

## IHS Markit Brazil Manufacturing PMI®

### Factory orders and output contract for second straight month in April

#### Key findings

Production and new business fall further, albeit at softer rates

Input buying broadly stagnates

Rate of output charge inflation nears survey peak

Data were collected 12-23 April 2021.

COVID-19 restrictions continued to impact negatively on Brazil's manufacturing sector, with companies lowering production and limiting input purchasing in April due to a further decline in new work intakes. That said, sales and output fell at marginal rates that were slower than those registered in March. Meanwhile, firms limited input purchasing but lifted employment amid upbeat projections towards the business outlook.

Companies experienced a sharp upturn in cost burdens during April, which they attributed to a lack of raw material availability and real depreciation. Selling prices likewise increased, with the rate of inflation the third-fastest since data collection started in February 2006.

Largely reflective of another sharp deterioration in supplier performance (normally a reflection of improving demand conditions), but also due to renewed growth of stocks of purchases and employment, the IHS Markit Brazil Manufacturing Purchasing Managers' Index™ (PMI®) remained above the 50.0 no-change threshold. The PMI was at 52.3 in April, down slightly from 52.8 in March.

Manufacturers reported a second successive decline in new business at the start of the second quarter, but the rate of contraction softened from March and was only slight. Anecdotal evidence suggested that COVID-19 restrictions and business closures hampered demand for their goods.

At the same time, international demand for Brazilian goods strengthened. New export orders increased for the third month running, albeit marginally.

*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:

*"Although the PMI results for April showed further contractions in factory orders and production across Brazil, rates of reduction at least softened from March. Also, companies hired extra staff and were more upbeat towards the outlook."*

*"The COVID-19 pandemic was again the main cause of the downturn, with restrictions dampening demand. Survey participants see a light at the end of the tunnel, with many expecting that greater vaccine availability will help curb the spread of the disease and support the lifting of restrictions. Business sentiment improved in April, with optimism supporting renewed job creation."*

*"Inflation continued to surge, with goods producers lifting their charges at the third-steepest rate in the survey's more than 15 years of history. Firms commonly blamed ongoing rises in input costs for the upturn in selling prices as suppliers further increased their fees due to raw material shortages globally."*

With total new orders falling further, companies scaled down production during April. The fall in output was marginal, however, and eased from March.

Amid reports of rising raw material prices and subdued demand conditions, goods producers refrained from increasing input purchases in April. Buying activity was broadly stagnant, after expanding for nine consecutive months.

Encouragingly, manufacturing sector employment increased at the start of the second quarter as some firms sought to replace staff laid off because of the pandemic and others foresee better economic conditions in the medium-term. The rise in jobs offset the fall noted in March, but was modest overall.

Material shortages coupled with real weakness (against the US dollar) pushed up input prices during April. Despite easing from March, the rate of inflation was sharper than any seen prior to September 2020.

As a result, companies lifted their own selling prices in April. The rate of charge inflation was the third-highest since data collection started over 15 years ago.

Brazilian manufacturers continued to indicate that raw material shortages underpinned longer delivery times in April. Although the least marked since mid-2020, the rate of deterioration in vendor performance was sharp and unprecedented prior to the COVID-19 pandemic.

Businesses expect capacity expansions, investments, new partnerships, advertising and greater COVID-19 vaccine availability to support output growth in the year ahead. The overall level of positive sentiment increased from March and was above its long-run average.

## Brazil Manufacturing PMI Output Index

sa, >50 = growth since previous month

## Industrial production

% yr/yr



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](mailto:economics@ihsmarkit.com).

## Survey dates and history

Data were collected 12-23 April 2021.

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