

IHS Markit Brazil Manufacturing PMI®

Manufacturers signal sharp increases in sales and production at the end of 2020

Key findings

Strong rise in new orders underpins output expansion

Employment increases at softer, but marked pace

Input buying growth accelerates

Data were collected 04-16 December 2020.

The recovery of the Brazilian manufacturing economy from the coronavirus disease 2019 (COVID-19) pandemic continued in December, with new orders and output rising for the seventh straight month and firms continuing with their hiring efforts. Some momentum was lost over the month, as highlighted by slower rates of expansion, but growth remained strong.

Efforts to safeguard against input shortages underpinned one of the quickest increases in quantities of purchases in the survey history. However, raw material scarcity caused a steep deterioration in supplier performance, another fall in stocks of purchases and a sharp rise in cost burdens.

The IHS Markit Brazil Manufacturing Purchasing Managers' Index™ (PMI®) was at 61.5 in December, pointing to a further improvement in the health of the sector. The headline figure was down from 64.0 in November, but still consistent with a sharp rate of growth. The elevated reading reflected strong increases in sales, production and employment but also a steep rise in supplier delivery times.

Companies stepped up production as part of attempts to build-up inventories and also to meet rising inflows of new business. The increase in output was sharp, but the slowest since June.

New orders from both domestic and export markets improved. Total sales expanded at a sharp pace that was nonetheless the weakest in five months, while international orders rose at the slowest rate in the current four-month period of growth.

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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:

“Brazilian manufacturers reported another surge of new business in December, with companies lifting output, employment and input buying in a race to rebuild safety stocks and meet current demand needs.

“However, efforts to guarantee certainty of supply were stymied by raw material scarcity, which also acted to delay deliveries and push up costs noticeably. Goods producers responded to higher input costs by lifting their own fees again.

“Looking ahead, companies were optimistic that output levels would increase in 2021, but hopes were pinned on the COVID-19 pandemic coming to an end, the approval of government reforms and an improvement in material availability.”

Still, the upturn in sales continued to have a positive impact on staff hiring. Manufacturing jobs increased for the sixth consecutive month and at a solid pace, but growth softened to the slowest since last July.

Input buying increased further at the end of 2020, taking the current period of growth to six months. Moreover, the pace of expansion was sharp and quicker than any seen prior to the COVID-19 outbreak.

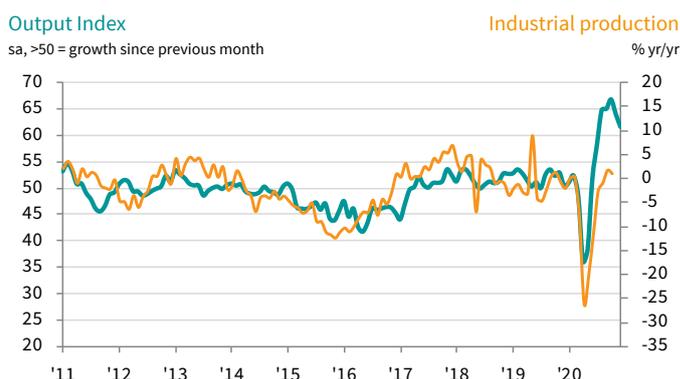
Stocks of purchases declined markedly, with manufacturers reporting ongoing difficulties in obtaining key materials. December indeed saw further pressure on supply chains, highlighted by the third-fastest deterioration in vendor performance in the survey history.

Similarly, stocks of finished goods decreased at the end of 2020 as companies utilised their stocks to meet demand needs.

Business sentiment remained positive in December, with hopes that the COVID-19 pandemic will end and raw material availability improve boosting optimism regarding the year-ahead outlook for production.

Raw material shortages and a weak Brazilian real were reported as factors underlying a further increase in average input costs in December. Goods producers noted that part of the rise in expenses was passed on to clients in the form of higher selling prices. In both cases, rates of inflation softened from November but were among the steepest in the survey history.

Elsewhere, data pointed to ongoing capacity pressures among goods producers, as outstanding business increased sharply.



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 04-16 December 2020.

Survey data were first collected February 2006.

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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