

**Purchasing Managers' Index™**  
**MARKET SENSITIVE INFORMATION**  
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## IHS Markit Brazil Manufacturing PMI<sup>®</sup>

### Manufacturing sector continues to grow strongly at the end of 2017

#### Key findings:

- Business conditions improve amid increases in output and order books
- Hiring growth gathers momentum
- Business confidence joint-highest on record

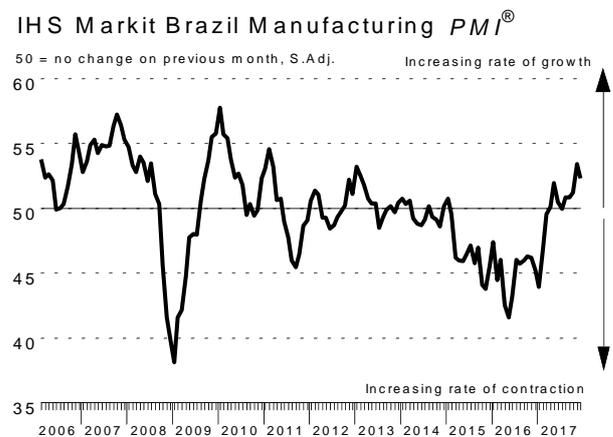
Data collected December 5-14

Brazil's manufacturing economy improved further in December, with a sustained upturn in new work supporting growth of output and input buying. Rates of expansion eased from the recent highs seen in November, but were nonetheless robust in the context of historical survey data. Moreover, companies took on additional staff to the greatest extent in nearly five years as they grew more confident about the outlook. Meanwhile, the rate of input cost inflation moderated, as did that for selling prices.

Despite falling from November's 81-month peak of 53.5 to 52.4 in December, the seasonally adjusted **IHS Markit Brazil Manufacturing Purchasing Managers' Index™ (PMI<sup>®</sup>)** indicated that the health of the sector improved strongly at the end of 2017. For the final quarter as a whole, the PMI averaged 52.3, its highest mark since Q1 2013.

Both new business inflows and production expanded for the tenth month in a row. Although rates of growth softened from the highs seen in November, they remained marked by historical standards. Survey participants commented that the upturns were supported by sustained increases in domestic and external demand as well as product diversification. New business from abroad indeed rose, but to a lesser extent than that for total new orders.

The improvement in demand, combined with machinery breakdowns and shortages of resources, led to another decline in stocks of finished goods. The fall was the most pronounced since February.



Inventories of raw materials and semi-finished products also decreased to the greatest extent in ten months, despite another expansion in quantities of purchases.

Higher sales and projections of business growth encouraged some manufacturers to step up hiring. The pace of job creation was modest, but the strongest in nearly five years. Concurrently, the degree of optimism towards the 12-month outlook for output climbed to the joint-highest on record. Forecasts of better economic conditions, greater investments, lower borrowing costs and export opportunities were the main factors boosting sentiment in December.

Firms reportedly paid more for inputs (on average), with commodities, fuel and energy up in price at the end of 2017. Despite easing from November's 17-month high, the rate of cost inflation remained sharp. Output prices were raised as a consequence, although also to a lesser extent than in November.

Goods producers signalled a further decline in outstanding business, as there remained spare capacity despite ongoing increases in sales. Finally, suppliers' delivery times lengthened on the back of buying activity growth, bottlenecks and a lack of available raw materials at some distributors.

## Comment:

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

*“A narrative can be drawn from the robust upswing in employment seen at the end of the year. The survey revealed the strongest rate of jobs growth in nearly five years as factories expanded capacity in tandem with higher sales, greater output needs and positive expectations for the coming months.*”

*“All components of the picture remained bright as Brazilian producers received order intakes from domestic and external sources, while purchasing activity continued to grow in line with ongoing efforts by firms to rebuild their stocks. What’s more, production as well as new work expanded across the consumer, intermediate and investment goods categories.*”

*“December rounded off a vigorous quarter for manufacturers, with the average PMI reading being the highest since Q1 2013. This suggests that the sector is likely to have provided a stronger contribution to GDP in the final quarter of 2017 than seen recently.”*

## For further information, please contact:

### IHS Markit

Pollyanna De Lima, Principal Economist  
Telephone +44-1491-461-075  
Email [pollyanna.delima@ihsmarkit.com](mailto:pollyanna.delima@ihsmarkit.com)

Joanna Vickers, Corporate Communications  
Telephone +44207-260-2234  
Email [joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com)

### Notes to Editors:

The Brazil Manufacturing *PMI*<sup>®</sup> (*Purchasing Managers' Index*<sup>™</sup>) 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](mailto:economics@ihsmarkit.com).

The Manufacturing *Purchasing Managers' Index*<sup>™</sup> (*PMI*<sup>®</sup>) 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*<sup>™</sup> (*PMI*<sup>®</sup>) 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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### About PMI

*Purchasing Managers' Index*<sup>™</sup> (*PMI*<sup>®</sup>) 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. To learn more go to: [www.markit.com/product/pmi](http://www.markit.com/product/pmi).

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