News Release

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S&P Global Brazil Manufacturing PMI®

Manufacturing sector growth dampened by price pressures and input shortages

Key findings

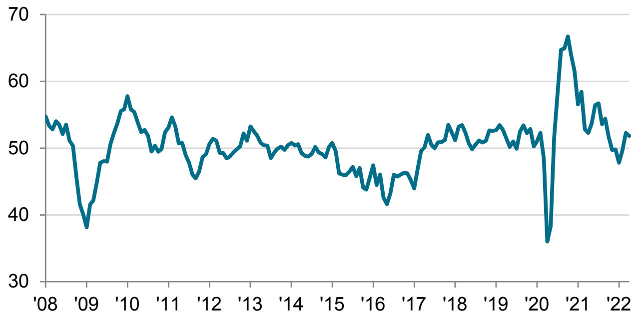
Softer increases in output and sales

Downturn in new export orders deepens

Input costs and output charges rise at slower but sharp rates

Brazil Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 11-22 April 2022.

Brazil's manufacturing industry lost some growth momentum in April, according to the latest PMI® data. With bottlenecks at global logistics firms persisting, the automotive sector still struggling and price pressures restricting sales, firms reported softer increases in factory orders and production alongside a quicker drop in new export business.

Input supply and demand imbalances, Russia's war against Ukraine and energy price volatility all pushed up purchasing costs, with companies again transferring these through to clients. Rates of input price and output charge inflation remained high, despite easing from March.

Down from 52.3 in March to 51.8 in April, the seasonally adjusted S&P Global Brazil Manufacturing Purchasing Managers' Index™ (PMI®) highlighted a softer improvement in the health of the sector. Consumer goods makers recorded stronger growth, with slowdowns evident in the intermediate and capital goods segments.

Manufacturing production rose for the second month running at the start of the second quarter, but the pace of expansion eased from March and was only slight. Survey participants indicated that growth was stymied by automotive sector weakness, acute price pressures and global shortages of raw materials.

In addition to elevated inflation, firms mentioned that future uncertainty among clients restricted sales growth in April. New orders increased for the second consecutive month, albeit at a modest and slower pace.

While total new orders remained in expansion territory, international sales declined further in April. The rate of contraction was moderate, though quicker than that recorded in March. Rising global uncertainty was cited as the key drag on external demand.

Reports of upward pressure on input costs from energy price volatility, raw material scarcity and the Russia-Ukraine war

Comment

Pollyanna De Lima, Economics Associate Director at S&P Global, said:

"It was somewhat expected that manufacturing sector growth would remain subdued in April, as acute price pressures and rising interest rates restrict consumption and investment. There were only slight increases in total factory orders and production, while growing uncertainty led to a faster drop in international sales.

"The main positives from the latest results included another round of job creation and a rebound in business confidence. That said, we'll likely see hiring activity slowing in the coming months if demand remains subdued. Moreover, the uptick in optimism was pinned on hopes of better sales and stable conditions after the presidential elections.

"Another factor that could inhibit future employment growth is inflation, as businesses seek to trim down their operating costs. There were a few mentions this month of firms restricting input purchasing due to squeezed liquidity and rising prices.

"Global shortages of inputs, energy price volatility, supply-chain disruptions and the war in Ukraine all caused a further substantial upturn in input costs. Brazilian manufacturers again transferred these on to clients via another increase in selling prices. Rates of inflation eased from March, but remained historically elevated."

remained widespread. Although softer than in March, the rate of cost inflation was substantial by historical standards.

Firms continued to transfer part of their additional cost burden to clients by hiking selling prices in April. The overall rate of charge inflation remained sharp, despite easing from March.

Inflationary pressures, thin liquidity and subdued demand triggered a renewed contraction in input buying among manufacturers. That said, the overall rate of reduction was only marginal.

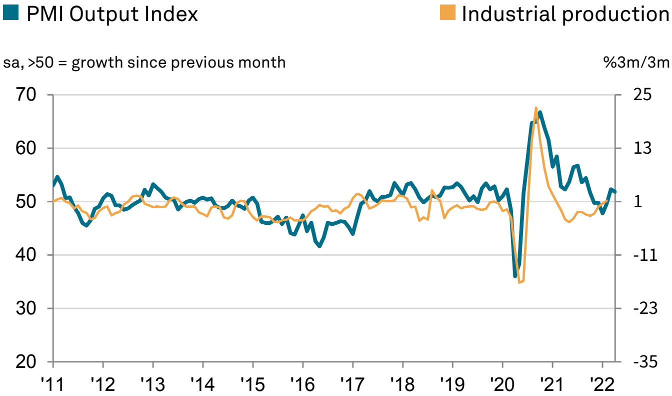
Subsequently, holdings of raw materials and semi-finished items declined in April. Post-production inventories likewise decreased, ending a 12-month sequence of accumulation.

Brazilian manufacturers indicated that pressures on supply chains somewhat subsided in April, with the latest deterioration in vendor performance the least pronounced since the onset of COVID-19. Some firms reported delays receiving items shipped from China and Europe, while others suggested that weak domestic demand for inputs meant that some materials were easier to source.

April data highlighted an improvement in business confidence among goods producers. Expectations of better underlying demand, product diversification, investment plans and stable conditions after the presidential elections boosted optimism regarding the year-ahead outlook for production.

Upbeat growth forecasts supported job creation in April. Employment increased at a slight rate that was nonetheless the quickest since last October.

Finally, outstanding business fell at the joint-slowest pace in the current 11-month sequence of depletion.



Sources: S&P Global, IBGE.

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Survey methodology

The S&P Global Brazil Manufacturing PMI® is compiled by S&P Global 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. Data collection began in February 2006.

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.

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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. ihsmarkit.com/products/pmi.html.