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## IHS MARKIT BRAZIL MANUFACTURING PMI®

### Manufacturing output falls at fastest rate since June 2018

#### KEY FINDINGS

Production volumes drop for first time in eight months

Steepest decline in new orders for just over three years

Input cost inflation accelerates sharply in March

March data indicated a return to falling production levels across the Brazilian manufacturing sector as public health measures to halt the spread of the coronavirus disease 2019 (COVID-19) led to lower demand from both domestic and overseas markets. Incoming new work decreased at the fastest pace since January 2017 as partial factory shutdowns and sharply falling demand led to the cancellation of customer orders.

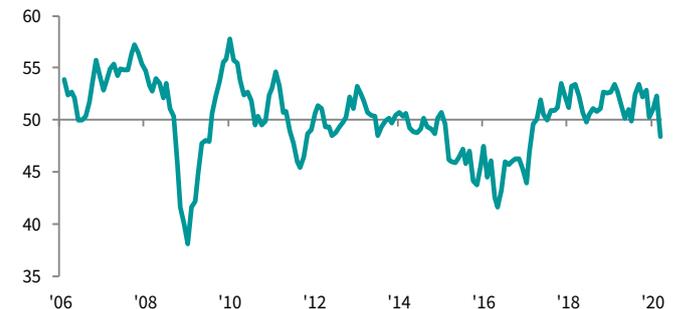
Manufacturers also experienced strong cost pressures, with survey respondents noting that exchange rate depreciation against the US dollar had swiftly translated into higher prices for manufacturing components.

The headline seasonally adjusted IHS Markit Brazil Manufacturing Purchasing Managers' Index™ (PMI®) dropped from 52.3 in February to 48.4 in March, to register below the 50.0 no-change threshold for the first time in eight months. The latest PMI data was collected between 12-24 March 2020 and signalled the sharpest downturn in manufacturing sector performance since February 2017.

Lower levels of output, new orders and employment were the main factors weighing on the headline index in March. Manufacturing companies widely noted that production volumes had been cut back amid lower customer demand and, in some cases, in response to public health measures to

Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

halt the spread of coronavirus.

Latest data indicated that export sales fell at an accelerated pace during March, which was overwhelmingly attributed to factory shutdowns abroad and delayed projects in response to the COVID-19 pandemic.

Severe disruptions to international supply chains meanwhile resulted in a rise in backlogs of work across the manufacturing sector for the first time since the truck drivers' protests in June 2018. The latest lengthening of delivery times from suppliers was also the greatest recorded for nearly two years.

Employment numbers across the Brazilian manufacturing sector decreased at a solid rate in March, with the degree of job shedding the largest seen for just over three years. Survey respondents noted that shrinking customer demand, worries about the business outlook and intense cost pressures had all contributed to cuts in their staffing levels.

Average cost burdens increased sharply in March amid reports that US dollar strength had pushed up input prices. The overall rate of input cost inflation was the quickest since October 2018. As a result, factory gate charges also rose again in March, with the rate of inflation the highest for 18 months.

## COMMENT

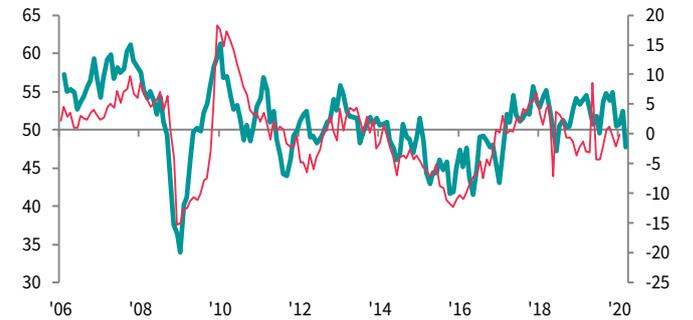
Commenting on the PMI data, Tim Moore, Director at IHS Markit said:

*"March survey data highlights the sharpest drop in Brazilian manufacturing production for almost two years as demand slumped amid emergency measures at home and abroad to halt the spread of COVID-19. The public health crisis has delayed projects, reduced customer spending and led to difficulties fulfilling export orders across the world. As a result, manufacturers reported the fastest decline in total new work since the first quarter of 2017, alongside one of the worst months for supply chain delays since the survey began in 2006.*

*"An added difficulty faced by manufacturers in Brazil was a surge in cost inflation, linked to the strengthening US dollar during March. Intense pressure on margins was a contributing factor to lower employment numbers across the manufacturing sector in March, with the rate of job shedding the fastest for just over three years."*

## Output Index

sa, >50 = growth since previous month



Source: IHS Markit, IBGE.

## CONTACT

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### 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.

March 2020 data were collected 12-24 March 2020.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto: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.

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