

IHS Markit Brazil Manufacturing PMI®

COVID-19 resurgence and new restrictions induce renewed drop in production

Key findings

New orders, employment and output back in contraction

Business confidence weakens

Inflationary pressures intensify

Data were collected 12-24 March 2021.

Brazil's manufacturing sector recovery was interrupted in March, as a spike in coronavirus disease 2019 (COVID-19) cases and the introduction of new restrictions caused a reduction in new orders. Subsequently, companies lowered production, trimmed employment and reassessed their forecasts for output over the coming year. The results also highlighted severe supply-chain disruptions, which triggered a steep increase in input costs and delivery delays. To protect their margins, firms lifted their selling prices again.

Owing to a sharp increase in supplier delivery times (normally a reflection of improving demand conditions), the IHS Markit Brazil Manufacturing Purchasing Managers' Index™ (PMI®) remained above the 50.0 no-change mark in March. All of the other four sub-components of the headline figure were in contraction territory. Subsequently, the PMI declined from 58.4 in February to a nine-month low of 52.8.

Amid reports of COVID-19 restrictions and an associated deterioration in demand, factory orders decreased in March. The fall was the first in ten months, though moderate overall. At the same time, new export orders stagnated.

Manufacturing output declined in March, ending a nine-month sequence of expansion. According to panellists, production was pared back in response to the COVID-19 crisis, tougher controls, falling sales and raw material shortages.

Firms remained confident that output will rise over the course of the coming year. However, increased concerns about the surge in COVID-19 cases dampened sentiment.

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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:

"The Brazilian manufacturing sector experienced a setback in March, with new orders and output dipping back into contraction due to a spike in COVID-19 cases and the introduction of new controls aimed at curbing the spread of the disease. Concerns about the pandemic restricted business confidence, with firms at their least upbeat since May 2020.

"Supply-chain constraints remained a key feature of the PMI survey. Average lead times lengthened to one of the greatest extents we've seen amid the shipping crisis and raw material shortages. The latter, in turn, underpinned a steep rise in input costs. The increase was sharper than any recorded prior to October 2020.

"To protect their margins, firms sought to curtail their expenses by shedding jobs and lifting selling prices. Employment declined for the first time since mid-2020, while charges increased at one of the sharpest rates since the survey's inception in early-2006."

The overall degree of optimism was at a ten-month low. Companies sought to lower their expenses by reducing payroll numbers. The fall in employment was modest, but ended an eight-month sequence of expansion.

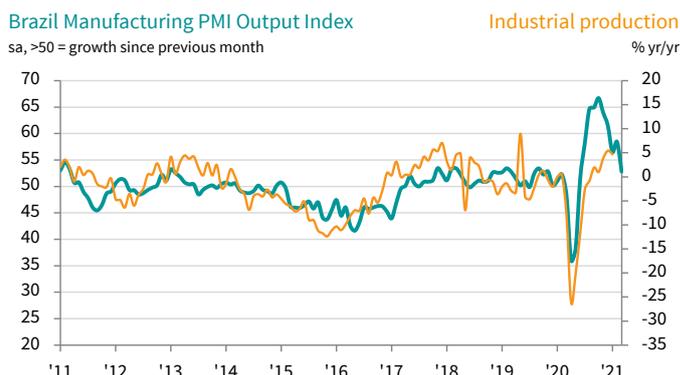
March data highlighted a steep rise in input prices, with the rate of inflation stronger than any seen prior to October 2020. Close to 84% of survey participants signalled higher cost burdens, citing supply-chain disruptions, greater freight fees, raw material scarcity and real depreciation.

Consequently, selling prices were raised further during March. The rate of charge inflation was sharp and stronger than any seen prior to last September.

Although the quantity of purchases increased, the rate of expansion eased noticeably since February. The rise was marginal and the slowest in the current nine-month sequence of growth. Companies that lifted input buying mentioned efforts to safeguard against material shortages. A numbers of firms reportedly refrained from making additional purchases due to elevated prices, subdued sales and the COVID-19 pandemic.

The latest data pointed to growing pressure on supply chains, as average lead times lengthened to one of the greatest extents seen since data collection started in February 2006. Survey participants reported difficulties in international shipping and a lack of raw material availability.

Stocks of both pre- and post-production items decreased in March. The fall in input holdings was linked to delivery delays, the postponement of purchases and raw material scarcity.



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 12-24 March 2021.

Survey data were first collected February 2006.

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