increase in average lead times underpinned the upward movement in the headline figure.

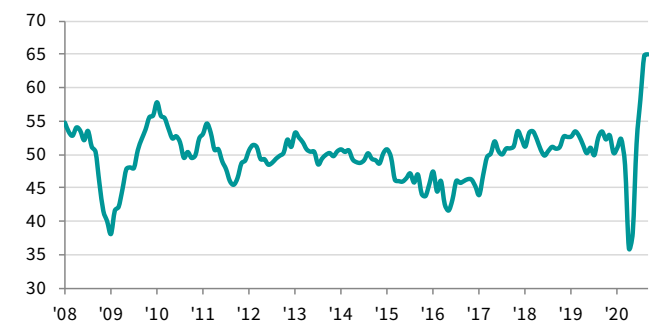
New work intakes rose markedly in September and at a pace that was the second-strongest in the survey history (behind August). Survey participants suggested that ongoing relaxations of COVID-19 restrictions, strengthening demand conditions and large-scale orders supported the upturn in total sales.

New business from abroad increased in September, ending a one-year period of contraction. Moreover, the rate of growth was solid and the quickest in close to four-and-a-half years. In many cases, panel members linked the upturn to real depreciation (against the US dollar).

In response to a rise in sales and softer COVID-19 restrictions,
continued...

Brazil Manufacturing PMI®

sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Commenting on the latest survey results, Pollyanna De Lima, Economics Associate Director at IHS Markit, said:

"Several companies of the Brazilian manufacturing PMI panel suggested that softer COVID-19 restrictions helped them to secure a healthy number of new orders, with a depreciation of the Brazilian real versus the US dollar supporting the first rise in exports in over a year. In response, businesses continued to expand their workforces and lifted production accordingly.

"There were clear signs that operating capacities came under pressure, among manufacturers and in supply chains. For producers, this was evident from a record rise in backlogs of work, while vendors were unable to deliver purchased inputs in a timely manner. Panellists commented on COVID-19 related workforce shortages at suppliers, as well as a lack of available raw materials.

"Difficulties in obtaining critical items needed for production meant that firms had to draw down their inventories of finished goods. Moreover, too many reais chasing too few goods translated into a record increase in input costs."

goods producers lifted output again at the end of the third quarter of 2020. Despite easing from August's survey peak, the pace of expansion was the second-fastest since data collection started in February 2006.

September saw a marked and accelerated increase in Brazilian manufacturing employment. Companies that hired extra workers cited higher sales.

The rise in payroll numbers was insufficient to alleviate capacity pressures, with backlogs increasing at the quickest pace in the history of the survey.

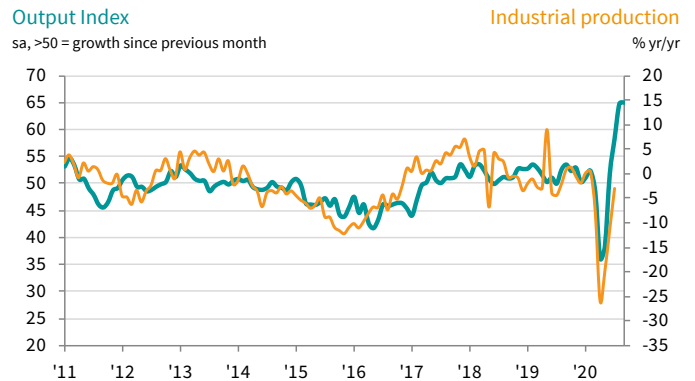
Manufacturers sought to rebuild their pre-production stocks in September by purchasing additional raw materials and semi-finished items. Input buying increased at the second-fastest rate since data collection started.

However, input inventories increased only marginally as material shortages and capacity issues at suppliers caused a further deterioration in vendor performance. Average delivery times lengthened to the greatest extent in the survey history.

Both input prices and output charges increased at survey-record rates in September. The rise in cost burdens was associated with currency weakness, strong input demand and a lack of raw material availability.

Elsewhere, there was a quicker decline in inventories of finished goods during September as demand outpaced production.

Looking ahead, goods producers were upbeat towards growth prospects. Survey participants expect investment, capacity expansion and post-pandemic adjustments to underpin rises in output over the course of the coming 12 months.



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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 11-23 September 2020.

Survey data were first collected February 2006.

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About PMI

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