

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
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IHS Markit Brazil Manufacturing PMI[®]

Manufacturing output growth at three-month low in July

Key findings:

- Weaker upturn in factory output mirrors trend for order books
- Buying levels and employment fall further
- Manufacturers offer discounts to boost sales

Data collected July 12-24



Source: IHS Markit.

The Brazilian manufacturing sector saw a slowdown in growth of both output and new business during July. The latter occurred despite a reduction in selling prices, the first since September 2014. These factors combined with ongoing declines in buying levels and employment highlighted challenging economic conditions in the country.

The seasonally adjusted **IHS Markit Brazil Manufacturing Purchasing Managers' Index™ (PMI[®])** slipped from 50.5 in June to a four-month low of 50.0 in July, a level indicative of no change in the health of the sector.

The New Orders Index – the largest sub-component of the PMI – signalled the joint-slowest upturn in incoming new work in the current five-month sequence of increase. Where expansion was reported, firms mentioned improved demand

domestically and externally. Indeed new export orders rose in July, with growth picking up to the fastest since April 2016.

Although rising for the fifth month in succession in July, output grew only slightly and at the slowest pace since April. Softer increases in production were seen in the consumer and intermediate goods categories, while capital goods output rebounded from June's downturn.

Part of the upturn in sales was fulfilled through the depletion of manufacturers' existing stocks. Inventories of finished goods have declined in each month since January 2015, with July's contraction marked and similar to June.

Stocks of purchases also decreased in July, but the pace of reduction softened since the preceding survey period. The downturn in holdings of raw materials and semi-finished items reflected another drop in purchasing activity. Buying levels fell for the second straight month, though only slightly. In spite of this, suppliers' delivery times continued to increase.

Staffing levels continued to decline, with job losses widespread across the consumer, intermediate and investment goods categories. That said, the overall rate of reduction was moderate and slower than in June. Concurrently, backlogs of work decreased at a slower pace.

Average input costs increased further amid reports of a weaker currency driving prices for imported items higher. Nonetheless, the rate of inflation was at a two-year low.

Prices charged by Brazilian manufacturers for their finished goods decreased in July for the first time in almost three years. Anecdotal evidence suggested that competitive pressures and efforts to stimulate demand encouraged them to offer discounts.

Manufacturers expressed optimism regarding growth prospects, with expectations of better economic conditions, new product lines and projects in the pipeline underpinning confidence.

The level of sentiment was robust in the context of historical survey data, but fell since June.

Comment:

Commenting on the Brazilian Manufacturing PMI[®] survey data, **Pollyanna De Lima**, Principal Economist at IHS Markit and author of the report, said:

“The key message from the latest set of PMI data is that manufacturers in Brazil are still facing some headwinds. On the one hand, the ongoing upturn in new projects and output are welcome news, especially after a prolonged period of downturn that lasted from early-2015 until February this year. Growth rates have, however, eased for the second straight month causing further contractions in manufacturers’ spending. Fewer quantities of inputs were bought during July, and jobs were shed again.

“Part of the upturn in new work was underpinned by a reduction in selling prices, which in turn was supported by softer cost inflationary pressures. One area of strength was the performance of Brazilian companies in international markets, with July data showing the strongest upturn in foreign demand since April 2016 as goods producers benefited from a weaker currency.”

-Ends-

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Notes to Editors:

The Brazil Manufacturing *PMI*® (*Purchasing Managers' Index*™) is produced by IHS Markit. The report features original survey data collected from a representative panel of around 400 companies based in the Brazilian manufacturing sector. The panel is stratified by GDP and company workforce size.

Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact economics@ihsmarkit.com.

The Manufacturing *Purchasing Managers' Index*™ (*PMI*®) is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times Index inverted so that it moves in a comparable direction.

The *Purchasing Managers' Index*™ (*PMI*®) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries (including the European Central Bank) use the data to help make interest rate decisions. *PMI* surveys are the first indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

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Purchasing Managers' Index™ (*PMI*®) surveys are now available for over 30 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. To learn more go to: www.markit.com/product/pmi.

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