

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

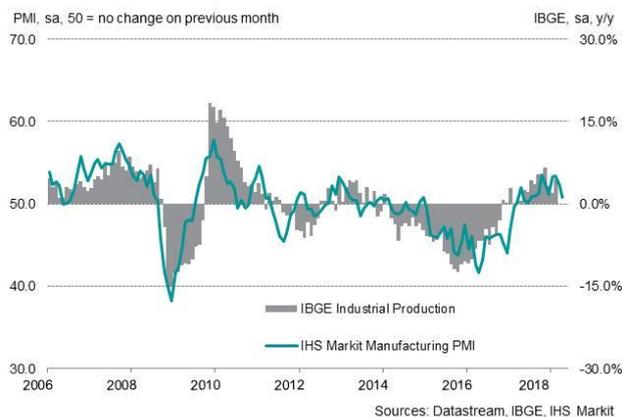
Manufacturing sector growth cools further in May

Key findings:

- Output and order books rise at weakest rates in 15 months
- Input buying postponed due to price hikes
- Inflationary pressures gather strength

Data collected May 11-23

Brazil Industrial Production vs Manufacturing PMI



Although the health of Brazil's manufacturing sector continued to improve midway through the second quarter, PMI data highlighted widespread signs of a slowdown. Reflective of subdued demand conditions as well as political instability, factory orders and production increased at the weakest rates in their respective 15-month sequences of uninterrupted growth. Currency depreciation alongside a commodity rally drove cost inflation to the second-highest in nearly two years, prompting some companies to defer input purchasing. Job creation also softened, while businesses became less optimistic towards the year-ahead outlook for activity.

The seasonally adjusted IHS Markit Brazil Manufacturing Purchasing Managers' Index™ (PMI[®]) dipped from 52.3 in April to a ten-month low of 50.7 in May. The headline figure was indicative of only a marginal improvement in business conditions.

Broken down by sector, intermediate goods was the brightest spot in May, with investment goods the worst-performing category.

New order growth eased to the weakest in the current 15-month period of expansion, amid reports of lingering political issues and subdued demand conditions. At the same time, export sales declined after having increased in each of the previous two months.

Weaker-than-expected sales resulted in unsold goods being placed into inventories, with stocks of finished goods rising for the second month in a row.

Production growth was partly achieved through the completion of outstanding business, but the upturn in output was the weakest over the current 15-month sequence of expansion.

Although quantities of purchases continued to rise, the upturn eased considerably in May. In some instances, panel members suggested that growth was hampered by elevated prices for inputs. Indeed, the rate of cost inflation reached its second-highest mark since mid-2016. Anecdotal evidence highlighted increased prices for fuel, gas, metals and oil.

Ongoing cost rises prompted manufacturers to hike their own selling prices. May saw the rate of charge inflation climb to a 27-month peak and register well above its long-run average.

Whereas manufacturing jobs increased midway through the second quarter, the upturn was marginal and the weakest since the start of the year as a number of firms sought to streamline costs.

As a result of softer input purchasing and delivery delays, inventories of raw materials and semi-finished items decreased further.

Manufacturers expect output to be higher in 12 months' time, but the level of positive sentiment fell in May. Weighing on confidence were concerns about weak underlying demand and challenging market conditions.

Continues...

Comment:

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

“Brazil’s manufacturing sector took a further step back in May, with PMI survey data showing a broad-based slowdown in growth. A combination of currency depreciation, lingering political instability and surging commodity prices placed the economy on a tightrope.

“Goods producers signalled the weakest increases in new work and output for 15 months, while dearer costs hampered growth of input buying and employment.

“Worryingly, truckers’ protests against fuel prices are expected to prevent any immediate rebound in growth and we may actually see the manufacturing sector dip back into contraction in June.”

-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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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. To learn more go to: <https://ihsmarkit.com/products/pmi.html>.

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